Peyto Exploration & Development Corp.
President's Monthly Report

July 2019 — From the desk of Darren Gee, President & CEO

So far this spring we've had forest fires and now heavy rains impacting our field operations. I suppose pestilence will be next. We currently have 8 wells drilled but awaiting completion and/or tie in and we've only managed to bring on production one new well since the first week of May. Assuming things dry from here, July is going to be a very busy month.

Figure 1

Source: Peyto operations suspended by rain

We are clearly not the only ones struggling with the weather. Looking at the Canadian drilling rig count, there are only 40 gas rigs running right now. That's down from over 80 this past winter and 56 on July 1 last summer. Not that we would want to bring new production on anyway. AECO daily prices in June averaged just $0.47/GJ, down from $1.91/GJ in May. And just like last summer we are parking our driest gas and only selling what's been hedged, even looking to buy negative priced gas to put to our hedges when we can.

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

Capital Summary (millions$ CND)*

	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018	Jan	Feb	Mar	Q1 19	Apr	May
Acq/Disp	4	-4	0	0	2	-2	1	0	0	1	0	0
Land & Seismic	17	1	1	5	2	8	1	1	1	3	1	0
Drilling	256	14	7	37	57	116	8	6	10	24	4	1
Completions	134	17	1	18	36	72	6	5	9	20	5	2
Tie ins	53	4	1	6	11	21	7	1	3	10	1	1
Facilities	57	4	5	5	4	18	2	2	1	4	1	1
Total	**521**	**35**	**15**	**70**	**112**	**232**	**24**	**15**	**24**	**62**	**12**	**5**

Production ('000 boe/d)*

	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018	Jan	Feb	Mar	Q1 19	Apr	May	June	Q2 19
Sundance	**57**	56	50	49	50	**51**	51	50	50	50	49	51	48	49
Ansell	**21**	20	18	16	16	**18**	18	17	17	18	16	15	14	15
Brazeau	**21**	24	19	16	15	**19**	16	15	14	15	14	13	12	13
Kakwa	**2**	2	2	2	2	**2**	2	2	2	2	2	2	2	2
Other	**2**	3	2	2	3	**3**	3	3	3	3	2	3	2	2
Total	**103**	**105**	**92**	**85**	**87**	**92**	**91**	**87**	**87**	**88**	**83**	**83**	**79**	**82**
Deferral			**2**	**0**							**1**	**-**	**3**	**1**
Capability	**103**	**105**	**94**	**86**	**87**	**92**	**91**	**87**	**87**	**88**	**84**	**83**	**81**	**83**
Liquids %		9.5%	10.1%	10.6%	11.5%	10.4%	12.6%	11.5%	11.8%	12.0%	13.0%	14.0%	13.6%	13.5%

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

Privatization of the Canadian Energy Industry?

As Peyto shareholders, and those of other E&P companies, know too well, the stock market has all but abandoned oil and gas stocks in Canada (and really, so too even in the US, see Figure 2). With little to no access to capital, other than through their bank lines, most publicly traded companies are now in the same boat as private companies. And many of those bank lines have been conditionally restricted based on reserve values, financial covenants, abandonment liabilities, pipeline transportation commitments, etc. These days, some small junior producers can't even get a bank line! So, I suppose the question is, if we really are all now "like privately owned" by a collection of existing shareholders, what do those shareholders actually own?

Figure 2

Source: Yahoo Finance

A recent trip up to our field office and tour around our asset base west of Edson, Alberta reveals that we owners actually own a great deal. For instance, the surface facilities that we can visit when you drive around are an indication. At the various gas plants that Peyto shareholders own are 80 compressor buildings housing 80 large horsepower engines with attached compressors. Each compressor costs $3.25 million on average to replace. Next to those, are the refrigeration buildings, 20 of them, also worth $5.4 million new. There are 17 inlet buildings and 14 liquid stabilization towers at $1.8 million and $0.8 million each, respectively, along with 12 electricity generators at $1.6 million each. Various other equipment like LPG bullets, condensate and water tanks, flare stacks, sales meters and vapor recovery units valued at $13 million per plant site (installed) round out the equipment list.

Driving around the field further you'd discover that at each of Peyto's 1,500 operated well sites (~90% average working interest) exists separator buildings with meter runs and chemical tanks, each worth $250,000 new. These are all connected with over 2,000 km of gathering pipelines, which

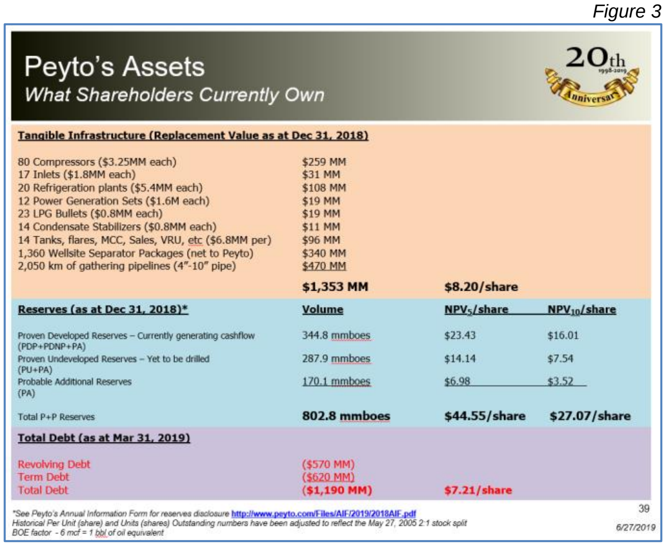
Suite 300, 600 – 3rd Avenue SW
Calgary, AB T2P 0G5
Fax: 403 451 4100

TSX Symbol: PEY
E-mail: info@peyto.com

were installed over the last 20 years, for approximately $470 million.

When you add up all that equipment, it totals over $1.35 billion. Which, if you divided by our 164.9 million shares would be $8.20/share (see Figure 3). And that's just what you see above the ground. Below the ground are over 0.8 billion boes of 2P reserves (Proven plus Probable Additional) - 43% are developed and on production today (2.1 boes/share) while 57% are still to be developed (2.8 boes/share).

Figure 3



Peyto's Assets
What Shareholders Currently Own

Tangible Infrastructure (Replacement Value as at Dec 31, 2018)			
80 Compressors ($3.25MM each)	$259 MM		
17 Inlets ($1.8MM each)	$31 MM		
20 Refrigeration plants ($5.4MM each)	$108 MM		
12 Power Generation Sets ($1.6M each)	$19 MM		
23 LPG Bullets ($0.8MM each)	$19 MM		
14 Condensate Stabilizers ($0.8MM each)	$11 MM		
14 Tanks, flares, MCC, Sales, VRU, etc ($6.8MM per)	$96 MM		
1,360 Wellsite Separator Packages (net to Peyto)	$340 MM		
2,050 km of gathering pipelines (4"-10" pipe)	$470 MM		
	$1,353 MM	**$8.20/share**	
Reserves (as at Dec 31, 2018)*	**Volume**	**NPV_5/share**	**NPV_{10}/share**
Proven Developed Reserves – Currently generating cashflow (PDP+PDNP+PA)	344.8 mmboes	$23.43	$16.01
Proven Undeveloped Reserves – Yet to be drilled (PU+PA)	287.9 mmboes	$14.14	$7.54
Probable Additional Reserves (PA)	170.1 mmboes	$6.98	$3.52
Total P+P Reserves	**802.8 mmboes**	**$44.55/share**	**$27.07/share**
Total Debt (as at Mar 31, 2019)			
Revolving Debt	($570 MM)		
Term Debt	($620 MM)		
Total Debt	**($1,190 MM)**	**$7.21/share**	

*See Peyto's Annual Information Form for reserves disclosure http://www.peyto.com/Files/AIF/2019/2018AIF.pdf
Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
BOE factor - 6 mcf = 1 bbl of oil equivalent

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6/27/2019

Source: Peyto

Those reserves were estimated by the independent engineers to have significant value, regardless of how the market is seeing them today. Sure, the commodity prices that were assumed may be different, perhaps they will be lower, or perhaps, they will be higher. We'll only know for certain, once they have been produced and sold in the future. One thing is for certain. The rest of the world places substantial value on clean, responsibly developed energy, even if those in Ottawa don't.

One important consideration, however, is the proportion of Peyto's reserves and value that is already developed – which is much higher than the industry average. If the Federal Liberal government is successful in "phasing out" the energy industry in Western Canada by actively discouraging any reinvestment into future development, as they have suggested, then much of Peyto's reserve value, close to 60%, will still be realized ($16/share out of $27/share, see Figure 3) because it is already developed.

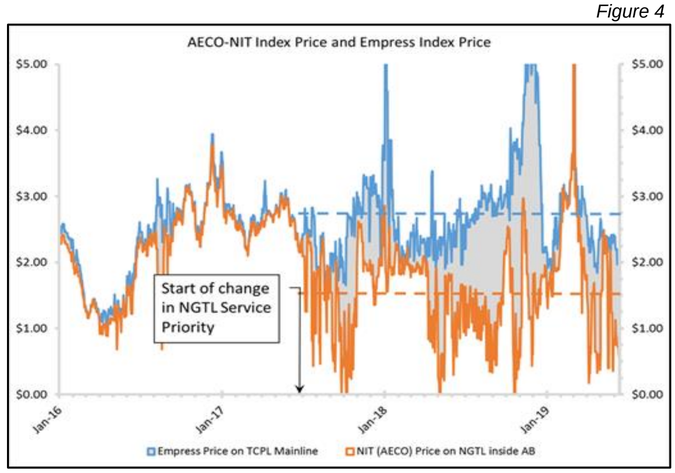
The owners of the Exploration and Production businesses, like Peyto, need to keep in mind that despite what the day to day share price suggests, there is much intrinsic value that every shareholder owns. And while the liquidity of that investment may have dried up in the short term, longer term, our society still needs, and will continue to consume, these hydrocarbon resources. Because at the end of the day, there is no viable, scalable, affordable alternative.

Activity Levels and Commodity Prices

The new Alberta government is taking the AECO natural gas crisis seriously. The formation of a new Associate Minister of Natural Gas (Dale Nally), complete with staff (ADM David James), to address the problem is a good start. And considering the meetings we've had with that staff to date, they are hitting the ground running and their sense of urgency is high. Clearly, they are tired of getting little to nothing for their royalty gas volumes - so they should be, and they are fearful for the health of the industry. As an Albertan, the thought of effectively throwing our natural resources away angers me, especially as the provincial debt clock keeps ticking higher.

The market price that Albertans should have received for their gas over the last two years is obvious. Just looking at the AECO price on the Alberta side of the border in comparison to the Empress price on the Saskatchewan side of the border illustrates what could have been (Figure 4). AECO has averaged just $1.56/GJ since August of 2017, while Empress has averaged $2.75/GJ. And the regulated toll for the service between the two points is only $0.18/GJ!

Figure 4



Source: Enerdata

Achieving a balance between supply coming onto the Nova system and delivery capacity off the system would result in an equalization of those two prices. But it's not that simple to put into practice. So that requires everyone to come together to find a solution. Ultimately, the government recognizes the WCSB is going to be a growing basin, as NGTL expands market access and LNG exports materialize, and they're eager to help ensure that growth is both orderly and profitable.

Forward Looking Statements

Certain information set forth in this monthly report, including management's expectation of future natural gas prices and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast 2018 netback, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

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

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

Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low cost structure and the high heat content of its natural gas that results in higher commodity prices. Funds from operations is a non-IFRS measure which represents cash flows from operating activities before changes in non-cash operating working capital and provision for future performance based compensation. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate Peyto's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable IFRS measure is cash flows from operating activities.