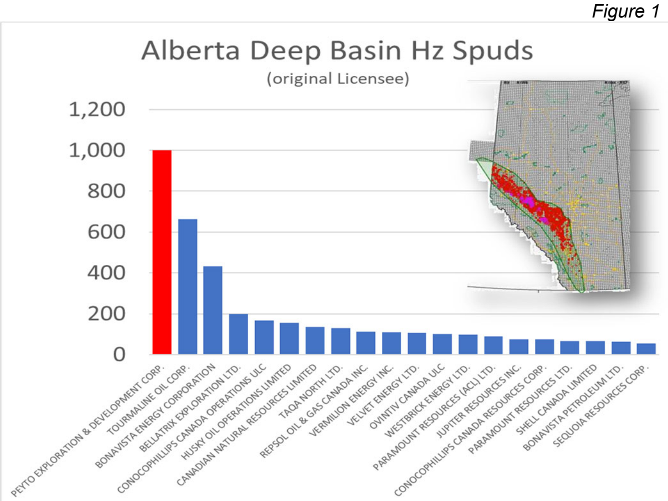
Peyto Exploration & Development Corp.
President's Monthly Report

October 2020 From the desk of Darren Gee, President & CEO

On September 25, 2020, Peyto celebrated another historic milestone when it commenced drilling it's 1,000th horizontal well and considering we really didn't start drilling horizontally until 2010, that's quite the accomplishment. It's also not a surprise that we've drilled more horizontal wells in the Alberta Deep Basin than any other operator (see Fig 1). After all, it is our specialty. It is interesting, however, that at the start of 2010 we only had 108 future horizontal locations booked in our reserves report. Today we have 1,280. I wonder how many we'll have in 2030?

Figure 1



Source: Peyto

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)*

	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Apr	May	Jun	Q2 20	Jul	Aug
Acq/Disp	-2	1	0	0	0	1	0	0	0	0	0	2	0
Land & Seismic	8	3	2	1	2	7	4	0	0	0	1	0	0
Drilling	116	24	11	14	36	86	28	7	6	8	20	11	8
Completions	72	20	14	10	21	65	19	2	4	3	9	6	9
Tie ins	21	10	3	3	9	26	7	1	1	1	3	1	2
Facilities	18	4	5	8	5	21	10	2	1	1	4	3	1
Total	**232**	**62**	**34**	**37**	**73**	**206**	**69**	**13**	**12**	**12**	**37**	**23**	**20**

Production ('000 boe/d)*

	2018	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Apr	May	Jun	Q2 20	Jul	Aug	Sept	Q3 20
Sundance	51	50	49	47	48	49	49	49	48	46	47	45	45	49	47
Ansell	18	18	15	14	14	15	14	13	14	14	14	13	13	13	13
Brazeau	19	15	13	12	11	13	12	13	14	15	14	14	16	16	15
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	3	3	2	2	3	2	2	2	1	1	2	1	2	1	1
Total	**92**	**88**	**82**	**77**	**78**	**81**	**79**	**79**	**78**	**78**	**78**	**76**	**78**	**81**	**78**
Liquids %	10%	12%	14%	14%	15%	14%	15%	14%	14%	14%	14%	15%	15%	14%	14%

****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.***

Hope Is Not A Strategy, But Faith Surely Is

A very wise man once said that *"our lack of confidence is not the result of difficulty. The difficulty comes from our lack of confidence."- Lucius Seneca* (while the game was invented after Seneca's time, any golfer can appreciate the wisdom in this statement when faced with a long approach shot over water).

Over the last few years, I can attest that staying the course of a traditional natural gas producer has tested the confidence of even the most confident of management teams. Many companies changed direction to oil/condensate, sold off significant parts of their infrastructure or entered long term take away contracts to survive. These days, however, it feels like gas producers are finally prevailing. Dry natural gas as a commodity once again looks like it might capture enough price to justify drilling for it.

The main reason for the strength in dry gas price is the rebalancing of supply and demand. For the last few years, as North American producers competed to outgrow each other, we oversupplied the market. This, of course, put downward pressure on prices as supply exceeded demand. It also put the downstream shippers and infrastructure (mid-stream) services in a significant negotiating position, able to collect a larger portion of the profit from the commodity, as access to these services became limited. Now, after years of weak commodity prices and high transportation/mid-stream processing costs, gas producers are left with little cash to re-invest and rapidly shrinking production. This shrinking supply, in turn, against stable or growing demand (COVID had less impact on North American natural gas demand), is causing prices to rise.

Unfortunately, rising prices will have a muted impact on those who locked into longer term, expensive shipping and processing deals. Evidence of these longer term commitments are listed throughout the industry's financial statements as commitments, contingencies and contractual obligations. For instance, Peyto lists in its financial statements a schedule of future contractual obligations:

Figure 2

13. Commitments

Following is a summary of Peyto's contractual obligations and commitments as at June 30, 2020.

	2020	2021	2022	2023	2024	Thereafter
Interest payments [1]	8,625	17,249	17,249	14,809	11,109	21,795
Transportation commitments	15,268	42,093	65,463	47,752	30,793	335,220
Operating leases	1,051	2,101	2,176	2,176	2,176	4,352
Other	59	-	-	-	-	-
Total	25,003	61,443	84,888	64,737	44,078	361,367

[1] Fixed interest payments on senior secured notes

Source: Peyto Financials

The $537 million of total future transportation (and if applicable processing) commitment equates to $0.34/mcfe of proved developed producing reserve volume.

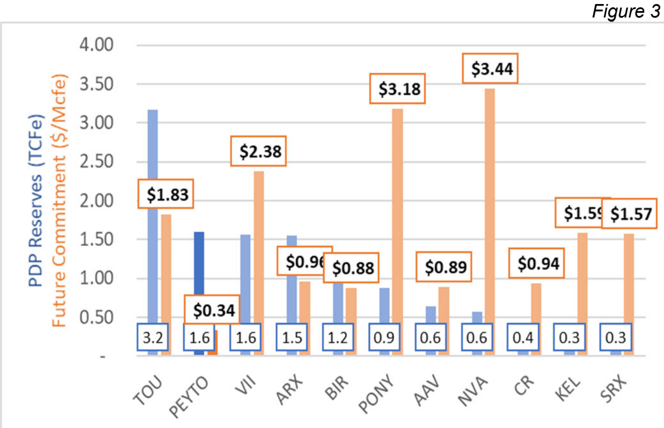
Suite 300, 600 – 3rd Avenue SW
Calgary, AB T2P 0G5
Fax: 403 451 4100

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

October 2020 From the desk of Darren Gee, President & CEO

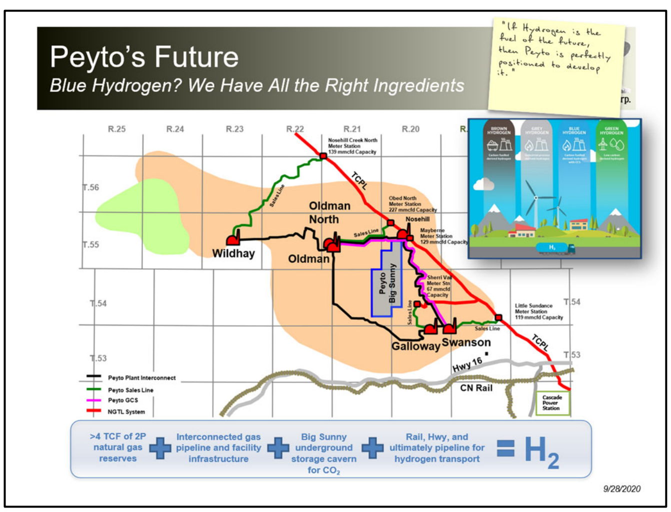
When compared to others in the natural gas industry, our commitments seem very light (of course, the oilier the production stream, the higher the revenue per unit to cover these costs). Peyto's lack of future contractual commitment means we have more options into the future.

Figure 3



Source: Company 2019 AIFs and Q2 2020 Financials

Within those options are the traditional choices of transporting our natural gas to various markets within Alberta or to export them to other provinces in Canada, the United States or off continent via LNG. Alternatively, we may choose to sell directly to industrial consumers right next door (Cascade power plant), or even to convert our natural gas to alternative fuels like blue hydrogen (we have all the necessary ingredients: methane reserves, processing facilities, underground storage for CO_2 sequestration, rail/road/pipeline for distribution, local industrial power plant, etc).

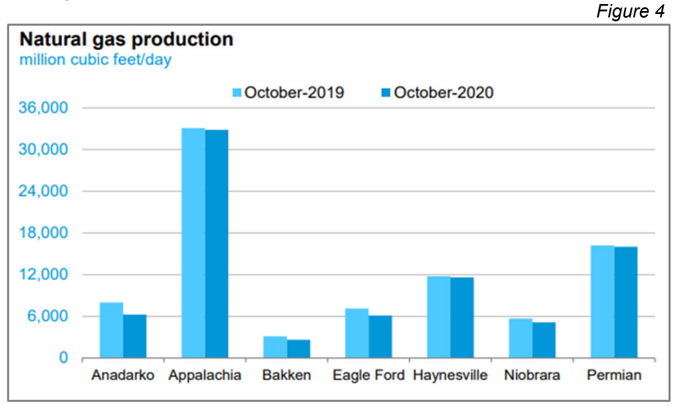


Maintaining all that optionality is important to preserving profit for our shareholders. And of course, generating profit for our shareholders, however we do it, has always been the goal at Peyto. They say hope is not a strategy. But faith is. When you establish some values and stick to your principles, its amazing how things generally work out.

Activity Levels and Commodity Prices

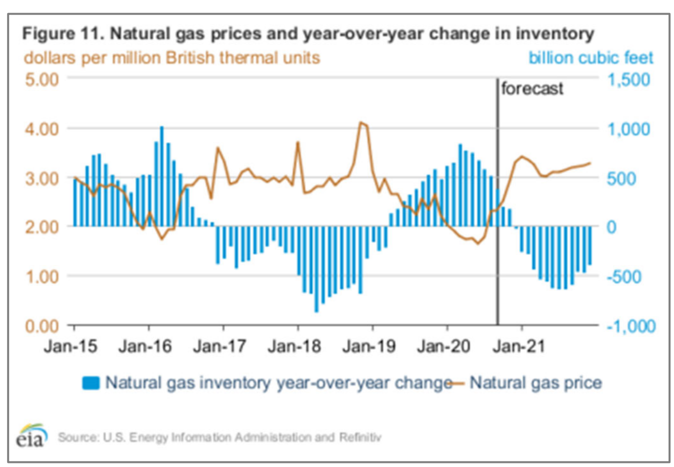
The EIA rig productivity report for September is suggesting that we have not seen much change year over year in the output of the major US shale gas basins, despite all the news of reduced drilling.

Figure 4



Source: EIA Rig Productivity Report

The Marcellus continues to dominate US shale gas production and continues to maintain that production with less and less drilling activity each year. Despite that strength, the EIA is also forecasting a future natural gas price of over $3.00/MMBTU, premised on the continued overall supply shortfall, relative to LNG export demand coming back. The one caveat in their demand forecast is that coal will start to push gas out of the electricity mix as gas price rises (relative to coal price). Obviously, fuel switching for emissions reduction is only acceptable until it starts costing more. Funny how that works.



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.