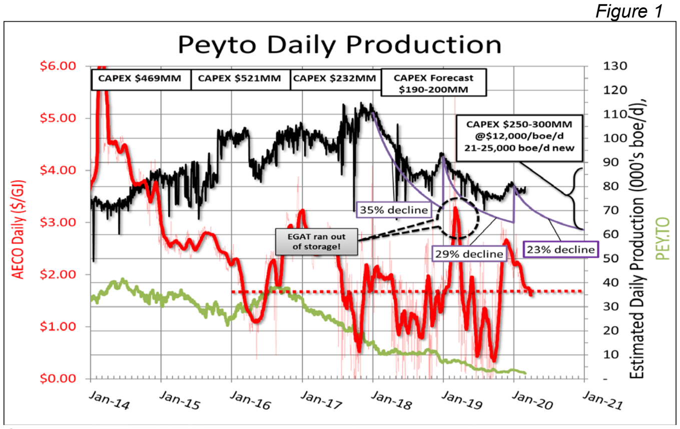
Peyto Exploration & Development Corp.
President's Monthly Report

March 2020 — From the desk of Darren Gee, President & CEO

Well, the optimism that comes with the start of a new year sure wore off in a hurry. The momentum we had at the end of last year ran into a bunch of hurdles varying from freeze offs and service delays in January, to Coronaviruses and commodity price drops in February. The last two are still in full swing today causing us to slow down our captial program, at least for now. Considering the drop in WTI oil, NYMEX gas and AECO gas, all since the start of the year, it only makes logical sense for us to slow down and see how things play out. The rest of the industry that is less nimble than we are will likely follow suit in short order. Better we should ramp up activity in the latter parts of the year when prices are recovering than bring on new flush production into weak prices. Plus, we could see an opportunity to put that powder to work elsewhere.

Figure 1



Source: Peyto, TMX, Enerdata

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	Q1 19	Q2 19	Q3 19	Oct	Nov	Dec	Q4 19	2019	Jan
Acq/Disp	4	-4	0	0	2	-2	1	0	0	0	0	0	0	1	0
Land & Seismic	17	1	1	5	2	8	3	2	1	1	1	0	2	7	2
Drilling	256	14	7	37	57	116	24	11	14	12	10	15	36	86	16
Completions	134	17	1	18	36	72	20	14	10	4	9	8	21	65	8
Tie ins	53	4	1	6	11	21	10	3	3	3	3	4	9	26	3
Facilities	57	4	5	5	4	18	4	5	8	2	2	1	5	21	7
Total	521	35	15	70	112	232	62	34	37	22	25	27	73	206	35

Production ('000 boe/d)*

	Q1 18	Q2 18	Q3 18	Q4 18	2018	Q1 19	Q2 19	Q3 19	Oct	Nov	Dec	Q4 19	2019	Jan	Feb
Sundance	56	50	49	50	51	50	49	47	47	48	49	48	49	49	49
Ansell	20	18	16	16	18	18	15	14	13	14	16	14	15	15	14
Brazeau	24	19	16	15	19	15	13	12	11	11	11	11	13	11	11
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	3	2	2	3	3	3	2	2	2	3	3	3	2	3	2
Total	105	92	85	87	92	88	82	77	75	78	81	78	81	79	78
Deferral		2	0				1	2							
Capability	105	94	86	87	92	88	83	78	75	78	81	78	81	79	78
Liquids %	10%	10%	11%	12%	10%	12%	14%	14%	14%	15%	15%	15%	14%	15%	15%

****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.***

ESG

The biggest buzz word in the energy world these days isn't a word at all, its an acronym - ESG (Environment, Social and Governance). I suppose it makes sense that society is more concerned with the Environmental, Social and Governance impacts that businesses have, rather than their bottom line profitability, in the same way that many elected governments in the free world today have a rather socialist bent to them. So, ESG is now the topic du jour. ESG isn't just something that concerns energy companies though. It's something businesses in all sectors are grappling with, whether they're oil and gas producers, banks, pharmaceuticals, or tech companies.

For our energy industry in Canada, ESG mostly refers to Environment. That's because Canada is a representative democracy and a constitutional monarchy that ranks among the highest in the world with respect to civil and human rights and freedoms. We are govern by the rule of law as set out in the Canadian Constitution which divides power between the federal and provincial governments. If you operate in Alberta, for instance, you need to comply with all relevant federal and provincial laws – everything from child labor laws, to minimum wages, to animal welfare. For that reason, for Canadian companies, the "Social" concerns are not that great because we are already held, by our laws, to some of the highest standards in the free world.

Corporate Governance over the last decade has definitely evolved. But here too, Canadian companies are already held to the highest standards for transparency, management structure, employee relations, etc. And we are proud to lead the world in this regard.

So that leaves us with Environment. And even though our Canadian energy industry has been "tarred" with a brush that suggests we are bad for the environment, nothing could be further from the truth. Yes, we already operate under some of the toughest laws and stiffest regulations in the world that protect the environment, but we also sincerely strive as an industry to continuously improve our performance in this area.

Take Peyto for example. We have always tried to execute our business and our operations in a manner that stresses cost control and efficiency, which by its very nature, leads to less land disturbance, reduced emissions and an industry leading workplace safety record. Cost control and efficiency also results in increased profitability. Those things go together. So when we strive for greater profitability, we're striving for better environmental performance at the same time. One of our stated sustainability goals when it comes to environmental performance is the reduction of methane emissions, and we have made continuous improvement in this regard over the last several years. Not because we were told to. Or because of some focus on ESG. We did it because it made natural sense

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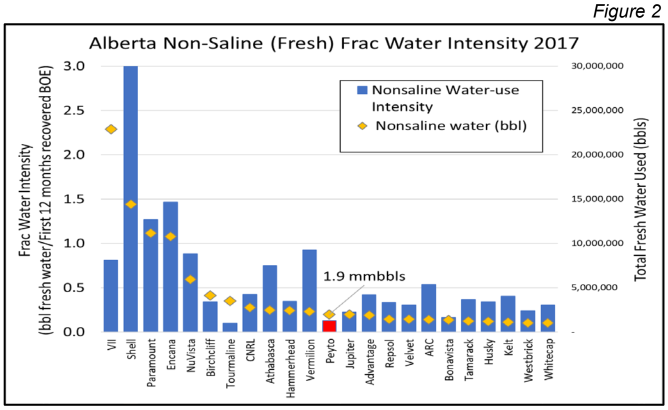
from a business perspective. Methane is what we produce and sell, so what sense does it make for us to release it into the atmosphere? The more we conserve, the more we can sell. Duh.

Another of our goals is water use. We strive to be as efficient with the use of water in our drilling and fracturing operations as we can be because it makes good business sense. The less we use, the less cost, and the better for the environment.

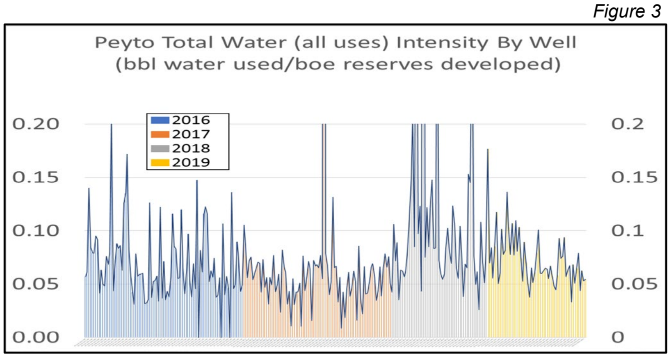
Figure 2



Source: Alberta Energy

We choose to drill, complete and stimulate our wells in a way that is most efficient at extracting the resource. We use one of the lowest volumes of fresh water (Non-saline), per barrel of recovered reserves, of anyone. Figure 2 shows the Alberta Energy data for fresh water intensity, or barrel of fresh water used per BOE of recovered reserves in the first 12 months of production history. As you can see Peyto is one of the lowest in the industry, even though we are also one of the most active.

Figure 3



Source: Peyto

When we look at total water used (both fresh and salt water, recycled and makeup water, in drilling and completion operations) to recover the entire resource, we see that we are also one of the most efficient, and trying to stay that way (Fig. 3). Even as we move from drier Spirit River gas wells to more liquids rich Cardium wells and as we drill fewer wells spread further across our land base, we've maintained our efficiency.

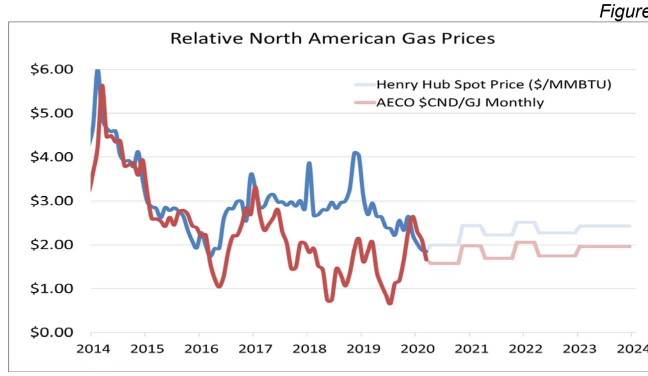
That scalable efficiency is a powerful tool in today's ever changing industry.

Where ESG is a scary subject for some companies, its not for Peyto. We have a 20 year track record of both profitable and sustainable Alberta operations that have gone hand in hand and we're proud to be part of an industry in Canada that sets the gold standard globally for responsible resource development.

Activity Levels and Commodity Prices

As I discussed over a year ago, one of the biggest challenges facing the Canadian energy industry is the massive growth in US oil and gas production. But it may also be their biggest challenge too. The rapid growth in US natural gas production has had the effect of driving down their commodity price to very low levels, despite the increase in US domestic demand and LNG exports (Fig 4). The US is now reacting to the low prices with reduced rig activity, but it has yet to translate into lower production.

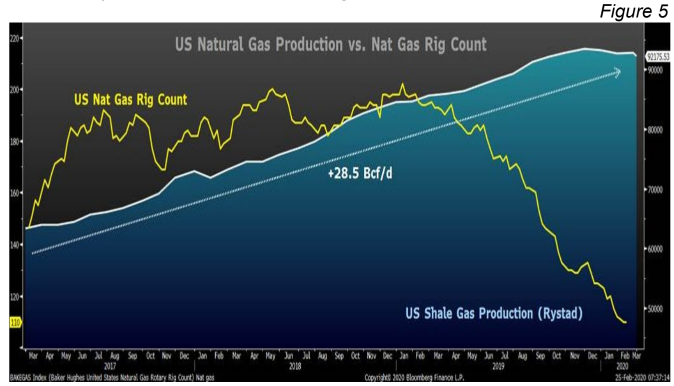
Figure 4



Source: EIA, Enerdata

As shown in Figure 5, gas rig count in the US is down to just 110 rigs. It hit a 30 year low in 2016 the last time the Henry Hub price dropped below $2/MMBTU. I suspect it's headed there again and a supply response, just like last time, looks to be underway with production rolling over these last few months.

Figure 5



Source:NBF

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.