NEWS RELEASE

MAY 11, 2022 **SYMBOL: PEY – TSX**

PEYTO REPORTS RECORD FUNDS FLOW IN Q1 2022

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the first quarter of the 2022 fiscal year. A 71% Operating Margin[1,2] and a 34% Profit Margin[3] in the quarter delivered an 9% Return on Capital[4] and a 13% Return on Equity[5], on a trailing twelve-month basis. Highlights for the quarter included:

- **Funds from operations[6] per share up 69%.** Funds from Operations ("FFO") were a Company record $203 million after hedging losses of $53 million in the quarter. Per diluted share FFO were $1.17, up 65% from $0.71 in Q1 2021. FFO in the quarter exceeded capital expenditures and acquisitions, leaving $38 million for dividends and debt reduction.

- **Production per share up 13%.** First quarter 2022 production of 101,549 boe/d, comprised of 536 MMcf/d of natural gas, 7,253 bbl/d of Condensate and Pentanes, and 5,020 bbl/d of Butane and Propane, was up 15% (10% per diluted share) from 88,070 boe/d in Q1 2021. Total liquid yields of 23 bbl/MMcf, or 12% of total production, was down from 27 bbl/MMcf in Q1 2021 due to an increased focus on leaner Spirit River plays and acquired production (as discussed below).

- **Total cash costs of $1.53/Mcfe (or $0.93/Mcfe ($5.57/boe) excluding royalties).** Industry leading low total cash costs included $0.60/Mcfe royalties, $0.41/Mcfe operating costs, $0.28/Mcfe transportation, $0.03/Mcfe G&A and $0.21/Mcfe interest, which combined with a realized price of $5.25/Mcfe to result in a $3.72/Mcfe ($22.31/boe) cash netback, up 51% from $2.46/Mcfe ($14.81/boe) in Q1 2021. Total cash costs excluding royalties were 2% lower than Q1 2021.

- **Capital investment of $143 million in organic activity**. A total of 29 gross wells (78% Working Interest, "WI") were drilled in the first quarter, 30 gross wells (82% WI) were completed, and 27 gross wells (83% WI) were brought on production. In addition, a small private Company in the Brazeau area was acquired for $22 million and a new 50 MMcf/d gas plant was constructed in the Chambers area. Capital efficiency over the last 12 months was $10,000/boe/d.

- **Earnings of $0.58/share, Dividends of $0.15/share.** Earnings of $98 million were generated in the quarter while dividends of $25 million were paid to shareholders.

First Quarter 2022 in Review

Peyto increased its pace of capital investment in Q1 2022, drilling and connecting more gas wells and constructing a 50 MMcf/d novel, low emissions gas plant in the Chambers area. In addition, Peyto closed a strategic corporate acquisition in the Greater Brazeau area which added a 100% owned, operated and underutilized 45 MMcf/d sweet natural gas plant, 73 net sections of undeveloped lands (each section offering up to 5 target formations, therefore equivalent to over 350 net sections of deep basin rights), 880 boe/d of production from 20 net wells, along with many other operational and financial synergies. Also in the quarter, Peyto successfully drilled its longest Extended Reach Horizontal ("ERH") well at over 6,000 m MD (Measured Depth). Production for the quarter, which was up 15% from the previous year, held relatively constant throughout the quarter as much of the drilling and new plant increases came on in April 2022. The combination of low total cash costs, higher production and higher realized commodity prices resulted in an industry leading operating margin and record funds from operations, despite the hedge losses. As previously placed hedges roll off, Peyto will begin enjoying the full effect of the higher commodity prices. A return to historic profit margins drove near record quarterly earnings of $98 million.

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[1] *This press release contains certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "operating margin", "profit margin", "return on capital", "return on equity", "netback", "funds from operations", and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as earnings (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this press release and in Peyto's most recently filed MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.*

[2] *Operating Margin is a non-GAAP financial ratio defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.*

[3] *Profit Margin is a non-GAAP financial ratio defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.*

[4] *Return on capital is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2022 MD&A.*

[5] *Return on equity capital is a non-GAAP financial ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2022 MD&A*

[6] *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2022 MD&A.*

	Three Months Ended Mar 31		%
	2022	2021	Change
Operations			
Production			
Natural gas (mcf/d)	**535,660**	455,593	*18%*
NGLs (bbl/d)	**12,273**	12,138	*1%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**609,295**	528,419	*15%*
Barrels of oil equivalent (boe/d @ 6:1)	**101,549**	88,070	*15%*
Production per million common shares (boe/d)	**601**	534	*13%*
Product prices			
Natural gas ($/mcf)	**4.08**	3.06	*33%*
NGLs ($/bbl)	**81.66**	45.63	*79%*
Operating expenses ($/mcfe)	**0.41**	0.36	*14%*
Transportation ($/mcfe)	**0.28**	0.17	*65%*
Field netback ($/mcfe) (2)	**3.96**	2.87	*38%*
General & administrative expenses ($/mcfe)	**0.03**	0.04	*-25%*
Interest expense ($/mcfe)	**0.21**	0.38	*-45%*
Financial ($000, except per share*)			
Revenue and realized hedging gains (losses)(1)	**286,894**	175,327	*64%*
Royalties	**32,903**	14,069	*134%*
Funds from operations(2)	**203,492**	116,709	*74%*
Funds from operations per share – basic(2)	**1.20**	0.71	*69%*
Funds from operations per share - diluted(2)	**1.17**	0.71	*65%*
Total dividends	**25,358**	1,651	*1436%*
Total dividends per share(2)	**0.15**	0.01	*1400%*
Total payout ratio(2)	**83%**	95%	*-13%*
Earnings	**97,816**	38,500	*154%*
Earnings per share- basic	**0.58**	0.23	*152%*
Earnings per share - diluted	**0.56**	0.23	*143%*
Capital expenditures	**143,331**	108,851	*32%*
Corporate acquisition	**22,220**	-	
Weighted average common shares outstanding (basic)	**169,058,178**	165,069,227	*2%*
Weighted average common shares outstanding (diluted)	**173,320,559**	165,069,227	*5%*
Net debt (2)	**1,064,086**	1,169,414	*-9%*
Shareholders' equity	**1,633,557**	1,699,771	*-4%*
Total assets	**3,852,410**	3,661,029	*5%*

(1) excludes revenue from sale of natural gas volumes from third-parties
(2) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2022 MD&A.

Exploration & Development

Most of the drilling activity in the quarter was focused in the Brazeau area in support of the new Chambers gas plant and on the Cardium formation to take advantage of higher condensate prices driven by higher oil prices. Drilling activity detail by area and formation is shown in the following table:

	Field							Total Wells Drilled
Zone	Sundance	Nosehill	Wildhay	Ansell	Cecilia	Kisku/ Kakwa	Brazeau	
Belly River								
Cardium			6				9	15
Notikewin		2		4			2	8
Falher	1			1				2
Wilrich		1		2			1	4
Bluesky								
Total	1	3	6	7			12	29

Peyto drilled 3 ERH wells in the quarter, drilling its longest ever at 6,070 m MD with a horizontal lateral of 3,136 m. The Company has now drilled 19 ERH wells into the Cardium, Notikewin, Falher and Wilrich formations that all have greater than 2,500 m horizontal laterals. These wells will continue to be evaluated to determine how much economic benefit, in addition to the environmental benefit, this enhanced well design can deliver in Peyto's various Deep Basin resource plays.

Q1 2022 drilling and completion cost on a per meter drilled and per stage completed basis were up over 2021 mostly due to the high percentage of Cardium wells in the first quarter. As the drilling program progresses to more ERH wells over the balance of the year, drilling and completion metrics are expected to improve, despite continued inflationary pressures.

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 Q1**
Gross Hz Spuds	86	99	123	140	126	135	70	61	64	**95**	**29**
Measured Depth (m)	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,247	**4,453**	**4,291**
Drilling ($MM/well)	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	**$1.89**	**$2.13**
$ per meter	$694	$651	$626	$501	$433	$450	$425	$420	$396	**$424**	**$496**
Completion ($MM/well)	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	**$1.00**	**$1.22**
Hz Length (m)	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,682	**1,612**	**1,529**
$ per Hz Length (m)	$1,231	$1,153	$1,166	$792	$587	$803	$835	$679	$560	**$620**	**$801**
$ '000 per Stage	$257	$188	$168	$115	$79	$81	$51	$38	$36	**$37**	**$44**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the first quarter of 2022, Peyto invested $52 million on drilling, $33 million on completions, $10 million on wellsite equipment and tie-ins, $47 million on facilities and major pipeline projects, $1 million on seismic and $22 million on the corporate acquisition of a private junior producer. Of the $47 million on facilities, the new Chambers plant accounted for $32 million, including $17 million transferred from capital inventory. Other major pipeline projects included $8 million in Greater Brazeau pipeline infrastructure, $3 million in additional Swanson pipeline and gathering infrastructure, and $2 million in optimization and methane reduction initiatives.

Marketing

Peyto actively markets all components of its production stream including natural gas, condensate, pentane, butane and propane. Natural gas was sold in Q1 2022 at various hubs including Emerson (35%), AECO (30%), Henry Hub (20%), Malin (7%), Empress (5%), and Ventura (3%) using both physical transportation and basis transactions (diversification activities) to access those hubs. 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. Net of diversification activities of $1.17/Mcf, Peyto realized a before hedge price of $4.23/GJ prior to NGTL fuel deductions. This compares to an AECO Daily (5A) average price of $4.49/GJ.

Peyto also employs a methodical commodity risk management program that 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 orderly and consistent to avoid speculation, much like “dollar cost averaging” the future prices. In general, this approach will show hedging losses when short term prices climb and hedging gains when short term prices fall. For the first quarter of 2022, approximately 69% of Peyto’s gas was locked in at a fixed price of $3.82/Mcf. Most of those contracts were established several quarters prior at then market prices that were lower than the first quarter spot prices. Since Peyto began this hedging practice in 2003, the Company has accumulated $404 million in total hedging gain utilizing this program.

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. Peyto’s realized product prices for Q1 2022, relative to 2021 and benchmark prices, are shown in the following table.

Benchmark Commodity Prices at Various Markets

	Three Months ended March 31	
	2022	2021
AECO 7A monthly ($/GJ)	**4.35**	2.77
AECO 5A daily ($/GJ)	**4.49**	2.99
NYMEX (US$/MMBTU)	**4.60**	3.38
Emerson2 (US$/MMBTU)	**4.57**	2.91
Malin NGI (US$/MMbtu)	**5.66**	3.03
Ventura daily (US$/MMbtu)	**4.47**	11.86
Canadian WTI ($/bbl)	**119.40**	73.22
Conway C3 (US$/bbl)	**54.03**	38.40
CND/USD Exchange rate	**1.266**	1.266

Peyto Realized Natural Gas Price by Market (net of diversification)

	Three Months ended March 31	
	2022	2021
AECO 7A monthly (CND$/GJ)	**4.35**	2.78
AECO 5A daily (CND$/GJ)	**4.48**	2.91
NYMEX (US$/MMBTU)	**3.11**	2.07
Emerson2 (US$/MMBTU)	**3.93**	2.22
Malin (US$/MMBTU)	**3.48**	2.42
Ventura (US$/MMBTU)	**3.38**	10.77

Peyto Realized Commodity Prices

Natural gas (CND$/mcf)	**6.03**	4.52
Gas marketing diversification activities (CND$/mcf)	**(1.17)**	(1.04)
Gas hedging (CND$/mcf)	**(0.78)**	(0.42)
Condensate and C5+ (CND$/bbl)	**125.81**	68.57
Butane and propane (CND$/bbl)	**52.68**	30.89
Liquid hedging (CND$/bbl)	**(14.24)**	(7.21)

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 2022 was $6.03/Mcf, prior to $1.17/Mcf of market diversification activities and a $0.78/Mcf hedging loss, while its realized liquids price was $95.90/bbl, before a $14.24/bbl hedging loss, which yielded a combined revenue stream of $5.25/Mcfe. This net sales price was 42% higher than the $3.70/Mcfe realized in Q1 2021. Cash costs of $1.53/Mcfe were 23% higher than the $1.24/Mcfe in Q1 2021 due to a $0.31/Mcfe increase in royalties to 11% of realized revenue. Royalty payments to Alberta were higher in the quarter due to improved commodity prices. Peyto expects that Company royalty rates will continue to range between 10-15% even with the higher forecasted commodity prices due to the large portion of mature, low decline production that receives a lower royalty rate due to lower productivity, combined with a large portion of production from new wells that receive an initial royalty rate of 5%. When the total cash costs of $1.53/Mcfe were deducted from realized revenues of $5.25/Mcfe, it resulted in a cash netback of $3.72/Mcfe or a 71% operating margin. Historical cash costs and operating margins are shown in the following table:

	2019				2020				2021				2022
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	3.20	2.60	2.50	2.76	2.30	1.73	2.15	2.71	3.70	2.92	3.33	4.42	**5.25**
Royalties	0.14	0.01	0.03	0.12	0.12	0.06	0.14	0.18	0.29	0.26	0.36	0.53	**0.60**
Op Costs	0.35	0.34	0.31	0.34	0.39	0.36	0.32	0.31	0.36	0.35	0.35	0.32	**0.41**
Transportation	0.19	0.19	0.19	0.19	0.19	0.17	0.16	0.15	0.17	0.22	0.23	0.23	**0.28**
G&A	0.06	0.05	0.05	0.02	0.04	0.04	0.04	0.04	0.04	0.05	0.02	0.02	**0.03**
Interest	0.28	0.30	0.31	0.31	0.29	0.33	0.35	0.38	0.38	0.33	0.26	0.22	**0.21**
Total Cash Costs	1.02	0.89	0.89	0.98	1.03	0.96	1.01	1.06	1.24	1.21	1.22	1.32	**1.53**
Cash Netback[1]	2.18	1.71	1.61	1.78	1.27	0.77	1.14	1.65	2.46	1.71	2.11	3.10	**3.72**
Operating Margin[1]	68%	66%	64%	65%	55%	45%	53%	61%	67%	59%	63%	70%	**71%**

(1) This is a Non-GAAP measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q1 2022 MD&A.

Depletion, depreciation, and amortization charges of $1.33/Mcfe, along with a provision for deferred tax and stock-based compensation payments resulted in earnings of $1.78/Mcfe, or a 34% profit margin. Dividends to shareholders totaled $0.46/Mcfe.

Activity Update

Peyto has remained active since the end of the quarter with 5 rigs running which has resulted in 11 wells drilled (62% WI), 13 completed (73% WI) and 9 wells (75% WI) brought onstream. In addition, 8 wells (75% WI) remain drilled but not yet tied in. Typically, the Company operates a moderate program during the wet spring breakup period but this year plans to continue drilling with 4 rigs, weather permitting, to take advantage of strong gas prices and greater service availability. This plan will accelerate Peyto's annual capital program into the first half of the year allowing for an option to increase the annual capital budget later in the year.

In early April, Peyto commissioned and started up its Chambers Gas plant in the Greater Brazeau core area and corporate production has averaged 106,000 boe/d since that time. This low emissions facility, located adjacent to the NGTL gathering system, has been outperforming capacity expectations and is currently processing 65 MMcf/d of gas and 2,400 bbl/d of NGLs from a successful Chambers development program of Cardium, Notikewin, and Wilrich wells. Plans for expansion are already being assessed as the Company has 2 rigs operating in the area. This is the Company's 12th gas processing plant and brings the total processing capacity for the Greater Brazeau area up to 250 MMcf/d and the total corporate processing capacity close to 1 BCF/d.

Outlook

Global geopolitical events have combined with historically low natural gas inventory levels to create decade high commodity prices for all the products Peyto develops and sells. Despite the severe backwardation in future commodity prices, new capital investments have some of the most attractive returns the Company has ever experienced. These events, combined with Peyto's low cost, high margin production are expected to continue to deliver record cashflows allowing the Company to reduce the closing debt level this year to below the projected funds flow. This will allow Peyto to focus on increasing returns to shareholders.

With the globalization of natural gas from North American LNG export expansion, Peyto will be well positioned to participate in solving the world's ongoing need for energy security, affordability and reliability with responsibly developed production from environmentally conscientious jurisdictions.

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 Q1 2022 results on Thursday, May 12, 2022, 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/ndciz42i**. The conference call will be archived on the Peyto Exploration & Development website at www.peyto.com.

Annual General Meeting

Peyto's Annual General Meeting of Shareholders is scheduled for 3:00 p.m. on Thursday, May 12, 2022, at the Eau Claire Tower, +15 level, 600 – 3rd Avenue SW, Calgary, Alberta. Shareholders who do not wish to attend are encouraged to visit the Peyto website at www.peyto.com where there is a wealth of information designed to inform and educate investors and where a copy of the AGM presentation will be posted. A monthly President's Report can also be found on the website which follows the progress of the capital program and the ensuing production growth, along with video and audio commentary from Peyto's senior management.

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/2022/Q12022FS.pdf and at http://www.peyto.com/Files/Financials/2022/Q12022MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
Chief Executive Officer
May 11, 2022

Jean-Paul Lachance
President and Chief Operating Officer

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, 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: the forecast costs of future abandonment and reclamation liability; expectations regarding future drilling inventory; the future outlook for commodity prices being better in 2022; expectations regarding the Company's margin of profit; the expectation that Peyto's new landholdings will yield twice the number of locations as were drilled in 2021; the Company's drilling and completion program for 2022, including the timing of the drilling program and the Company's expectation that it will fill the capacity in the Cecilia gas plant and the timing of the same; the Company's intention to install zero emissions instrumentation on all new well sites and the timing of installation; the anticipated effects of installing zero emissions instrumentation on all new well sites; the expectation for growing production and increased funds flow beyond the budgeted capital program for 2022; the Company's intention to reduce indebtedness and increase dividends; anticipated improvement of costs and profitability; the timing of Peyto's annual general meeting; and the Company's overall strategy and focus.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns (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, 2021 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.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this press release, Peyto employs certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance.

Non-GAAP Financial Measures

Funds from Operations

"Funds from operations" is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital 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.

	Three Months ended March 31	
($000)	***2022***	*2021*
Cash flows from operating activities	***185,790***	*119,752*
Change in non-cash working capital	***17,702***	*(3,043)*
Performance based compensation	***-***	*-*
Funds from operations	***203,492***	*116,709*

Net Debt

"Net debt" is a non-GAAP financial measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current portion of lease obligations. It is used by management to analyze the financial position and leverage of the Company. Net debt is reconciled to long-term debt which is the most directly comparable GAAP measure.

($000)	***As at March 31, 2022***	*As at December 31, 2021*	*As at March 31, 2021*
Long-term debt	***1,039,984***	*1,065,712*	*1,150,000*
Current assets	***(172,058)***	*(144,370)*	*(91,679)*
Current liabilities	***492,187***	*239,620*	*129,667*
Financial derivative instruments	***(294,794)***	*(61,091)*	*(17,438)*
Current portion of lease obligation	***(1,233)***	*(1,123)*	*(1,136)*
Net debt	***1,064,086***	*1,098,748*	*1,169 ,414*

Non-GAAP Financial Ratios

Funds from Operations per Share
Peyto presents funds from operations per share by dividing funds from operations by the Company's diluted or basic weighted average common shares outstanding. "Funds from operations" is a non-GAAP financial measure. Management believes that funds from operations per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Netback per MCFE and BOE
"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production less royalties, operating, and transportation expense divided by production and "cash netback" as "field netback" less interest and general and administration expense divided by production. 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.

	Three Months ended March 31	
($/Mcfe)	***2022***	*2021*
Gross Sale Price	***6.22***	*4.23*
Realized hedging gain (loss)	***(0.97)***	*(0.53)*
Net Sale Price	***5.25***	*3.70*
Less: Royalties	***0.60***	*0.29*
Operating costs	***0.41***	*0.36*
Transportation	***0.28***	*0.17*
Field netback	***3.96***	*2.88*
General and administrative	***0.03***	*0.04*
Interest on long-term debt	***0.21***	*0.38*
Cash netback ($/Mcfe)	***3.72***	*2.46*
Cash netback ($/boe)	***22.31***	*14.81*

Return on Equity
Peyto calculates ROE, expressed as a percentage, as Earnings divided by the Equity. Peyto uses ROE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital it has been provided by shareholders and to demonstrate to shareholders the returns generated over the long term.

Return on Capital Employed
Peyto calculates ROCE, expressed as a percentage, as EBIT divided by Total Assets less Current Liabilities per the Financial Statements. Peyto uses ROCE as a measure of long-term financial performance, to measure how effectively Management utilizes the capital (debt and equity) it has been provided and to demonstrate to shareholders the returns generated over the long term.

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus additions to property, plant and equipment, 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.

	Three Months ended March 31	
	2022	*2021*
Total dividends declared ($000)	***25,358***	*1,651*
Additions to property, plant and equipment ($000)	***143,331***	*108,851*
Total payout ($000)	***168,689***	*110,502*
Funds from operations ($000)	***203,492***	*116,709*
Total payout ratio (%)	***83%***	*95%*

Operating Margin
Operating Margin is a non-GAAP financial ratio defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.

Profit Margin
Profit Margin is a non-GAAP financial ratio defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.