We made a decision last month to adopt a defensive strategy over the next year or so (one that can be quickly reversed) while we await NGTL's three year expansion plans. This despite some significant changes that *could* be coming down the pipe in the near future. A meeting with the AB Energy Minister, the Natural Gas Advisory Panel, TCPL and many natural gas industry leaders a few weeks ago was held to address the natural gas crisis in Alberta and the need for a solution. It's definitely hurting the people of Alberta with low AECO prices driving reduced royalties and reduced capital investment in the province (not to mention reduced share prices for Peyto, Encana, TCPL and everyone in between). The Alberta government finally recognized it has to start putting Albertan's needs first and that's accomplished by a higher, more stable AECO price. They were also told, in no uncertain terms, that they need to give pipeline and facility projects for the $9B Nova system expansion the highest regulatory priority. TCPL should not be waiting on the Alberta Government (AER or Alberta Environment) for approvals, like they currently are. Looping existing pipelines in existing right-of-ways or adding more compression to existing compressor stations should not take years to approve or require the same approval process as new builds. Make it a priority and act, now! It will be interesting to see if this government does that or focuses on the upcoming election instead. It could be very material. Balancing supply on the system with delivery off, while accelerating expansion plans could virtually double the AECO price overnight. In 2018, AECO daily averaged $1.43/GJ, while the bottleneck at the border cost producers $1.48/GJ when it should have cost $0.17/GJ. So, we should have had $2.74 not $1.43 and that drives a totally different capital plan for us and everyone else.

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)*

	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Jul	Aug	Sep	Q3 18	Oct	Nov	Dec	Q4 18	2018
Acq/Disp	4	0	0	0	4	-4	0	0	0	0	0	0	2	0	2	-2
Land & Seismic	9	2	1	4	17	1	1	2	2	1	5	1	1	1	2	8
Drilling	67	48	73	69	256	14	7	9	12	16	37	21	21	15	57	116
Completions	36	21	34	42	134	17	1	6	10	2	18	11	15	11	36	72
Tie ins	13	9	15	16	53	4	1	1	2	3	6	3	3	5	11	21
Facilities	25	17	11	4	57	4	5	2	1	2	5	2	1	1	4	18
Total	**154**	**98**	**135**	**134**	**521**	**35**	**15**	**20**	**27**	**23**	**70**	**37**	**43**	**33**	**112**	**232**

Production ('000 boe/d)*

	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Oct	Nov	Dec	Q4 18	2018	Jan
Sundance	59	56	55	58	**57**	56	50	49	48	51	52	50	**51**	51
Ansell	21	20	22	21	**21**	20	18	16	15	15	18	16	**18**	18
Brazeau	18	19	21	25	**21**	24	19	16	15	15	16	15	**19**	16
Kakwa	2	2	2	2	**2**	2	2	2	2	3	2	2	**2**	2
Other	1	1	2	3	**2**	3	2	2	3	3	3	3	**3**	3
Total	**101**	**98**	**102**	**110**	**103**	**105**	**92**	**85**	**83**	**86**	**92**	**87**	**92**	**91**
Deferral		-	6				2	0	2	1				
Capability	**101**	**98**	**108**	**110**	**103**	**105**	**94**	**86**	**85**	**87**	**92**	**87**	**92**	**91**
Liquids %						9.5%	10.1%	10.6%	10.9%	11.5%	12.2%	11.5%	10.4%	12.6%

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.*

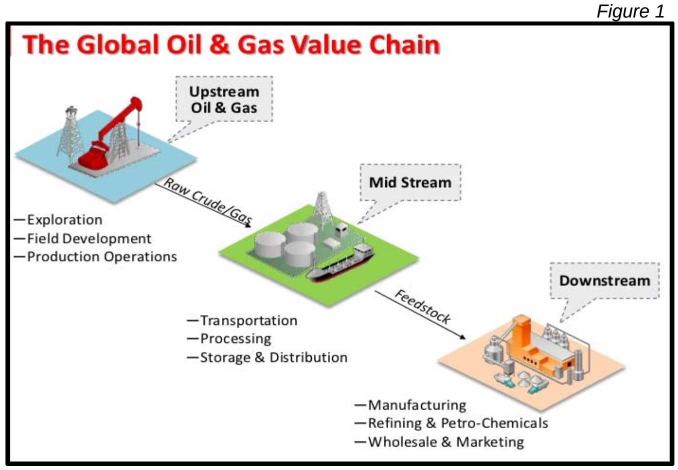
Transitioning to an Integrated Energy Producer

When Peyto began operations 20 years ago, life as junior oil and gas producer was simple. Find an economic resource, drill and complete wells to produce it, sell the production into the local market and try to generate a profit on the capital required.

Today, as a much larger producer in a market that has switched from demand driven to supply driven, the world is very different, requiring a different approach. Not only do you still have to find the resource, develop and produce it, now you also need to control the processing of that production into useable products, transport those products to end users, possibly store those products to manage market price volatility and variability in supply and demand, as well as potentially invest in the conversion of those products into other products. The oil coming out of the ground in Alberta today is not nearly as valuable as the gasoline fuelling the cars carrying environmental hypocrites in Victoria and Whistler.

Demand for the end product hasn't diminished, in fact it's grown, but efficiency gains in North American resource development have pushed the ability to extract the raw material's economic rent from the producer to further down the line to the midstream processor, the transporter, and the marketer. This leaves the producer with no choice but to integrate those parts of the business into his own in order to capture back that lost economic rent. There was a time, many decades ago, that most sizeable producers did all that. The Petro Canada's of the world, found, developed, processed, shipped, refined, distributed and retailed the hydrocarbon products all along the value chain (see Fig. 1).

Figure 1



So when I was asked recently by our former chairman of the board, "How can Peyto make itself less like a commodity stock?" my answer was to *integrate the value chain*. And why shouldn't we? Peyto has proven itself over the past 20 years to be extremely efficient, low cost, and environmentally

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responsible. Why shouldn't we carry those same successful, business principles further down the value chain? And since now is as good a time as any, that's what we are going to do.

Figure 2

Source: Peyto

As I mentioned above and as illustrated in Figure 2, we were originally just exploration, development and production. Then we added the gas plant processing ownership to our asset base and value chain. Expanding that infrastructure to include further deep cut processing was and is an ongoing initiative. We've also just recently added storage capability with our "Big Sunny" purchase, as well as expanded our downstream marketing efforts. By actively working our processing plant asset to offer third party processing, we add a midstream component and by linking our production to area power generation we're even adding more of the downstream "refining" business. Perhaps one day we'll even be an owner in things like power generation, gas to liquids conversions, or maybe even gasoline additives from propane and butane.

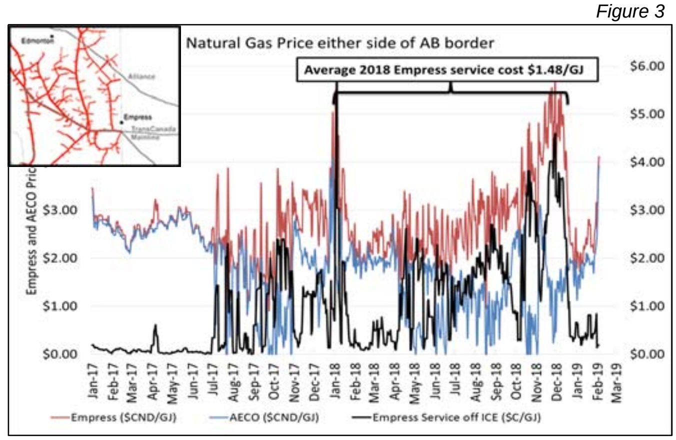
Despite the hypocrisy from environmental activists, hydrocarbon fuels are used extensively in everyday life and their use continues to grow around the world as they lift the standard of living of humans on this planet. At Peyto, our long term goal is to expand our ownership and participation along the natural gas value chain to maximize returns for our shareholders. At the same time, we're providing efficiently developed and environmentally responsible hydrocarbon fuels, for Albertans and Canadians who need them. The vision of a profitable, fully integrated energy business is fast becoming a reality.

Activity Levels and Commodity Prices

Interestingly, since around December 22, 2018, the cost of getting gas off the Nova system and onto the TCPL mainline has fallen back towards the regulated toll of $0.17/GJ. For the last 45 days, the Empress Service has traded at an average of $0.42/GJ vs the $1.48/GJ it averaged in 2018.

This has had the effect of increasing the AECO price on the Alberta side of the border to average $1.95/GJ. Not a lot to write home about, but still a far cry better than in early December when that same service was trading at closer to $4/GJ and taking the bulk of the value from a very strong Dawn price in Ontario.

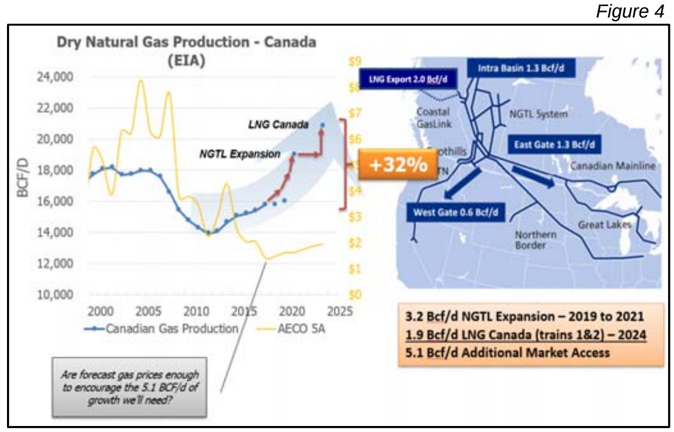
Figure 3



Source: ICE NGX, Peyto

Stabilizing the AECO price is a big goal for most of the industry these days. That can only come from a consolidated industry effort to balance supply onto the NGTL system with maximizing delivery off. The broken market we had last summer can't be allowed to repeat or the industry won't be able to justify putting the rigs back to work. And we need those gas rigs working.

Figure 4



Source: Peyto, TCPL

The 5+BCF/d of supply we need to build over the next 5 years, to fill all the egress capacity that is coming is a big ask. Not to mention offsetting the decline in the basin that is likely close to 4 BCF/d/yr. If we can pull it off, both the egress expansion and all the volume growth, the basin will be producing at close to 21 BCF/d by 2024 which will be record. We've never produced that much gas before, peaking previously at around 18 BCF/d, and that scenario presents a rather bullish case for Canadian gas. Not something people are generally talking about today.

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.