NEWS RELEASE

AUGUST 11, 2021 **SYMBOL: PEY – TSX**

PEYTO REPORTS SECOND QUARTER 2021 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the second quarter of the 2021 fiscal year. A 59% Operating Margin (1) and a 9% Profit Margin (2) in the quarter delivered a 6% Return on Capital and a 6% Return on Equity, on a trailing twelve-month basis. Highlights for the quarter included:

- **Funds from operations per share up 149%.** Generated $82 million in Funds from Operations ("FFO") in Q2 2021 ($0.50/share), up from $33 million in Q2 2020 ($0.20/share) due to higher commodity price realizations combined with higher production, despite a $22 million realized hedging loss in the quarter. FFO in the quarter exceeded capital expenditures by $25 million. This represents a free cashflow ratio of over 30% of FFO while dividends of $1.7 million in the quarter represent a payout ratio of 2%.

- **Production per share up 13%.** Second quarter 2021 production of 88,738 boe/d, comprised of 459 MMcf/d of natural gas, 7,253 bbl/d of Condensate and Pentanes, and 5,036 bbl/d of Butane and Propane, was up 14% from 78,097 boe/d in Q2 2020. Total liquid yields of 26.8 bbl/MMcf, or 14% of total production, was down from 27.7 bbl/MMcf in Q2 2020 due to an increased focus on leaner gas production.

- **Total cash costs of $1.21/Mcfe (or $0.95/Mcfe ($5.69/boe) excluding royalties).** Industry leading low total cash costs included $0.26/Mcfe royalties, $0.35/Mcfe operating costs, $0.22/Mcfe transportation, $0.05/Mcfe G&A and $0.33/Mcfe interest, which combined with a realized price of $2.92/Mcfe to result in a $1.71/Mcfe ($10.23/boe) cash netback, up 120% from $0.77/Mcfe ($4.65/boe) in Q2 2020. Operating costs per unit for Q2 2021 were similar to the $0.36/Mcfe in Q1 2021 and Q2 2020 despite significantly increased power prices and government fees, taxes and levies. Interest charges were down from $0.38/Mcfe in Q1 2021 due to lower interest rates and reduced debt levels.

- **Capital investment of $57 million in organic activity**. A total of 15 gross (13.4 net working interest) wells were drilled in the second quarter, 14 gross (13.3 net) wells were completed, and 14 gross (13.3 net) wells were brought on production. Over the last 12 months new production additions, inclusive of acquisitions, accounted for approximately 30,000 boe/d at the end of the quarter, which, when combined with a trailing twelve-month capital investment of $296 million, equates to an annualized capital efficiency of $9,900/boe/d. Peyto anticipates full year 2021 capital efficiency will be less than $9,000/boe/d.

- **Earnings of $0.08/share, Dividends of $0.01/share.** Earnings of $12.8 million were generated in the quarter while dividends of $1.7 million were paid to shareholders.

Second Quarter 2021 in Review

Peyto was active with four drilling rigs in Q2 2021 until the end of April when spring breakup required the shutdown of two of the rigs. The two remaining rigs continued drilling from pre-constructed pad sites right through to the end of the quarter. Startup of the two remaining rigs was delayed until late June due to upgrades to rig equipment to make them more efficient, which delayed some expected activity in the quarter. Completion activity was possible during approximately half the days in the quarter which resulted in production for the quarter averaging the same as Q1 2021, despite an extremely hot week in June that significantly affected compressor efficiency across Peyto's facilities. AECO natural gas prices rose 59% throughout the quarter from $2.57/GJ at the start of April to $4.19/GJ by the end June, reflecting increased power demand due to the hot weather. Peyto's unhedged realized natural gas price for the quarter was up 57% from Q2 2020, before hedging and market diversification costs, while its unhedged realized oil and NGL price was up 189%. Combined, Peyto's realized revenue after hedging losses and market diversification costs was up 69% from $1.73/Mcfe in Q2 2020 to $2.92/Mcfe in Q2 2021 driving the 149% increase in FFO per share. Cash costs before royalties were held constant from the prior year period other than a $0.05/Mcfe increase in transportation tolls, resulting in a 120% improvement in cash netback. Finally, Peyto was pleased to release its inaugural ESG report in the quarter, highlighting its industry leading environmental, social and governance performance. This report, which is more comprehensive than the previous Sustainability report, can be found on Peyto's website at www.peyto.com.

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.

	Three Months Ended June 30		%	Six Months Ended June 30		%
	2021	2020	Change	**2021**	2020	Change
Operations						
Production						
Natural gas (mcf/d)	**458,696**	401,825	*14%*	**457,153**	401,699	*14%*
Oil & NGLs (bbl/d)	**12,289**	11,126	*10%*	**12,214**	11,356	*8%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**532,430**	468,583	*14%*	**530,435**	469,833	*13%*
Barrels of oil equivalent (boe/d @ 6:1)	**88,738**	78,097	*14%*	**88,406**	78,306	*13%*
Production per million common shares (boe/d)*	**537**	474	*13%*	**535**	475	*13%*
Product prices						
Natural gas ($/mcf)	**2.06**	1.44	*431%*	**2.55**	1.54	*66%*
Oil & NGLs ($/bbl)	**48.77**	21.07	*131%*	**47.22**	29.06	*62%*
Operating expenses ($/mcfe)	**0.35**	0.36	*-3%*	**0.35**	0.38	*-8%*
Transportation ($/mcfe)	**0.22**	0.17	*29%*	**0.20**	0.18	*11%*
Field netback ($/mcfe)	**2.09**	1.14	*83%*	**2.48**	1.37	*81%*
General & administrative expenses ($/mcfe)	**0.05**	0.04	*25%*	**0.05**	0.04	*25%*
Interest expense ($/mcfe)	**0.33**	0.33	-	**0.35**	0.31	*13%*
Financial ($000, except per share*)						
Revenue and realized hedging gains (losses) [1]	**140,457**	73,883	*90%*	**315,784**	171,605	*84%*
Royalties	**12,730**	2,705	*371%*	**26,799**	7,641	*251%*
Funds from operations	**82,191**	33,012	*149%*	**198,901**	87,525	*127%*
Funds from operations per share	**0.50**	0.20	*149%*	**1.20**	0.53	*126%*
Total dividends	**1,658**	1,649	*1%*	**3,309**	11,541	*-71%*
Total dividends per share	**0.01**	0.01	-	**0.02**	0.07	*-71%*
Payout ratio	**2**	5	*-60%*	**2**	13	*-85%*
Earnings (loss)	**12,760**	(22,538)	*100%*	**51,260**	(90,221)	*157%*
Earnings (loss) per diluted share	**0.08**	(0.14)	*100%*	**0.31**	(0.55)	*156%*
Capital expenditures	**57,086**	37,299	*53%*	**165,937**	105,886	*57%*
Weighted average common shares outstanding	**165,343,937**	164,874,175	-	**165,207,341**	164,874,175	-
As of June 30						
Net debt				**1,147,563**	1,172,590	*-2%*
Shareholders' equity				**1,634,299**	1,616,230	*1%*
Total assets				**3,662,499**	3,481,028	*5%*
[1]excludes revenue from sale of third party volumes						

	Three Months Ended June 30		Six Months Ended June 30	
($000 except per share)	**2021**	2020	**2021**	2020
Cash flows from operating activities	**85,914**	36,254	**205,666**	102,095
Change in non-cash working capital	**(3,723)**	(3,242)	**(6,765)**	(14,570)
Funds from operations	**82,191**	33,012	**198,901**	87,525
Funds from operations per share	**0.50**	0.20	**1.20**	0.53

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

Exploration & Development

Second 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			1				2	3
Notikewin		2	1				1	4
Falher			1					1
Wilrich		5		1			1	7
Bluesky								
Total		7	3	1			4	15

Drilling costs per meter and completion costs per stage continued to fall as Peyto drilled another 5 Extended Reach Horizontal ("ERH") wells in the quarter. The 5 wells averaged over 5,600 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, while the lower per meter costs help offset any service cost inflation.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Q1	2021 Q2
Gross Hz Spuds	86	99	123	140	126	135	70	61	64	**27**	**15**
Measured Depth (m)	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,247	**4,413**	**4,796**
Drilling ($MM/well)	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	**$1.65**	**$1.86**
$ per meter	$694	$651	$626	$501	$433	$450	$425	$420	$396	**$374**	**$387**
Completion ($MM/well)	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	**$0.96**	**$0.93**
Hz Length (m)	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,682	**1,573**	**1,646**
$ per Hz Length (m)	$1,231	$1,153	$1,166	$792	$587	$803	$835	$679	$560	**$608**	**$562**
$ '000 per Stage	$257	$188	$168	$115	$79	$81	$51	$38	$36	**$33**	**$29**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the second quarter of 2021, Peyto invested $28 million on drilling, $15 million on completions, $4 million on wellsite equipment and tie-ins, $8 million on facilities and major pipeline projects, and $2 million acquiring new lands and seismic, for a total organic capital investment of $57 million. In addition, Peyto purchased 80 ultra low emissions wellsite packages and 30 km of new pipe which added $5.4 million to capital inventory. This equipment, which will serve new drilling until the summer of 2022, was ordered early to avoid cost inflation.

As stated above, Peyto invested $8 million in facilities and major pipeline projects to continue to build out its midstream assets. This included condensate stabilization at its Brazeau gas plant, pipeline expansion work in Brazeau, Cecilia and Wildhay areas, and additional Methane emissions reduction projects at individual wellsites across the Greater Sundance area.

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 Q2 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 Q2 2021, Peyto sold 52% of its natural gas at Henry Hub, 28% at AECO, 8% at Emerson, 8% at Malin, and the remaining 4% at Ventura. Approximately 50% of AECO sales were at Daily prices while 50% were at Monthly prices. Net of diversification activities of CND$1.29/Mcf (US$1.01/MMBTU), Peyto realized a natural gas price of $2.39/Mcf before commodity risk management reduced this price by $0.33/Mcf, to $2.06/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 like Butane and Propane 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 Q2 2021 for an average price of $76.92/bbl, which is up 177% from $27.73/bbl in Q2 2020, and as compared to Canadian WTI oil price that averaged $81.10/bbl. The $4.18/bbl differential from light oil price was down from $10.69/bbl in the previous year due to reduced condensate differentials from stronger post-COVID demand. Butane and propane volumes were sold in combination at an average price of $25.76/bbl, or 32% of light oil price, up 121% from the $11.65/bbl in Q2 2020, again due to post-COVID demand increase.

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 June 30	
	2021	2020
AECO 7A monthly ($/GJ)	**2.70**	1.81
AECO 5A daily ($/GJ)	**2.93**	1.89
NYMEX (US$/MMBTU)	**2.88**	1.65
Emerson2 (US$/MMBTU)	**2.70**	1.60
Malin (US$/MMbtu)	**2.75**	1.52
Ventura daily (US$/MMbtu)	**2.73**	1.58
Canadian WTI ($/bbl)	**81.10**	38.42
Conway C3 (US$/bbl)	**35.01**	17.25
CND/USD Exchange rate	**1.228**	1.386

Peyto Realized Commodity Price by Market (net of diversification)

	Three Months ended March 31	
	2021	**2020**
AECO monthly (CND$/GJ)	**2.70**	**1.82**
AECO daily (CND$/GJ)	**2.88**	**1.89**
NYMEX (US$/MMBTU)	**1.47**	**0.68**
Emerson2 (US$/MMBTU)	**2.15**	**0.91**
Malin (US$/MMBTU)	**2.11**	**-**
Ventura (US$/MMBTU)	**1.59**	**0.51**
Peyto Realized Commodity Prices		
Natural gas (CND$/mcf)	**3.68**	**2.35**
Gas marketing diversification activities (CND$/mcf)	**(1.29)**	**(0.94)**
Gas hedging (CND$/mcf)	**(0.33)**	**0.03**
Oil, condensate and C5+ ($/bbl)	**76.92**	**27.73**
Butane and propane ($/bbl)	**25.76**	**11.65**

Liquid hedging ($/bbl)	**(7.18)**	**1.73**

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 Q2 2021 was $3.68/Mcf, prior to $1.29/Mcf of market diversification activities and a $0.33/Mcf hedging loss, while its realized liquids price was $55.95/bbl, before a $7.18/bbl hedging loss, which yielded a combined revenue stream of $2.92/Mcfe. This net sales price was 69% higher than the $1.73/Mcfe realized in Q2 2020. Cash costs of $1.21/Mcfe were higher than the $0.96/Mcfe in Q2 2020 principally due to increased royalties. Cash costs are forecast to return to traditional levels, with lower interest expenses as Peyto reduces indebtedness, and lower per unit transportation and operating costs as production volumes rise. When the total cash costs of $1.21/Mcfe were deducted from realized revenues of $2.92/Mcfe, it resulted in a cash netback of $1.71/Mcfe or a 59% 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**	**Q2**
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**	**2.92**
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**	**0.26**
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**	**0.35**
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**	**0.22**
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**	**0.05**
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**	**0.33**
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**	**1.21**
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**	**1.71**
Operating Margin	74%	72%	71%	69%	68%	66%	64%	65%	55%	45%	53%	61%	**67%**	**59%**

Depletion, depreciation, and amortization charges of $1.28/Mcfe, along with a provision for deferred tax and stock-based compensation payments resulted in earnings of $0.26/Mcfe, or a 9% profit margin. Dividends to shareholders totaled $0.03/Mcfe.

Activity Update

Since the end of the quarter, the Company has drilled 10 gross (9.6 net) wells, completed 11gross (9.8 net) wells, and brought onstream 9 gross (7.8 net) new wells. Six gross (6 net) wells are drilled and awaiting completion. To catch up from second quarter 2021 drilling delays, Peyto contracted a 5th drilling rig which began operations at the start of August. Development results from this rig are also expected to contribute additional gas production to take advantage of strong winter natural gas prices. Drilling will continue to focus on the many Deep Basin horizons across Peyto's greater Sundance area, including its Cecilia acquisition, and in its Brazeau area. The Company is still targeting year end exit production of 100,000 boe/d.

Recent success on the acquired Cecilia lands has grown production from 2,900 boe/d to over 7,000 boe/d. Pipeline interconnections are allowing area production to be diverted to the Cecilia gas plant, Wildhay gas plant or Oldman gas plants where over 100 MMcf/d of available capacity exists. These interconnections will provide processing flexibility for unexpected outages and during facility turnarounds.

Additional success in Peyto's south Brazeau area, called Chambers, has prompted the Company to design a new, sweet, gas processing plant for this area. Currently, production travels 36 km north through various pipelines before being processed at the Peyto Brazeau gas plant which is less hydraulically and environmentally efficient. This new Chambers gas plant is designed for 50 MMcf/d of gas processing and 2,000 bbls/d of condensate stabilization, with expansion capability to 100 MMcf/d and 4,000 bbls/d. Most of the equipment for the new plant will be sourced from existing surplus inventory with some minor equipment being repurposed from existing gas plants. The location of the new gas plant will be directly adjacent to NGTL's mainline pipeline system. Peyto envisions this new, state of the art facility will include the latest low emissions technology, employing compressor vent gas capture and BTEX vapour recovery units, waste heat recovery, and zero emissions controllers and instrumentation. The existing gathering system will interconnect both the Brazeau and Chambers gas plants providing additional flexibility.

Construction of the new plant will begin in the fall of 2021 with commissioning in Q1 2022. Peyto estimates 140 temporary, and 5 full time jobs will be created with this investment.

Outlook

Commodity prices, particularly natural gas futures, have improved significantly since the last quarter. On March 31, 2021, AECO calendar strip prices were $2.37, $2.22, $2.22 and $2.33/GJ for 2022 through 2025. Today that same strip is $3.29, $2.75, $2.56, and $2.59/GJ. These better prices provide enhanced returns on Peyto's current and future drilling prospects while at the same time significantly increasing Peyto's free cashflow which can be used to further reduce indebtedness and improve the Company's balance sheet. Peyto currently forecasts, at the current capital investment rate and strip prices, enough free cashflow can be generated over the next 4 years to leave the Company debt free.

The Peyto strategy of investing cashflows into internally developed, organic drilling projects remains the same after 22 successful years. The Company continues to focus on controlling costs, operating its assets, investing in the necessary infrastructure, maximizing efficiency and profitability, and reducing its environmental impact. As the world returns to normal post the pandemic, the Company is encouraged that demand for its products are forecast to continue to grow. Combining Peyto's long life, high quality assets with increasing demand can only result in improved profitability, further debt reduction and, when appropriate, increased dividends.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the Company's Q2 2021 results on Thursday, August 12, 2021, at 9:00 a.m. Mountain Time (MT), or 11:00 a.m. Eastern Time (ET). To participate, please call 1-844-492-6041 (North America) or 1-478-219-0837 (International). Shareholders and interested investors are encouraged to ask questions about Peyto and its most recent results. Questions can be submitted prior to the call at info@peyto.com. The conference call can also be accessed through the internet **https://edge.media-server.com/mmc/p/op9i8y4w**. The conference call will be archived on the Peyto Exploration & Development website at www.peyto.com.

Management's Discussion and Analysis/Financial Statements

A copy of the first quarter report to shareholders, including the MD&A, unaudited financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2021/Q22021FS.pdf and at http://www.peyto.com/Files/Financials/2021/Q22021MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
August 11, 2021

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns (including the impact of the COVID-19 pandemic) and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry including the collapse of global crude oil prices, other commodity prices and the decrease in global demand for crude oil in 2021, and the ongoing significant volatility in world markets; other industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in other commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding that as the Company's 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 operation; Peyto's expectation 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; matters with respect to Peyto's expected emission reductions, including anticipated benefits of the same; matters set *forth under the heading "Outlook" herein and matters with respect to the anticipated date, timing and location of Peyto's AGM; ; and the Company's overall strategy and focus.*

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns (including the impact of the COVID-19 pandemic); continued fluctuations and volatility in commodity prices, foreign exchange or interest rates; continued stock market volatility; imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; increased competition; the lack of availability of qualified operating or management personnel; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; and the ability to access sufficient capital from internal and external sources. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's annual information form for the year ended December 31, 2020 under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Management".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Peyto will derive there from. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

Barrels of Oil Equivalent

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Drilling Locations

This news release discloses drilling locations or targets with respect to the Company's assets, all of which are unbooked locations. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production, and reserves information. There is no certainty that the Company will drill any unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources, or production. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, receipt of regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations may have been derisked by drilling existing wells in relatively close proximity to such unbooked drilling locations, management has less certainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Non-IFRS Measurements

Within this news release references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share, total payout ratio and netbacks do not have any standardized meaning under IFRS and previous GAAP and are referred to as non-IFRS measures. Funds from operations are described in footnote 1 to the first table on page 2 of this news release. Netbacks are a non-IFRS measure that represents 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. 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. 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. EBITDA, as used herein, refers to Peyto's trailing twelve-month net income before non-cash items, interest, and income taxes, and is a non-GAAP measure used in connection with Peyto's financial covenants in its revolving credit facility agreement. The Company's calculation of the non-IFRS measures included herein may differ from the calculation of similar measures by other issuers. Therefore, the Company's non-IFRS measures may not be comparable to other similar measures used by other issuers. Non-IFRS measures should only be used in conjunction with the Company's annual audited and interim financial statements. A reconciliation of certain of these measures to the most applicable GAAP measurement, where applicable, can be found in Peyto's management's discussion and analysis for the three months ended June 30, 2021.