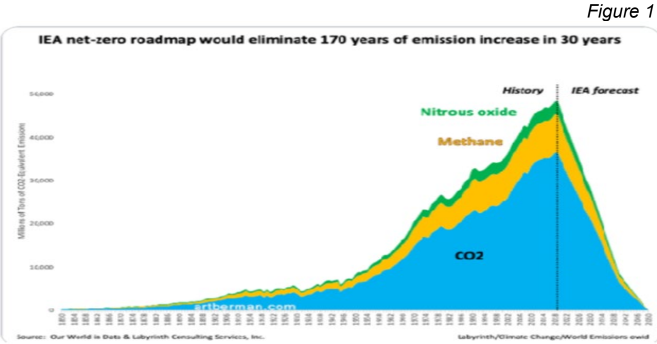
June 2021

From the desk of Darren Gee, President & CEO

The IEA released its Net Zero by 2050 report last month that created quite the stir and perhaps brought to light the serious, massive chasm between rhetoric and reality. The report outlined an incredibly aggressive forecast (Fig. 1) of emissions reduction that would be required to meet the aspirations of many governments in the developed world but failed to reconcile the realities of both population growth and growing energy consumption tied to improving standards of living - a topic we discuss in our 2021 AGM presentation video. Somewhere in the middle lies the practical reality with a blend of global energy sources that aspire to achieve the perfect mix of affordable, scalable, reliable, sustainable, and with the least environmental impact. I personally believe natural gas should and will play a lead role in that reality.

Figure 1



Source: Art Berman, NBF

We were only able to bring on 2 new wells in May, due to breakup, which slowed our production build for the year, however, we are still on plan and hopeful June rains stay away so we can get at the backlog of drilling over the next month or so.

As in the past, this report includes an estimate of monthly capital spending as well as our field estimate of production for the most recent month (see Capital Investment and Production tables below).

Capital Summary (millions$ CND)*

	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Jan	Feb	Mar	Q1 21	Apr
Acq/Disp	0	0	0	1	0	0	2	1	3	35	0	1	36	0
Land & Seismic	2	1	2	7	4	1	1	2	8	0	0	1	1	0
Drilling	11	14	36	86	28	20	28	29	105	9	10	14	34	11
Completions	14	10	21	65	19	9	20	22	70	3	5	11	18	7
Tie ins	3	3	9	26	7	3	6	7	23	1	1	3	5	2
Facilities	5	8	5	21	10	4	5	7	26	8	4	4	16	2
Total	**34**	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**55**	**21**	**33**	**109**	**22**

Production ('000 boe/d)*

	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Jan	Feb	Mar	Q1 21	Apr	May
Sundance	49	47	48	**49**	49	47	47	49	**48**	49	48	48	48	51	50
Ansell	15	14	14	**15**	14	14	13	16	**14**	18	17	16	17	16	15
Brazeau	13	12	11	**13**	12	14	15	16	**14**	17	17	18	17	18	18
Kakwa	2	2	2	**2**	2	2	2	2	**2**	2	2	2	2	2	2
Other	2	2	3	**2**	2	2	1	1	**2**	4	4	5	4	5	5
Total	**82**	**77**	**78**	**81**	**79**	**78**	**78**	**84**	**80**	**89**	**87**	**89**	**88**	**91**	**89**
Liquids %	14%	14%	15%	14%	15%	14%	14%	13%	14%	14%	14%	14%	14%	14%	14%

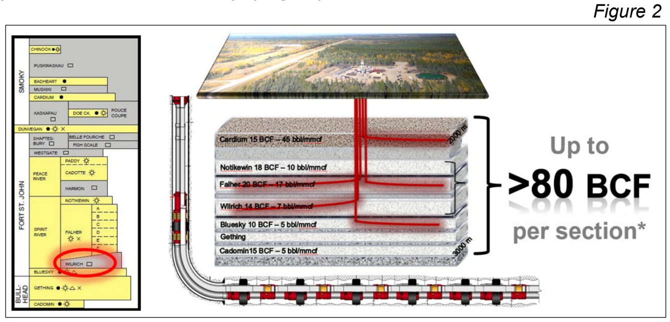
This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.

Revisiting the Wilrich with ERH Wells

In the Q1 2021 financial release I discussed how the latest evolution of wellbore design had changed the game with respect to our well-established Deep Basin Wilrich play. And although we could be accused of being slow to adopt some of the latest trends in the bigger, longer, better horizontal well fad, we tend to adhere to the old Bert Lance adage that "if it ain't broke, don't fix it". So, for us to lean in to a much longer, more intensely stimulated horizontal design requires some solid evidential support.

As a refresher, the Wilrich formation sits at the bottom of the Spirit River group of formations in the Lower Cretaceous stack, just above the Bluesky (Fig. 2).

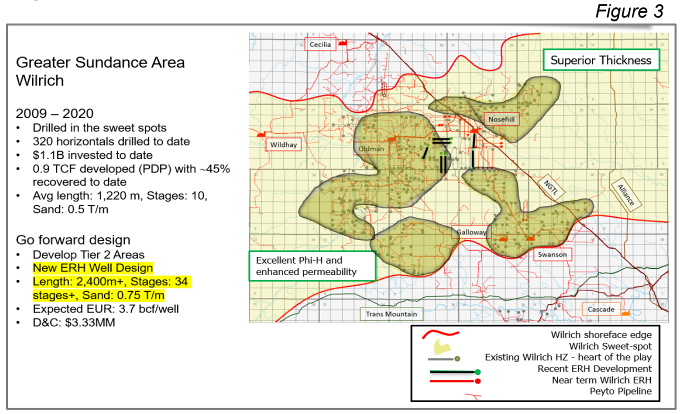
Figure 2



Over the past decade, Peyto has drilled over 300 Wilrich horizontal wells in sweet spots throughout the Greater Sundance area (out of our total 400+ Wilrich horizontals). The original well design hasn't changed too much with average horizontal laterals of 1,200m and with approximately 10 frac stages (Fig.3).

Last year, however, we attempted five Extended Reach Horizontal ("ERH") wells (>2,000m), primarily on the edges of the sweet spots in thinner, poorer quality reservoir. These ERH wells had average horizontal laterals that were twice as long with more than three times the number of frac stages resulting in greater sand placed per meter of horizontal wellbore.

Figure 3



The results of these longer laterals were initially impressive, but we reserved judgement until some production history was demonstrated. Now, with established production performance, we can conclude it worked very well (Fig. 4).

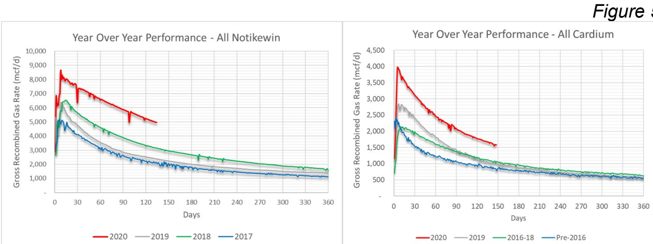
Figure 4

Source: Peyto

As a result, and in many cases, we've replaced two future Wilrich locations with just one ERH well which saves significant capital costs and reduces our environmental footprint. It also opens up substantially more developable lands for us, increasing our future internal drilling inventory.

Which is not to say that we're changing our capital allocation from a cross section of plays and core areas. Last year's results in the Notikewin and Cardium were significantly better than prior years too (Fig. 5). Kudos to the Peyto team.

Figure 5



Source: Peyto

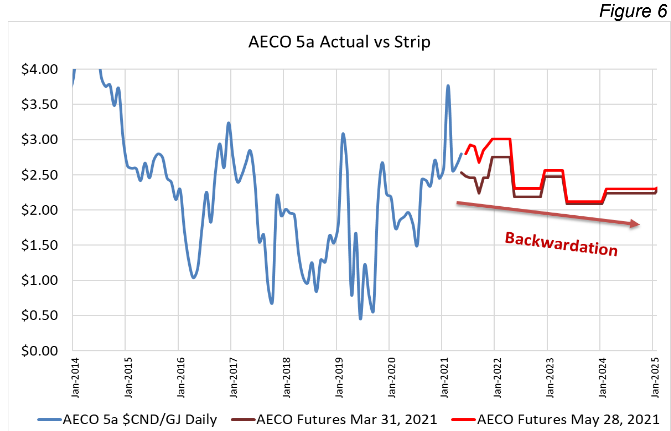
So far this year, we've drilled another ten ERH wells, with eight in the Wilrich and two in the Middle Falher. Horizontal laterals have averaged over 2,500m with 37 frac stages and 0.75 T/m of proppant. Hopefully the Falher results will be similarly improved, and we can see the inventory of Falher opportunities also expand.

These types of results are a good reminder that we must continue to innovate to be successful. To date we've only developed approximately 11% of our total land base, and even with the current booked inventory of 1,230 future drilling locations that number only gets to 19%. Our Deep Basin lands can continue to be the gift that keeps on giving for shareholders so long as we keep pushing the envelope on our exploitation strategies.

Activity Levels and Commodity Prices

Natural gas prices, both in Western Canada and in the US, continue to strengthen as summer progresses, although both futures curves are still in backwardation. There appears to be a continued belief that new drilling and supply additions will overwhelm rebounding market demands, even with the added demands of US LNG exports.

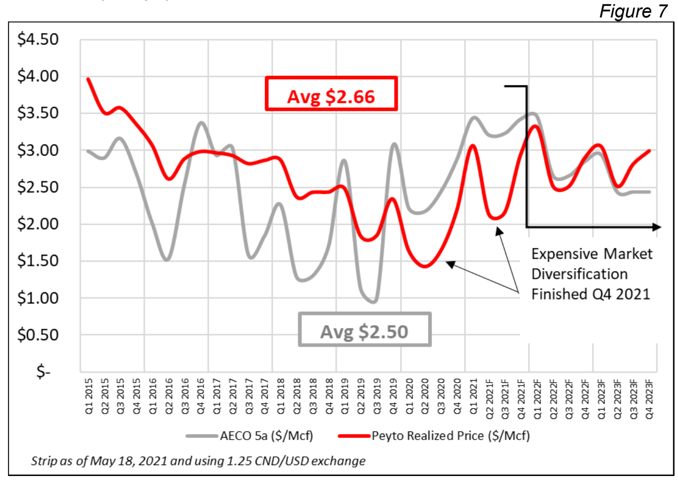
Figure 6



Source: NGX, TD

Personally, I'm not so sure. The industry is under a lot of pressure from all directions to invest less. And less investment results in declining supplies, not growing supplies. We're definitely happy to see the lift in prices and even more eager to put our expensive short term basis deals behind us so we can more fully enjoy them.

Figure 7



Source: Peyto

Forward Looking Statements

Certain information set forth in this monthly report, including management's expectation of future natural gas prices and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast 2018 netback, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's 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. 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 that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcfe) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

Certain measures in this monthly report do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These measures may not be comparable to similar measures presented by other issuers. Non-IFRS measures are commonly used in the oil and gas industry and by Peyto to provide potential investors with additional information regarding Peyto's liquidity and its ability to generate funds to conduct its business. Non-IFRS measures used herein include netback and funds from operations.

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. Funds from operations is a non-IFRS 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 Peyto'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 IFRS measure is cash flows from operating activities.