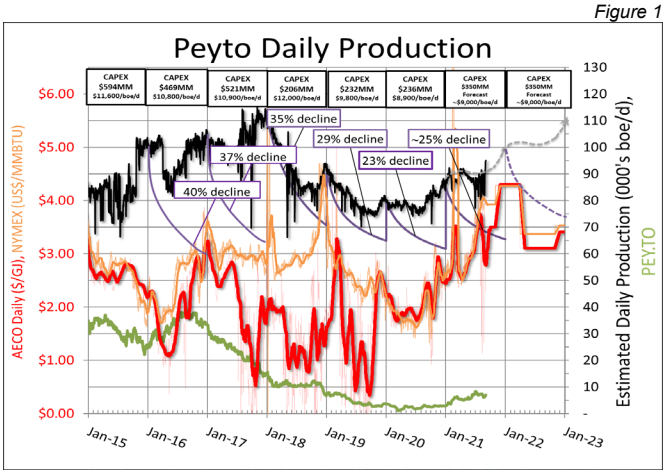
Peyto Exploration & Development Corp.
President's Monthly Report

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

We are finally through with all our summer disruptions (I hope) after the heat waves, forest fires and turnarounds caused some volatility in our otherwise predictable production. Now we can get to the business of piping in all the wells that our drilling and completions groups have been churning out. That activity, and what's remaining for the rest of the fall, should result in production topping the 100,000 boe/d mark by year end. It was back in late 2015 when we first hit 100,000 boe/d but it required all $600 million of our cashflow in a much larger capital program to hold us at that level. Going forward it will take less than half of that, leaving a lot of free cashflow for debt reduction and dividends.

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	Q1 21	Apr	May	Jun	Q2 21	Jul
Acq/Disp	0	0	0	1	0	0	2	1	3	36	0	0	0	0	0
Land & Seismic	2	1	2	7	4	1	1	2	8	1	0	0	1	1	1
Drilling	11	14	36	86	28	20	28	29	105	34	11	10	7	28	13
Completions	14	10	21	65	19	9	20	22	70	18	7	4	4	15	9
Tie ins	3	3	9	26	7	3	6	7	23	5	2	1	1	4	1
Facilities	5	8	5	21	10	4	5	7	26	16	2	1	5	8	5
Total	**34**	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**109**	**22**	**16**	**19**	**57**	**29**

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	Aug
Sundance	49	47	48	49	49	47	47	49	48	48	51	50	48	50	48	49
Ansell	15	14	14	15	14	14	13	16	14	17	16	15	15	15	14	15
Brazeau	13	12	11	13	12	14	15	16	14	17	18	18	18	18	18	18
Kakwa	2	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	5
Total	**82**	**77**	**78**	**81**	**79**	**78**	**78**	**84**	**80**	**88**	**91**	**89**	**87**	**89**	**87**	**88**
Liquids %	14%	14%	15%	14%	15%	14%	14%	13%	14%	14%	14%	14%	13%	14%	13%	12%

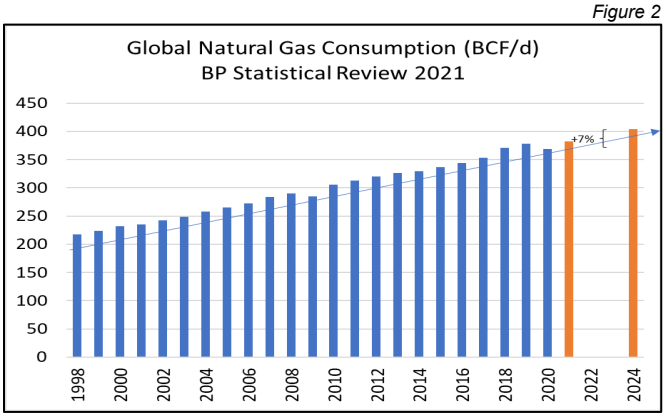
This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.

Natural Gas Demand Growth

In our Q2 2021 release I mentioned that "demand for the products we produce and sell continues to grow" - those products, of course, are natural gas, condensate, pentanes, butane, and propane. Now, I realize that statement directly contradicts all the narrative one hears in the news each day about how the world is transitioning off hydrocarbons, leading to lower demand, but the real truth is consumption continues to increase.

The International Energy Agency announced in their Q3-2021 report that by 2024, natural gas demand is forecast to be up 7% from 2019's pre-Covid levels. Asia-Pacific, Africa and the Middle East have the largest projected annual growth rates at 4.5%, 3.1% and 2.8%/yr. Which means by 2024, the world will be consuming more than 400 billion cubic feet of natural gas daily. And over the time that Peyto has been in business (1998 until now) we've seen global natural gas consumption double!

Figure 2



Source: BP

Looking at the chart above, it has been a very consistent growth rate (2.7% CAGR) which seems reasonable considering global population has been growing at around 1.2% over that same 25 yr period. But what it does not show is any sort of transition to a reliable alternative.

From an environmental perspective, a doubling of natural gas consumption is actually a very good thing, because it means less people are using the dirtier, alternative fuels like wood, coal, or diesel. Can you imagine the environmental impact if that 200 BCF/d of incremental energy consumption was satisfied with coal instead of natural gas?

Part of the increase in gas consumption is the availability of natural gas around the world, or the globalization of it. And that has been driven by the very safe and reliable shipping of LNG across the oceans and the transport of natural gas (either compressed "CNG" or liquified "LNG") via pipelines or trucks to consumers. The rapid growth in US LNG exports is a prime

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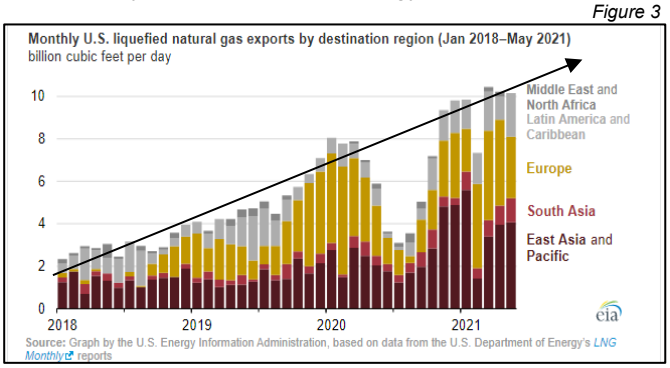
example of how we're getting gas to the various parts of the world so they can use it for their energy needs.

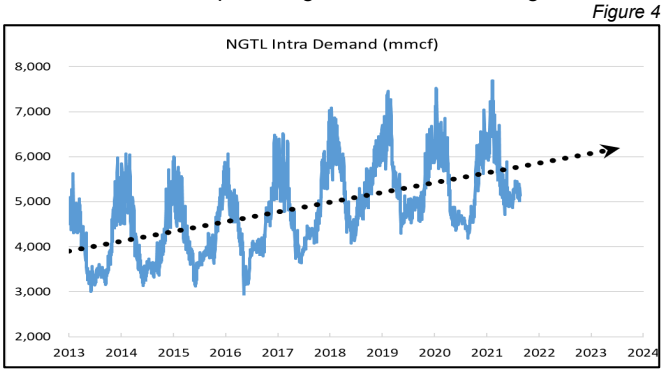
Figure 3



Source: EIA

Soon (2025) Canada will be entering the LNG export market, assuming we have any excess to export at that point since our own domestic demands have also been rapidly growing. Over the last decade, Alberta's demand for natural gas has grown approximately 50% from around 4 to almost 6 BCF/d (4% CAGR) due to coal to gas switching. And that trend is likely to continue, especially if we are all to drive electric cars by 2035. That switch has the added benefit of cleaning up our provincial emissions while still providing a reliable electrical grid.

Figure 4



Source: NGTL, Peyto

The one thing that hasn't kept up with growing gas demand, however, is our natural gas infrastructure including storage capacity, which is required to handle the seasonal swings in consumption. As an industry we continue to look at storage in comparison to previous years' withdrawals and refills. And when you adjust those storage levels for the increased demand levels, there is some rather shocking revelations. Figure 5 is a typical look at US natural gas storage which compares the current year of refill to prior years. But if you adjust it for the increased level of demand it shows a completely different picture of how woefully unprepared we are for this coming winter (Figure 6). At some point our industry needs to build more storage capacity, or one of these years we're going to really get caught out in the cold.

Figure 5

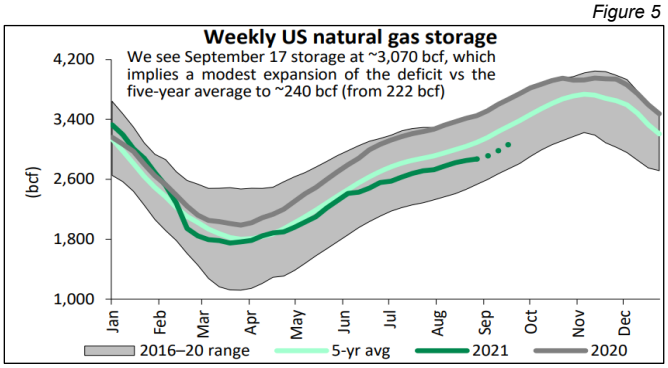
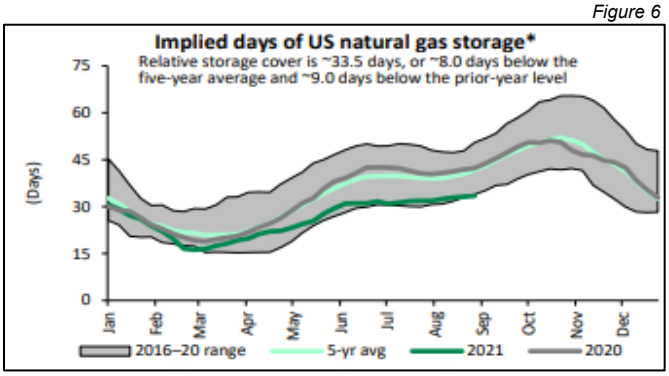


Figure 6

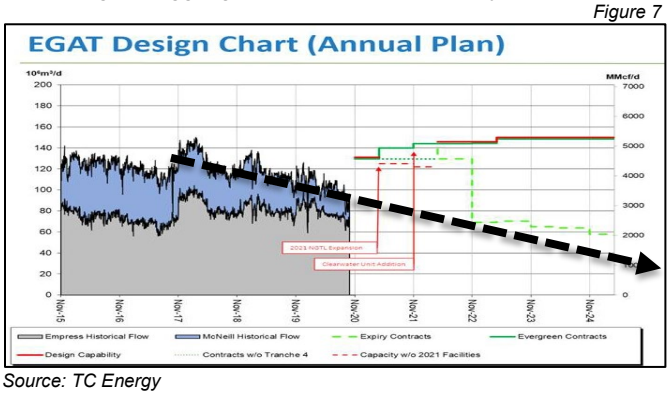


Source: Desjardins

Activity Levels and Commodity Prices

It's interesting to look at the volumes of natural gas that are exiting Alberta on their way to Eastern Canada/US NE. They have been in decline over the last few years, dropping from 5 BCF/d in 2017 to just 3.5 BCF/d today. Extrapolating that forecast, is it any wonder that the contract expiry profile matches up to it in 2023 at around 2 BCF/d. As I suggested above, if by the 2025 timeframe, and the first cargoes through LNG Canada at Kitamat are taking 1.5-2.0 BCF/d out of the basin, there may be very little gas headed east. The expectation is we'll drill more to fill that market, but with the current rigs struggling to find workers, that may not happen.

Figure 7



Source: TC Energy

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.