NEWS RELEASE

AUGUST 12, 2020 **SYMBOL: PEY – TSX**

PEYTO ANNOUNCES Q2 2020 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") presents its operating and financial results for the second quarter of the 2020 fiscal year. The economic impact of the COVID-19 pandemic on world energy demand and consequently North American commodity prices was considerable in the quarter, and while Peyto's industry leading costs structure helped shield some of the financial impact, the Company still experienced the lowest realized commodity prices and operating margins in its 21 year history. Today, the future outlook for realized commodity prices is substantially better than those experienced in the second quarter. Results for the quarter included:

- **Funds from operations of $0.20/share.** Generated $33 million in Funds From Operations ("FFO") in Q2 2020, down from $76 million in Q2 2019 due to 33% lower commodity prices and 4% lower production levels. Trailing twelve month FFO ($232 million) exceeded capital expenditures ($216 million) by $16 million.

- **Production held constant.** Natural gas production was constant from Q1 2020 at 402 MMcf/d but down 5% from a year ago, while Condensate and NGL production was consistent with both the previous quarter and a year ago at 11,126 bbl/d. Liquid yields were 27.7 bbl/MMcf, down slightly from 28.8 bbl/MMcf in Q1 2020 due to a focus on leaner gas targets, but were still up from 26.3 bbl/MMcf in Q2 2019. Total liquids production was comprised of 6,536 bbls/d of Condensate and Pentanes+, and 4,590 bbls/d of Propane and Butane. Total Q2 2020 production of 78,097 boe/d was down slightly from the previous quarter production of 78,514 boe/d and down 4% from 81,496 boe/d recorded in Q2 2019.

- **Total cash costs of $0.96/Mcfe ($0.90/Mcfe or ($5.37/boe) excluding royalties).** Industry leading total cash costs, included $0.06/Mcfe royalties, $0.36/Mcfe operating costs, $0.17/Mcfe transportation, $0.04/Mcfe G&A and $0.33/Mcfe interest, combined with a realized price of $1.73/Mcfe, and resulted in a $0.77/Mcfe ($4.65/boe) cash netback, down 55% from $1.71/Mcfe ($10.24/boe) in Q2 2019. Operating costs per unit for Q2 2020 were up 6% from Q2 2019 largely due to increased road and lease maintenance from the wet spring weather.

- **Capital investment of $37 million**. A total of 12 gross wells (11 net) were drilled in the second quarter, 8 gross wells (7.5 net) were completed, and 9 gross wells (8.5 net) were brought on production. Over the last 12 months the 67 gross (58.35 net) wells brought on production accounted for approximately 19,000 boe/d at the end of the quarter, which, when combined with a trailing twelve month capital investment of $216 million, equates to an annualized capital efficiency of $11,400/boe/d. Peyto anticipates the 2020 full year capital efficiency will be approximately $9,000/boe/d based on the cost savings experienced in the first half of 2020.

- **Dividends of $0.01/share, Loss of $0.14/share.** Dividends of $1.6 million were paid to shareholders during the quarter while a loss of $22.5 million was recorded.

Second Quarter 2020 in Review

Peyto maintained an active second quarter with two drilling rigs running throughout the quarter drilling from pre-constructed pad sites. Despite heavy rainfall in June which restricted access to several sites, completion and tie in operations were still achieved on several wells. This allowed production declines to be offset with new volumes but for approximately half the capital investment of the first quarter, illustrating continuously improving capital efficiency. As always, the safety of Peyto's employees and field contractors was of critical importance, particularly during the second quarter as Alberta's COVID-19 cases peaked in mid-April. Drilling operations were split equally between the Sundance and Brazeau core areas on both the more liquids rich Cardium formation and the drier gas Spirit River formations. North American hydrocarbon consumption reached a low during the quarter due to pandemic isolation requirements and related demand destruction which caused commodity prices to plummet, particularly West Texas Intermediate oil price which traded negative on April 20, 2020. Industrial demand for natural gas was also impacted as manufacturing was shut down. Globally, natural gas consumption fell and LNG export cargoes were cancelled which put pressure on North American prices. Peyto's unhedged, realized natural gas and liquids prices were down 21% and 53%, respectively, significantly impacting realized revenues. Despite total cash costs of less than $1/Mcfe, FFO was down 40% from the previous quarter and 57% from Q2 2019. Peyto maintained its industry leading cash costs during the quarter which helped to maintain Operating Margins of 45%. The Company successfully revised its credit and note purchase agreements for temporary relief from financial covenants and looks forward to significantly improving financial performance in the quarters ahead.

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		%
	2020	2019	Change	**2020**	2019	Change
Operations						
Production						
Natural gas (mcf/d)	**401,825**	422,320	*-5%*	**401,699**	442,052	*-9%*
Oil & NGLs (bbl/d)	**11,126**	11,110	-	**11,356**	10,907	*4%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**468,583**	488,977	*-4%*	**469,833**	507,496	*-7%*
Barrels of oil equivalent (boe/d @ 6:1)	**78,097**	81,496	*-4%*	**78,306**	84,583	*-7%*
Production per million common shares (boe/d)*	**474**	494	*-4%*	**475**	513	*-7%*
Product prices						
Natural gas ($/mcf)	**1.44**	1.83	*-21%*	**1.54**	2.17	*-29%*
Oil & NGLs ($/bbl)	**21.07**	44.70	*-53%*	**29.06**	47.47	*-39%*
Operating expenses ($/mcfe)	**0.36**	0.34	*6%*	**0.37**	0.34	*9%*
Transportation ($/mcfe)	**0.17**	0.19	*-11%*	**0.18**	0.19	*-5%*
Field netback ($/mcfe)	**1.14**	2.06	*-45%*	**1.36**	2.30	*-40%*
General & administrative expenses ($/mcfe)	**0.04**	0.05	*-20%*	**0.04**	0.06	*-33%*
Interest expense ($/mcfe)	**0.33**	0.30	*10%*	**0.31**	0.29	*7%*
Financial ($000, except per share*)						
Revenue and realized hedging gains (losses) [1]	**73,883**	115,526	*-36%*	**171,605**	267,185	*-36%*
Royalties	**2,705**	237	*1041%*	**7,641**	6,910	*11%*
Funds from operations	**33,012**	75,971	*-57%*	**87,525**	179,050	*-51%*
Funds from operations per share	**0.20**	0.46	*-57%*	**0.53**	1.09	*-51%*
Total dividends	**1,649**	9,892	*-83%*	**11,541**	19,785	*-42%*
Total dividends per share	**0.01**	0.06	*-83%*	**0.07**	0.12	*-42%*
Payout ratio	**5**	13	*-62%*	**13**	11	*18%*
Earnings (loss)	**(22,538)**	98,757	*-123%*	**(90,221)**	123,727	*-173%*
Earnings (loss) per diluted share	**(0.14)**	0.59	*-123%*	**(0.55)**	0.75	*-173%*
Capital expenditures	**37,299**	34,112	*9%*	**105,886**	96,507	*10%*
Weighted average common shares outstanding	**164,874,175**	164,874,175	-	**164,874,175**	164,874,175	-
As at June 30						
Net debt				**1,172,590**	1,156,565	*1%*
Shareholders' equity				**1,616,230**	1,743,942	*-7%*
Total assets				**3,481,028**	3,621,782	*-4%*

[1]excludes revenue from sale of third party volumes

	Three Months Ended June 30		Six Months Ended June 30	
($000 except per share)	**2020**	2019	**2020**	2019
Cash flows from operating activities	**36,254**	85,569	**102,095**	177,081
Change in non-cash working capital	**(3,242)**	(9,383)	**(14,570)**	(322)
Change in provision for performance based compensation	-	(215)	-	-
Performance based compensation	-	-	-	2,291
Funds from operations	**33,012**	75,971	**87,525**	179,050
Funds from operations per share	**0.20**	0.46	**0.53**	1.09

(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 2020 activity was split between the Greater Sundance and Brazeau River areas on the Cardium and Spirit River plays as shown in the following table:

Zone	Field							Total Wells Drilled
	Sundance	Nosehill	Wildhay	Ansell	Whitehorse	Kisku/ Kakwa	Brazeau	
Cardium	2						4	6
Notikewin							1	1
Falher								
Wilrich		3		2				5
Bluesky								
Total	2	3		2			5	12

Drilling costs for the second quarter of 2020 were 10% lower on a per meter basis, even with half the wells being drilled in the more expensive Brazeau area where wellsite access is more remote and drilling more challenging. The lower average was due to three, newly designed, extended reach horizontal Wilrich wells drilled in the Nosehill area, where estimated drilling costs were $340/m. These new well designs ranged in length from 2,400m to 2,700m and allowed for an increased number of frac stages which are expected to translate into higher productivity and reserve capture. Completion costs on a $/m of horizontal lateral and $/frac stage were also lower as Peyto continues to work with suppliers to find efficiency gains and cost savings.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1	2020 Q2
Gross Hz Spuds	70	86	99	123	140	126	135	70	61	17	**12**
Measured Depth (m)	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,069	**4,335**
Drilling ($MM/well)	$2.82	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.75	**$1,69**
$ per meter	$723	$694	$651	$626	$501	$433	$450	$425	$420	$430	**$390**
Completion ($MM/well)	$1.68	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.98	**$0.97**
Hz Length (m)	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,563	**1,587**
$ per Hz Length (m)	$1,286	$1,231	$1,153	$1,166	$792	$587	$803	$835	$679	$624	**$610**
$ '000 per Stage	$246	$257	$188	$168	$115	$79	$81	$51	$38	$38	**$37**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the second quarter of 2020, Peyto invested $20.4 million on drilling, $9.0 million on completions, $2.8 million on wellsite equipment and tie-ins, $3.8 million on facilities and major pipeline projects, and $1.3 million acquiring new land and seismic, for total capital investments of $37.3 million.

The $3.8 million invested in new facilities and major pipeline projects in the quarter included the installation of condensate storage and upgrades to existing compressors, as well as preliminary work on the pipeline directly connecting Peyto's sales gas to the Cascade Power Plant. No new land was purchased as sales were suspended by the Crown due to a deteriorating Alberta business environment.

Commodity Prices

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

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

During Q2 2020 Peyto sold 34% of its natural gas at AECO, 9% at Emerson, 5% at Ventura, and 52% at Henry Hub. Benchmark prices, Peyto realized prices, and aggregate gas marketing diversification costs are shown below. Moving forward, the Company expects to continue to market more of its gas at hubs outside of AECO but expects that market diversification costs will diminish.

Benchmark Commodity Prices

	Three Months ended June 30	
	2020	2019
AECO 7A monthly ($/GJ)	**1.81**	1.11
AECO 5A daily ($/GJ)	**1.89**	0.98
Emerson2 (US$/MMBTU)	**1.60**	2.12
NYMEX (US$/MMbtu)	**1.65**	2.52
Ventura daily (US$/MMbtu)	**1.58**	2.20
Canadian WTI ($/bbl)	**48.94**	80.02
Conway C3 (US$/bbl)	**17.25**	20.47

Q2 2020 average CND/USD exchange rate of 1.3859.

Peyto Realized Commodity Prices by Component

	Three Months ended June 30	
	2020	2019
Natural gas ($/mcf)	**2.35**	2.33
Gas marketing diversification activities ($/mcf)	**(0.94)**	(0.76)
Gas hedging ($/mcf)	**0.03**	0.26
Oil, condensate and C5+ ($/bbl)	**27.73**	73.20
Butane and propane ($/bbl)	**11.65**	5.63
Oil and NGL hedging ($/bbl)	**1.73**	1.67

Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation, transportation, and market differentials.
Peyto natural gas has an average heating value of approximately 1.15 GJ/mcf
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

Approximately 28%, or $0.46/Mcfe, of Peyto's unhedged revenue came from its associated natural gas liquids sales while 72%, or $1.20/Mcfe, is attributable to natural gas sales. Natural gas and liquids hedging activity contributed $0.07/Mcfe to total revenue of $1.73/Mcfe. Cash costs of $0.96/Mcfe, included royalties of $0.06/Mcfe, operating costs of $0.36/Mcfe, transportation costs of $0.17/Mcfe, G&A of $0.04/Mcfe and interest costs of $0.33/Mcfe. Cash costs per unit of production were higher than Q2 2019 due to increased royalties and interest charges. For the balance of the year, Peyto intends to offset higher interest charges resulting from the amended credit facility with lower per unit operating and transportation costs resulting from a focused cost reduction program.

When the total cash costs of $0.96/Mcfe were deducted from realized revenues of $1.73/Mcfe, it resulted in a cash netback of $0.77/Mcfe or a 45% operating margin. Historical cash costs and operating margins are shown in the following table:

	2017				**2018**				**2019**				**2020**	
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Revenue	3.44	3.36	3.24	3.50	3.54	3.20	3.27	3.03	3.20	2.60	2.50	2.76	2.30	**1.73**
Royalties	0.19	0.17	0.09	0.15	0.17	0.10	0.14	0.12	0.14	0.01	0.03	0.12	0.12	**0.06**
Op Costs	0.29	0.24	0.26	0.28	0.29	0.30	0.31	0.33	0.35	0.34	0.31	0.34	0.39	**0.36**
Transportation	0.17	0.18	0.17	0.16	0.13	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	**0.17**
G&A	0.04	0.05	0.03	0.03	0.08	0.05	0.03	0.04	0.06	0.05	0.05	0.02	0.04	**0.04**
Interest	0.20	0.21	0.21	0.21	0.24	0.26	0.27	0.27	0.28	0.30	0.31	0.31	0.29	**0.33**
Cash Costs	0.89	0.85	0.76	0.83	0.91	0.89	0.94	0.95	1.02	0.89	0.89	0.98	1.03	**0.96**
Netback	2.55	2.51	2.48	2.67	2.63	2.31	2.33	2.08	2.18	1.71	1.61	1.78	1.27	**0.77**

Operating Margin	74%	75%	76%	76%	74%	72%	71%	69%	68%	66%	64%	65%	55%	**45%**

Depletion, depreciation, and amortization charges of $1.40/Mcfe, along with a provision for deferred tax and stock-based compensation payments reduced the cash netback to a loss of $0.53/Mcfe ($0.14/share). Dividends of $0.04/Mcfe ($0.01/share) were paid to shareholders in the quarter. No impairment charges were recorded in the quarter.

Activity Update

Peyto currently has 4 drilling rigs contracted that continue to be focused in the Greater Sundance and Brazeau core areas. These 4 drilling rigs are operating intermittently and are capable of drilling 40% more wells than what is planned for 2020. Peyto expects they will be at full utilization in 2021 with an expanded capital program. Keeping these 4 rigs and their respective crews active now will ensure efficiency gains are maintained as Peyto increases its pace of activity, which is critically important considering the damage this current activity downturn is having on the oilfield services sector.

Since the end of the quarter, the Company has drilled 10 gross (8.5 net) wells, completed 7 gross (7 net) wells and brought onstream 6 gross (6 net) new wells. The wet summer weather has caused a backlog of completions with 10 gross (8.5 net) wells drilled but awaiting completion in August. While only 7 gross (6.5 net) new wells were brought on from May 1 to July 31, Peyto is planning on bringing on 18 gross (16.5 net) new wells in August and September. Current production is 78,000 boe/d.

At the start of August, Peyto commissioned its first water disposal well and facility which will serve the Greater Sundance Area. The Company expects to save between $2 million and $3 million in annual operating expense by avoiding third party disposal costs and reducing trucking activity.

Outlook

Looking forward, the Company is encouraged by the outlook for North American natural gas. Anemic drilling activity, shrinking supplies and increasing consumption has set the stage for significantly improved commodity prices. The spot and futures contracts for natural gas have already begun to reflect this improvement, with spot NYMEX up 50% and the 2021 futures price up 10% from a month ago.

Peyto's producing reserve life continues to grow and base production declines continue to moderate creating a concrete platform for future growth and profitability. The Company's internal forecasts using these current futures prices indicate Peyto could see a significant year over year increase to its 2021 funds flow that will increase the capital available for investment. Such an additional investment would, at current capital efficiencies, result in growing production that would be coupled with lower per unit operating costs, transportation costs and interest costs, all substantially increasing operating margins. Markedly higher funds flow also means Peyto's ratio of net debt to cashflow would shrink to a very manageable level going forward.

Peyto's industry leading low-cost structure comes from an ever-vigilant focus on minimizing waste and increasing efficiency across its operations. The Company has redoubled these efforts and expects to realize additional operating cost savings in the areas of road use, water disposal, municipal taxes, AER fees, chemical costs, power consumption, and manpower costs. The current head office staff of 51 full time employees is fully capable of executing the growing capital programs expected in 2021 and 2022 which will translate into lower per unit G&A costs.

While this potential future is encouraging, Peyto will continue to remain nimble to changing market dynamics with a constant focus on strengthening its balance sheet while funding its increasing capital program and dividend from growing cashflows.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the 2020 second quarter financial results on Thursday, August 13th, 2020, at 9:00 a.m. Mountain Daylight Time (MDT), or 11:00 a.m. Eastern Daylight Time (EDT). 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/pcanrfjo. 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 second quarter report to shareholders, including the MD&A, unaudited financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2020/Q22020FS.pdf and at http://www.peyto.com/Files/Financials/2020/Q22020MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
August 12, 2020
Phone: (403) 261-6081
Fax: (403) 451-4100

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 2020, 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 future outlook for realized commodity prices being better in the future than in the second quarter of 2020; the expectation that financial performance will significantly improve in the upcoming quarters; the expectation that the Company will continue to market more of its gas at hubs outside of AECO; the expectation that market diversification costs will diminish; the continued need for precautions to be taken to ensure the health and safety of all workers during the COVID-19 pandemic; the Company's intention to offset higher interest charges under its credit facility with lower per unit operation and transportation costs resulting from a focused cost reduction program; the expectation that the four drilling rigs will be at full utilization in 2021 with an expanded capital program; the Company's drilling and completion program for the remainder of 2020, including the timing of bringing on new wells in August and September 2020; the anticipated cost savings as a result of the newly commission water disposal well and facility; the anticipated additional cost savings to be realized in the balance of the year; the expectation for growing capital programs in 2021 and 2022; the expectation for producing reserve life to continue to grow and base production declines continue for future growth and profitability; the Company's ability to continue to be nimble and flexible in adjusting its program for 2020 as required; 2020 capital efficiency; Peyto's hedging program; 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, 2019 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-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 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. 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 these measures can be found in Peyto's management's discussion and analysis for the three months ended June 30, 2020.