NEWS RELEASE

FEBRUARY 16, 2022 **SYMBOL: PEY - TSX**

PEYTO PROFITABLY GROWS RESERVES IN 2021 AND CONFIRMS LARGER CAPITAL PROGRAM FOR 2022

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present the results and in-depth analysis of its independent reserve report effective December 31, 2021. The evaluation encompassed 100% of Peyto's reserves and was conducted by GLJ Ltd. ("GLJ"). The year 2021 marks the Company's 23rd year of successful reserves development.

2021 HIGHLIGHTS

- Total Company reserve values (BT NPV_5) for Proved Developed Producing ("PDP"), Total Proved ("TP"), and Proved plus Probable Additional ("P+P") reserves increased 76%, 55% and 53% on a debt adjusted per share basis to $17/share, $34/share, and $54/share due to higher commodity prices, increased reserve volumes, and the expiry of synthetic natural gas transportation costs.
- Total Company reserve volumes for PDP, TP and P+P were up 11%, 6% and 8%, respectively, in absolute terms and increased 9%, 4% and 6%, respectively, on a per share basis
- Peyto developed 375 BCF^3e (62.5 million barrels of oil equivalent, "mmboes") of new PDP reserves at a Finding, Development and Acquisition ("FD&A") cost of $0.97/Mcfe ($5.84/boe) while the average field netback[1] was $2.69/Mcfe ($16.14/boe), resulting in a 2.8 times recycle ratio[2](3.8 times on an unhedged basis). The PDP FD&A cost was the lowest in the last 19 years of Peyto's history.
- Peyto replaced 188%, 194% and 308% of annual production with new PDP, TP, and P+P reserves. FD&A costs, including the change in Future Development Capital ("FDC"), for TP and P+P were $1.10/Mcfe ($6.61/boe) and $1.09/Mcfe ($6.53/boe), which reflects an increase of FDC for future drilling locations of $62 million and $304 million (forecast cost inflation combined with an increased number of future locations), for the respective categories. For comparative purposes, FD&A costs before increases in FDC were $0.94/Mcfe and $0.59/Mcfe, respectively.
- The Reserve Life Index ("RLI") for the PDP, TP and P+P reserves fell slightly to 9, 16 and 25 years, respectively, mostly due to an 18% increase in fourth quarter production used to determine RLI. By comparison, Peyto's PDP reserve life is one of the longest in the North American industry.
- At year end, P+P reserves of 904 mmboes (4.7 TCF^3 of gas, 67 mmbbls of pentanes and condensate, 27 mmbbls butane, 33 mmbbls propane and inclusive of 1274 future locations) had been assigned to just 19% of Peyto's total Deep Basin rights.
- For the year ended December 31, 2021, Peyto invested $365 million of total capital[1] to build approximately 40,300 boe/d at a cost of $9,000/boe/d, matching the lowest cost in Company history, and inclusive of the $35MM Cecilia acquisition of 2,750 boe/d ($12,700/boe/d).

[1]Capital Expenditures, Field Netback (Revenue less Royalties, Operating costs, and Transportation), Net Debt, Funds from Operations and Production are estimated and remain unaudited at this time.

[2]Recycle Ratio is Field Netback divided by FD&A.

[3] BCF and TCF refers to billions and trillions of cubic feet, respectively.

2022 CAPITAL BUDGET

- The Board of Directors of Peyto has approved a 2022 capital budget of $350-$400 million which, at the high end of the range, is 10% greater than the $365 million invested in 2021. As always, Peyto will ensure any capital plans will be nimble with the ability to react to changes in commodity prices and the global economic environment, both of which continue to be volatile and uncertain.

- This capital budget along with Peyto's current monthly dividend is expected to be funded by a portion of free cashflow with the remainder used to pay down indebtedness. The 2022 capital program is projected to add between 35,000 and 40,000 boe/d of new production by year end, based on inflation adjusted onstream metrics of approximately $10,000/boe/d. Peyto expects that increases due to inflation will be partially offset by continued operational efficiency gains.

IMPROVED SUSTAINABILITY

- **Low Production and Reserves Replacement Cost:** The Company invested 78% of funds from operations in 2021 to replace over 188% of produced reserves in the year and grow PDP reserves by 11%. Capital efficiency for 2021 matched the lowest in Company history at $9,000/boe/d while PDP FD&A was lowest in 19 years at $0.97/Mcfe. Looking forward to 2022, the Company expects capital efficiency of $10,000/boe/d, this implies a sustaining capital investment of $280 million on a 28% base production decline.
- **Long Life, Low Decline Production:** Peyto's base production is forecasted by GLJ to fall to 72,000 boe/d in December of 2022, implying a 28% annual decline from 100,000 boe/d in December 2021. This annual production decline rate is similar to the 27% in 2021, despite 14% year over year production growth. Peyto's PDP RLI is 9 years, based on Q4 2021 production rate of 98,400 boe/d, which is one of the longest PDP RLIs in the industry.
- **Low Risk Reserves:** At year end, Peyto had 1,820 gross (1,612 net) producing wells that are forecast to remain on production for decades to come. The lack of mobile water in the low permeability, Deep Basin reservoirs combined with Peyto's low-cost operations and efficient processing facilities results in very long producing lives for the existing proven producing wells which are exempt from the vulnerabilities of high-cost, third party midstream processing.
- **Minimal Liabilities:** The forecast cost of Peyto's future abandonment and reclamation liability (all wells, pipelines, well sites, & facilities) is $61.5 million ($NPV_5$), which represents 1% of the total $5.0 billion of forecast future value of the developed reserves[1] (NPV_5), illustrating Peyto's disciplined, organic approach to finding and developing natural gas that has delivered one of the highest ratios of producing to non-producing wells in the industry.
- **Strong ESG Performance:** Methane (particularly flared and vented) emissions intensity was reduced again in 2021, now down approximately 55% since 2016. This positions the Company to achieve its new goal of a 75% reduction by 2023. With less than half of the emissions intensity (emissions per unit of production) of the rest of the natural gas production and processing industry in Canada, Peyto's reserves are extracted with far less environmental impact*. During 2021 Peyto also completed a geological and feasibility assessment of nearby deep porous reservoirs as candidates for carbon capture and underground storage in the Greater Sundance area. These reservoirs appear to have more than adequate capacity to store all Peyto's future carbon emissions from the area.

**Refer to Peyto's 2021 ESG Report at:*
http://www.peyto.com/Files/Corporate%20Responsibility/ESG%20Committee/Peyto_2021_ESG_Report_v2.pdf

HISTORICAL PERSPECTIVE

- Over the past 23 years, Peyto has explored for and discovered 7.7 TCFe of Alberta Deep Basin natural gas and associated liquids, of which 60% has now been developed[1].

Peyto 23-year cumulative production (to Dec. 31/21):	2.234 TCFe
Total Proved + Probable Additional Developed reserves:	2.313 TCFe
Total Developed natural gas and liquids:	4.547 TCFe
Total Proved + Probable Additional Undeveloped reserves:	3.109 TCFe
Total explored for and discovered:	7.655 TCFe

Each year the Company invests in the discovery of new reserves and the efficient and profitable development of existing reserves into high netback natural gas and NGL production for the purpose of generating the maximum possible return on capital for its shareholders.

- In those 23 years, a total of $6.8 billion was invested in the Canadian economy in the acquisition and development of 4.5 TCFe of total developed natural gas and associated liquids at an average cost of $1.49/Mcfe, while a weighted average field netback[3] of $3.43/Mcfe delivered $6.9 billion in FFO, $2.5 billion in dividends and distributions to shareholders, and resulted in a cumulative recycle ratio[2] of 2.3 times. Royalty payments made to Alberta during this time have totaled over $966 million.
- Based on the December 31, 2021 evaluation, the debt adjusted, Net Present Value of the Company's remaining Proved plus Probable Additional reserves ("P+P NPV", 5% discount, less debt) was $54/share, comprised of $26/share of developed reserves and $28/share of undeveloped reserves. This includes a provision for all abandonment liability for wells, well sites, pipelines, and facilities for which Peyto has ownership and responsibility.

[1]Developed Reserves is Total Proved + Probable Additional Developed Reserves and includes Proved Developed Producing+Probable Additional reserves and Proved Developed Non-Producing+Probable Additional reserves.

2021 RESERVES REPORT AND ANALYSIS

The following table summarizes Peyto's reserves and the discounted Net Present Value of future cash flows, before income tax, using the 3 Consultant Average (3CA) pricing forecast (GLJ, McDaniel, and Sproule), at December 31, 2021.

					Before Tax Net Present Value ($millions) Discounted at			
Reserve Category	**Gas (BCF)**	**Oil & NGL (mstb)**	**BCFe (6:1)**	**mmboe (6:1)**	**0%**	**5%**	**8%**	**10%**
Proved Developed Producing	1,569	42,286	1,823	304	6,194	3,965	3,272	2,943
Proved Non-producing	43	1,114	50	8	159	104	85	76
Proved Undeveloped	1,307	38,047	1,535	256	5,136	2,830	2,088	1,732
Total Proved	2,919	81,447	3,407	568	11,490	6,900	5,445	4,752
Probable Additional	1,737	46,191	2,014	336	7,701	3,291	2,228	1,779
Proved + Probable Additional	4,656	127,638	5,421	904	19,191	10,191	7,673	6,531

Note: Based on the GLJ report effective December 31, 2021. Tables may not add due to rounding.

ANALYSIS FOR PEYTO SHAREHOLDERS

One of the guiding principles at Peyto is "to tell you the business facts that we would want to know if our positions were reversed". Therefore, each year Peyto provides an extensive analysis of the independent reserve evaluation that goes far beyond industry norms in order to answer the most important questions for shareholders:

1. Base Reserves – How did the "base reserves" that were on production at the time of the last reserve report perform during the year, and how did any change in commodity price forecast affect their value?
2. Value Creation – How much value did the 2021 capital investments create, both in current producing reserves and in undeveloped potential? Has the Peyto team earned the right to continue investing shareholders' capital?
3. Growth and Income – Are the projected cash flows capable of funding the growing number of undeveloped opportunities and a sustainable dividend stream to shareholders, without sacrificing Peyto's financial flexibility or allowing for the timely repayment of any debt used?

4. Risk Assessment – What are the risks associated with the assessment of Peyto's reserves and the risk of recovering future cashflows from the forecast production streams?

1. Base Reserves

Peyto's existing PDP reserves at the start of 2021 (the base reserves) were evaluated and adjusted for 2021 production as well as any technical or economic revisions resulting from the additional twelve months of production and commodity price data. As part of GLJ's independent engineering analysis, all base 1572 producing reserve entities (zones/wells) were evaluated. These base producing wells and zones represent a total gross Estimated Ultimate Recoverable (EUR) volume of 4.3 TCF (remaining PDP+PA reserves plus all cumulative production to date), which is within 1% from the prior year estimate. As a result, Peyto is pleased to report that its total base reserves continue to meet expectation, which provides confidence in the prediction of future recoveries.

For the first time in the last 13 years, the commodity price forecast for natural gas used by the independent engineers in this year's evaluation is significantly higher than last year which has had the effect of increasing the Net Present Value of all reserve categories. For example, the debt adjusted NPV, discounted at 5%, of last year's Proved Developed Producing reserves, increased $564 million, or 35%, due to the difference in commodity price forecasts and Peyto's realized historical offsets to posted prices. The 3CA price forecast used in the variable dollar economics is available on GLJ's website at www.gljpc.com. This forecast indicates falling AECO and liquid prices for the next two years followed thereafter by rising prices into the future.

For 2022, GLJ is forecasting the total base production (PDP reserves) to decline to approximately 72,000 boe/d (378 MMcf/d of gas and 9,000 bbl/d of NGLs) by December 2022. This decline implies a total base decline rate of approximately 28% from December 2021. The 2022 forecast decline rate is only slightly higher than the 2021 actual base decline of 27%. The 2021 base decline was higher than originally forecast due to facility and pipeline capacity restrictions, which should be eliminated with the 2022 infrastructure additions. The historical base decline rates and capital programs are shown in the following table:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022F**
Base Decline (%/yr)*	22%	33%	35%	34%	38%	40%	40%	37%	35%	29%	23%	27%	**28%**
Capital Expenditures ($MM)	$261	$379	$618	$578	$690	$594	$469	$521	$232	$206	$236	$365	**$375**

**The base decline represents the aggregate annual decline of all wells on production at the end of the previous year.*

2. Value Creation/Reconciliation

During 2021, Peyto invested a total of $330 million in organic activity to evaluate exploration lands, expand its pipeline gathering network, and drill 95 gross (85.6 net) wells. Additionally, the Company invested $35 million to acquire a very low decline, under-developed producing asset in Cecilia. In keeping with Peyto's strategy of maximizing shareholder returns, an evaluation of the economic outcome of this investment activity is necessary to determine, on a go-forward basis, the best use of shareholders' capital. Not only does this look back analysis give shareholders a detailed report card on the capital that was invested, but it also helps illustrate the potential returns that can be generated from similar future undeveloped opportunities.

Exploration, Development, and Acquisition Activity

Of the total capital invested in exploration and development activities (excluding acquisitions) in 2021, approximately 3% was spent acquiring lands and seismic, 15% on pipeline and facility projects, and the remaining 82% was spent drilling, completing, and connecting existing and new reserves. Sixty one of the 95 gross wells drilled, or 64%, were previously identified as undeveloped reserves in last year's reserve report (52 Proved, 9 Probable Additional). The remaining 34 wells were locations developed in the year, on both existing and acquired

lands, and were not recognized in last year's report. Out of the 95 gross wells drilled in 2021, 81 wells were brought onstream during the year and 28 of those wells (35%) fully recovered their capital investment before the end of 2021. This rapid payout of capital is the quickest in Peyto history.

In January 2021, Peyto acquired strategic assets in Cecilia, immediately adjacent to and contiguous with Peyto's Greater Sundance core area, including a 30 mmcf/d gas plant and interconnected pipelines. The combined acquisition cost was $35 million and included 114 gross (106 net) producing wells with stable, very low decline (less than 5%/yr) production of approximately 2,900 boe/d (95% gas). During 2021, Peyto drilled and brought onstream 20 gross (20 net) development wells on the acquired lands and grew production to 15,000 boe/d by year end through expansion of the Cecilia plant, using additional compression, and by routing gas through the interconnected gathering system to other Peyto plants in the area.

The undeveloped reserves at year end 2020 originally booked to the 61 drilled locations referred to above, totaled 221 BCFe (3.6 BCFe/well) of Proved Undeveloped plus Probable Additional reserves for a forecast capital investment of $193 million ($0.87/Mcfe). In actuality, $192 million of capital ($0.84/Mcfe) was spent on these 61 wells during 2021, yielding Proved Developed Producing plus Probable Additional reserves of 227 BCFe (3.7 BCFe/well).

The following table illustrates the Company's historical performance in converting predicted future undeveloped locations into producing wells and demonstrates that Peyto has consistently converted more reserves at a lower cost than was forecast.

Reserve Year	Total Drills	Booked Locations Converted	Booked/ Total	Forecast Outcome		**Forecast Cost per Unit**	Actual Outcome		**Actual Cost per Unit**	Actual/ Forecast Cost per Unit
	gross wells	gross wells		BCFe	Capex* $MM	**$/Mcfe**	BCFe	Capex* $MM	**$/Mcfe**	
2010	48	30	63%	84	$123	**$1.46**	102	$138	**$1.35**	-8%
2011	70	51	73%	152	$214	**$1.41**	151	$209	**$1.38**	-2%
2012	86	60	70%	189	$295	**$1.56**	196	$278	**$1.42**	-9%
2013	99	69	70%	206	$332	**$1.61**	218	$310	**$1.42**	-12%
2014	123	90	73%	278	$417	**$1.50**	288	$419	**$1.45**	-3%
2015	140	103	74%	307	$456	**$1.49**	348	$385	**$1.11**	-26%
2016	128	82	64%	254	$297	**$1.17**	254	$246	**$0.97**	-17%
2017	142	97	68%	298	$295	**$0.99**	321	$305	**$0.95**	-4%
2018	70	37	53%	104	$115	**$1.10**	120	$118	**$0.98**	-11%
2019	61	39	64%	129	$111	**$0.86**	123	$109	**$0.88**	+2%
2020	64	52	81%	172	$158	**$0.92**	165	$135	**$0.82**	-11%
2021	**95**	**61**	**64%**	**221**	**$193**	**$0.87**	**227**	**$192**	**$0.84**	**-3%**
Total	**1,126**	**771**	**68%**	**2,394**	**3,006**	**$1.26**	**2,513**	**$2,844**	**$1.13**	**-10%**

**Capex represents only well related capital for drilling, completion, equipping and tie-in*

This annual analysis of reserves that are converted from undeveloped to developed helps to validate the accuracy of the remaining future undeveloped reserves and the associated capital requirements. This accuracy, by which Peyto can predict future reserve recoveries and capital requirements, also helps to reduce the risk associated with valuing future undeveloped locations.

Value Reconciliation

In order to measure the success of all capital invested in 2021, it is necessary to quantify the total amount of value created during the year and compare that to the total amount of capital invested. Each year, Peyto runs last year's reserve evaluation with this year's price forecast to remove the change in value attributable to commodity prices. This approach isolates the value created by the Peyto team from the value created (or lost) by those changes

outside of their control (ie. commodity prices). Since the capital investments can be funded from a combination of cash flow, debt and equity, it is necessary to know the change in debt and the change in shares outstanding to see if the change in value is truly accretive to shareholders.

At year-end 2021, Peyto's estimated net debt had decreased by 7% or $78 million to $1.098 billion while the number of shares outstanding increased slightly due to stock option program exercises by 2% to 168.2 million shares. The change in debt includes all capital expenditures, and the total fixed and performance-based compensation paid out for the year. Although these estimates are believed to be accurate, they remain unaudited at this time and may be subject to change.

Based on this reconciliation of changes in BT NPV, the Peyto team was able to create $1.89 billion of Proved Developed Producing, $2.02 billion of Total Proven, and $4.20 billion of Proved plus Probable Additional undiscounted reserve value, with $365 million of capital investment. The ratio of capital expenditures to value creation is what Peyto refers to as the NPV recycle ratio, which is simply the undiscounted value addition, resulting from the capital program, divided by the capital investment. For 2021, the Proved Developed Producing NPV recycle ratio is 5.2 which means for each dollar invested, the Peyto team was able to create 5.2 new dollars of Proved Developed Producing reserve value. This is the highest PDP NPV recycle ratio in the company's history and illustrates the incredible success of the 2021 capital program.

The historic NPV recycle ratios are presented in the following table.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**	**10 yr Wt. Avg.**
Capital Investment ($MM)	$618	$578	$690	$594	$469	$521	$232	$206	$236	**$365**	
NPV_0 Recycle Ratio											
Proved Developed Producing	1.6	1.5	1.5	2.3	2.9	2.3	4.6	1.8	3.5	**5.2**	**2.4**
Total Proved	2.2	2.0	1.7	3.3	4.2	3.2	11.7	5.5	6.9	**5.5**	**3.7**
Proved + Probable Additional	3.2	4.0	2.6	5.0	7.3	4.0	15.1	9.2	6.5	**11.5**	**5.7**

**NPV_0 (net present value) recycle ratio is calculated by dividing the undiscounted NPV of reserves added in the year by the total capital cost for the period (eg. 2021 Proved Developed Producing $1883/$365) = 5.2).*

3. Growth and Income

Over the past 18.5 years, Peyto has paid a total of $19.47/share to shareholders in the form of distributions and dividends. Peyto's objective, as a dividend paying, growth-oriented corporation, is to profitably grow the resources which generate sustainable income (dividends) for shareholders. For income to be sustainable and grow, Peyto must profitably find and develop more reserves. Simply increasing production from the existing reserves will not make that income more sustainable. Reserve Life Index (RLI), or a reserve to production ratio, provides a measure of this long-term sustainability.

During 2021, the Company deployed a conservative capital program but was successful in replacing 188% of annual production with new PDP reserves, resulting in 11% growth, using only 78% of funds from operations. Fourth quarter production increased 18%, from 83,500 boe/d (433 MMcf/d gas, 11,300 bbl/d NGLs) to 98,400 boe/d (522 MMcf/d gas, 11,300 bbl/d NGLs). The change in both PDP reserves and fourth quarter production resulted in a slight reduction of the Proved Developed Producing reserve life index (ratio of the two) from 9.0 years to 8.5 years.

For comparative purposes, the Total Proved and P+P RLI index was 16 and 25 years, respectively, however; Management believes that the most meaningful method to evaluate the current reserve life is by dividing the

Proved Developed Producing reserves by the actual fourth quarter annualized production. This way production is being compared to producing reserves as opposed to producing plus non-producing reserves.

The following table highlights the Company's historical RLI Index.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Proved Developed	12	13	14	14	11	9	9	7	7	7	7	7	9	9	9	**9**
Total Proved	14	16	17	21	17	16	15	12	11	11	11	11	16	19	18	**16**
Proved + Probable	20	21	23	29	25	22	22	19	18	17	18	18	25	29	27	**25**

Future Undeveloped Opportunities

As of December 31, 2021, Peyto had 951 net sections of Alberta Deep Basin lands. In many of these sections, mineral rights are held in a number of stacked prospective horizons expanding this land base by almost four-fold to a total of 3,610 net sections of rights over Duvernay, Montney and seven Cretaceous horizons. During Peyto's 23-year history, the Company has both found and developed 4.5 TCFe of total natural gas and associated liquids which resides in 380 of these net sections. Effectively, Peyto has invested $6.8 billion to fully develop 10.5% of its existing land base which has also resulted in the generation of $6.9 billion of cumulative funds from operations and $2.7 billion in cumulative earnings to date.

Peyto's remaining undeveloped land base still holds significant future potential. The independent reserve evaluators have modelled a limited amount of development activity over the next nine years as shown in the following table of future development capital designed to ensure Peyto's existing facilities remain full. This capital investment is projected to develop an additional 8.4% of Peyto 3,610 net sections of rights listed above.

	Future Development Capital	
Year	Proved Reserves Undisc., ($Millions)	Proved+ Probable Additional Reserves Undisc., ($Millions)
2022	243	329
2023	346	396
2024	430	447
2025	441	496
2026	333	480
2027	175	433
2028	10	333
2029		335
2030		342
Thereafter	1	21
Total	1,979	3,612

Every year Peyto finds and develops new drilling inventory that the independent evaluators review to create a forecast of future development activity. Their forecast is by no means a complete assessment of Peyto's current opportunities, nor is Peyto content to just sit back and harvest these current opportunities. Each year the results from the drilling activity spawn additional offsetting locations both on currently owned lands and lands Peyto does not yet own but attempts to acquire. In addition to the growth in inventory, Peyto has been evolving its horizontal well design to employ longer horizontal laterals and increased stimulation intensity. This design allows more reservoir to be developed in each wellbore which has the effect of reducing the total number of wells required to develop a given resource. The result is lower cost per unit of reserves and less environmental footprint.

As of December 31, 2021, the future drilling locations recognized in the reserve report totaled 1,274 gross (1,022 net). This is up from the previous year of 1,230 (983 net). Of these future locations, 786 (62%) are categorized as Proven Undeveloped by the independent reserve evaluators, while 488 (38%) are Probable Undeveloped locations. The net reserves associated with the undeveloped locations (not including existing uphole zones) totals 3.1 TCFe (3.0 BCFe/well) consisting of 2.7 TCF of natural gas and 70 mmbbls of NGLs, while the capital required to develop them is estimated at $3.6 billion or $1.15/Mcfe. This development is forecast to create Before Tax Net Present Value of $5.2 billion (at 5% discount rate, inclusive of profit after capital recovery and future abandonment liability) or $28 per share (debt adjusted) of incremental value at the 3CA commodity price forecast.

The undiscounted, forecast for Net Operating Income for the TP and P+P reserves over the future development capital schedule, as contained in the evaluator's report, totals $5.9 billion and $9.8 billion, respectively, more than sufficient to fund the future development capital shown in the table above, ensuring those reserve additions are accretive to shareholders.

The total estimated Future Development Capital for both Total Proved and P+P reserves increased from the previous year by $62 million and $304 million, respectively, reflecting the increased number of undeveloped locations and forecast cost inflation expected with higher forecast commodity prices.

4. Risk Assessment

Effectively 100% of Peyto's natural gas and natural gas liquid reserves exist in low permeability (tight), sandstone reservoirs in the Alberta Deep Basin. In almost all cases, the volumetric capacity of these sandstone reservoirs can be determined using traditional geological and reservoir engineering methods, which, when complimented by production performance data, increases the certainty of the reserve estimates. In the majority of Peyto's core areas, continuous drilling activity has further refined the geologic and geometric definition of these reservoirs to a higher level of certainty. Determination of these predicted volumes has remained consistent amongst different independent reserve evaluators as illustrated by this year's evaluation conducted by GLJ in comparison to last year's evaluation conducted by Insite Petroleum Consultants.

In addition, these Deep Basin sandstone reservoirs do not contain mobile water, nor are they supported by active aquifers. Mobile water traditionally increases the risk associated with reservoir recovery by impeding the flow of hydrocarbons through the reservoir and up the wellbore. Water production, separation and disposal processes also increase operating costs which shortens the economic life of producing wells, further contributing to reduced recovery. As many of these traditional reserves determination and recovery risks are not present in Peyto's Deep Basin reservoirs, Management has a higher level of confidence in its reserves and their ultimate recovery.

Peyto's high operating margins (historically approximately 40% higher than the industry average) have meant that forecasts of net operating income are less affected by commodity price volatility than in most traditional reserve evaluations. As a result, the predicted economic life of Peyto's producing wells is less sensitive to changes in commodity prices. These high operating margins are achieved through the Company's high level of ownership and control of all levels of production operations, through a concentrated geographic asset base, and by striving to be the lowest cost producer in the industry.

Peyto attempts to further reduce the risk of predicted operating incomes with an active market diversification and hedging program that is designed, over time, to smooth out the volatility in both Alberta and US natural gas markets through a series of frequent transactions which is like "dollar cost averaging" the future gas price.

Finally, Peyto is the operator of over 99% of its producing wells and has one of the highest ratios of producing to non-producing wells in the industry. Approximately 98% of Peyto's asset base has been organically developed by Peyto and contains very few abandonment liabilities. As of December 31, 2021, Peyto owned a total of 1,820 net wells of which over 89% are on production today and most are expected to produce for decades to come. Despite the Company's very low non-producing well count, Peyto has an active well retirement program where 11.5 net wells were abandoned and cut and capped in 2021. Of the remaining non-producing wellbores, 30.7 net wells are

considered medium risk, inactive wells that require downhole abandonment over the next several years. The estimated cost to abandon, reclaim and remediate these wells is approximately $3.0 million For perspective, the current existing developed reserves have a forecast value of $5.0 billion ($NPV_5$ of the PDP + PA and PDNP + PA), while the cost to abandon and reclaim all wells, well sites, pipelines, and facilities is estimated at $61.5 million using the same 5% discount rate for future costs.

These cumulative factors listed above, which reduce the traditional risk of realizing future cashflows from Peyto's reserves, is why, in Management's opinion, Peyto's reserves can be valued at lower discount rates than other, more conventional asset bases and why Management highlights Net Present Values (NPV) at 5% discount rates.

PERFORMANCE RATIOS

The following table highlights annual performance ratios after the implementation of horizontal wells in late 2009. These can be used for comparative purposes, but it is cautioned that on their own they do not measure investment success.

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proved Developed Producing										
FD&A ($/Mcfe)	**$0.97**	$1.06	$1.55	$1.18	$1.36	$1.44	$1.64	$2.25	$2.35	$2.22
RLI (yrs)	**9**	9	9	9	7	7	7	7	7	9
Recycle Ratio	**2.8**	1.5	1.4	2.3	2.1	1.8	2.0	1.9	1.6	1.6
Reserve Replacement	**188%**	127%	75%	98%	171%	153%	193%	183%	190%	284%
Total Proved										
FD&A ($/Mcfe)	**$1.10**	$0.20	$1.41	$1.21	$1.39	$1.01	$0.72	$2.37	$2.23	$2.04
RLI (yrs)	**16**	18	19	16	11	11	11	11	12	15
Recycle Ratio	**2.4**	8.0	1.7	2.2	2.0	2.6	4.5	1.8	1.6	1.7
Reserve Replacement	**194%**	132%	137%	294%	225%	183%	188%	254%	230%	414%
Future Development Capital ($ millions)	**$1,979**	$1,917	$2,107	$1,971	$1,488	$1,305	$1,381	$1,721	$1,406	$1,318
Proved + Probable Additional										
FD&A ($/Mcfe)	**$1.09**	($0.01)	$1.25	1.02	$1.49	$0.62	$0.54	$2.01	$1.86	$1.68
RLI (yrs)	**25**	27	29	25	18	18	17	18	19	22
Recycle Ratio	**2.5**	N/A	1.7	2.6	1.9	4.2	6.1	2.1	2.0	2.1
Reserve Replacement	**308%**	167%	140%	342%	279%	283%	287%	328%	450%	527%
Future Development Capital ($millions)	**$3,612**	$3,308	$3,547	$3,445	$2,978	$2,563	$2,657	$2,963	$2,550	$2,041

- FD&A (finding, development and acquisition) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted FDC, by the change in the reserves, incorporating revisions and production, for the same period (eg. 2021 Total Proved ($365+$62)/(567.9-536.5+33.2) = $6.61/boe or $1.10/Mcfe).

- The RLI is calculated by dividing the reserves (in boes) in each category by the annualized Q4 average production rate in boe/year (eg. 2021 Proved Developed Producing 303,810/(98.4x365) = 8.5). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the annualized actual fourth quarter average production. In Peyto's opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.

- The Recycle Ratio is calculated by dividing the field netback per boe, by the FD&A costs for the period (eg. 2021 Proved Developed Producing $16.12/$5.84=2.8). The recycle ratio is comparing the netback from existing reserves to the cost of finding new reserves and may not accurately indicate investment success unless the replacement reserves are of equivalent quality as the produced reserves.

- The reserve replacement ratio is determined by dividing the yearly change in reserves before production by the actual annual production for the year (eg. 2021 Total Proved (567.9-536.5+33.2)/33.2 = 194%).

RESERVES COMMITTEE

Peyto has a reserves committee, comprised of independent board members, that reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluations by the independent qualified reserve evaluators conducted in accordance with the COGE (Canadian Oil and Gas Evaluation) Handbook and National Instrument 51-101. The evaluations are conducted using all available geological and engineering data. The reserves committee has reviewed the reserves information and approved the reserve report.

MANAGEMENT CHANGES

Peyto is pleased to announce the promotion of Mr. Riley Frame to Vice President, Engineering. Mr. Frame joined Peyto in 2013 and has spent the last 3 years as the Manager of Exploitation playing an integral role in directing the Company's development plans. Mr. Frame has worked in various engineering roles since entering the industry in 2008 and is a member of the Association of Professional Engineers and Geoscientists of Alberta.

OUTLOOK

With the development cost of new reserves at historic lows, combined with much stronger near-term commodity prices, the profitability of Peyto's future undeveloped opportunities has rarely looked better. Combining those future opportunities with the expanded margins on current producing reserves means Peyto's total reserves are substantially more valuable, as evidenced by the 53% year over year increase in P+P BT NPV_5 (per debt adjusted share). This considerable increase in value is not only good for Peyto shareholders but also for the citizens of Alberta whose royalty revenues will be likewise improved. With increased commodity prices comes increased pressure on costs. As the lowest cost producer, Peyto will continue to focus on cost control throughout its business, while striving to improve efficiency and preserve its profit margins. This does not mean cutting corners on safety or environmental stewardship. As always, Peyto will focus on its long-term strategy which means responsibly developing high quality, long life natural gas assets that have low emissions, and provide clean, affordable energy for Albertans and Canadians. With only 10.5% of Peyto's land base developed, there is much work left to do to provide Albertans with the natural gas resources they need for a cleaner power grid, and a long-term natural gas strategy involving hydrogen, petrochemicals, recycled plastics and LNG exports. Peyto is proud to be part of that bright future and ever evolving Western Canadian energy industry.

GENERAL

A complete filing of the Statement of Reserves (form 51-101F1), Report on Reserves (form 51-101F2), and Report of Management and Directors on Oil and Gas Disclosure (form 51-101F3) will be available in the Annual Information Form to be filed by the end of March 2022. Shareholders are encouraged to actively visit Peyto's website located at www.peyto.com. For further information, please contact Darren Gee, Chief Executive Officer of Peyto at (403) 261-6081.

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: management's assessment of Peyto's future plans and operations, including the 2022 program, capital expenditures, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, project economics including NPV, netback and recycle ratio, the ability to enhance value of reserves for shareholders and ensure the reserves generate the maximum possible return. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Peyto which have been used to develop such statements and information, but which may prove to be incorrect. Although Peyto believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking information and statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, the impact of increasing competition, the timely receipt of any required regulatory approvals, the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, field production rates and decline rates, the ability to replace and expand reserves through development and exploration, future commodity prices, currency, exchange and interest rates, regulatory framework regarding royalties, taxes and environmental matters and the ability of Peyto to successfully market its oil and natural gas products. By their nature, forward-looking information and statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental

risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. 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 information and statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive therefrom. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Peyto does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

This news release contains information, including in respect of Peyto's 2022 capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by the Board of Directors of Peyto on February 16, 2022, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures for 2022. Readers are cautioned that the information may not be appropriate for other purposes.

Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Finding, development and acquisition costs, reserves replacement and netbacks do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included by Peyto to give readers additional measures to evaluate the Peyto's performance; however, such measures are not reliable indicators of the future performance of Peyto and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

Some values set forth in the tables above may not add due to rounding. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.