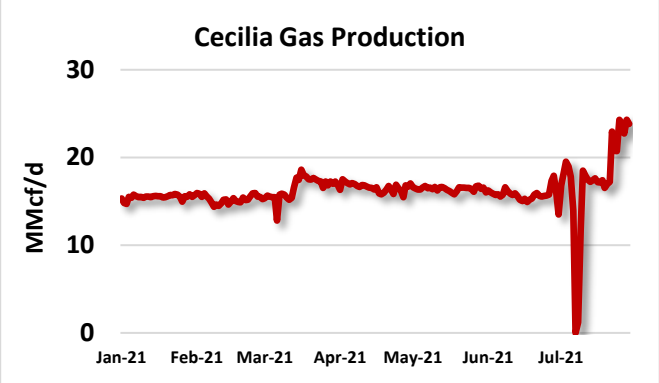
Peyto Exploration & Development Corp.
President's Monthly Report

August 2021 — From the desk of Darren Gee, President & CEO

Our summer drilling program was impacted by some rig upgrades in June that took longer than expected and delayed our restart after breakup, and by an unexpected election by partners to participate in some wells that lowered our net working interest. So, we've decided to add one more drilling rig for the remainder of the year (now 5) to help catch us back up to our forecast of approximately 85 net new wells this year. Overall, drilling results have been as expected and we've been gradually filling up our facilities to get ready for another cold winter and higher gas prices. One of those is our newly acquired Cecilia Gas plant, where the first two wells have almost filled the 15 MMcf/d of unused capacity. That plant was down for a 3-day turnaround in July but is back up and running now. And we're only just getting started drilling in this area with one rig dedicated here for the rest of the year.

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)*

	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Jan	Feb	Mar	Q1 21	Apr	May	Jun	Q2 21
Acq/Disp	0	0	0	1	0	0	2	1	3	35	0	1	36	0	0	0	0
Land & Seismic	2	1	2	7	4	1	1	2	8	0	0	1	1	0	0	1	1
Drilling	11	14	36	86	28	20	28	29	105	9	10	14	34	11	10	7	28
Completions	14	10	21	65	19	9	20	22	70	3	5	11	18	7	4	4	15
Tie ins	3	3	9	26	7	3	6	7	23	1	1	3	5	2	1	1	4
Facilities	5	8	5	21	10	4	5	7	26	8	4	4	16	2	1	5	8
Total	**34**	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**55**	**21**	**33**	**109**	**22**	**16**	**19**	**57**

Production ('000 boe/d)*

	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Apr	May	Jun	Q2 21	Jul
Sundance	49	47	48	49	49	47	47	49	48	48	51	50	48	50	48
Ansell	15	14	14	15	14	14	13	16	14	17	16	15	15	15	14
Brazeau	13	12	11	13	12	14	15	16	14	17	18	18	18	18	18
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	2	3	2	2	2	1	1	2	4	5	5	5	5	5
Total	**82**	**77**	**78**	**81**	**79**	**78**	**78**	**84**	**80**	**88**	**91**	**89**	**87**	**89**	**87**
Liquids %	14%	14%	15%	14%	15%	14%	14%	13%	14%	14%	14%	14%	13%	14%	13%

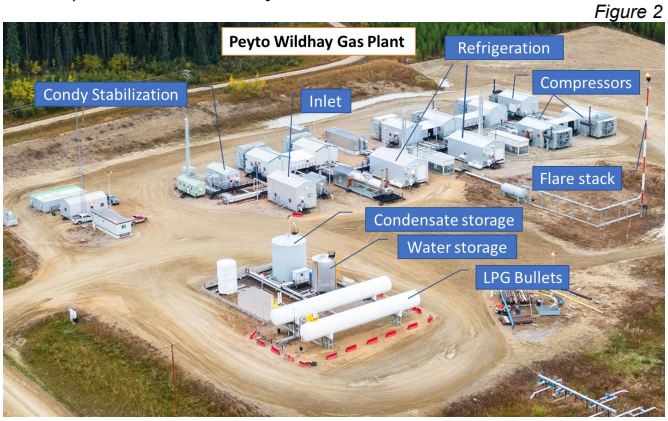
This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.

What's in a Turnaround?

While most people have been trying to avoid the smoke from BC forest fires and enjoy some hot summertime at the lake, we've been busy at Peyto preparing for the long cold winter that will inevitably follow. That means ensuring all our natural gas processing facilities are well maintained and ready for action. Last summer's COVID restrictions meant much of the scheduled maintenance was delayed, as it was unsafe to have large crews of workers in close proximity. But this summer, with the vast majority of workers vaccinated and case numbers low, we can offer Albertans those jobs again and catch up on those plant turnarounds that we missed.

In oilfield terms, a "turnaround" means shutting down a facility, or parts of it, to de-pressure, drain, clean, inspect, repair, replace, and then restart it. The goal is to assess/repair the wear and tear caused by corrosion and erosion from high pressure/high rate fluid flow. Major turnarounds involve our inlet vessels, refrigeration facilities, compressors, LPG and Condensate storage bullets and tanks, and any heaters used in the process. These are typically done every 5 years, while minor turnarounds involving inspections, cleanouts, as well as replacing/servicing all the various PSVs (pressure safety valves) are done annually.

Figure 2



Source: Peyto Wildhay Gas Plant

In 2021, we have major turnarounds planned for all but two of our 9 operating gas plants (our 10th plant, Galloway, is currently shut in). We schedule them during the summer months, usually July and August, to coincide with longer daylight hours and warm weather. This year, like most operators, we've also tried to have our downtime coincide with the August NGTL outages resulting from their expansion work.

The capital cost for the turnaround activity this year is not all that large, less than $2MM for new equipment, and we try to keep the labor costs down too, with efficient planning and execution. And believe me, there is a lot of planning required. Everything from mechanics, to pipefitters, to electrical and

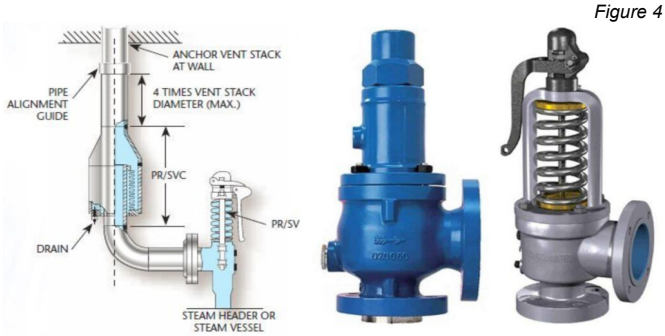
instrumentation techs, to scaffold installations, cranes, air trailers, torquing crews, and safety. Yes, we definitely spend a lot of time on safety with medics on site and air ambulance on standby, just in case! Our 22-year track record of safely operating and maintaining our (now) 10 gas plants is second to none and is a testament to our team and their attention to detail when it comes to things like turnarounds.

Figure 3

Source: Peyto Cecilia Engine swap, Kakwa firetube inspection

As you would expect, natural gas processing facilities, like ours, all operate at high pressure (typically 150 to 1,500 psi). So, all the vessels, pipelines and compressors have pressure relief safety valves installed in the event that pressure needs to be released. There are hundreds of these valves throughout our gas plants that are an integral component of our safety system, and we need to make sure they are maintained and operational at all times. We keep a large fleet of fully serviced valves in inventory so that during a turnaround we can swap out all the existing ones for new ones. This saves time rather than pull them all out, service them, then put them all back.

Figure 4



Source: Chemical Engineering world

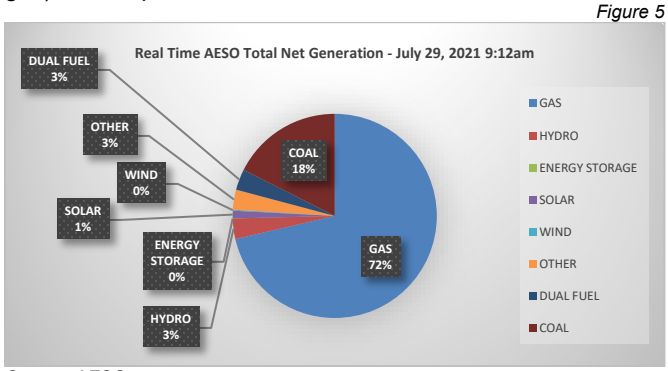
Most of the plant turnarounds take between 3 to 5 days of round the clock work. But because many of our gathering systems are inter-connected, we can shift production from one facility to another and limit the overall production impact from the turnarounds. In addition, if we do have to shut wells in, the reservoir pressure will build up around the wellbore so that wells come back on at a higher rate for a short period which allows us to catch up some of the volumes we missed during the downtime.

Plant turnarounds are a normal part of annual operations at Peyto, but this year we are busier than normal catching up from COVID delays. Although we expect some slight impact to Q3 volumes, we will more than catch that up with accelerated activity later in Q3 and in Q4, just in time for winter prices.

Activity Levels and Commodity Prices

With all the discussion these days about energy transition, I think its good every once in a while, to check that against what's actually happening. If we look at a typical summer day in Alberta, when the sun was shining brightly and a summer breeze was blowing (*the BC smoke*) over from the Pacific, where was Alberta's electricity coming from? Based on real time net generation data from AESO (Alberta Electric System Operator), natural gas or the soon to be replaced coal (with gas) was responsible for almost 90%.

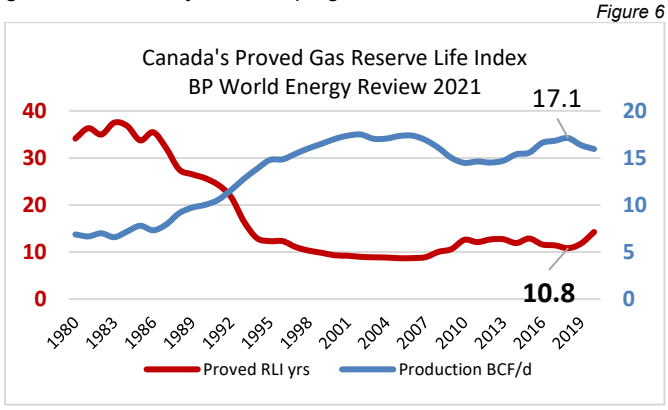
Figure 5



Source: AESO

I guess that means all the mandated electric vehicles we'll be driving by 2035 will be using natural gas as their energy source. What has me concerned though, for the entire 32 years of my career, is do we have enough natural gas supply? The latest BP world energy review highlights in rather stark detail, that our proven supply is not forever. In fact, at our current rate of consumption, its just over a decade. Which means we better get to work at Peyto developing some more.

Figure 6



Source: BP

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.