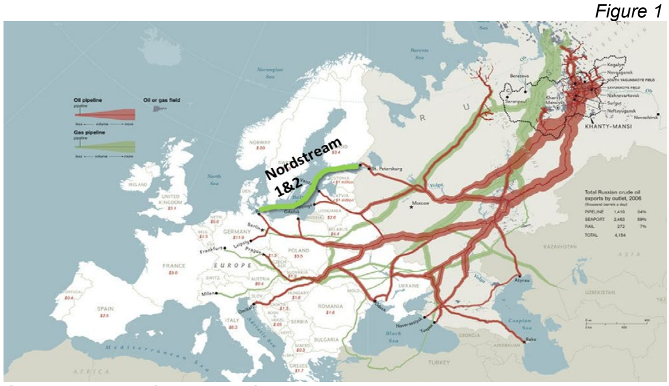
Peyto Exploration & Development Corp.
President's Monthly Report

February 2022 — From the desk of Darren Gee, Chief Executive Officer

With Russia weaponizing its energy exports in Europe (ie. positioned to restrict flow of oil and gas pipelines shown in Figure 1), it's comforting to know that here at home in Canada we are not dependent on a foreign entity for our survival. At least, not yet anyway. What this latest geopolitical event is reminding us, is that our own national security, and that of our protector the US, is closely tied to the success or failure of our domestic energy industries. Hopefully provincial/state and federal governments across our two countries remember that as they continue to demonize our oil and gas sector and block pipeline development. The last world war was fought and won by a war machine powered by oil. Perhaps, as Samuel Johnson once penned, "man more frequently requires to be reminded than informed."

Figure 1



Source: National Geographic Society

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)*

	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 20	2021
Acq/Disp	0	0	1	0	0	2	1	3	36	0	0	0	0	0	1	36
Land & Seismic	1	2	7	4	1	1	2	8	1	1	2	0	0	3	4	8
Drilling	14	36	86	28	20	28	29	105	34	28	43	16	20	19	54	159
Completions	10	21	65	19	9	20	22	70	18	15	26	8	7	12	27	87
Tie ins	3	9	26	7	3	6	7	23	5	4	7	2	3	4	9	25
Facilities	8	5	21	10	4	5	7	26	16	8	12	3	6	5	14	50
Total	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**109**	**57**	**90**	**29**	**36**	**43**	**109**	**365**

Production ('000 boe/d)*

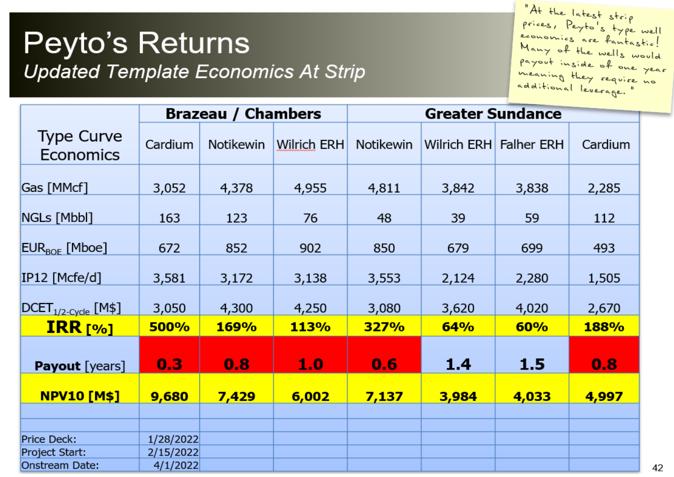
	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 21	Jan
Sundance	49	49	47	47	49	48	48	50	49	53	58	58	56	58
Ansell	15	14	14	13	16	14	17	15	15	16	16	16	16	16
Brazeau	13	12	14	15	16	14	17	18	18	19	17	17	18	17
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	2	2	1	1	2	4	5	5	7	7	8	7	8
Total	**81**	**79**	**78**	**78**	**84**	**80**	**88**	**89**	**89**	**97**	**99**	**100**	**99**	**101**
Liquids %	14%	15%	14%	14%	13%	14%	14%	14%	12%	11%	12%	11%	11%	11%

****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.***

Get Rich Quick

Our strategy from day one at Peyto has been that of creating long term enduring value for shareholders by building high-quality, long-life assets that deliver high rates of return. Usually, that means investments with slightly longer payout times but much longer cashflow profiles which deliver that high return. But these days, the age-old adage "get rich quick" comes more to mind as our current drilling economics are illustrating (Figure 2).

Figure 2



Peyto's Returns

Updated Template Economics At Strip

"At the latest strip prices, Peyto's type well economics are fantastic! Many of the wells would payout inside of one year meaning they require no additional leverage."

Type Curve Economics	Brazeau / Chambers			Greater Sundance			
	Cardium	Notikewin	Wilrich ERH	Notikewin	Wilrich ERH	Falher ERH	Cardium
Gas [MMcf]	3,052	4,378	4,955	4,811	3,842	3,838	2,285
NGLs [Mbbl]	163	123	76	48	39	59	112
EUR_{BOE} [Mboe]	672	852	902	850	679	699	493
IP12 [Mcfe/d]	3,581	3,172	3,138	3,553	2,124	2,280	1,505
$DCET_{1/2\text{-}Cycle}$ [M$]	3,050	4,300	4,250	3,080	3,620	4,020	2,670
IRR [%]	**500%**	**169%**	**113%**	**327%**	**64%**	**60%**	**188%**
Payout [years]	**0.3**	**0.8**	**1.0**	**0.6**	**1.4**	**1.5**	**0.8**
NPV10 [M$]	**9,680**	**7,429**	**6,002**	**7,137**	**3,984**	**4,033**	**4,997**
Price Deck:	1/28/2022						
Project Start:	2/15/2022						
Onstream Date:	4/1/2022						

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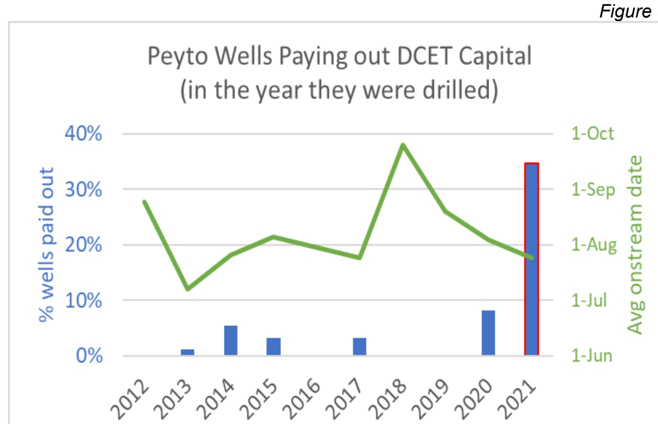
Source: Peyto

I've been at Peyto now for over 21 years and I can tell you, the number of years that we've had wells paying out in the year they were drilled, could usually be counted on one hand. To illustrate, I've reviewed the lease operating statements for those wells both drilled *and* brought onstream in the same calendar year (not all the wells spud in a year), for each of the last 10 years. I also looked at the average date a well came onstream to see if the timing had more to do with payouts rather than the economics.

Figure 3



Source: Peyto Lease Ops

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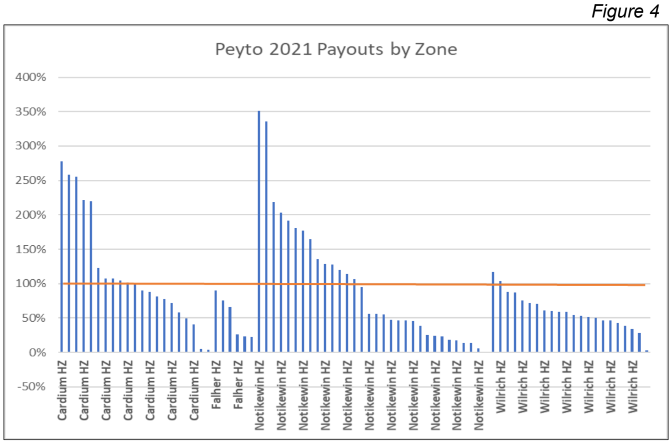
What this comparison shows is that in 2021, 28 of the 81 wells, a full 35%, that were both drilled and brought onstream in the year, had already paid out their drilling, completion, wellsite equipment, and tie in capital by year end. This is by far the most we've ever experienced, and it wasn't because we drilled earlier in the year giving more time for that payout to occur.

If we look at those wells sorted by zone, we can see that the Notikewin and Cardium formations are paying out the fastest. Which doesn't mean that those zones are necessarily delivering the highest returns. High returns can still be derived from longer payouts depending on the production, reserves and cashflow profiles. But it is interesting to see which zones are "cycling" capital faster.

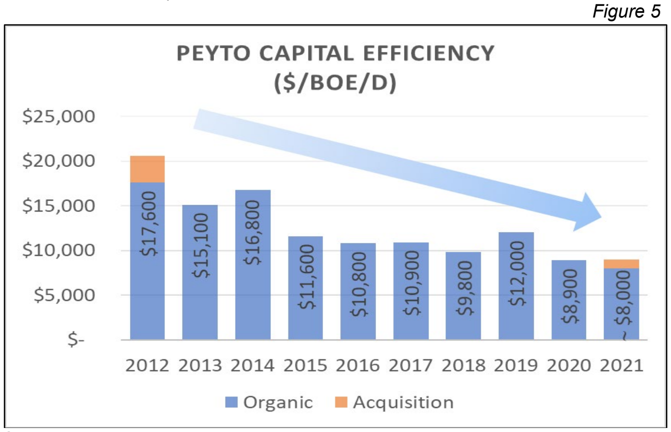
Figure 4



Source: Peyto

Part of the reason for the faster payouts and better economic return is better commodity prices, obviously, but part is also better efficiency. If we look at the trend of capital efficiency (ratio of capital spent over new production added in the year) over the last 10 years, that has steadily improved (unaudited capital for 2021).

Figure 5



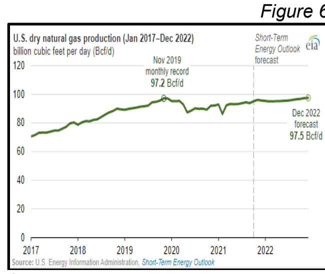
Source: Peyto

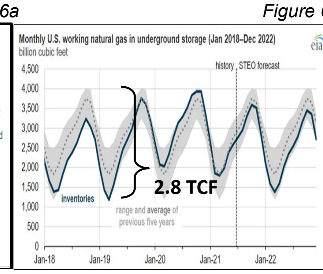
Faster payouts mean more capital can be either redeployed into new drilling or paid back to shareholders in the form of dividends or debt reduction. All good things as we enter 2022 with even stronger realized commodity prices and improved efficiencies.

Activity Levels and Commodity Prices

I always find it interesting that when gas market participants and observers look at natural gas storage levels, there isn't much adjustment for changes in the size of the market. Over the last 5 years, for example, we have seen a significant increase in the size of the US market as both production and consumption have grown dramatically (up almost 25%, Figure 6a). Many are predicting this growth will continue, especially since the US market is now connected to the global one via LNG exports.

Figure 6a *Figure 6b*

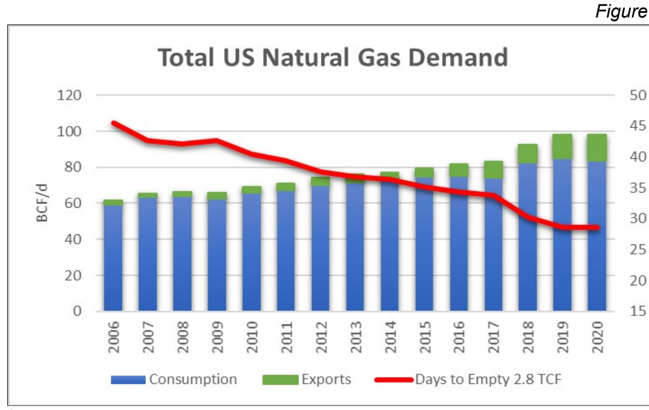




Source: EIA

The amount of storage capacity has not grown (~4 TCF), however, so the pressure on this capacity to empty and fill faster is greater than ever before. It seems logical to me that we should be adjusting the historical storage expectations for this new market size reality. For instance, if you were to take how many days to empty working storage (say 2.8 TCF, Fig 6b) and adjust that down to account for the increased market size, as illustrated in Figure 7, you might be rather shocked by how few days of storage actually exists. As we know, storage is what buffers the volatility in the price, so less storage means more volatility. Get ready for the roller coaster!

Figure 7



Source: EIA

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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.