NEWS RELEASE

AUGUST 10, 2022 **SYMBOL: PEY – TSX**

PEYTO REPORTS SECOND QUARTER 2022 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the second quarter of the 2022 fiscal year. A 67% Operating Margin[1,2] and a 31% Profit Margin[3] in the quarter delivered a 12% Return on Capital[4] and a 17% Return on Equity[4], on a trailing twelve-month basis. Highlights for the quarter included:

- **Funds from operations[5] per share up 142%.** Generated record $206 million in Funds from Operations ("FFO") in Q2 2022 ($1.21/share), up from $82 million in Q2 2021 ($0.50/share) due to higher commodity price realizations combined with higher production, despite a $104 million realized hedging loss in the quarter. FFO in the quarter exceeded capital expenditures by $98 million. This represented a free cashflow ratio[6] of over 48% of FFO while dividends of $25.5 million in the quarter represented a dividend payout ratio[7] of 12%, and including capital investments, a total payout ratio[7] of 65%.

- **Production per share up 14%.** Second quarter 2022 production of 103,583 boe/d, comprised of 541 MMcf/d of natural gas, 7,958 bbl/d of Condensate and Pentanes, and 5,453 bbl/d of Butane and Propane, was up 17% from 88,738 boe/d in Q2 2021. Total liquid yields of 24.8 bbl/MMcf, or 13% of total production, was down from 26.8 bbl/MMcf in Q2 2021 due to an increased focus on leaner gas production.

- **Total cash costs of $1.83/Mcfe (or $0.88/Mcfe ($5.26/boe) excluding royalties).** Industry leading low total cash costs included $0.95/Mcfe royalties, $0.39/Mcfe operating costs, $0.27/Mcfe transportation, $0.02/Mcfe G&A and $0.20/Mcfe interest, which combined with a realized revenue of $5.48/Mcfe to result in a $3.65/Mcfe ($21.88/boe) cash netback, up 113% from $1.71/Mcfe ($10.23/boe) in Q2 2021. Operating costs per unit for Q2 2022 were up 11% from $0.35/Mcfe in Q2 2021 due to significantly increased fuel, power and chemical costs derived from higher oil and natural gas prices. Interest charges were down from $0.33/Mcfe in Q2 2021 due to reduced debt levels.

- **Net debt down 14%.** Net debt was reduced $156 million from Q2 2021 to $991 million in Q2 2022 which reduced interest charges 39% from $0.33/Mcfe in Q2 2021 to $0.20/Mcfe in Q2 2022.

- **Capital investment of $108 million in organic activity**. A total of 23 gross (18.6 net working interest) wells were drilled in the second quarter, 22 gross (17.6 net) wells were completed, and 26 gross (21.3 net) wells were brought on production. Over the last 12 months new production additions, inclusive of acquisitions and new facilities, accounted for approximately 40,200 boe/d at the end of the quarter, which, when combined with a trailing twelve-month capital investment of $473 million, equates to an annualized capital efficiency of $11,600/boe/d. Peyto anticipates full year 2022 capital efficiency to be approximately $10,500/boe/d, up from $9,000/boe/d in 2021.

- **Earnings of $0.56/share, Dividends of $0.15/share.** Earnings of $95 million were generated in the quarter while dividends of $25 million were paid to shareholders.

Second Quarter 2022 in Review

Peyto kept all five drilling rigs active in the Edson area throughout the second quarter despite near record June rainfalls which significantly hampered completion and pipeline activity, delaying production additions. Despite the delays, development plans for the Greater Brazeau and Greater Sundance areas continued to move forward with delineation of the Cardium play in Chambers, and Wilrich and Notikewin plays in Sundance. The successful commissioning of the Chambers gas plant and testing of its throughput capabilities has further increased the number and profitability of drilling prospects in this new area. Spot natural gas and crude oil prices climbed throughout the quarter to decade highs reflecting global supply shortages. Peyto's realized prices and increased production volumes combined for more than a doubling of revenues and over 150% increase in FFO from Q2 2021, despite a substantial hedging loss for the quarter. The Company eagerly looks forward to even further increases in FFO as existing hedges roll off in the near term. Despite continued supply chain challenges and cost inflation, Peyto's operations team was able to maintain pre-royalty cash costs in line with previous quarters resulting in a 113% increase in cash netback contributing to the 641% increase in earnings from Q2 2021.

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1 *This press release contains certain non-GAAP and other financial measures to analyze financial performance, financial position, and cash flow including, but not limited to "operating margin", "profit margin", "return on capital", "return on equity", "netback", "funds from operations", and "net debt". These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as earnings, cash flow from operating activities, and cash flow used in investing activities, as indicators of Peyto's performance. See "Non-GAAP and Other Financial Measures" included at the end of this press release and in Peyto's most recently filed MD&A for an explanation of these financial measures and reconciliation to the most directly comparable financial measure under IFRS.*
2 *Operating Margin is a non-GAAP financial ratio defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.*
3 *Profit Margin is a non-GAAP financial ratio defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.*
4 *Return on capital and return on equity are non-GAAP financial ratios. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2022 MD&A.*
5 *Funds from operations is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2022 MD&A.*
6 *Free cashflow ratio is a non-GAAP financial measure. See "non-GAAP and Other Financial Measures" in this news release.*
7 *Dividend and Total Payout ratio are non-GAAP financial measures. See "non-GAAP and Other Financial Measures" in this news release.*

	Three Months Ended June 30		%	Six Months Ended June 30		%
	2022	2021	Change	**2022**	2021	Change
Operations						
Production						
Natural gas (Mcf/d)	**541,030**	458,696	*18%*	**538,360**	457,153	*18%*
NGLs (bbl/d)	**13,411**	12,289	*9%*	**12,845**	12,214	*5%*
Thousand cubic feet equivalent (Mcfe/d @ 1:6)	**621,499**	532,430	*17%*	**615,431**	530,435	*16%*
Barrels of oil equivalent (boe/d @ 6:1)	**103,583**	88,738	*17%*	**102,572**	88,406	*16%*
Production per million common shares (boe/d)	**610**	537	*14%*	**605**	535	*13%*
Product prices						
Natural gas ($/Mcf)	**4.08**	2.06	*98%*	**4.08**	2.55	*60%*
NGLs ($/bbl)	**87.80**	48.77	*80%*	**84.88**	47.22	*80%*
Operating expenses ($/Mcfe)	**0.39**	0.35	*11%*	**0.40**	0.35	*14%*
Transportation ($/Mcfe)	**0.27**	0.22	*23%*	**0.27**	0.20	*35%*
Field netback[(1)] ($/Mcfe)	**3.87**	2.09	*85%*	**3.91**	2.48	*58%*
General & administrative expenses ($/Mcfe)	**0.02**	0.05	*-60%*	**0.02**	0.05	*-60%*
Interest expense ($/Mcfe)	**0.20**	0.33	*-39%*	**0.21**	0.35	*-40%*
Financial ($000, except per share)						
Revenue and realized hedging losses [(2)]	**307,830**	140,457	*119%*	**594,725**	315,784	*88%*
Funds from operations[(1)]	**205,901**	82,191	*151%*	**409,394**	198,901	*106%*
Funds from operations per share - basic[(1)]	**1.21**	0.50	*142%*	**2.42**	1.20	*102%*
Funds from operations per share - diluted[(1)]	**1.18**	0.49	*141%*	**2.35**	1.18	*99%*
Total dividends	**25,485**	1,658	*1437%*	**50,843**	3,309	*1437%*
Total dividends per share	**0.15**	0.01	*1400%*	**0.30**	0.02	*1400%*
Earnings	**94,545**	12,760	*641%*	**192,361**	51,260	*275%*
Earnings per share – basic	**0.56**	0.08	*600%*	**1.14**	0.31	*268%*
Earnings per share – diluted	**0.54**	0.08	*575%*	**1.10**	0.30	*267%*
Capital expenditures	**108,089**	57,086	*89%*	**251,420**	165,937	*52%*
Corporate acquisition	**-**	-		**22,220**	-	
Total payout ratio[(1)]	**65%**	71%	*-9%*	**74%**	85%	*-13%*
Weighted average common shares outstanding - basic	**169,896,849**	165,343,937	*3%*	**169,479,830**	165,207,341	*3%*
Weighted average common shares outstanding - diluted	**175,040,905**	168,635,872	*4%*	**174,248,420**	168,110,438	*4%*
Net debt[(1)]				**991,374**	1,147,563	*-14%*
Shareholders' equity				**1,749,725**	1,634,299	*7%*
Total assets				**3,899,993**	3,662,499	*6%*

(1) This is a Non-GAAP financial measure or ratio. See "non-GAAP and Other Financial Measures" in this news release and in the Q2 2022 MD&A

(2) Excludes revenue from sale of third-party volumes

Exploration & Development

Second quarter 2022 activity was focused only on the accessible portions of the Sundance and Brazeau areas due to limited spring break-up access. Target formations were also less widespread with only Cardium and Spirit River formations (Notikewin, Falher and Wilrich) targeted, as summarized in the following table:

	Field							Total Wells Drilled
Zone	**Sundance**	**Nosehill**	**Wildhay**	**Ansell**	**Whitehorse**	**Kisku/ Kakwa**	**Brazeau**	
Belly River								
Cardium							6	6
Notikewin	3		3					6
Falher								
Wilrich	5	2					4	11
Bluesky								
Total	8	2	3				10	23

Drilling costs per meter rose this past quarter as both wet surface conditions and deeper formations in the Brazeau area increased costs from Q1 2022. Inflation in services and materials were responsible for the balance of the cost increase from 2021. Peyto's strategic alignment with specific service providers ensured services were available in a timely manner and helped to offset the extremely tight materials and labor market. The Company continued to pursue Extended Reach Horizontal ("ERH") wells in the quarter as evidenced by the increase in average measured depth. As well, increased stage count and frac size, in order to enhance productivity, contributed to higher year over year completion costs.

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 Q1**	**2022 Q2**
Gross Hz Spuds	99	123	140	126	135	70	61	64	95	29	**23**
Measured Depth (m)	4,179	4,251	4,309	4,197	4,229	4,020	3,848	4,247	4,453	4,291	**4,571**
Drilling ($MM/well)	$2.72	$2.66	$2.16	$1.82	$1.90	$1.71	$1.62	$1.68	$1.89	$2.13	**$2.56**
$ per meter	$651	$626	$501	$433	$450	$425	$420	$396	$424	$496	**$560**
Completion ($MM/well)	$1.63	$1.70	$1.21	$0.86	$1.00	$1.13	$1.01*	$0.94	$1.00	$1.22	**$1.16**
Hz Length (m)	1,409	1,460	1,531	1,460	1,241	1,348	1,484	1,682	1,612	1,529	**1,602**
$ per Hz Length (m)	$1,153	$1,166	$792	$587	$803	$835	$679	$560	$620	$801	**$727**
$ '000 per Stage	$188	$168	$115	$79	$81	$51	$38	$36	$37	$44	**$40**

**excluding Peyto's Wildhay Montney well.*

Capital Expenditures

During the second quarter of 2022, Peyto invested $45 million on drilling (41%), $25 million on completions (23%), $10 million on wellsite equipment and tie-ins (9%), and $21 million on facilities and major pipeline projects (19%). Final construction of the new Chambers gas plant accounted for $6 million, while major pipeline projects in the Chambers and Cecilia areas accounted for $8 million of the total $21 million. An additional $6 million was spent acquiring 24 sections of new crown land, along with $1 million for new seismic, for a total capital investment of $108 million.

Peyto pre-purchased critical equipment and supplies during the quarter to maintain continuous operations and stay ahead of inflation in materials and equipment, as well as current supply chain challenges. The Company has secured 15 km of new pipe, 10 wellsite separators and 40 Scada/electronic control packages for new wellsites and tie ins which added $2 million to capital inventory.

First half 2022 capital investments included a significant acquisition, of $22.2 million, and capital inventory transfer of equipment for the Chambers plant, of $20.6 million, that was not originally in Peyto's capital budget. Similar such expenditures are not anticipated in the second half of the year. Capital expenditures for the balance of 2022 are anticipated to be predominantly well related investments in drilling, completions, wellsite equipment and tie-ins.

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 Q2 2022 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 continue to fall as more expensive basis deals are replaced with current lower cost basis deals.

During Q2 2022, Peyto sold 30% of its natural gas at Henry Hub, 26% at AECO, 34% at Emerson, 7% at Malin, and the remaining 3% at Ventura. Approximately 44% of AECO sales were at Daily prices while 56% were at Monthly prices. Net of diversification activities of CND$0.65/Mcf (US$0.47/MMBTU), Peyto realized a natural gas price of $5.82/Mcf before commodity risk management reduced this price by $1.74/Mcf, to $4.08/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 like Butane and Propane require annual term contracts to ensure delivery paths and markets are certain, others can be sold on the daily spot market.

Condensate and Pentane Plus volumes were sold in Q2 2022 for an average price of $134.57/bbl, which is up 75% from $76.92/bbl in Q2 2021, and as compared to Canadian WTI oil price that averaged $138.44/bbl. The $3.87/bbl differential from light oil price was down from $4.18/bbl in Q2 2021. Butane and propane volumes were sold in combination at an average price of $57.03/bbl, or 41% of light oil price, up 121% from the $25.76/bbl in Q2 2021, due to continued demand increases and lower NGL supplies. Liquid hedging losses, reduced the combined realized liquids price of $103.04/bbl by $15.24/bbl.

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 June 30	
	2021	**2022**
AECO 7A monthly ($/GJ)	2.70	**5.95**
AECO 5A daily ($/GJ)	2.93	**6.86**
NYMEX (US$/MMBTU)	2.88	**7.39**
Emerson2 (US$/MMBTU)	2.70	**6.59**
Malin (US$/MMbtu)	2.75	**6.74**
Ventura daily (US$/MMbtu)	2.73	**7.04**
Canadian WTI ($/bbl)	81.10	**138.44**
Conway C3 (US$/bbl)	35.01	**51.14**
CND/USD Exchange rate	1.228	**1.277**

Peyto Realized Commodity Price by Market (net of diversification)

	Three Months ended June 30	
	2021	**2022**
AECO monthly (CND$/GJ)	2.70	**5.95**
AECO daily (CND$/GJ)	2.88	**6.97**
NYMEX (US$/MMBTU)	1.47	**3.44**
Emerson2 (US$/MMBTU)	2.15	**3.39**
Malin (US$/MMBTU)	2.11	**6.15**
Ventura (US$/MMBTU)	1.59	**5.75**

Peyto Realized Commodity Prices		
Natural gas (CND$/mcf)	3.24	**6.47**
Gas marketing diversification activities (CND$/mcf)	(0.85)	**(0.65)**
Gas hedging (CND$/mcf)	(0.33)	**(1.74)**
Oil, condensate and C5+ ($/bbl)	76.92	**134.57**
Butane and propane ($/bbl)	25.76	**57.03**
Liquid hedging ($/bbl)	(7.18)	**(15.24)**

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 Q2 2022 was $6.47/Mcf, prior to $0.65/Mcf of market diversification activities and a $1.74/Mcf hedging loss, while its realized liquids price was $103.04/bbl, before a $15.24/bbl hedging loss, which yielded a combined revenue stream of $5.48/Mcfe (including $0.02/Mcfe of net third party sales). This net sales price was 88% higher than the $2.92/Mcfe realized in Q2 2021. Cash costs of $1.83/Mcfe were higher than the $1.21/Mcfe in Q2 2021 due to increased royalties and transportation costs but offset by lower interest costs. Net of royalties, Peyto's controllable cash costs have remained relatively consistent, averaging $0.88/Mcfe for the past 3.5 years. These same costs are expected to fall going forward as interest cost fall with reduced debt levels. When the total cash costs of $1.83/Mcfe were deducted from realized revenues of $5.48/Mcfe, it resulted in a cash netback of $3.65/Mcfe or a 67% operating margin. Historical cash costs and operating margins are shown in the following table:

	2019				**2020**				**2021**				**2022**	
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	**Q2**
Revenue	**3.20**	**2.60**	**2.50**	**2.76**	**2.30**	**1.73**	**2.15**	**2.71**	**3.70**	**2.92**	**3.33**	**4.42**	**5.25**	**5.48**(1)
Royalties	0.14	0.01	0.03	0.12	0.12	0.06	0.14	0.18	0.29	0.26	0.36	0.53	0.60	**0.95**
Op Costs	0.35	0.34	0.31	0.34	0.39	0.36	0.32	0.31	0.36	0.35	0.35	0.32	0.41	**0.39**
Transportation	0.19	0.19	0.19	0.19	0.19	0.17	0.16	0.15	0.17	0.22	0.23	0.23	0.28	**0.27**
G&A	0.06	0.05	0.05	0.02	0.04	0.04	0.04	0.04	0.04	0.05	0.02	0.02	0.03	**0.02**
Interest	0.28	0.30	0.31	0.31	0.29	0.33	0.35	0.38	0.38	0.33	0.26	0.22	0.21	**0.20**
Cash cost pre-royalty	0.88	0.88	0.86	0.86	0.91	0.90	0.87	0.88	0.95	0.95	0.86	0.79	0.93	0.88
Total Cash Costs	**1.02**	**0.89**	**0.89**	**0.98**	**1.03**	**0.96**	**1.01**	**1.06**	**1.24**	**1.21**	**1.22**	**1.32**	**1.53**	**1.83**
Netback	**2.18**	**1.71**	**1.61**	**1.78**	**1.27**	**0.77**	**1.14**	**1.65**	**2.46**	**1.71**	**2.11**	**3.10**	**3.72**	**3.65**
Operating Margin	68%	66%	64%	65%	55%	45%	53%	61%	67%	59%	63%	70%	71%	**67%**

(1) includes $0.02/Mcfe of net third party sales in Q2 2022.

Depletion, depreciation, and amortization charges of $1.31/Mcfe, along with a provision for deferred tax and stock-based compensation payments resulted in earnings of $1.67/Mcfe, or a 31% profit margin. Dividends to shareholders totaled $0.45/Mcfe.

Activity Update

Surface conditions in Peyto's core areas are improving since the heavy rains in June, allowing Peyto to begin catching up on completion and tie in activity through July and August. To date in Q3 2022, Peyto has completed 9 gross (7.8 net) wells and tied in 12 gross (9.2 net) wells. Despite clearing some of the backlog, 11 gross (9.6 net) wells remain to be completed and tied in. In addition, Peyto has yet to complete pipeline expansions on several identified gathering system bottlenecks to fully realize new production volumes. The average working interest of wells brought on in the second quarter was 75%, lower than the typical 95%, which reduced the net impact of the five drilling rigs, however the average working interest is expected to increase to the more typical 95-100% throughout the remainder of the year. These lower working interest locations were more proximal to the plant site which helped achieve the initial critical mass to justify construction.

Peyto's Greater Brazeau area continues to grow with the integration of both the new Chambers gas plant and the Aurora gas plant acquired earlier this year. The Company now expects this entire area to exceed 35,000 boe/d production by year end with significant additional growth potential. The total processing capacity of the three Peyto owned and operated gas plants is approximately 250 MMcf/d which allows for gross production growth to 45,000 boe/d in the future without the need for additional expansion. Peyto plans to keep 2 drilling rigs active in this area for the foreseeable future in support of these growth plans.

Over the past year, Peyto has assembled an additional 21 sections of Spirit River rights in the Minehead area of Alberta to expand previous land holdings in nearby Whitehorse. The total land position in this area now sits at 72 sections of 100% working interest land. The success of the ERH program in the Sundance and Brazeau areas, along with recent long-lateral tests in Whitehorse, gives Peyto the confidence to apply this design to develop the Minehead lands. The Company's internal estimates suggest over 120 future Wilrich locations on the undeveloped land with additional shallow targets in the Viking, Notikewin, and Falher formations analogous to Peyto's core areas in Sundance and Brazeau. Pending continued success in the delineation program in Minehead later this year, and into 2023, Peyto anticipates construction of a new sweet gas processing plant capable of handling 50 MMcf/d in the second half of 2023. The plant will be situated immediately adjacent to the NGTL mainline system where an existing meter station of the same capacity already exists. Like the recent Chambers plant commissioned earlier this year, Peyto will utilize surplus compressors and refrigeration equipment already owned by the company and ready to deploy. This will save on new equipment purchases and mitigate delivery delays. Under current pricing scenarios the ERH well design should allow development of this new play with similar high returns and short payout times as in Peyto's other core areas.

Management Team Addition

Peyto is pleased to announce the addition of Tavis Carlson, as Vice President of Finance, to the Company's management team. Mr. Carlson was previously the CFO, VP Finance and Corporate Secretary with Altura Energy Inc., and will join current Controller Crissy Rafoss and CFO Kathy Turgeon to further strengthen Peyto's finance team.

Outlook

The outlook for natural gas prices for the balance of 2022 and beyond remains extremely bullish. NYMEX natural gas prices that rallied throughout Q2 to over $9 USD/MMBTU and fell back in July have again recovered in early August. The futures curve has strengthened similarly. This commodity strength is ensuring Peyto can deliver on its strategy for the year which originally envisioned deploying approximately 50% of funds flow into capital projects while generating approximately 50% as free cashflow. A large portion of Peyto earnings generated this year is still planned to be retained to retire debt and strengthen the Company's balance sheet, while a smaller portion is to be returned to shareholders in dividends. Then, with the balance sheet much stronger, Peyto can look to shift that allocation going forward to less debt repayment and greater dividends.

The resource opportunities Peyto has in inventory continue to grow. Recent success at land sales has added additional drilling locations and Peyto anticipates, with a significant amount of land expiring in the Deep Basin over the next few years, there will be even more opportunities to pursue organically. The Company looks to expand its drilling inventory in time to allow for material future growth in reserves and production into expanded basin egress.

Conference Call and Webcast

A conference call will be held with senior management of Peyto to answer questions with respect to the Company's Q2 2022 results on Thursday, August 11, 2022, at 9:00 a.m. Mountain Time (MT), or 11:00 a.m. Eastern Time (ET).

Access to the webcast can be found at: **https://edge.media-server.com/mmc/p/g2dndf3u.** To participate in the call, please register for the event at: **https://register.vevent.com/register/BI08c18e4e066946439537bd45654c766d.** Participants will be issued a dial in number and PIN to join the conference call and ask questions. Alternatively, questions can be submitted prior to the call at info@peyto.com. 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/2022/Q22022FS.pdf and at http://www.peyto.com/Files/Financials/2022/Q22022MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Jean-Paul Lachance
President and Chief Operating Officer
August 10, 2022

Darren Gee
Chief Executive Officer

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: macro-economic conditions, including public health concerns (including the impact of the COVID-19 pandemic) and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry, and the ongoing significant volatility in world markets; other industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in other commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding: the forecast costs of future abandonment and reclamation liability; expectations regarding future drilling inventory; the future outlook for commodity prices; expectations regarding the Company's margin of profit; the Company's drilling and completion program for 2022, including the timing of the drilling program; the Company's plan for pipeline expansions in the third quarter for full realization of recent drilling success; the Company's expectation that the average working interest of wells brought on production will increase to 95-100% throughout the remainder of the year; the Company's expectation the Greater Brazeau area will exceed 35,000 boe/d production by year end with significant growth potential growth to 45,000 boe/d in the future without the need for additional expansion; Peyto plans to keep 2 drilling rigs active in the Greater Brazeau area for the foreseeable future in support of these growth plans; Peyto's plan to construct a new sweet gas processing plant in the Minehead area capable of handling 50 MMcf/d in the second half of 2023; the Company's expectation that ERH well design should allow development of the new Minehead play with similar high returns and short payout times as in Peyto's other core areas; the expectation for deploying approximately 50% of funds flow into capital projects while generating approximately 50% as free cashflow; the Company's intention to reduce indebtedness and increase dividends; anticipated improvement of costs and profitability; and the Company's overall strategy and focus.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward looking statements, including but not limited to, risks associated with: continued changes and volatility in general global economic conditions including, without limitations, the economic conditions in North America and public health concerns (including the impact of the COVID-19 pandemic); continued fluctuations and volatility in commodity prices, foreign exchange or interest rates; continued stock market volatility; imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; increased competition; the lack of availability of qualified operating or management personnel; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; and the ability to access sufficient capital from internal and external sources. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's annual information form for the year ended December 31, 2021 under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Management".

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

Barrels of Oil Equivalent

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

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-GAAP and Other Financial Measures

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

Non-GAAP Financial Measures

Funds from Operations
"Funds from operations" is a non-GAAP measure which represents cash flows from operating activities before changes in non-cash operating working capital and provision for future performance-based compensation. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate the Company's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable GAAP measure is cash flows from operating activities.

	Three Months ended June 30		*Six Months ended June 30*	
($000)	***2022***	*2021*	***2022***	*2021*
Cash flows from operating activities	***220,580***	*85,914*	***406,371***	*205,666*
Change in non-cash working capital	***(17,179)***	*(3,723)*	***523***	*(6,765)*
Performance based compensation	***2,500***	*-*	***2,500***	*-*
Funds from operations	***205,901***	*82,191*	***409,394***	*198,901*

Free Funds Flow
Peyto uses free funds flow as an indicator of the efficiency and liquidity of Peyto's business, measuring its funds after capital investment available to manage debt levels, pay dividends, and return capital to shareholders through activities such as share repurchases. Peyto calculates free funds flow as funds from operations generated during the period less additions to property, plant and equipment, included in cash flow from investing activities in the statement of cash flows. By removing the impact of current period additions to property, plant and equipment from funds from operations, Management monitors its free funds flow to inform its capital allocation decisions. The most directly comparable GAAP measure to free funds flow is cash from operating activities. The following table details the calculation of free funds flow and the reconciliation from cash flow from operating activities to free funds flow.

	Three Months ended June 30		*Six Months ended June 30*	
($000)	***2022***	*2021*	***2022***	*2021*
Cash flows from operating activities	***220,580***	*85,914*	***406,371***	*205,666*
Change in non-cash working capital	***(17,179)***	*(3,723)*	***523***	*(6,765)*
Performance based compensation	***2,500***	*-*	***2,500***	*-*
Funds from operations	***205,901***	*82,191*	***409,394***	*198,901*
Additions to property, plant and equipment	***(108,089)***	*(57,086)*	***(251,420)***	*(165,937)*
Free funds flow	***97,812***	*25,105*	***157,974***	*32,964*

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

($000)	***As at June 30, 2022***	*As at December 31, 2021*	*As at June 30, 2021*
Long-term debt	***976,544***	*1,065,712*	*1,140,000*
Current assets	***(221,456)***	*(144,370)*	*(89,687)*
Current liabilities	***479,777***	*239,620*	*209,740*
Financial derivative instruments	***(242,247)***	*(61,091)*	*(111,326)*
Current portion of lease obligation	***(1,244)***	*(1,123)*	*(1,164)*
Net debt	***991,374***	*1,098,748*	*1,147,563*

Non-GAAP Financial Ratios

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

Netback per MCFE and BOE
"Netback" is a non-GAAP measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Peyto computes "field netback per Mcfe" as commodity sales from production less royalties, operating, and transportation expense divided by production and "cash netback" as "field netback" less interest and general and administration expense divided by production. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low-cost structure and the high heat content of its natural gas that results in higher commodity prices.

	Three Months ended June 30		*Six Months ended June 30*	
($/Mcfe)	***2022***	*2021*	***2022***	*2021*
Gross Sale Price	***7.30***	*3.37*	***6.76***	*3.80*
Realized hedging gain (loss)	***(1.84)***	*(0.45)*	***(1.41)***	*(0.49)*
Net Sale Price	***5.46***	*2.92*	***5.35***	*3.31*
Net third party sales	***0.02***	*-*	***0.01***	*-*
Less: Royalties	***0.95***	*0.26*	***0.78***	*0.28*
Operating costs	***0.39***	*0.35*	***0.40***	*0.35*
Transportation	***0.27***	*0.22*	***0.27***	*0.20*
Field netback	***3.87***	*2.09*	***3.91***	*2.48*
General and administrative	***0.02***	*0.05*	***0.02***	*0.05*
Interest on long-term debt	***0.20***	*0.33*	***0.21***	*0.35*
Cash netback ($/Mcfe)	***3.65***	*1.71*	***3.68***	*2.08*
Cash netback ($/boe)	***21.88***	*10.23*	***22.09***	*12.48*

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

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

Total Payout Ratio
"Total payout ratio" is a non-GAAP measure which is calculated as the sum of dividends declared plus additions to property, plant and equipment, divided by funds from operations. This ratio represents the percentage of the capital expenditures and dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend and capital program.

	Three Months ended June 30		*Six Months ended June 30*	
	2022	*2021*	***2022***	*2021*
Total dividends declared ($000)	***25,485***	*1,658*	***50,843***	*3,309*
Additions to property, plant and equipment ($000)	***108,089***	*57,086*	***251,420***	*165,937*
Total payout ($000)	***133,574***	*58,744*	***302,263***	*169,246*
Funds from operations ($000)	***205,902***	*82,191*	***409,394***	*198,901*
Total payout ratio (%)	***65%***	*71%*	***74%***	*85%*

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

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

Free Cash flow Ratio
Free Cash Flow Ratio is a non-GAAP financial ratio defined as Free Funds Flow for the quarter divided by Funds From Operations for the quarter. Management monitors its Free Cash Flow Ratio to inform its capital allocation decisions.

Payout ratio
Payout ratio is a non-GAAP measure which is calculated as dividends declared divided by funds from operations. This ratio represents the percentage of dividends that is funded by cashflow. Management uses this measure, among others, to assess the sustainability of Peyto's dividend.