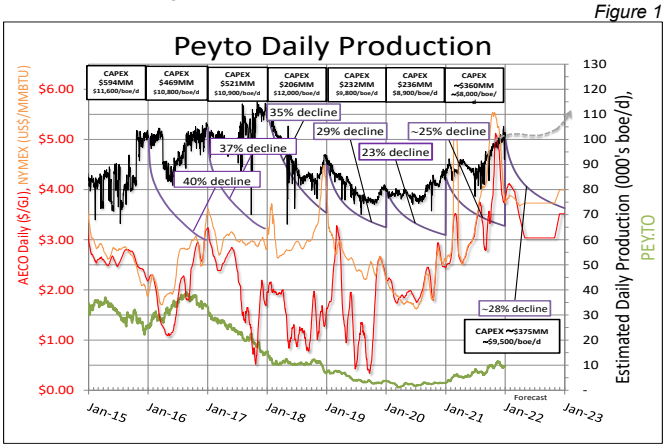
Peyto Exploration & Development Corp.
President's Monthly Report

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

We finished off the year with a bang at Peyto (our production was around 102,000 boe/d), at least on the days when NGTL was running all their compressors. The cold weather took its toll on field operations as both wells and facilities struggled in minus 40°C, or colder, weather. On the coldest days, NGTL receipts were off more than 1.5 BCF/d which required deliveries to be cut to oil sands and heavy oil industrial consumers. Firm deliveries to the export markets beyond Alberta's borders were next in line. Thankfully we sit atop the reserves so residential delivery is the very last to be cut when there isn't enough.

Figure 1



Source: Peyto, TMX, NGX

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	Jul	Aug	Sep	Q3 21	Oct	Nov
Acq/Disp	0	0	1	0	0	2	1	3	36	0	0	0	0	0	0	0
Land & Seismic	1	2	7	4	1	1	2	8	1	1	1	1	1	2	0	0
Drilling	14	36	86	28	20	28	29	105	34	28	13	16	15	43	16	20
Completions	10	21	65	19	9	20	22	70	18	15	9	9	9	26	8	7
Tie ins	3	9	26	7	3	6	7	23	5	4	1	3	3	7	2	3
Facilities	8	5	21	10	4	5	7	26	16	8	5	4	3	12	3	6
Total	**37**	**73**	**206**	**69**	**37**	**62**	**68**	**236**	**109**	**57**	**29**	**32**	**29**	**90**	**29**	**36**

Production ('000 boe/d)*

	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21	Oct	Nov	Dec	Q4 21
Sundance	49	47	48	49	49	47	47	49	48	48	50	49	53	58	58	56
Ansell	15	14	14	15	14	14	13	16	14	17	15	15	16	16	16	16
Brazeau	13	12	11	13	12	14	15	16	14	17	18	18	19	17	17	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	7	7	8	7
Total	**82**	**77**	**78**	**81**	**79**	**78**	**78**	**84**	**80**	**88**	**89**	**89**	**97**	**99**	**100**	**99**
Liquids %	14%	14%	15%	14%	15%	14%	14%	13%	14%	14%	14%	12%	11%	12%	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.

Alberta's out of gas?

The frigid blast of winter weather over the holidays (Figure 2) was a stark reminder of just how dependent we are on fossil fuels for our survival in Western Canada *(I checked on the AESO site on Dec 27th and wind & solar contributed less than 1% of the required generation energy. Ironic how on the coldest, darkest day, renewables don't help you.)* Can you imagine having to spend 24hrs outside in -30°C without the warmth of a building or home, heated comfortably to 21°C, to escape into? That is quite literally ***life-threatening cold*** and exactly what we've had for the last 3 weeks. And while we're not at the point of seeing natural gas prices skyrocket like they have in Europe ($40 vs our $5), over lack of supplies, we can't ignore the fact that our own long-term supplies are slowly shrinking.

Figure 2

https://www.theweathernetwork.com/ca/news/article/dangerous-bone-chilling-cold-to-sweep-prairies-through-christmas

This recent cold got me wondering what the state of Alberta's natural gas reserves are looking like? I would have thought, with the success Peyto has had building and developing new producing gas reserves over the last decade, that the province would have experienced much of the same. Unfortunately, that hasn't been the case.

Figure 3

Table R5.6 Distribution of sweet and sour gas reserves, 2020

Type of gas	Marketable gas (10^9 m^3)			Percentage	
	Initial established reserves	Cumulative production	Remaining established reserves	Initial established reserves	Remaining established reserves
Sweet					
Associated and solution	1 000	838	162	17	22
Nonassociated	2 956	2 563	393	51	54
Subtotal	3 956	3 401	555	68	76
Sour					
Associated and solution	613	541	72	10	10
Nonassociated	1 281	1 182	99	22	14
Subtotal	1 894	1 723	171	32	24
Total	5 850	5 124	726	100	100
	(208 Tcf)[a]	(182 Tcf)[a]	(25.8 Tcf)[a]		

[a] Tcf – trillion cubic feet.

https://www.aer.ca/providing-information/data-and-reports/statistical-reports/st98/statistics-and-data

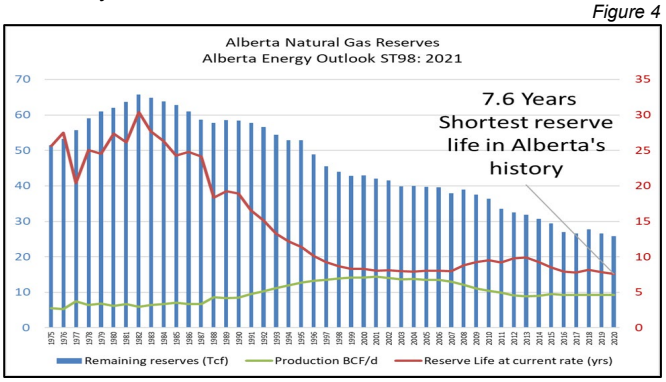
Based on the most recent Alberta Energy Outlook (published June 2021) which highlights the remaining established reserves there actually isn't a lot left. At 3.7 TCF/yr (just over 10 BCF/d of production), there is a little over 7 years of

remaining established reserves left (25.8 TCF). And according to the AER definitions, established reserves are comparable to Peyto's P+P reserves as they include reserves that could begin production within about 5 years, which likely includes some reserves that still require future capital investments to develop them.

> *According to the COGEH, the term "reserves" refers to the remaining volume of petroleum that could be recovered from a known resource that is either already being produced or could begin production within about five years. In order to be classified as reserves, the volume must be recoverable under proven technology and production must be economically viable.*

If we were to conservatively assume that all established remaining reserves could be produced from the wells that are producing today, and divide by the current production this year, then the remaining reserve life (index) of natural gas reserves sits at 7.6 years, which, for perspective, is the shortest reserve life in Alberta's history. That's a rather scary realization. Particularly after our most recent reminder of how that gas is necessary for our survival.

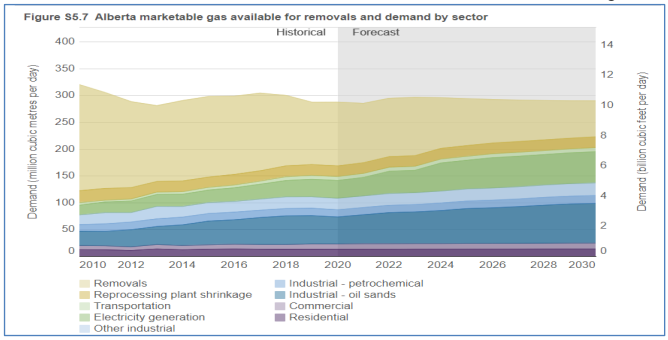
Figure 4



Source: Peyto, AER

Thankfully, our Alberta consumption alone (~6 BCF/d on average, ~8 BCF/d on cold winter days) is much less than Alberta's production (~10 BCF/d), but that excess is also shrinking quickly (Figure 5).

Figure 5

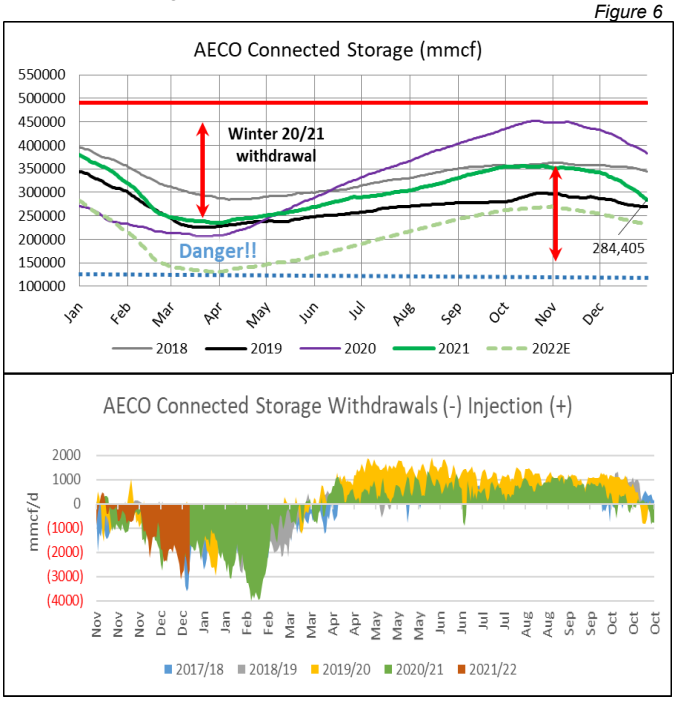


It's curious that we have shrinking reserves and relatively flat production (Figure 4 again) but that is because of the high productivity of the latest generation of horizontal wells. If this trend continues, we may continue to meet our future daily demands but have very little reserves in the tank for future years. That leaves Alberta in a very precarious position, potentially becoming reliant on someone else for our survival, much like Europe does now. Not a position any Albertan ever worries about when it comes to our energy supply and surviving the winter months. But perhaps we should because that is the direction we're headed.

Activity Levels and Commodity Prices

In addition to Alberta's reserve life looking scary, the current storage situation doesn't look much better. The polar vortex over the holidays has put a major dent in NGTL connected storage volumes that we'll need to fend off another cold blast in February. If we assume the rest of winter looks like last year, that will take our storage to dangerously low levels (sub-150 BCF). Remember, we can't draw down to zero as storage compressors can't pull that hard and some base gas is required to be left in the ground.

Figure 6



Source: NGTL

All of this bodes well for AECO, Dawn and ultimately NYMEX gas prices as big demand here both this winter and next summer means less that can be exported which leaves those markets short. And it's not like Europe's pull on North American LNG has let up at all either.

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.