NEWS RELEASE

MAY 12, 2021 **SYMBOL: PEY – TSX**

PEYTO POSTS STRONG Q1 2021 PROFITS

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 2021 fiscal year. A 67% Operating Margin (1) and a 22% Profit Margin (2) in the quarter delivered a 4% Return on Capital and a 4% Return on Equity, on a trailing twelve-month basis. Highlights for the quarter included:

- **Production per share up 12%.** First quarter 2021 production of 88,070 boe/d, comprised of 456 MMcf/d of natural gas, 7,018 bbl/d of Condensate and Pentanes, and 5,120 bbl/d of Butane and Propane, was up from 78,514 boe/d in Q1 2020. Total liquid yields of 27 bbl/MMcf, or 13.8% of total production, was down from 29 bbl/MMcf in Q1 2020 due to an increased focus on leaner gas Spirit River plays and the acquired Cecilia production (effective January 1, 2021).

- **Funds from operations per share up 115%.** Generated $117 million in Funds from Operations ("FFO") in Q1 2021 ($0.71/share), up from $55 million in Q1 2020 ($0.33/share) due to higher commodity price realizations combined with higher production. FFO in the quarter exceeded the combination of capital expenditures ($73 million), acquisitions ($36 million), and dividends ($1.6 million), by $6 million resulting in a total payout ratio of 95%.

- **Total cash costs of $1.24/Mcfe (or $0.95/Mcfe ($5.67/boe) excluding royalties).** Industry leading low total cash costs included $0.29/Mcfe royalties, $0.36/Mcfe operating costs, $0.17/Mcfe transportation, $0.04/Mcfe G&A and $0.38/Mcfe interest, which combined with a realized price of $3.70/Mcfe and resulted in a $2.46/Mcfe ($14.81/boe) cash netback, up 94% from $1.27/Mcfe ($7.63/boe) in Q1 2020. Operating costs per unit for Q1 2021 were down 8% from Q1 2020 largely due to increased volumes and higher facility utilizations, while royalties were up due to higher commodity prices. Interest charges were also up 31% because of higher stamping fees negotiated as part of the temporary covenant provisions.

- **Capital investment of $73 million in organic activity**. A total of 27 gross (22.5 net working interest) wells were drilled in the first quarter, 21 gross (17 net) wells were completed, and 20 gross (16.7 net) wells were brought on production. In addition, two acquisitions totaling $35.6 million (effective January 1, 2021) were closed in the quarter. Over the last 12 months new production additions, inclusive of acquisitions, accounted for approximately 34,000 boe/d at the end of the quarter, which, when combined with a trailing twelve-month capital investment of $276 million, equates to an annualized capital efficiency of $8,100/boe/d.

- **Earnings of $0.23/share, Dividends of $0.01/share.** Earnings of $38.5 million were generated in the quarter while dividends of $1.6 million were paid to shareholders. During the quarter, Peyto earned $0.35 for every dollar of capital invested. Over the Company's 22 ½ year history, a cumulative $2.6 billion has been earned for a total of $6.5 billion of capital invested, or $0.40 for every dollar invested.

First Quarter 2021 in Review

Peyto enjoyed an active first quarter despite the continued impacts and constraints of the global COVID-19 pandemic. The Company maintained its vigilant focus on safety and successfully conducted a full winter drilling and completions program while also fully integrating two property acquisitions, including taking over operations of its 10th owned and operated natural gas processing plant. Total Company owned and operated plant processing capacity now stands at approximately 875 MMcf/d making Peyto the 11th largest Canadian gas processing company. Despite the severe cold weather experienced in February, Peyto was able to grow production 6% from 86,000 boe/d at the start of the year to 91,000 boe/d by the end of the first quarter using 93% of funds from operations. This growth improved facility utilization and helped lower per unit fixed costs. The much-improved commodity prices contributed to a more than doubling of funds from operations over Q1 2020, despite the temporary higher market diversification costs which resulted in an 11% discount to AECO daily natural gas prices. As market diversification costs continue to fall moving forward, Peyto's realized natural gas prices are expected to once again match or beat AECO spot prices further improving funds from operations. Excess free cashflow in the quarter was used to reduce indebtedness which, combined with higher cashflow, allowed Peyto to achieve its debt to EBITDA target earlier than originally forecast. Strong operational execution combined with industry leading low costs resulted in a 22% profit margin.

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 March 31		%
	2021	**2020**	Change
Operations			
Production			
Natural gas (mcf/d)	**455,593**	401,572	*13%*
Oil & NGLs (bbl/d)	**12,138**	11,585	*5%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**528,419**	471,083	*12%*
Barrels of oil equivalent (boe/d @ 6:1)	**88,070**	78,514	*12%*
Production per million common shares (boe/d) *	**534**	476	*12%*
Product prices			
Natural gas ($/mcf)	**3.06**	1.63	*88%*
Oil & NGLs ($/bbl)	**45.63**	36.73	*24%*
Operating expenses ($/mcfe)	**0.36**	0.39	*-8%*
Transportation ($/mcfe)	**0.17**	0.19	*-11%*
Field netback ($/mcfe)	**2.88**	1.58	*82%*
General & administrative expenses ($/mcfe)	**0.04**	0.04	-
Interest expense ($/mcfe)	**0.38**	0.29	*31%*
Financial ($000, except per share*)			
Revenue and realized hedging gains (losses) [1]	**175,327**	97,723	*79%*
Royalties	**14,069**	4,936	*185%*
Funds from operations	**116,709**	54,513	*114%*
Funds from operations per share	**0.71**	0.33	*115%*
Total dividends	**1,651**	9,892	*-83%*
Total dividends per share	**0.01**	0.06	*-83%*
Earnings (loss)	**38,500**	(67,684)	*157%*
Earnings per diluted share	**0.23**	(0.41)	*156%*
Capital expenditures	**108,851**	68,587	*59%*
Total payout ratio (%)	**95%**	144%	*-34%*
Weighted average common shares outstanding	**165,069,227**	164,874,175	-
As at March 31			
Net debt	**1,169,414**	1,166,781	-
Shareholders' equity	**1,699,771**	1,640,707	*4%*
Total assets	**3,661,029**	3,514,524	*4%*

[1]excludes revenue from sale of third-party volumes

	Three Months Ended March 31	
($000 except per share)	**2021**	**2020**
Cash flows from operating activities	**119,752**	65,841
Change in non-cash working capital	**(3,043)**	(11,328)
Change in provision for performance-based compensation	**-**	-
Funds from operations	**116,709**	54,513
Funds from operations per share	**0.71**	0.33

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

Exploration & Development

First quarter 2021 activity was spread across the multiple stacked Cretaceous formations and throughout Peyto's Deep Basin core areas as shown in the following table:

Zone	Field							Total Wells Drilled
	Sundance	**Nosehill**	**Wildhay**	**Ansell**	**Whitehorse**	**Kisku/ Kakwa**	**Brazeau**	
Belly River								
Cardium			9				4	13
Notikewin		5					1	6
Falher			2					2
Wilrich		2		2	1		1	6
Bluesky								
Total		7	11	2	1		6	27

Drilling costs per meter and completion costs per stage continued to fall as Peyto drilled 7 Extended Reach Horizontal ("ERH") wells in the quarter. These 7 wells averaged over 5,500 meters of total measured depth with average horizontal laterals in excess of 2,500 meters. These ERH wells allow Peyto to access more reservoir and develop more reserves per wellbore, thus minimizing both cost and environmental impact.

	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 Q1**
Gross Hz Spuds	70	86	99	123	140	126	135	70	61	64	**27**
Measured Depth (m)	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,247	**4,413**
Drilling ($MM/well)	$2.82	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	**$1,65**
$ per meter	$723	$694	$651	$626	$501	$433	$450	$425	$420	$396	**$374**
Completion ($MM/well)	$1.68	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	**$0.96**
Hz Length (m)	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,682	**1,573**
$ per Hz Length (m)	$1,286	$1,231	$1,153	$1,166	$792	$587	$803	$835	$679	$560	**$608**
$ '000 per Stage	$246	$257	$188	$168	$115	$79	$81	$51	$38	$36	**$33**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the first quarter of 2021, Peyto invested $33.5 million on drilling, $18.2 million on completions, $4.8 million on wellsite equipment and tie-ins, $15.6 million on facilities and major pipeline projects, and $1.1 million acquiring new lands and seismic, for a total organic capital investment of $73 million. In addition, Peyto closed two acquisitions in the Cecilia area for a total of $35.6 million. Combined total capital expenditures in the quarter were $109 million.

Pipeline looping in the South Brazeau (Chambers) area accounted for approximately $8 million of the major pipeline projects in the quarter. Additional loop lines in the Swanson and Wildhay areas, as well as compressor upgrades in both areas, accounted for the remainder. The initial construction of the South Brazeau (Chambers) pipeline in 2020 and the recent doubling of this gathering system capacity has allowed production from the Chambers area to grow from 1,000 boe/d to 11,000 boe/d over the last 15 months.

The combined acquisitions, which closed in the first quarter of 2021 and with an effective date of January 1, 2021, included 114 gross (106 net) producing wells with stable, ultra-low decline (less than 5%/yr) production of approximately 2,900 boe/d (95% natural gas). Also included were 54 gross sections of land (81% working interest) in which the Company has internally identified over 100 future drilling prospects. Approximately 17 square kilometers of 3D and 684 km of 2D seismic were included that cover the acquired lands. Peyto has subsequently purchased 167 square km of additional 3D over the lands to have complete coverage for horizontal development. Acquired infrastructure consisted of 115 km of gathering system and a 30 MMcf/d, 100% working interest, gas plant with approximately 50% available capacity.

Commodity Prices

Peyto actively marketed all components of its production stream in the quarter including natural gas, condensate, pentane, butane and propane. Natural gas was sold in Q1 2021 at various hubs including AECO, Malin, Ventura, Emerson 2 and Henry Hub using both physical fixed price and basis transactions to access those locations (diversification activities). Natural gas prices were left to float on daily or monthly pricing or locked in using fixed price swaps at those hubs and Peyto's realized price is benchmarked against those local prices, then adjusted for transportation (either physical or synthetic) to those markets. Peyto expects that the cost of market diversification activities will decrease significantly over the next two years as older basis deals expire and are replaced by new, lower cost basis deals.

During Q1 2021, Peyto sold 40% of its natural gas off Henry Hub, 40% at AECO, 8% at Emerson, 8% at Malin, and the remaining 4% at Ventura. Approximately 41% of AECO sales were at Daily prices while 59% were at Monthly prices. Net of diversification activities of CND$1.04/Mcf (US$0.79/MMBTU), Peyto realized a natural gas price of $3.48/Mcf before commodity risk management reduced this price by $0.42/Mcf, to $3.06/Mcf.

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

Condensate and Pentane Plus volumes were sold in Q1 2021 for an average price of $68.57/bbl, which is up 24% from $55.30/bbl in Q1 2020, and as compared to Canadian WTI oil price that averaged $73.22/bbl. The $4.65/bbl differential from light oil price was down from $6.35/bbl in the previous year due to reduced condensate differentials. Butane and propane volumes were sold in combination at an average price of $30.89/bbl, or 45% of light oil price, up significantly from the $5.09/bbl in Q1 2020, mostly due to stronger Propane prices resulting from cold weather demand and improved Butane price differentials.

In general, Peyto's commodity risk management program is designed to smooth out the short-term fluctuations in the price of natural gas and natural gas liquids through future sales. This smoothing gives greater predictability of cashflows for the purposes of capital planning and dividend payments. The future sales are meant to be methodical and consistent to avoid speculation. In general, this approach will show hedging losses when short term prices climb and hedging gains when short term prices fall.

Peyto's realized price by product and relative to benchmark prices is shown in the following table.

Benchmark Commodity Prices at Various Markets

	Three Months ended March 31	
	2021	2020
AECO 7A monthly ($/GJ)	**2.77**	2.03
AECO 5A daily ($/GJ)	**2.99**	1.93
NYMEX (US$/MMBTU)	**3.38**	1.88
Emerson2 (US$/MMBTU)	**2.91**	1.75
Malin (US$/MMbtu)	**3.03**	2.27
Ventura daily (US$/MMbtu)	**11.86**	1.72
Canadian WTI ($/bbl)	**73.22**	61.65
Conway C3 (US$/bbl)	**38.40**	14.33
CND/USD Exchange rate	**1.266**	1.345

Peyto Realized Commodity Price by Market (net of diversification)

	Three Months ended March 31	
	2021	**2020**
AECO monthly (CND$/GJ)	**2.78**	**2.06**
AECO daily (CND$/GJ)	**2.92**	**1.97**
NYMEX (US$/MMBTU)	**2.07**	**0.58**
Emerson2 (US$/MMBTU)	**2.22**	**1.05**
Malin (US$/MMBTU)	**2.42**	**-**
Ventura (US$/MMBTU)	**10.76**	**0.60**

Peyto Realized Commodity Prices		
Natural gas (CND$/mcf)	**4.52**	**2.59**
Gas marketing diversification activities (CND$/mcf)	**(1.04)**	**(0.88)**
Gas hedging (CND$/mcf)	**(0.42)**	**(0.08)**
Oil, condensate and C5+ ($/bbl)	**68.57**	**55.30**
Butane and propane ($/bbl)	**30.89**	**5.09**
Liquid hedging ($/bbl)	**(7.21)**	**2.77**

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 2021 was $4.52/Mcf, prior to $1.04/Mcf of market diversification activities and a $0.42/Mcf hedging loss, while its realized liquids price was $52.84/bbl, before a $7.21/bbl hedging loss, which yielded a combined revenue stream of $3.70/Mcfe. This net sales price was 61% higher than the $2.30/Mcfe realized in Q1 2020. Cash costs of $1.24/Mcfe, included royalties of $0.29/Mcfe, operating costs of $0.36/Mcfe, transportation costs of $0.17/Mcfe, G&A of $0.04/Mcfe and interest costs of $0.38/Mcfe. Cash costs per unit of production, excluding royalties, were $0.95/Mcfe, up from $0.91/Mcfe in Q1 2020 due to increased interest charges, offset by decreased operating costs and transportation. As Peyto's trailing twelve-month debt to EBITDA ratio is now below 3.5, the Company expects interest rates for the balance of the year to fall, bringing cash costs back in line with historical averages.

When the total cash costs of $1.24/Mcfe were deducted from realized revenues of $3.70/Mcfe, it resulted in a cash netback of $2.46/Mcfe or a 67% operating margin. Historical cash costs and operating margins are shown in the following table:

	2018				2019				2020				**2021**
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Revenue	3.54	3.20	3.27	3.03	3.20	2.60	2.50	2.76	2.30	1.73	2.15	2.71	**3.70**
Royalties	0.17	0.10	0.14	0.12	0.14	0.01	0.03	0.12	0.12	0.06	0.14	0.18	**0.29**
Op Costs	0.29	0.30	0.31	0.33	0.35	0.34	0.31	0.34	0.39	0.36	0.32	0.31	**0.36**
Transportation	0.13	0.18	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.17	0.16	0.15	**0.17**
G&A	0.08	0.05	0.03	0.04	0.06	0.05	0.05	0.02	0.04	0.04	0.04	0.04	**0.04**
Interest	0.24	0.26	0.27	0.27	0.28	0.30	0.31	0.31	0.29	0.33	0.35	0.38	**0.38**
Cash Costs	0.91	0.89	0.94	0.95	1.02	0.89	0.89	0.98	1.03	0.96	1.01	1.06	**1.24**
Netback	2.63	2.31	2.33	2.08	2.18	1.71	1.61	1.78	1.27	0.77	1.14	1.65	**2.46**
Operating Margin	74%	72%	71%	69%	68%	66%	64%	65%	55%	45%	53%	61%	**67%**

Depletion, depreciation, and amortization charges of $1.37/Mcfe, along with a provision for deferred tax and stock-based compensation payments resulted in earnings of $0.81/Mcfe, or a 22% profit margin. Dividends to shareholders totaled $0.03/Mcfe.

Emission Reductions

The Company continued to execute on its methane emissions reduction program during the first quarter 2021 by removing and retrofitting pressure and level controllers with low-bleed alternatives. In addition, Peyto has ordered its first batch of fully electric measurement skids to be installed on new wells. Peyto expects that all remaining high-bleed controllers will be converted over, or removed, by the end of the third quarter. The first quarter emissions reduction projects are expected to result in annual savings of 17,000 tonnes of CO2eq/yr, or the equivalent of taking 3,700 cars off the road. These types of projects ensure that Peyto will achieve its sustainability target of a 50% reduction in the 2016 vented and flared emissions intensity level by year end 2021 while at the same time, creating go-forward value for shareholders.

Activity Update

Peyto currently has 2 rigs drilling on pad sites that utilize existing Company infrastructure (roads, leases, pipelines, etc.) to limit exposure to third party road bans or restrictions during spring breakup. One rig is drilling ERH wells in Sundance while the other is drilling liquids rich Cardium and ERH Spirit River prospects in Brazeau. The Company continues to work closely with service providers and is taking additional precautions to ensure the health and safety of all workers during this latest wave of the COVID-19 pandemic.

The Peyto technical team has recently conducted an internal evaluation of the Company's successful 2020 drilling program which yielded above average returns and record capital efficiency. A portion of that success was the result of longer horizontal laterals and improved stimulation intensity. This work has translated into a new ERH well design for 2021 for several of Peyto's Deep Basin plays. For 2021, approximately 25% of the drilling program will utilize this new design.

Since the end of the quarter, the Company has drilled 6 gross (5.3 net) wells, completed 8 gross (8 net) wells, and brought onstream 8 gross (8 net) new wells. Three gross (2.3 net) wells await completion later in the quarter after breakup. The most recent wells brought onstream include four liquids rich Cardium wells in Brazeau and Wild River, two prolific Notikewin wells in Sundance and Brazeau, and two ERH Wilrich wells in Sundance.

In April, the Company completed and brought on production the first well drilled on lands acquired through the Cecilia acquisition. This well was connected to Peyto's Oldman plant and along with production optimization efforts, increased production from the acquired assets from 2,900 boe/d to over 4,300 boe/d. Continued drilling on the acquired lands is planned for immediately after breakup which is expected to fill the remaining unutilized plant capacity at Cecilia before the end of the third quarter.

Peyto has continued to diversify its natural gas markets with significantly lower cost basis deals. In Q1 2021, Peyto added a total of 12,490,000 MMBTU of AECO to Henry Hub basis deals, over various periods between April 2021 and December 2023, at an average cost of US$0.70/MMBTU. This compares to Peyto's Q1 2021 average AECO to Henry Hub basis cost of US$1.31/MMBTU. In addition, in April Peyto added 40,000 MMBTU/d of AECO to Dawn basis deals, for the period November 2022 to October 2024, or 29,240,000 MMBTU, for US$0.63/MMBTU. This compares to the equivalent Long Term Fixed Price ("LTFP") toll of US$0.87/MMBTU (AECO to Dawn, inclusive of fuel).

Details of Peyto's ongoing marketing and diversification efforts are updated periodically and available on Peyto's website at: http://www.peyto.com/Files/Operations/Marketing/hedges.pdf.

Outlook

The outlook for natural gas prices continues to improve for Peyto. The combination of falling market diversification costs and rising North American natural gas prices, driven by reduced supply from tempered industry investment combined with strong global demand, is translating into a forecast of higher realized natural gas prices. This has the effect of improving Peyto's cashflow and balance sheet as well as increasing the value of its developed reserves. The Company's long producing reserve life allows for exposure to this improving price environment which should enable Peyto to increase its return of capital to investors in the form of further debt reduction and, when appropriate, increased dividends.

At the same time, Peyto continues to obtain additional Deep Basin opportunities to invest capital and deliver profits for shareholders. Consolidation in the Canadian natural gas industry and in the Alberta Deep Basin has resulted in less competition for opportunities in Peyto's traditional core areas. With its large infrastructure network of pipelines and gas plants, Peyto can generate superior returns on its remaining undeveloped resources. Peyto's continuously improving environmental performance will assist it in meeting the stricter standards set by investors and stakeholders while its innovation in resource extraction continues to lower cost and improve profitability. With post pandemic optimism, Peyto looks forward to a bright future of renewed financial strength and growth.

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 2021 results on Thursday, May 13, 2021, 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/yk2rygg6**. The conference call will be archived on the Peyto Exploration & Development website at www.peyto.com.

Annual General Meeting

Peyto has scheduled its Annual General Meeting of Shareholders for 3:00 p.m. on Thursday, May 13, 2021. Peyto was hopeful that Alberta would be emerging from the COVID-19 pandemic which would allow for an in-person meeting of its shareholders. Currently, however, the Public Health Agency of Canada and Alberta Health Services is strongly advising against indoor gatherings of any kind. Therefore, considering this advice and in order to reduce potential risks to the health and safety of its shareholders, employees and other stakeholders, Peyto is strongly urging shareholders and others to remain at home and NOT attend the meeting in person. Attendance in person will be restricted to essential personnel and registered shareholders and duly appointed proxyholders and, moreover, may be further restricted to comply with applicable regulations and protocols regarding public gatherings. Guests will not be permitted and there will be no presentation or reception following the formal portion of the meeting.

The Company reserves the right to refuse admission to any registered shareholders or duly appointed proxyholder seeking to attend the meeting in person, but whom the Company believes may pose a health risk or whose admission would violate applicable public health laws, policies, or emergency orders in place at the time of the meeting. Any registered shareholders and duly appointed proxyholders who are admitted to the meeting will be asked to physically distance themselves from others.

Health and safety remain Peyto's highest priority. The Company will continue to monitor the ongoing COVID-19 pandemic and will be adhering to all federal and provincial restrictions and recommendations in place regarding public gatherings. Shareholders are invited to monitor Peyto's website at www.peyto.com for any updates and are encouraged to visit the Peyto website often where there is a wealth of information designed to inform and educate investors. 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. A video recording of the presentation by management will be available by the end of May 2021.

Management’s Discussion and Analysis/Financial Statements

A copy of the first quarter report to shareholders, including the MD&A, unaudited financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2021/Q12021FS.pdf and at http://www.peyto.com/Files/Financials/2021/Q12021MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
May 12, 2021

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns (including the impact of the COVID-19 pandemic) and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry including the collapse of global crude oil prices, other commodity prices and the decrease in global demand for crude oil in 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 that as the Company's market diversification costs continue to fall moving forward, Peyto’s realized natural gas prices are expected to once again match or beat AECO spot prices further improving funds from operation; Peyto's expectation that the cost of market diversification activities will decrease significantly over the next two years as older basis deals expire and are replaced by new, lower cost basis deals; matters with respect to Peyto's expected emission reductions, including anticipated benefits of the same; matters set *forth under the heading "Outlook" herein and matters with respect to the anticipated date, timing and location of Peyto's AGM; ; and the Company's overall strategy and focus.*

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

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

Barrels of Oil Equivalent

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

Drilling Locations

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

Non-IFRS Measurements

Within this news release references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share, total payout ratio and netbacks do not have any standardized meaning under IFRS and previous GAAP and are referred to as non-IFRS measures. Funds from operations are described in footnote 1 to the first table on page 2 of this news release. Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low cost structure and the high heat content of its natural gas that results in higher commodity prices. Total payout ratio is a non-GAAP measure which is calculated as the sum of dividends declared plus capital expenditures, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program. Net debt is a non-GAAP measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current provision for future performance-based compensation. It is used by management to analyze the financial position and leverage of the Company. EBITDA, as used herein, refers to Peyto's trailing twelve-month net income before non-cash items, interest, and income taxes, and is a non-GAAP measure used in connection with Peyto's financial covenants in its revolving credit facility agreement. The Company's calculation of the non-IFRS measures included herein may differ from the calculation of similar measures by other issuers. Therefore, the Company's non-IFRS measures may not be comparable to other similar measures used by other issuers. Non-IFRS measures should only be used in conjunction with the Company's annual audited and interim financial statements. A reconciliation of certain of these measures to the most applicable GAAP measurement, where applicable, can be found in Peyto's management's discussion and analysis for the three months ended March 31, 2021.