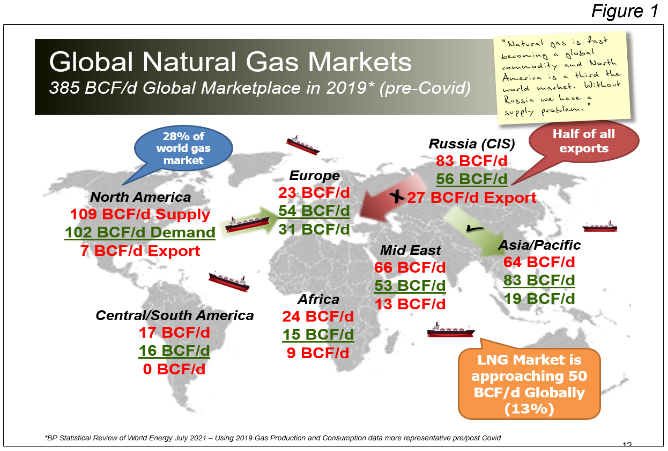
Peyto Exploration & Development Corp.
President's Monthly Report

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

An interesting article by Platts highlighted the changing global landscape when it comes to natural gas supply and demand. Specifically, the notion that Europe's long term relationship with Russia will end, and Russia will likely strike a new relationship with Asia. So instead of sending their ±30 BCF/d of gas exports to Europe, they will send it to Asia (Figure 1). That leaves Europe trying to find new supplies or new forms of energy. In the short term they are returning to coal, which is a backward move from an environmental emissions standpoint, and considering we've spent some $3.8 Trillion on renewable energy globally over the last decade, only to displace 1% of fossil fuels, means that renewables aren't the answer — there's some "Energy Sobriety" for you in that statistic. That leaves Europe sourcing cleaner fossil fuels from North America in the form of LNG. Which is where companies like Peyto come in.

Figure 1



Source: Peyto, BP

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)*

	2020	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Apr	May	Jun	Q2 22	Jul	Aug	Sep	Q3 22
Acq/Disp	3	36	0	0	1	36	22	0	0	0	0	0	0	26	26
Land & Seismic	8	1	1	2	4	8	1	7	1	1	8	1	0	0	1
Drilling	105	34	28	43	54	159	52	14	13	18	45	22	19	19	59
Completions	70	18	15	26	27	87	33	6	8	12	25	9	14	6	29
Tie ins	23	5	4	7	9	25	10	4	3	3	10	3	4	3	10
Facilities	26	16	8	12	14	50	47	9	6	6	21	8	5	4	16
Total	**236**	**109**	**57**	**90**	**109**	**365**	**166**	**39**	**29**	**40**	**108**	**42**	**42**	**57**	**140**

Production ('000 boe/d)*

	2020	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Jul	Aug	Sept	Q3 22	Oct
Sundance	48	48	50	49	56	51	57	54	55	56	56	56	55
Ansell	14	17	15	15	16	16	16	15	14	14	13	14	13
Brazeau	14	17	18	18	16	17	18	23	24	25	24	24	25
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	4	5	5	7	5	9	9	9	9	11	9	10
Total	**80**	**88**	**89**	**89**	**97**	**91**	**101**	**104**	**104**	**105**	**105**	**105**	**105**
Liquids %	14%	14%	14%	12%	11%	13%	11%	13%	13%	13%	13%	13%	13%

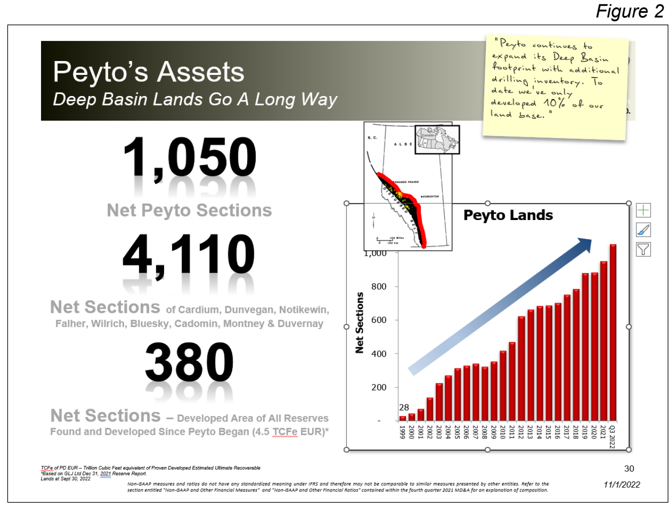
****This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.***

Just In Time Land Strategy

One of the longest running criticism of our business strategy at Peyto is that we don't carry large tracts of undrilled lands that can provide future drilling inventory and that somehow this limits our ability to keep creating value for shareholders. After 24 years of proving that criticism wrong, you'd think there would be a better understanding of how we do it differently and why (but then I supposed I'd be out of a job explaining it).

Our strategy at Peyto has always been to acquire just-in-time drilling inventory, in small concentrated drilling islands, so that we are not stuck with the burden of large lease maintenance costs or risk significant land expiries where the capital we used to acquire that land is completely lost before we can develop it.

Figure 2



Source: Peyto

The year 2022 has been a great example of our strategy at work, how we've come to have this very large core position in the Alberta Deep Basin, and why after more than two decades we can continue to add to our lands and opportunities. As shown in Figure 2, at September 30, 2022, Peyto had mineral rights to 1,050 net sections. This number has growth every year (17% CAGR). These rights often include several thousand meters of strata, which means when we break them down by prospective formation and add it back up again, its over quadruple the prospective land (4,110 net sections). And at the end of last year we had drilled (over the past 23 years) some 1,700 wells that were draining less than 10% of that land.

So far this year (to Q3 '22) we've added approximately 100 new net sections of land (with at least 5 prospective horizons per section). All of it was in and around our Deep Basin core areas of development where we have extensive infrastructure (pipelines, roads, gas plants). That growth is not too bad, considering most would perceive the basin as having tightly held land with little opportunity for growth or turnover.

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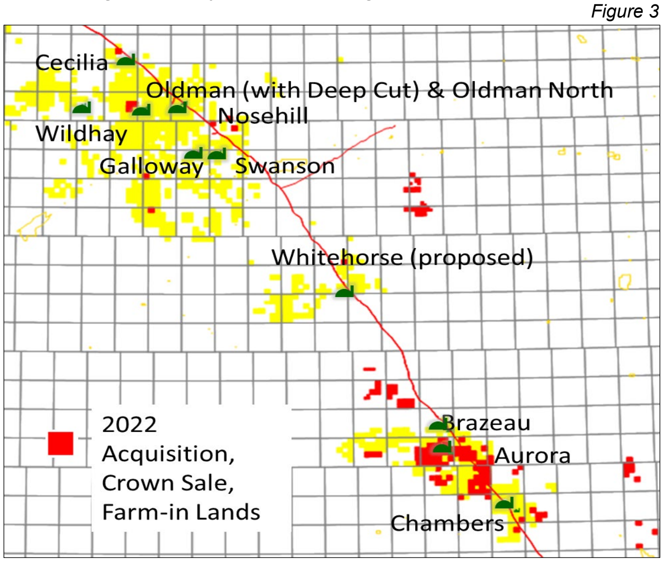
Figure 3 is a map showing where that new land is (in red) and how it plugs in nicely to our existing land base.

Figure 3

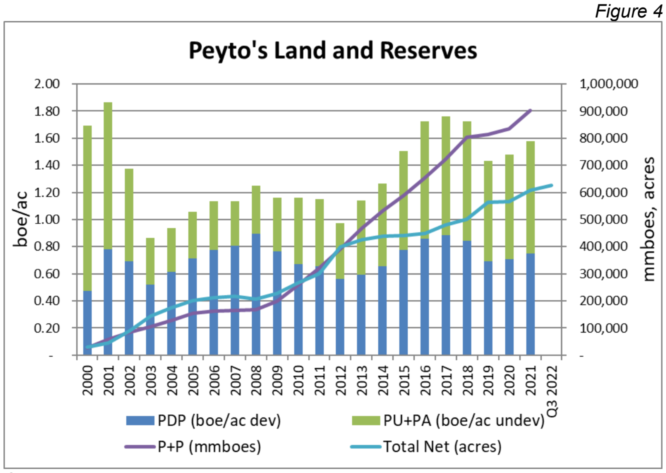


Source: Peyto

As you can see, the majority of the lands were added in the greater Brazeau area in support of the (now) three gas plants Peyto owns and operates. We are currently drilling on lands around the Aurora gas plant and filling it up. As well, our newest core area in Whitehorse has seen significant land expansion as we pick away at Crown sales and farm-ins. I'm sure as time goes by we will continue to add lands in and around both of these new areas in the future.

I've written in the past about how our land base typically holds more recognized developed and undeveloped reserves than most company's in our industry which illustrates the "drilling island" nature of Peyto's lands.

Figure 4



Source: Peyto AIF

Interestingly, as we've begun to open up more commercial reservoir in the Deep Basin with horizontal multi-stage well designs (post-2010), we've been able to recognize even more undeveloped reserves in every acre of lands we hold. This is illustrated by the divergence of the two lines in Figure 4. Case in point, we just drilled a very prolific well on lands that we've had in our very first core area for almost a decade.

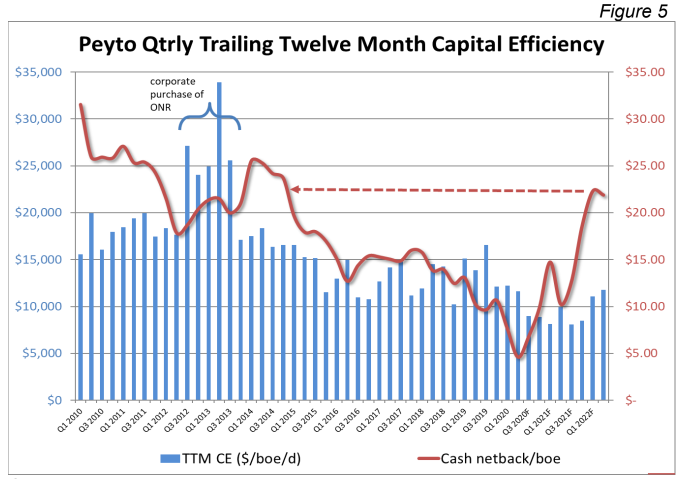
We are not done in the Deep Basin by any means and with significant opportunity to acquire new lands and add to our future drilling inventory, I don't think we're going to be "done" for a long time to come.

Activity Levels and Commodity Prices

With Canadian drilling rig utilizations (and all other associated oilfield services) relatively stable and high, a lot of attention has turned to inflation in service rates and their impact on capital programs of producers. And while that inflation is real and in some cases too rapidly increasing, we need to keep in mind the gains made in efficiency as well as gains in realized revenue and netback. It's not just a cost discussion.

Looking specifically at Peyto's trailing twelve month capital efficiency (cost to build new production in $/flowing boe), relative to changes in realized revenue, we can see that indeed, it is costing us a bit more to build new production. But the gains we've made in revenue and cashflow are very significant. Based on history, at these levels of realized revenue, it used to cost us $15,000-$20,000/boe/d (2011-2014). Whereas today, it's still only costing us $10,000-$15,000. And granted, the futures curve for both gas and oil show a falling futures price, so we need to keep that in mind relative to futher increases in cost, but I still think we're more efficient today. And if we can hang on to even this more recent level of capital efficiency, should translate into greater returns.

Figure 5



Source: Peyto

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 netbacks, 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.