NEWS RELEASE

MARCH 6, 2019 **SYMBOL: PEY – TSX**

PEYTO POSTS 19TH CONSECUTIVE YEAR OF PROFITS WHILE LOWERING COSTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to report operating and financial results for the fourth quarter and 2018 fiscal year. A 72% operating margin[1] and 20% profit margin[2] was achieved in 2018, despite the 37% drop in natural gas prices, allowing Peyto to achieve a 6% return on capital employed ("ROCE") and an 8% return on equity ("ROE") in the year. Highlights for the fourth quarter and full year 2018 include:

- **Earnings per share of $0.78** – *2018 was the 19th consecutive year of profits with annual earnings of $129 million or 20% of revenue. Q4 2018 earnings were $21 million ($0.13/share). Over the past 20 years, Peyto has invested $6 billion of total capital, resulting in $2.5 billion in total earnings, of which $2.4 billion has been paid to shareholders, with average ROCE and ROE of 16% and 29% respectively.*
- **PDP FD&A lower again** – *2018 was the fifth straight year of reduced finding cost. All in cost to develop new producing (PDP) reserves was $1.18/Mcfe ($7.05/boe), down 13% from 2017, while the Proved plus Probable Additional (P+P) FD&A cost was $1.02/Mcfe ($6.10/boe) down 32%. Based on a 2018 cash netback of $14.11/boe, this represents a PDP and P+P cash recycle ratio of 2.0 and 2.3 times, respectively. The Company held producing reserves constant with a reduced capital program while replacing 342% of production with new P+P reserves.*
- **Resurgence of Cardium Play –** *The Cardium play was revitalized with a proven, innovative completion design, resulting in a 200% increase in booked Cardium locations. Proven locations increased by 217% while Probable Additional locations increased by 175%. Peyto's internal inventory of Cardium locations, which is much greater than those recognized in the reserves report, also grew substantially. An additional 48 gross sections of Cardium rights were purchased in 2018, adding to this increased inventory.*
- **Entered the Montney Play –** *In the second half of 2018, 50 sections of Montney lands were purchased, at an average price of $64/acre, in close proximity to Peyto's extensive Sundance infrastructure. During Q4, the first Montney Horizontal exploration well was drilled. Completion operations for that well are scheduled to commence after breakup in Q2 2019.*
- **Low Cash Costs $0.92/Mcfe ($5.51/boe)** – *Cash costs of $0.79Mcfe, before royalties of $0.13/Mcfe, included operating costs of $0.31/Mcfe, transportation of $0.17/Mcfe, G&A of $0.05/Mcfe and interest expense of $0.26/Mcfe. Total 2018 cash costs were the lowest in the industry and when combined with a realized price of $3.27/Mcfe ($19.62/boe), resulted in a cash netback of $2.35/Mcfe ($14.11/boe) or a 72% operating margin.*
- **Funds from operations[(3)] per share of $2.87** – *Annual Funds from Operations ("FFO") of $474 million, or $2.87/share, were down 17% (18% per share) as a result of 10% lower production combined with a 12% drop in realized natural gas price. Q4 2018 FFO was $100 million or $0.60/share compared to $162 million, or $0.98/share, in Q4 2017.*
- **Annual capital investments were 49% of FFO** – *A total of $232 million, or 49% of FFO, was invested in the drilling of 70 gross (67.25 net) wells. The new wells contributed 114 mmcf/d of natural gas and 4,800 bbl/d of condensate and NGLs by year end at a cost of $9,800/boe/d, the lowest cost for new production in the Company's 20 year history.*
- **Liquids production up 4% –** *Despite significantly reduced capital investment, natural gas production averaged 494 MMcf/d in 2018, while condensate and NGL production averaged 9,692 bbls/d. Natural gas production was down 12% from 2017 while liquid production increased 4%. For Q4 2018, natural gas and liquids production was 459 MMcf/d and 10,273 bbls/d. Fourth quarter liquid yields increased 27% year over year to 22 bbl/mmcf.*

2018 in Review

The year 2018 marked Peyto's 20th year of operations. Over that time the Company has explored for and discovered 6.5 TCFe of Alberta Deep Basin reserves, developed 3.8 TCFe and produced 1.7 TCFe. Approximately one third of the recovery to date has been from the Cardium resource play, while two thirds from the Spirit River group of formations. Both plays will continue to offer significant future returns for shareholders in the decades to come. In 2018, Peyto began development of a third resource play in the Montney formation. While very new, the Company expects this ongoing effort will also yield substantial future value for shareholders. Despite the extreme commodity price volatility experienced in the year, Peyto continued its market diversification efforts by securing future market access on the NGTL system expansion, executing an agreement to provide long term supply of natural gas to an intra-Alberta power producer, and securing both physical and synthetic gas transportation to Eastern Canadian and US markets. Peyto revitalized its Cardium resource play by proving up an innovative completion design which resulted in increased condensate and NGL production, with liquids contributing 30% of total revenue for the year. Total supply cost, including cash costs of $0.92/Mcfe and PDP FD&A costs of $1.18/Mcfe, was again reduced, yielding 36% profit on average revenues of $3.27/Mcfe.

	Three Months Ended Dec 31		%	Twelve Months Ended Dec 31		%
	2018	2017	Change	**2018**	2017	Change
Operations						
Production						
Natural gas (mcf/d)	**458,792**	595,885	*-23%*	**493,921**	559,663	*-12%*
Oil & NGLs (bbl/d)	**10,273**	10,479	*-2%*	**9,692**	9,337	*4%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**520,430**	658,759	*-21%*	**552,070**	615,684	*-10%*
Barrels of oil equivalent (boe/d @ 6:1)	**86,738**	109,793	*-21%*	**92,012**	102,614	*-10%*
Production per million common shares (boe/d)*	**526**	666	*-21%*	**558**	622	*-10%*
Product prices						
Natural gas ($/mcf)	**2.43**	2.87	*-15%*	**2.54**	2.89	*-12%*
Oil & NGLs ($/bbl)	**44.83**	56.52	*-21%*	**56.98**	50.02	*14%*
Operating expenses ($/mcfe)	**0.33**	0.28	*18%*	**0.31**	0.27	*15%*
Transportation ($/mcfe)	**0.19**	0.16	*19%*	**0.17**	0.16	*6%*
Field netback ($/mcfe)	**2.39**	2.91	*-18%*	**2.66**	2.80	*-5%*
General & administrative expenses ($/mcfe)	**0.04**	0.03	*33%*	**0.05**	0.04	*25%*
Interest expense ($/mcfe)	**0.27**	0.21	*29%*	**0.26**	0.21	*24%*
Financial ($000, except per share*)						
Revenue	**145,109**	211,799	*-31%*	**658,906**	760,956	*-13%*
Royalties	**5,801**	9,232	*-37%*	**26,622**	34,104	*-22%*
Funds from operations	**99,635**	161,672	*-38%*	**473,740**	573,721	*-17%*
Funds from operations per share	**0.60**	0.98	*-38%*	**2.87**	3.48	*-18%*
Total dividends	**29,677**	54,408	*-45%*	**118,709**	217,612	*-45%*
Total dividends per share	**0.18**	0.33	*-45%*	**0.72**	1.32	*-45%*
Payout ratio	**30**	34	*-12%*	**25**	38	*-34%*
Earnings	**21,458**	51,547	*-58%*	**129,110**	176,575	*-27%*
Earnings per diluted share	**0.13**	0.31	*-58%*	**0.78**	1.07	*-27%*
Capital expenditures	**112,215**	134,411	*-17%*	**232,363**	521,210	*-55%*
Weighted average common shares outstanding	**164,874,175**	164,874,175	-	**164,874,175**	164,856,042	-
As at December 31						
Net debt				**1,224,422**	1,327,440	*-8%*
Shareholders' equity				**1,680,462**	1,722,978	*-2%*
Total assets				**3,688,852**	3,844,714	*-4%*

**all per share amounts using weighted average common shares* outstanding

	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
($000 except per share)	**2018**	2017	**2018**	2017
Cash flows from operating activities	**102,559**	143,568	**486,478**	535,344
Change in non-cash working capital	**(3,955)**	6,444	**(17,131)**	20,381
Change in provision for performance based compensation	**(12,527)**	(4,024)	**(9,165)**	2,312
Performance based compensation	**13,558**	15,684	**13,558**	15,684
Funds from operations	**99,635**	161,672	**473,740**	573,721
Funds from operations per share	**0.60**	0.98	**2.87**	3.48

(1) Operating Margin is defined as Funds from Operations divided by Revenue before Royalties but including realized hedging gains (losses).
(2) Profit Margin is defined as Net Earnings for the year divided by Revenue before Royalties but including realized hedging gains (losses).
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). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.
(3) Funds from operations - Management uses funds from operations to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations cannot be assured and future dvidends may vary.

The Peyto Strategy

For the past 20 years, the Peyto strategy has focused on maximizing the returns on shareholders' capital by deploying that capital into the profitable development of long life, low cost, and low risk natural gas resource plays. This strategy of maximizing returns does not end in the field with just the efficient execution of exploration and production operations but continues on to the head office where the management of corporate costs, including the cost of capital, must be controlled to ensure true returns are ultimately enjoyed. Alignment of goals between what is good for the Company and its employees and what is good for all stakeholders is critical to ensuring that the greatest returns are achieved. Evidence of the success Peyto has had deploying this strategy, through the years, is illustrated in the following table.

($/Mcfe)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	*20 Year Wt. Avg.*
Sales Price	$9.54	$6.75	$6.15	$5.47	$4.21	$4.43	$5.04	$3.83	$3.18	$3.39	**$3.27**	*$4.78*
All cash costs but royalties[2]	($1.19)	($1.12)	($0.99)	($0.82)	($0.73)	($0.75)	($0.71)	($0.67)	($0.63)	($0.68)	**($0.79)**	*($0.75)*
Capital costs[1]	($2.88)	($2.26)	($2.10)	($2.12)	($2.22)	($2.35)	($2.25)	($1.64)	($1.44)	($1.36)	**($1.18)**	*($1.79)*
Profits	**$5.47**	**$3.37**	**$3.06**	**$2.53**	**$1.26**	**$1.33**	**$2.08**	**$1.52**	**$1.12**	**$1.35**	**$1.30**	***$2.24***
	57%	***50%***	***50%***	***46%***	***30%***	***30%***	***41%***	***40%***	***35%***	***40%***	***40%***	*47%*
Royalty Owners	**$1.82**	**$0.63**	**$0.64**	**$0.53**	**$0.32**	**$0.31**	**$0.37**	**$0.14**	**$0.13**	**$0.15**	**$0.13**	*$0.51*
Shareholders	**$3.65**	**$2.74**	**$2.42**	**$2.00**	**$0.94**	**$1.02**	**$1.71**	**$1.38**	**$0.99**	**$1.19**	**$1.17**	*$1.73*
Div./Dist. paid	$4.25	$4.03	$3.37	$1.24	$1.04	$1.01	$1.05	$1.11	$1.01	$0.97	**$0.59**	*$1.43*

1. Capital costs to develop new producing reserves is the PDP FD&A
2. Cash costs not including royalties but including Operating costs, Transportation, G&A and Interest.

The consistency and repeatability of Peyto's operational execution in the field, combined with strict cost control in all aspects of its business has resulted in nearly 50% of the average sales price being retained in profit over the past 20 years. This healthy margin of profit (as defined above), which benefits both royalty owners and shareholders, has been preserved despite a greater than 60% drop in commodity prices from a decade ago. Out of that profit, royalty owners have received approximately 25%, while shareholders, whose capital has been at risk, have received the balance. This margin of profit is what has and will continue to help insulate Peyto and its stakeholders from future volatility in commodity prices.

Capital Expenditures

Peyto drilled 70 gross (67.25 net) horizontal in 2018 for a capital investment of $115.6 million. The Company completed 66 gross (63.25 net) wells for $72.3 million and invested $20.8 million in the wellsite equipment and pipeline connections to bring these wells on production. Both drilling costs on a per-well and per-meter basis were lower due to a greater percentage of wells being located in the Greater Sundance area, which has more surface infrastructure (roads and existing padsites) already in place, and due to continued drilling and completion cost optimization. An average of 22 frac stages were pumped per well, up from 12 stages in 2017, as result of an innovative Cardium completion design that yields higher production and reserve recovery. The increased number of frac stages was the main reason costs on a per stage basis were down 37% from 2017.

The table below outlines the past nine years of average horizontal drilling and completion costs.

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	2018 Q1	2018 Q2	2018 Q3	**2018 Q4**	**2018**
Gross Hz Spuds	52	70	86	99	123	140	126	135	8	7	25	**30**	**70**
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,091	3,814	4,057	**4,018**	**4,020**
Drilling ($MM/well)	$2.76	$2.82	$2.79	$2.72	$2.66	$2.16	$1.82	$1.90	$1.74	$1.54	$1.65	**$1.79**	**$1.71**
$ per meter	$734	$723	$694	$651	$626	$501	$433	$450	$425	$403	$407	**$447**	**$425**
Completion ($MM/well)	$1.36	$1.68	$1.67	$1.63	$1.70	$1.21	$0.86	$1.00	$1.15	$1.31	$1.29	**$1.01**	**$1.13**
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,415	1,605	1,436	**1,383**	**1,348**
$ per Hz Length (m)	$1,017	$1,286	$1,231	$1,153	$1,166	$792	$587	$803	$810	$814	$896	**$728**	**$835**
$ '000 per Stage	$231	$246	$257	$188	$168	$115	$79	$81	$61	$40	$44	**$48**	**$51**

The $17 million invested in facilities and major pipeline projects included turn-arounds at the Oldman North and Oldman Deep Cut plants, completion of a major pipeline under the Sundance Provincial Park connecting the Swanson and Galloway gas plants, consolidation of wellsite metering equipment at several pad sites in Sundance to save on future operating costs and various other pipeline expansion projects.

Peyto had a very successful year of acquiring new Crown lands in 2018 which expanded the Company's inventory of drilling locations. In total, over 50 sections of new Montney lands were acquired at Crown sales as well as 11 sections of Cardium rights. In addition, 37 gross sections of Cardium rights were purchased through acquisitions from other operators. The average cost for both types of land purchases was $96/acre. The majority of lands were purchased in the Greater Sundance area.

The following table summarizes the capital investments for the fourth quarter and 2018 fiscal year.

	Three Months ended December 31		Twelve Months ended December 31	
($000)	**2018**	2017	**2018**	2017
Land	**106**	3,609	**3,291**	10,328
Seismic	**2,000**	270	**5,216**	6,007
Drilling	**57,383**	68,909	**115,610**	256,932
Completions	**36,369**	42,124	**72,274**	133,732
Equipping & Tie-ins	**10,716**	15,695	**20,766**	53,146
Facilities & Pipelines	**3,691**	3,610	**17,293**	57,284
Acquisitions	**1,950**	194	**1,950**	3,823
Dispositions	**-**	-	**(4,037)**	(42)
Total Capital Expenditures	**112,215**	134,411	**232,363**	521,210

Reserves

Peyto was successful in growing total P+P reserves per share in 2018, which held reserve value constant, despite the year over year reduction in commodity price forecasts used by the independent engineering consultants. The following table illustrates the change in reserve volumes and Net Present Value ("NPV") of future cash flows, discounted at 5%, before income tax and using forecast pricing. The negative change in reserves per debt adjusted share, was primarily due to the 53% drop in Peyto share price which was used to convert debt to equity, while the negative change in NPV per share was due to the 22% reduction in forecast commodity prices that were used in the reserves evaluation, partly offset by the increase in reserve volume.

	As at December 31		% Change,	% Change, debt
	2018	2017	per share	adjusted per share†
Reserves (BCFe)				
Proved Producing	**1,644**	1,647	0%	(25%)
Total Proved	**3,098**	2,708	14%	(14%)
Proved + Probable Additional	**4,817**	4,330	11%	(17%)
Net Present Value ($millions) Discounted at 5%				
Proved Producing	**$3,180**	$3,589	(11%)	(14%)
Total Proved	**$5,029**	$5,065	(1%)	2%
Proved + Probable Additional	**$7,345**	$7,581	(3%)	(2%)

†Per share reserves are adjusted for changes in net debt by converting debt to equity using the Dec 31 share price of $15.03 for 2017 and share price of $7.08 for 2018. Net Present Values are adjusted for debt by subtracting net debt from the value prior to calculating per share amounts.

Note: based on the InSite Petroleum Consultants ("InSite") report effective December 31, 2018. The InSite price forecast is available at www.InSitepc.com. *The complete statement of reserves data and required reporting in compliance with NI 51-101 will be included in Peyto's Annual Information Form to be released in March 2019.*

For more information on Peyto's reserves, refer to the Press Release dated February 14, 2019 announcing the Year End Reserve Report which is available on the website at www.peyto.com.

Fourth Quarter 2018

Peyto had planned the majority of its annual capital expenditures for the fourth quarter of the year to coincide with stronger winter natural gas prices. During the quarter 6 drilling rigs were active across the Greater Sundance areas of Ansell, Nosehill, Sundance and Wildhay as illustrated in the table below. As well, Peyto tested its new Cardium completion design in Brazeau and took advantage of stronger winter gas prices to drill several leaner Spirit River wells. Total capital of $93.8 million was invested in the drilling of 30 gross (30 net) wells and the completion of 36 gross (35.2 net) wells. In addition, $10.7 million was invested in wellsite equipment and tie-ins while $3.7 million was invested in facility upgrades and major pipeline infrastructure. New seismic accounted for $2 million while Cardium rights were acquired from a third party for $2 million.

Peyto drilled its first Montney horizontal well in the Wildhay area in the fourth quarter, following up on the land purchase in Q3 2018. The well was drilled and cased to 5,415 meters with approximately 2,000 m of horizontal lateral available for completion. The completion is planned for the second quarter of 2019, after spring breakup, when costs for frac water heating and equipment mobilization will be lower.

Zone	Sundance	Nosehill	Wildhay	Field Ansell/ Minehead	Whitehorse	Kisku/ Kakwa	Brazeau	Total Wells Drilled
Belly River								
Cardium	**13**		**7**				**2**	**22**
Notikewin				**3**			**1**	**4**
Falher								
Wilrich		**2**		**1**				**3**
Bluesky								
Montney			**1**					**1**
Total	**13**	**2**	**8**	**4**			**3**	**30**

Production in the fourth quarter 2018 grew from 83,000 boe/d in October to exit the year at 94,000 boe/d, averaging 86,738 boe/d, or 459 mmcf/d of gas and 10,273 bbl/d of NGLs (12% liquid). This was down from Q4 2017 which averaged 109,793 boe/d (596 mmcf/d and 10,479 bbl/d of NGLs or 9.5% liquid) due to the reduced capital program. The production additions in the fourth quarter 2018 were dominated by Cardium wells which drove the increase in relative liquids production. Of the 10,273 bbls/d of NGL production, 55% or 5,660 bbl/d was condensate and pentane, while the remaining was effectively split between propane and butane. Peyto operated its Oldman deep cut plant during the quarter as propane and butane prices, relative to gas prices, justified the extra cost to strip those products out into liquid form.

The Company's realized price for natural gas in Q4 2018 was $2.09/Mcf, prior to a $0.34/Mcf hedging gain, while its realized liquids price was $44.83/bbl, prior to a $2.60/bbl hedging gain, yielding a combined revenue stream of $3.03/Mcfe. This net sales price was 13% lower than the $3.50/Mcfe realized in Q4 2017. Total cash costs in Q4 2018 were $0.95/Mcfe ($5.70/boe) up from $0.83/Mcfe in Q4 2017 due to higher per unit interest charges, transportation charges, and operating costs as a result of reduced production volumes. This total Q4 2018 cash cost included royalties of $0.12/Mcfe, operating costs of $0.33/Mcfe, transportation of $0.19/Mcfe, G&A of $0.04/Mcfe and interest of $0.27/Mcfe. Peyto generated total funds from operations of $100 million in the quarter, or $2.08/Mcfe, equating to a 69% operating margin. DD&A charges of $1.38/Mcfe, as well as a provision for current and future performance based compensation and income tax, reduced FFO to earnings of $0.45/Mcfe, or a 15% profit margin. Due to Peyto's low costs, no impairments were recorded in the quarter. Dividends to shareholders totaled $0.62/Mcfe.

Marketing

Alberta (AECO) daily natural gas price continued to suffer extreme volatility in 2018, driven primarily by a lack of excess capacity on the Nova Gas Transmission (NGTL) system and inadequate seasonal access to storage reservoirs. Daily AECO price traded as high as $3.11/GJ and as low as minus $1.31/GJ in the year. On average, the daily AECO price (5A) was $1.42/GJ, down 30% from $2.03/GJ in 2017, while the monthly AECO price (7A) was down 37%. Fortunately, Peyto's hedging practice of layering in future sales in the form of fixed price swaps protected against much of this volatility. For 2018, Peyto's total natural gas revenues of $457.4 million, were comprised of $416.0 million of pre-sold or hedged gas production (91% of gas revenues) and $41.4 million of unhedged revenue. This resulted in a blended realized natural gas price of $2.21/GJ ($2.54/Mcf) or a 56% premium over the AECO daily price. Peyto's realized commodity prices by component for the year and fourth quarter are listed in the following table.

Commodity Prices by Component

	Three Months ended December 31		Twelve Months ended December 31	
	2018	2017	**2018**	2017
AECO monthly ($/GJ)	**1.80**	1.85	**1.45**	2.31
AECO daily ($/GJ)	**1.48**	1.60	**1.42**	2.03
Henry Hub spot ($US/MMBTU)	**3.74**	2.92	**3.07**	3.03
Peyto natural gas – pre hedging ($/GJ)	**1.82**	1.87	**1.46**	2.27
($/Mcf)	**2.09**	2.15	**1.68**	2.61
Peyto natural gas – post hedging ($/GJ)	**2.12**	2.50	**2.21**	2.51
($/Mcf)	**2.43**	2.87	**2.54**	2.89
Condensate ($/bbl)	**57.76**	67.54	**71.83**	60.20
Propane ($/bbl)	**22.14**	34.95	**22.91**	23.16
Butane ($/bbl)	**27.71**	34.94	**38.77**	31.27
Pentane ($/bbl)	**61.34**	70.08	**78.00**	62.48
Total Oil and natural gas liquids ($/bbl)	**44.83**	56.52	**56.98**	50.02
Canadian WTI ($/bbl)	**77.54**	70.47	**83.89**	66.11
Peyto Realized liquids price/CND WTI	**58%**	80%	**68%**	76%

Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation
Gas prices are Peyto realized prices in Canadian dollars net of NGTL fuel charges

Peyto also realized $56.98/bbl for its blend of natural gas liquids in the year, which represented 68% of the Canadian Light Sweet oil price. By the fourth quarter of 2018, however, liquid realizations had fallen to 58% of Canadian Light Sweet price as Condensate differentials were affected by heavy oil demand and Butane prices deteriorated due to high inventory levels from a surge of supply combined with refinery turnarounds that impacted demand. While condensate differentials and prices have since corrected back to more normal levels, the high Butane storage levels are expect to persist through much of 2019 resulting in higher than normal differential to oil price. Peyto's blended liquid price differential as a percentage of Canadian Light Sweet oil price is illustrated in the following table.

($/bbl)	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**
Peyto realized blended oil and NGL price	$33.60	$41.46	$39.76	$45.09	$48.14	$48.33	$45.92	$56.52	$59.67	$63.64	$61.04	$44.83
Canadian Light Sweet Stream	$40.83	$54.70	$54.82	$61.58	$62.19	$61.95	$56.65	$69.02	$72.09	$80.62	$90.83	$77.54
Differential	$(7.23)	$(13.24)	$(15.06)	$(16.49)	$(14.05)	$(13.62)	$(10.73)	$(12.50)	($12.42)	($16.98)	($29.79)	($32.71)
% of	**82%**	**76%**	**73%**	**73%**	**77%**	**78%**	**81%**	**82%**	**83%**	**79%**	**67%**	**58%**

Early in 2018, Peyto implemented a market diversification strategy which is designed, over time, to expose approximately 40% of its natural gas sales to AECO based pricing, link 40% to US pricing and sell 20% directly to intra-Alberta industrial markets. As before, Peyto will continue to hedge future prices in these various markets to smooth out the price volatility. Peyto has made significant strides advancing this diversification strategy. For the forecast 2019 natural gas production volume, 8% is currently exposed to the Dawn market, 24% to the Henry Hub market, and the remaining 68% to the AECO market. For 2020, natural gas sales are split 8% to Dawn, 44% Henry Hub and 48% to AECO, respectively.

In 2019, at each of the markets, approximately 13%, 79% and 75% respectively, or 71% of aggregate volume, has already been pre-sold to achieve price certainty.

In addition, and as previously announced, Peyto has entered into a gas supply agreement with a gas-fired power generation Company with an expected first delivery in 2022. The current contracted supply is approximately 52 mmcf/d, which at the 2018 average power pool price would yield Peyto a $3.00/mcf price relative to the average 2018 AECO daily price of $1.64/mcf ($1.42/GJ). Peyto is committed to be an important part of Alberta's clean energy future and is determined to further increase this intra-Alberta supply commitment through either an enlargement of this project or through other like projects.

Details of Peyto's ongoing marketing efforts are available on Peyto's website at http://www.peyto.com/Files/Marketing/hedges.pdf.

Activity Update

Consistent with Peyto's revised budget as announced January 16, 2019, the Company has limited drilling activity to 3 Cardium focused rigs running in 2019. Since the start of the year, Peyto has spud 10 gross (8.5 net) wells, while completing and bringing on stream 11 gross (10 net) wells. Ongoing pipeline debottlenecking in the Greater Sundance area have continued in an effort to reduce the impact of increased Cardium condensate and NGL production. As well, minor plant modifications are being completed to accommodate the additional liquids production.

Peyto was successful acquiring 49 net sections of Cardium lands at Crown sales in early 2019, for an average of $50/acre, which continued to expand the Company's future inventory of Cardium locations. Peyto identified over 80 new locations on these 49 sections which should more than replace this year's Cardium drilling program without touching the hundreds of locations Peyto already has in inventory.

Currently, Propane and Butane prices, relative to natural gas prices do not justify the extra cost to strip these products out into liquid form. As a result, Peyto has temporarily shut in the deep cut portion of its Oldman gas plant, as well as modified the operating conditions at its other gas plants, to leave these products in the gas stream where they capture a higher price. This has reduced corporate production but results in increased revenue and cashflow as compared to the previous operating conditions. Future Deep Cut installations are currently on hold until NGL market prices improve. Peyto continues to remain very nimble with the ability to turn on the Oldman deep cut process and increase corporate liquid recoveries through modified operations of its entire gas plant infrastructure, if prices justify, or conversely, shut off the deep cut and reject liquids across its gas plants, depending on which mode of operation drives greater cashflow. This value maximization would not be possible if Peyto did not own and operate all of its gas processing plants and instead used midstream alternatives.

With the successful testing of the new Cardium completion design across the majority of Peyto's Deep Basin lands now complete, attention was turned to integrating all of the Company's "big data" that had been amassed over the past 20 years of Cardium and deeper Spirit River exploration and development. This data integration and feature analysis was completed in early 2019 and the most recent Cardium completion results are confirming the success using this new technique to target superior reservoir quality. This technique is being combined with the identification of certain areas of higher liquid-yield Cardium resource to enhance the economic return. As well, further cost optimization of drilling and completion practices is expected to yield tangible gains which will deliver meaningful returns for shareholders as the next future growth phase occurs.

New Ventures

Peyto continues to pursue new ventures to vertically integrate its energy business and extract maximum value from both existing reserves and infrastructure assets as well as new opportunities. The recent addition of a depleted, high permeability reservoir, suitable for a proprietary natural gas storage scheme in the Greater Sundance area is one example. Evaluation, design and planning work will be conducted in 2019 to bring this scheme into operation. In addition, Peyto will be evaluating additional facility installations for the extraction, refinement and marketing of the natural gas liquid components in its production. Despite near term commodity price dislocation, basin export opportunities exist for NGL products including propane, butane and pentanes as well as developing supply for increased intra-Alberta petrochemical demand.

2019 Outlook

Looking out over the next three to five years, Peyto anticipates a substantial increase in natural gas market access for the Western Canadian Sedimentary Basin. This will allow for commensurate growth by natural gas industry players like Peyto who have maintained an abundance of resource opportunities, the ability to efficiently and profitably develop those resources, and the vertically integrated business model to retain and enhance the value from the various product streams.

The Company's current three year plan will ensure Peyto is well positioned for this next period of profitable growth with the recent annual dividend reduction of $80 million providing additional flexibility to capitalize on unique opportunities in this environment. In the short term, lower production declines and lower cost to add new production means less investment is required to hold at this level while preparing to take advantage of this longer term recovery. The reduced capital budget and dividend reduction for 2019 should result in another year of material debt reduction, even greater than that of 2018, further strengthening the Company's balance sheet.

The attributes that have defined Peyto for the past 20 years, which include a steadfast focus on maximizing returns, a relentless effort to drive down cost, a brave and entrepreneurial spirit, the nimbleness to react, and the resilience to persevere will be the same qualities that will ensure, going forward, 20 more years of profitable business success.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the 2018 fourth quarter and full year financial results on Thursday, March 7th, 2019, at 9:00 a.m. Mountain Standard Time (MST), or 11:00 a.m. Eastern Standard Time (EST). To participate, please call 1-844-492-6041 (North America) or 1-478-219-0837 (International). Shareholders and interested investors are encouraged to ask questions about Peyto and its most recent results. Questions can be submitted prior to the call at info@peyto.com. The conference call can also be accessed through the internet https://edge.media-server.com/m6/p/v2o5cqgm. The conference call will be archived on the Peyto Exploration & Development website at www.peyto.com.

Management's Discussion and Analysis

A copy of the fourth quarter report to shareholders, including the MD&A, unaudited financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2018/Q42018FS.pdf and at http://www.peyto.com/Files/Financials/2018/Q42018MDA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Annual General Meeting

Peyto's Annual General Meeting of Shareholders is scheduled for 3:00 p.m. on Thursday, May 9, 2019 at the Eau Claire Tower, +15 level, 600 – 3rd Avenue SW, Calgary, Alberta. Shareholders are encouraged to visit the Peyto website at www.peyto.com where there is a wealth of information designed to inform and educate investors. A monthly President's Report can also be found on the website which follows the progress of the capital program and the ensuing production growth, along with video and audio commentary from Peyto's senior management.

Darren Gee
President and CEO
March 6, 2019

Certain information set forth in this document and Management's Discussion and Analysis, including management's assessment of Peyto's future plans and operations, capital expenditures and capital efficiencies, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' 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 Peyto will derive there from. In addition, Peyto is providing future oriented financial information set out in this press release for the purposes of providing clarity with respect to Peyto's strategic direction and readers are cautioned that this information may not be appropriate for any other purpose. Other than is required pursuant to applicable securities law, Peyto does not undertake to update forward looking statements at any particular time. To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.