NEWS RELEASE

MARCH 3, 2021 **SYMBOL: PEY – TSX**

PEYTO RETURNS TO PROFITABILITY WITH Q4 2020 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") today reports operating and financial results for the fourth quarter and 2020 fiscal year. A 55% operating margin[1] combined with record low $2.07/Mcfe total supply cost (PDP FD&A plus Total Cash Costs) helped the Company endure the lowest realized commodity prices in Company history. Annual Return on capital employed ("ROCE") and Return on equity ("ROE") were 0% and -2%, respectively, despite fourth quarter earnings of $66 million or $0.40/share.

Full Year and Q4 2020 Highlights:

- **Low Cash Costs of $1.01/Mcfe (or $0.88/Mcfe before royalties)** – *Full year 2020 total cash costs of $1.01/Mcfe continue to be the lowest in the industry and when combined with a realized price of $2.23/Mcfe ($13.38/boe), resulted in a cash netback of $1.22/Mcfe ($7.30/boe) or a 55% operating margin. Fourth quarter cash costs of $0.88Mcfe, before royalties of $0.18/Mcfe, included operating costs of $0.31/Mcfe, transportation of $0.15/Mcfe, G&A of $0.04/Mcfe and interest expense of $0.38/Mcfe.*
- **Low PDP FD&A Costs -** *Proved Developed Producing ("PDP") Finding, Development and Acquisition ("FD&A") cost of $1.06/Mcfe ($6.36/boe) was the lowest in 18 years and is reflective of a continuous decrease in drilling time, combined with higher reserve recoveries from longer horizontal laterals and more intensive fracture treatments.*
- **Lowest Production Addition Cost** – *While annual capital investments of $236MM were 111% of the $213MM in Funds from Operations ("FFO"), they successfully replaced 127% of annual production with new PDP Reserves. In the year, a total of 64 gross (61 net) wells were drilled, 71 gross (67 net) wells completed, and 72 gross (67 net) wells brought on-stream. This activity added 26,500 boe/d of new production at year end at the lowest total cost, $8,900/boe/d, in Company history. The Q4 2020 capital investment was $68 million and involved drilling 17 gross (17 net) wells.*

- **Long Life, Low Decline Production** – *Peyto's base production decline is forecast in the Insite report at 25% for 2021, while its PDP Reserve Life Index ("RLI") is 9 years, based on Q4 2020 production of 83,461 boe/d, which is one of the longest PDP RLIs in the industry.*

- **Lower Emissions –** *Methane (particularly flared and vented) emissions were reduced again in 2020, now down over 40% since 2016. With approximately half of the emissions intensity and lower environmental impact (emissions and land/water use per unit of production) of the rest of the natural gas production and processing industry in Canada, Peyto's reserves are extracted with far less overall environmental impact*.*

- **Minimal Future Liabilities** – *The forecast cost of all Peyto's future abandonment and reclamation liability (wells, sites, & facilities) is $44 million ($NPV_5$), which represents 1% of the $3.3 billion of forecast future value of the total developed reserves[3] (NPV_5).*

2020 in Review

The year 2020 marked Peyto's 22nd year of successful operations with impressive execution in drilling and completion operations and overall cost control across the organization, all while managing through the impact of the COVID-19 pandemic. Development drilling focused on several different horizons across Peyto's Deep Basin lands while extensions in horizontal lateral length and increased stimulation intensity improved productivity and reserve recovery. A gathering system expansion at the end of 2019 allowed the South Brazeau lands to be more aggressively developed yielding excellent results, while two strategic acquisitions were successfully negotiated late in 2020 to follow up a multi-zone, development drilling program in North Sundance. These acquisitions are expected to add twice as much future drilling inventory as was harvested in the year, which helped offset the lack of Crown land purchases resulting from the 7.5-month suspension of Alberta Crown land sales. Peyto's facility and infrastructure ownership continued to provide reduced full cycle cost and enhanced profitability to current and future reserves development. Unfortunately, the COVID-19 pandemic and its resulting effect on global hydrocarbon demand severely impacted commodity prices in the year. This resulted in a realized combined natural gas and liquids price of just $2.23/Mcfe, which is the lowest in Peyto's 22-year history. Despite posting a $0.40/share profit in the fourth quarter of 2020, the Company recorded its first annual loss in 21 years ($0.22/share loss). Thankfully, the effect of the COVID-19 pandemic appears to be coming to an end and commodity prices have significantly improved, setting the stage for a much brighter future in 2021.

1 Operating Margin is defined as funds from operations divided by revenue before royalties and marketing but including realized hedging gains/losses.
** Please refer to Peyto's 2020 Sustainability Report at http://www.peyto.com/Files/Corporate/2020SustainabilityReport.pdf*
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 Dec 31		%	Twelve Months Ended Dec 31		%
	2020	2019	Change	**2020**	2019	Change
Operations						
Production						
Natural gas (mcf/d)	**433,226**	397,419	*9%*	**409,619**	419,281	*-2%*
Oil & NGLs (bbl/d)	**11,256**	11,221	*-%*	**11,308**	10,922	*4%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**500,764**	464,745	*8%*	**477,464**	484,810	*-2%*
Barrels of oil equivalent (boe/d @ 6:1)	**83,461**	77,457	*8%*	**79,577**	80,802	*-2%*
Production per million common shares (boe/d)*	**506**	470	*8%*	**483**	490	*-1%*
Product prices						
Natural gas ($/mcf)	**2.19**	1.96	*12%*	**1.74**	2.04	*-15%*
Oil & NGLs ($/bbl)	**35.82**	43.85	*-18%*	**31.25**	44.61	*-30%*
Operating expenses ($/mcfe)	**0.31**	0.34	*-9%*	**0.34**	0.34	*-%*
Transportation ($/mcfe)	**0.15**	0.19	*-21%*	**0.17**	0.19	*-11%*
Field netback ($/mcfe)	**2.07**	2.11	*-2%*	**1.59**	2.17	*-27%*
General & administrative expenses ($/mcfe)	**0.04**	0.02	*100%*	**0.04**	0.04	*-%*
Interest expense ($/mcfe)	**0.38**	0.31	*23%*	**0.33**	0.30	*10%*
Financial ($000, except per share*)						
Revenue and realized hedging gains (losses) [1]	**124,524**	116,691	*7%*	**388,981**	489,822	*-21%*
Royalties	**8,506**	5,303	*60%*	**22,014**	13,653	*61%*
Funds from operations	**76,013**	75,974	*-%*	**212,710**	323,131	*-34%*
Funds from operations per share	**0.46**	0.46	*-%*	**1.29**	1.96	*-34%*
Total dividends	**1,649**	9,892	*-83%*	**14,840**	39,570	*-62%*
Total dividends per share	**0.01**	0.06	*-83%*	**0.09**	0.24	*-63%*
Payout ratio	**2**	13	*-85%*	**7**	12	*-42%*
Earnings (loss)	**65,951**	3,492	*1,789%*	**(35,555)**	133,495	*-127%*
Earnings (loss) per diluted share	**0.40**	0.02	*1,900%*	**(0.22)**	0.81	*-127%*
Capital expenditures	**68,250**	73,351	*-7%*	**235,703**	206,431	*14%*
Weighted average common shares outstanding	**164,937,898**	164,874,175	-	**164,894,920**	164,874,175	-
As at December 31						
Net debt				**1,176,340**	1,146,659	*3%*
Shareholders' equity				**1,677,473**	1,713,917	*-2%*
Total assets				**3,601,057**	3,597,180	*-%*

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

	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
($000 except per share)	**2020**	2019	**2020**	2019
Cash flows from operating activities	**52,884**	74,943	**203,053**	316,936
Change in non-cash working capital	**23,129**	1,031	**9,657**	3,904
Performance based compensation	**-**	-	**-**	2,291
Funds from operations	**76,013**	75,974	**212,710**	323,131
Funds from operations per share	**0.46**	0.46	**1.29**	1.96

(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.

The Peyto Strategy

For the past 22 years, the Peyto strategy has focused on maximizing the returns on shareholders' capital by investing that capital into the profitable development of long life, low cost, and low risk natural gas resource plays. This strategy of maximizing returns does not end in the field with just the efficient execution of exploration and production operations but continues on to the head office where the management of corporate costs, including the cost of capital, must be controlled to ensure true returns are ultimately realized. Alignment of goals between what is good for the Company, its shareholders and its employees and what is good for the environment and all stakeholders is critical to ensuring that the greatest returns are achieved. Evidence of Peyto's success deploying this strategy through the years is illustrated in the following table.

($/Mcfe)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	22 Year Wt. Avg.
Sales Price	$6.15	$5.47	$4.21	$4.43	$5.04	$3.83	$3.18	$3.39	$3.27	$2.78	$2.23	*$4.38*
All cash costs but royalties[1]	($0.99)	($0.82)	($0.73)	($0.75)	($0.71)	($0.67)	($0.63)	($0.68)	($0.79)	($0.87)	($0.88)	*($0.77)*
Capital costs[2]	($2.10)	($2.12)	($2.22)	($2.35)	($2.25)	($1.64)	($1.44)	($1.36)	($1.18)	($1.55)	($1.06)	*($1.74)*
Financial Benefit[3]	**$3.06**	**$2.53**	**$1.26**	**$1.33**	**$2.08**	**$1.52**	**$1.12**	**$1.35**	**$1.30**	**$0.35**	**$0.29**	*$1.87*
	50%	*46%*	*30%*	*30%*	*41%*	*40%*	*35%*	*40%*	*40%*	*13%*	*13%*	*43%*
Royalty Owners	**$0.64**	**$0.53**	**$0.32**	**$0.31**	**$0.37**	**$0.14**	**$0.13**	**$0.15**	**$0.13**	**$0.08**	**$0.13**	*$0.44*
Shareholders	**$2.42**	**$2.00**	**$0.94**	**$1.02**	**$1.71**	**$1.38**	**$0.99**	**$1.19**	**$1.17**	**$0.27**	**$0.16**	*$1.43*
Div./Dist. paid	$3.37	$1.24	$1.04	$1.01	$1.05	$1.11	$1.01	$0.97	$0.59	$0.22	$0.08	*$1.39*

1. *Cash costs not including royalties but including Operating costs, Transportation, G&A and Interest.*
2. *Capital costs to develop new producing reserves is the PDP FD&A*
3. *Financial Benefit above is defined as the Sales Price, less all cash costs but royalties, less the PDP FD&A.*

Table may not add due to rounding.

The consistency and repeatability of Peyto's operational execution in the field, combined with strict cost control in all aspects of its business has resulted in 43% of the average sales price being retained in financial benefit over the past 22 years. This healthy margin of benefit (as shown above), which rewards both royalty owners and shareholders, has been preserved despite a greater than 60% decline in commodity prices from a decade ago. Out of that financial benefit, royalty owners have received approximately 24%, while shareholders, whose capital has been at risk, have received the balance. This margin of benefit is what has and will continue to help insulate Peyto and its stakeholders from future volatility in commodity prices.

Capital Expenditures

Peyto drilled 64 gross (61 net) horizontal wells in 2020 and completed 71 gross (67 net) wells for a capital investment of $175.6 million. The Company also invested $23.2 million in the wellsite equipment and pipeline connections to bring these wells on production. Drilling speed continued to increase which lowered the drilling cost on a per meter basis and despite 13% longer horizontal laterals on average and higher fracture intensity, total completion costs were lower. On a per meter basis completion costs were down 18% and per stage costs were down 5%.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross Hz Spuds	52	70	86	99	123	140	126	135	70	61	**64**
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,020	3,848	**4,247**
Drilling ($MM/well)	$2.76	$2.82	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	**$1.68**
$ per meter	$734	$723	$694	$651	$626	$501	$433	$450	$425	$420	**$396**
Completion ($MM/well)	$1.36	$1.68	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	**$0.94**
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,348	1,484	**1,682**
$ per Hz Length (m)	$1,017	$1,286	$1,231	$1,153	$1,166	$792	$587	$803	$751	$679	**$560**
$ '000 per Stage	$231	$246	$257	$188	$168	$115	$79	$81	$51	$38	**$36**

**Peyto's Montney well is excluded from drilling and completion cost comparison.*

The $26 million invested in facilities and major pipeline projects included $10 million in compression upgrades, saltwater disposal facilities, and condensate storage, as well as $10 million in pipeline infrastructure projects in the South Brazeau, Swanson, Wildhay and Nosehill areas. The remaining capital was invested in wellsite upgrades and separator consolidations as part of Peyto's methane emissions reduction initiative and municipal tax optimization initiative.

While Alberta Crown land sales were suspended for most of the year (April 2nd through November 17th) due to the COVID-19 pandemic, Peyto was able to successfully negotiate two acquisitions at the end of the year (effective date January 1, 2021) to add approximately 54 sections of multi-zone Deep Basin rights (81% average working interest). This increases Peyto's land holdings by approximately 5% and is expected to yield at least twice the number of locations as were drilled in 2020.

The following table summarizes the capital investments for the fourth quarter and 2020 fiscal year.

	Three Months ended December 31		Twelve Months ended December 31	
($000)	**2020**	2019	**2020**	2019
Land	**0**	186	**100**	2,716
Seismic	**1,702**	1,600	**7,905**	4,588
Drilling	**29,031**	36,325	**105,091**	86,053
Completions	**22,080**	21,125	**70,521**	64,973
Equipping & Tie-ins	**7,321**	9,317	**23,162**	20,505
Facilities & Pipelines	**7,045**	4,798	**26,053**	26,540
Acquisitions	**1,071**	0	**2,871**	1,071
Dispositions	**0**	0	**0**	(15)
Total Capital Expenditures	**68,250**	73,351	**235,703**	206,431

Reserves

Peyto was successful in growing reserve volumes and values in all categories. Volumes on a debt adjusted share basis were negatively impacted by the 23% drop in Peyto share price which was used in the debt adjustment calculation. The following table illustrates the change in reserve volumes and Net Present Value ("NPV") of future cash flows, discounted at 5%, before income tax and using Insite forecast pricing.

	As at December 31		% Change,	% Change, per debt
	2020	2019	per share	adjusted share†
Reserves (BCFe)				
Proved Producing	**1,647**	1,600	3%	-15%
Total Proved	**3,219**	3,164	2%	-16%
Proved + Probable Additional	**5,006**	4,888	2%	-16%
Net Present Value ($millions) Discounted at 5%				
Proved Producing	**$2,778**	$2,622	6%	9%
Total Proved	**$4,857**	$4,514	8%	9%
Proved + Probable Additional	**$6,992**	$6,818	3%	3%

†Per share reserves are adjusted for changes in net debt by converting debt to equity using the Dec 31 share price of $3.80 for 2019 and share price of $2.92 for 2020. Net Present Values are adjusted for debt by subtracting net debt from the value prior to calculating per share amounts.
Note: based on the InSite Petroleum Consultants ("InSite") report effective December 31, 2020. The InSite price forecast is available at www.InSitepc.com.

For more information on Peyto's reserves, refer to the Press Release dated February 17, 2021 announcing the Year End Reserve Report which is available on the website at www.peyto.com. The complete statement of reserves data and required reporting in compliance with NI 51-101 will be included in Peyto's Annual Information Form to be released in March 2021.

Fourth Quarter 2020

Peyto continued a steady drilling pace through the fourth quarter of 2020, shutting down only for the period from Christmas to New Year. Activity was spread out over the Greater Sundance and Brazeau areas and amongst four Cretaceous horizons. Total capital of $51 million was invested in the drilling of 17 gross (17 net) wells and the completion of 18 gross (18 net) wells. In addition, $7 million was invested in wellsite equipment and tie-ins while $7 million was invested in facility upgrades and major pipeline infrastructure. New seismic accounted for $1.7 million in the quarter and there were no lands acquired at Crown sales.

	Field							
Zone	**Sundance**	**Nosehill**	**Wildhay**	**Ansell/ Minehead**	**Whitehorse**	**Kisku/ Kakwa**	**Brazeau**	**Total Wells Drilled**
Belly River								
Cardium	1		3				3	7
Notikewin				3				3
Falher								
Wilrich	2	2					1	5
Bluesky	2							2
Montney								
Total	5	2	3	3			4	17

Production during the fourth quarter 2020 averaged 83,461 boe/d comprised of 433 MMcf/d of natural gas, 6,336 bbls/d of oil, condensate and pentanes+, and 4,920 bbls/d of propane and butane. Total liquids of 11,256 bbls/d made up 13.5% of total production or 26 bbl/mmcf. Fourth quarter 2020 production was up 8% from 77,457 boe/d in Q4 2019. Stronger propane prices justified the operation of Peyto's Oldman deep cut plant during the quarter which contributed to the higher NGL production in the quarter.

The Company's realized price for natural gas in Q4 2020 was $3.23/Mcf, prior to $1.01 of market diversification activities and a $0.03/Mcf hedging loss, while its realized liquids price was $36.45/bbl, including a $0.63/bbl hedging loss, which yielded a combined revenue stream of $2.71/Mcfe. This net sales price was 2% lower than the $2.76/Mcfe realized in Q4 2019. Total cash costs in Q4 2020 were $1.06/Mcfe ($6.36/boe) up from $0.98/Mcfe in Q4 2019 due to higher per unit interest and royalty charges, offset by lower operating and transportation costs. The total Q4 2020 cash cost included royalties of $0.18/Mcfe, operating costs of $0.31/Mcfe, transportation of $0.15/Mcfe, G&A of $0.04/Mcfe and interest of $0.38/Mcfe. Peyto generated total funds from operations of $76 million in the quarter, or $1.65/Mcfe, equating to a 61% operating margin. DD&A charges of $1.34/Mcfe, along with a provision for current and future performance-based compensation and income tax, resulted in earnings of $0.18/Mcfe, or an 7% profit margin, prior to the reversal of the impairment (in its entirety) incurred in Q1 2020. Inclusive of that reversal, Q4 2020 earnings of $66 million equated to $1.43/Mcfe. Dividends to shareholders totaled $0.04/Mcfe.

Marketing

Peyto actively markets all components of its production stream including natural gas, condensate, pentane, butane and propane. Natural gas was sold in 2020 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 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. 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 remain open, others can be marketed on the daily spot market.

During 2020 Peyto sold 44% of its natural gas at Henry Hub, 41% at AECO, 9% at Emerson, 5% at Ventura, and the remaining 1% at Malin. Net of diversification activities of $1.01/Mcf, Peyto realized a before hedge price of $1.75/mcf. Hedging activity reduced this price by $0.01/mcf, to $1.74/mcf. Peyto expects that the cost of market diversification activities will decrease significantly over the next two years as older basis deals expire.

Condensate and Pentane Plus volumes were sold in 2020 for an average price of $44.04/bbl, before hedging effects of $1.07/bbl, which is down from $69.22 in 2019, and as compared to Canadian WTI oil price that averaged $52.53/bbl. This lower oil price was driven by the impact of the COVID-19 pandemic on reduced global oil demand and global prices. The $8.49/bbl differential from light oil price was up from $6.46/bbl in the previous year. Butane and propane volumes were sold in combination at an average price of $12.37/bbl, below their typical price between 25-50% of light oil price, mostly due to lower Propane prices resulting from a surplus of supply which overwhelmed the North American market for much of the year. Peyto's realized price by product and relative to benchmark prices is shown in the following table.

Benchmark Commodity Prices

	Three Months ended December 31		Twelve Months ended December 31	
	2020	2019	**2020**	2019
AECO 7A monthly ($/GJ)	**2.62**	2.21	**2.12**	1.54
AECO 5A daily ($/GJ)	**2.50**	2.35	**2.11**	1.67
NYMEX (US$/MMbtu)	**2.47**	2.41	**1.99**	2.53
Emerson2 (US$/MMbtu)	**2.23**	2.59	**1.84**	2.43
Malin (US$/MMbtu)	**2.88**	2.69	**2.05**	2.78
Ventura daily (US$/MMbtu)	**2.30**	2.64	**1.85**	2.47
Canadian WTI ($/bbl)	**55.53**	75.18	**52.53**	75.68
Conway C3 (US$/bbl)	**23.29**	19.73	**18.60**	19.91

Q4 2020 average CND/USD exchange rate of 1.303

Commodity Prices

	Three Months ended December 31		Twelve Months ended December 31	
($CAD)	**2020**	2019	**2020**	2019
Oil & natural gas liquids ($/bbl)	**36.45**	43.12	**30.73**	42.59
Hedging – Oil & NGL ($/bbl)	**(0.63)**	0.73	**0.52**	2.02
Oil & NGL – after hedging ($/bbl)	**35.82**	43.85	**31.25**	44.61
Natural gas ($/mcf)	**3.23**	3.00	**2.65**	2.51
Diversification activities ($/mcf)	**(1.01)**	(0.80)	**(0.90)**	(0.60)
Hedging – gas ($/mcf)	**(0.03)**	(0.24)	**(0.01)**	0.13
Natural gas – after hedging ($/mcf)	**2.19**	1.96	**1.74**	2.04
Total Hedging ($/mcfe)	**(0.04)**	(0.19)	**(0.00)**	0.16
Total Hedging ($/boe)	**(0.25)**	(1.11)	**(0.00)**	0.96

liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation.

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

Activity Update

Peyto began the new year with 4 rigs running steady, drilling multi-well pads in the Greater Sundance and Brazeau core areas. The Company intends to run 4 drilling rigs throughout 2021 including 2 rigs during breakup, one in Sundance and one in Brazeau. Since the end of the fourth quarter of 2020, the Company has spud 19 gross (15.2 net) wells, completed, and brought on production 9 gross (6.9 net) wells, while 9 gross (8.1 net) wells await completion and/or tie-in.

Following up on a successful 2020 drilling campaign, Peyto continued its focus on increasing horizontal lateral lengths and stimulation intensity in Q1 2021. Two Falher Extended Reach Horizontal ("ERH") wells were drilled to over 2,500 meters long in the Sundance area while two additional ERHs will be spud prior to spring breakup in the Whitehorse and Brazeau areas.

The Company has purchased additional 3D seismic over the lands recently acquired in the Cecilia area and has 8 wells slotted in the drilling program at different phases of readiness with the first well expected to spud before breakup. Peyto's plan is to grow gas production in the Cecilia area and direct that growth between the 15 mmcf/d of excess capacity in the Cecilia gas plant and the 100 mmcf/d of excess capacity in Peyto's Oldman and Oldman North gas plants.

Environment, Social and Governance ("ESG")

Peyto continued to enhance its ESG standing in 2020 with stronger environmental performance and improved corporate governance. On the environmental front, Peyto continued to reduce its GHG emissions intensity across its operations, in particular its methane flaring and venting. During 2020, in-field testing of a new, zero emissions controller was completed and starting in Q3 of 2021 Peyto will be installing zero emissions instrumentation on all new well sites. This will eliminate another source of vented methane emissions and further reduce Peyto's GHG emissions intensity. The Company also continued to reduce its land and fresh water use with additional pad drilling and smaller wellsite footprints, as well as water recycling and hydraulic fracture optimization efforts.

The Board of Directors of Peyto has created an ESG committee, chaired by Mr. John Rossall, to provide oversight on all ESG matters. The mandate and responsibilities of the ESG committee will include the review, approval and/or recommendation to management of the Company and/or the Board policies and priorities related to ESG and sustainability matters, including but not limited to the following: Climate and Energy; Indigenous Rights and Relationships; Stakeholder Engagement; Community Investment; and Community and Landowner Awareness on Pipeline Safety.

For additional information on Peyto's environmental initiatives and committee responsibilities, please refer to Peyto's 2020 Sustainability Report and policies under the Corporate Responsibility section at www.peyto.com and stay tuned for Peyto's inaugural and more comprehensive ESG report due out in 2021.

2021 Outlook

The year 2021 is forecast to be a turnaround year for Peyto and Management is optimistic that recently improved commodity prices and diminishing gas market diversification costs can combine with growing production to substantially increase funds flow, well beyond the budgeted capital program of $325-$350 million. This free cashflow, when realized, will be initially used to reduce indebtedness, and subsequently strengthen Peyto's balance sheet while the Company continues to consider its ability to increase dividends to shareholders.

The success of the 2020 development drilling program has continued into 2021 and the Company is excited about the prospect of improving both costs and profitability even further, as well as setting new records for efficiency and environmental performance. The Peyto team is rich in experience with over two decades of success developing the vast resources in Alberta's Deep Basin. With just 53 full time employees, Peyto retains the benefits of a small Company that allow it to be nimble to volatile market conditions, all while staying focused on the bottom line and the Company's core strategy – maximizing full cycle returns for shareholders.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the 2020 fourth quarter and full year financial results on Thursday, March 4th, 2021, at 9:00 a.m. Mountain Standard Time (MST), or 11:00 a.m. Eastern Standard Time (EST). 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/zdyerevr.** 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 13, 2021. At this time, the Public Health Agency of Canada and Alberta Health Services prohibit indoor gatherings of any kind and while current plans are subject to change, the Company is again encouraging registered shareholders and duly appointed proxyholders to NOT attempt to attend the meeting in person. Instead, the Corporation encourages shareholders to vote their common shares prior to the meeting following the instructions set out in the form of proxy or voting instruction form received by such shareholders. 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, along with video and audio commentary from Peyto's senior management.

Management's Discussion and Analysis

A copy of the fourth quarter report to shareholders, including the MD&A, audited consolidated financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2020/Q42020FS.pdf and at http://www.peyto.com/Files/Financials/2020/Q42020MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
March 3, 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: the forecast costs of future abandonment and reclamation liability; expectations regarding future drilling inventory; the future outlook for commodity prices being better in 2021; 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 2020; the Company's drilling and completion program for 2021, 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 2021; 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, 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.