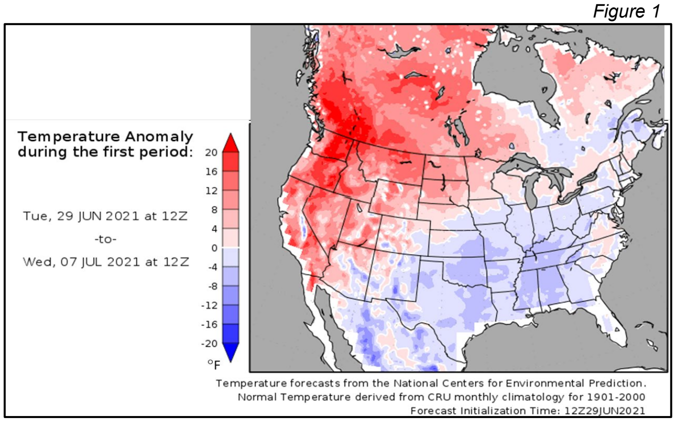
Peyto Exploration & Development Corp.
President's Monthly Report

July 2021 | From the desk of Darren Gee, President & CEO

The heat wave that ripped through Alberta and BC last week, as well as the US Pacific NW sent energy markets reeling – particularly natural gas and power prices. Low spring run off and low hydro levels meant less power generation and "heat-offs", the opposite of freeze-offs, reduced gas supplies right when the air conditioners were drawing max electrical load. Interestingly, natural gas receipts were hit particularly hard (at times up to 4 BCF/d was offline on NGTL) as northern gas compressors struggled to operate in the 40+°C ambient temperatures. Most are not designed to run in that heat, much the same as Texas natural gas wells are not designed for sub-zero temperatures. We felt it at Peyto too, which impacted our June production. There were even days when significant gas was withdrawn from AECO storage to make up the shortfall, which means tighter supply for next winter when storage is critical.

Figure 1



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
Acq/Disp	0	0	0	1	0	0	2	1	3	35	0	1	36	0	0
Land & Seismic	2	1	2	7	4	1	1	2	8	0	0	1	1	0	0
Drilling	11	14	36	86	28	20	28	29	105	9	10	14	34	11	10
Completions	14	10	21	65	19	9	20	22	70	3	5	11	18	7	4
Tie ins	3	3	9	26	7	3	6	7	23	1	1	3	5	2	1
Facilities	5	8	5	21	10	4	5	7	26	8	4	4	16	2	1
Total	**34**	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**55**	**21**	**33**	**109**	**22**	**16**

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

Peyto's 2021 ESG Report is Live!

Peyto's inaugural ESG report has now been posted to our website. Really, this is just a much more fulsome and enhanced form of our previous annual sustainability report with much of the same Environmental tracking and Social and Governance initiatives as before but now with a reporting format that is more in line with the most recent reporting guidelines.

The theme of our report is ***Sustainable Energy through Operational Excellence*** and not only outlines Peyto's corporate approach to ESG but highlights our strategic priorities and tangible initiatives. That last being the most important in my mind. Rather than just *talk* about what we could do or might do in the future, what are the things we are *actually doing*, and will be doing over the next year, to make it happen and to reach the goals we've set for ourselves. For as we all know, talk is cheap, unless you are dealing with a lawyer. It's too easy to say we'll be net zero by 2050 considering I'm not likely to even be alive in 2050.

As I've commented in the past, ESG for a Canadian energy company is mostly about the E, or the environment. Which is not to say we aren't focused on tightening up our Social and Governance issues. We specifically formed a new, independent board committee, chaired by independent director Mr. John Rossall, to provide oversight on all ESG matters. But our successful 22 year track record speaks volumes about the state of our social and governance policies and how we have behaved and treated related stakeholders (employees, shareholders, landowners, first nations, etc.) in our business dealings.

The Governance focus of that committee will be around risk management, which is a broad but important topic in today's volatile energy industry. Economic risks, market risks, commodity risks, security issues (particularly cyber security), are all part of this focus.

The Social focus will be on our people, both within and outside of Peyto. Even though we have a relatively small staff, we have always valued our people and the fact that Peyto doesn't exist or succeed without them. So, ensuring we have the right culture, the right people, who are empowered and rewarded for their contribution, and who get the support they need is, and always will be, important. So, its also important that stakeholders understand how that is accomplished.

So, in addition to tightening up both Social and Governance issues, what specifically are we going to be doing for the Environment?

Well, over the next three years (2021-2023) we expect to lower our total flared and vented Methane intensity (kg CO2 per BOE

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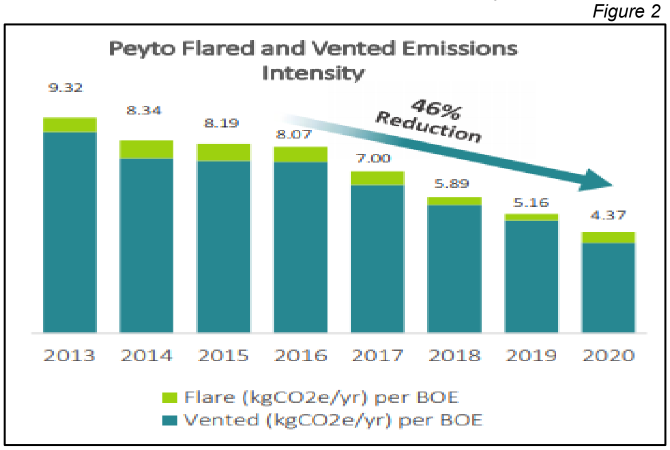
of production) to below 2. Last year it was 4.37 which was already down 46% from the 8.07 in 2016. We are going to accomplish this by continuing to remove low bleed controllers across our remaining wellsites. In 2021, we will remove 648 controllers which will result in an emissions reduction of 7,500 tonnes of CO_2 eq/yr. In addition, we will be retrofitting 1,150 wellsites with low bleed liquid level relays. We conducted 300 of these in 2020. This will result in an emissions reduction of 24,000 tonnes of CO_2eq/yr. And lastly, we will swap out 50 chemical pumps to all electric, solar powered versions that will result in an emissions reduction of 10,000 tonnes. In total, that's a reduction of 41,500 tonnes of CO_2 eq/yr.

Figure 2



Source: Peyto

We also have several research and development initiatives we're working on this year:

Compressor exhaust waste heat recovery:
Heat from compressor exhaust is captured and passed through heat exchangers to supplement the utility heating demands at our gas plants. The result is an estimated 10% reduction of fuel gas at our gas plants which translates into an estimated reduction of 30,000 tCO_2eq/yr if implemented at all plants. The next plant Peyto builds could possibly include this new technology right from the start.

In-Pipe Turbine Generator (IPTG):
The IPTG uses proprietary technology to harness the energy of the gas flowing through a pipeline, drive a small generator and create electricity. This electricity can then be used to power the electric devices at a well pad and charge storage batteries. These units are easily retrofitted into existing well pads. Peyto will begin testing its first IPTG's in Q3 2021.

Geothermal energy sources:
Along with an industry service provider, Peyto is investigating the installation of geothermal technology to potentially use as a utility heat source or generate electricity. The installations would happen on existing wellbores that are slated for abandonment. Although still in its infancy, Peyto and its partner are working toward trialing the technology in late 2021 or early 2022.

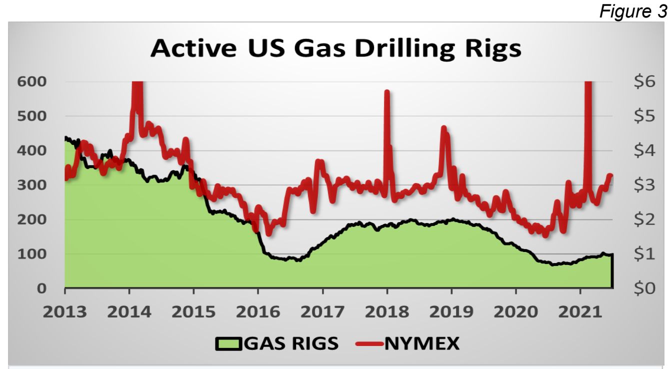
Carbon Capture, Utilization and Storage (CCUS):
With the recently announced plan by the Government of Alberta for development of carbon sequestration, Peyto, along with industry, is collaborating with various government bodies to implement a foundation that enables sensible gathering and subsurface injection of CO_2. Peyto will continue to engage throughout this process, with the long-term goal of being an active participant in a competitive carbon sequestration industry.

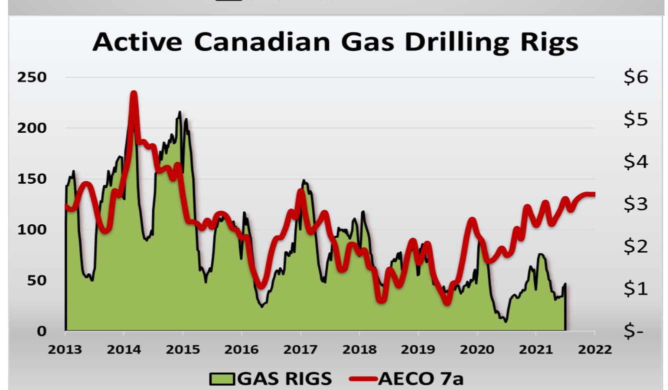
So, if stakeholders are asking if Peyto is doing it's part, the answer is emphatically, YES, yes we are.

Activity Levels and Commodity Prices

Both active US and Canadian gas directed drilling rig counts are still quite low compared to historical levels. This is the primary driver of new gas supplies and ultimately gas prices. There is a belief that current activity will not be enough to offset declines and support demand. This is driving spot natural gas price up on both sides of the border. The future prices are forecast to drop, however, as there is disbelief activity will remain low.

Figure 3





Source: Baker Hughes, EIA, TD

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.