



PEYTO
Exploration & Development Corp.

2011 -



PEYTO
ENERGY TRUST

2003 - 2010



PEYTO
Exploration & Development Corp.

1998 - 2003

Advisory

Regarding Forward-Looking Statements

This presentation contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this presentation contains forward looking statements and information concerning Peyto Energy Trust ("Peyto") production; reserves, resources and gas in place; undeveloped land holdings; reserve life index; product mix; business strategy; future development and growth prospects, profile targets and rates; prospects; asset base; tax pools; drilling locations and inventory, down-spacing potential; exploration risk; access to capital; future cash flow, value, debt levels and debt to cash flow; capital investment and expenditure programs and the funding thereof; anticipated cash-on-cash yield; net asset value; credit facility; and statements with respect to levels of distributions to be paid to unitholders, distribution policy, and the timing of payment of such distributions.

The forward-looking statements and information are based on certain key expectations and assumptions made by Peyto, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although Peyto believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Peyto can give no assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Peyto are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this presentation are made as of the date hereof and Peyto undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

The information contained in this presentation does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analyses and reviews of Peyto and of the information contained in this presentation. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors that they consider appropriate in investigating and analyzing Peyto.

Reserves

The recovery and reserve estimates of Peyto's crude oil, natural gas liquids and natural gas reserves provided in the presentation are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein. Reserve and production volumes are quoted before royalty deductions.

Barrels of Oil Equivalent

"Boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Original Gas in Place

Original gas in place includes both discovered and undiscovered resources, and there is no certainty that any portion of the undiscovered resources will be discovered and, if discovered, that any volumes will be economically viable or technically feasible to recover or produce. Original gas in place also includes volumes that have already been produced from such accumulations. Readers should not unduly rely upon estimates of original gas in place in terms of assessing the combined company's reserves or recoverable resources.

Prices

All dollar values are quoted in Canadian currency.

Peyto Profile



- ✦ TSX Listing: PEY
- ✦ Monthly Dividend: \$0.06/share
- ✦ Shares Outstanding: 138 million (6% insider ownership)
- ✦ Current Production: 250 MMCFe/d (42,000 boe/d)
- ✦ Q1 2012 Net Debt: \$100 million (senior secured notes, 7 yr, 4.39% coupon, Prudential IM)
\$413 million (revolving bank debt)
\$513 million
- ✦ Bank Lines: \$800 million total capacity (\$700 revolving facility)
- ✦ Enterprise Value: \$3.3 billion (\$20/share)

*BOE factor - 6 mcf = 1 bbl of oil equivalent
Reserve and production volumes are before royalty deductions*

The Peyto Strategy

Deploy Superior Business Acumen

- ✦ Deep basin technical expertise
- ✦ Continuous focus on returns
- ✦ Internally generated drilling ideas (over 1,100 locations to date)

Develop Superior Assets

- ✦ Operated and geographically concentrated (99% operated and processed)
- ✦ Longest reserve life (9 yrs PDP), lowest cash costs* (\$1.35/mcfe – 2011)
- ✦ Sweet, liquids rich gas stream (45% more revenue than dry gas - 2011)
- ✦ Low risk, profitable production growth (35%/share – YoY)

Deliver Superior Returns

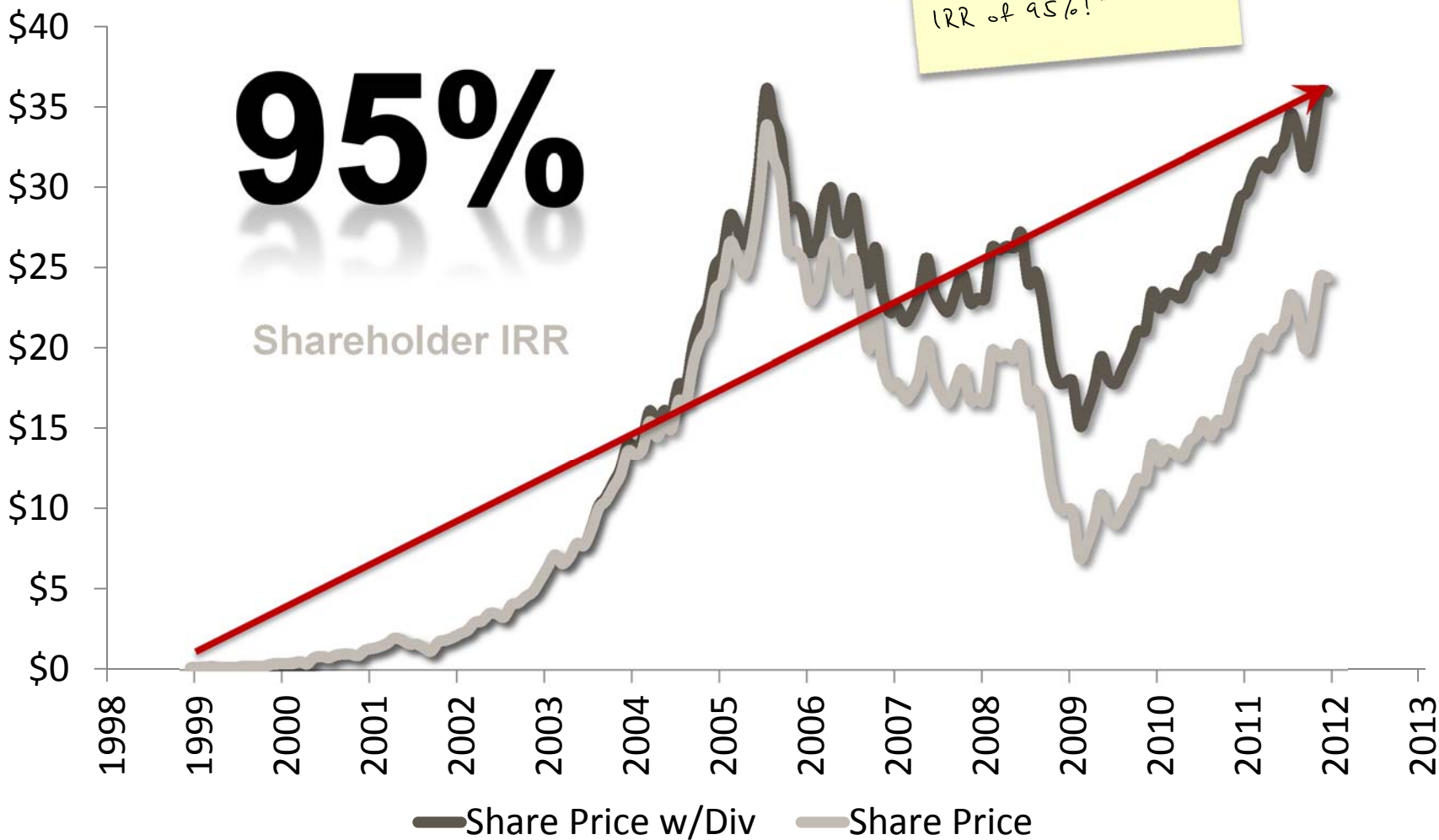
- ✦ Return on capital (ave 21%)
- ✦ Return on equity (ave 40%)
- ✦ Shareholder rate of return (compound average 95%)

*Cash costs are royalties, operating costs, transportation, G&A and interest

The Peyto Strategy

Superior Shareholder Return

"In simple terms \$1000 invested into Peyto back in 1998, was worth close to \$500,000 at the end of 2011. That's an IRR of 95%!"

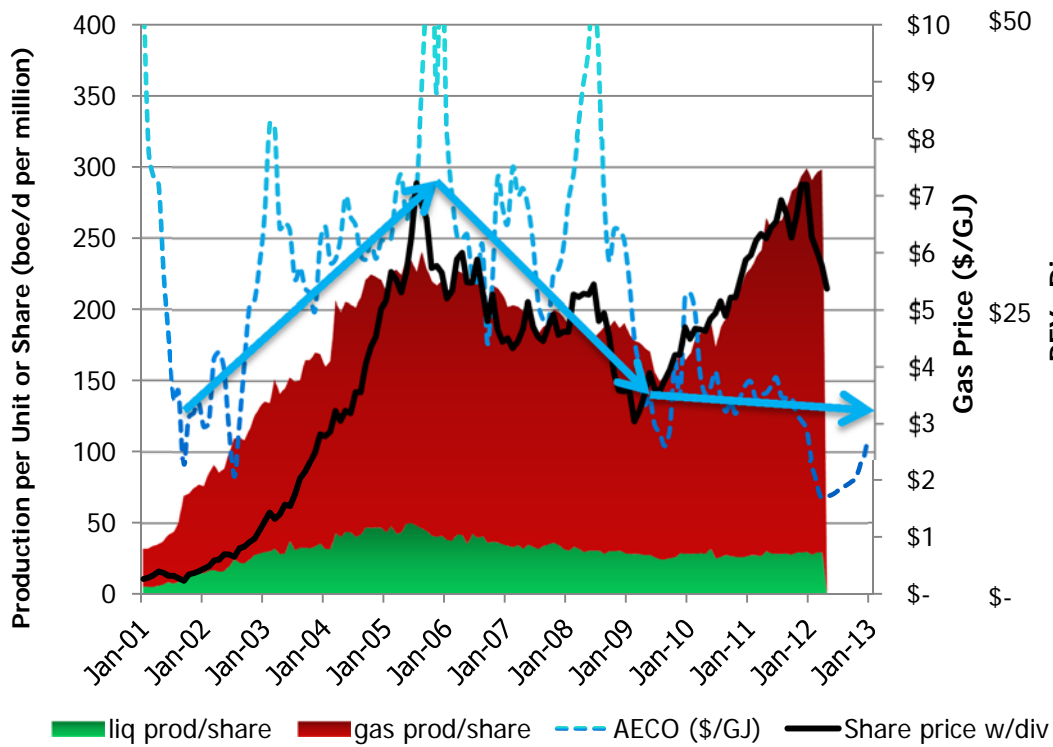


Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
 Oct 23, 1998 price of \$0.075/share, Dec 30, 2011 price of \$24.39/share

The Peyto Strategy

Growth per Share

"Peyto delivered 35% production per share growth from Q4 2010 to Q4 2011. Over the last 2.5 yrs production per share has doubled, and that's at \$3-4/GJ gas price."



35%

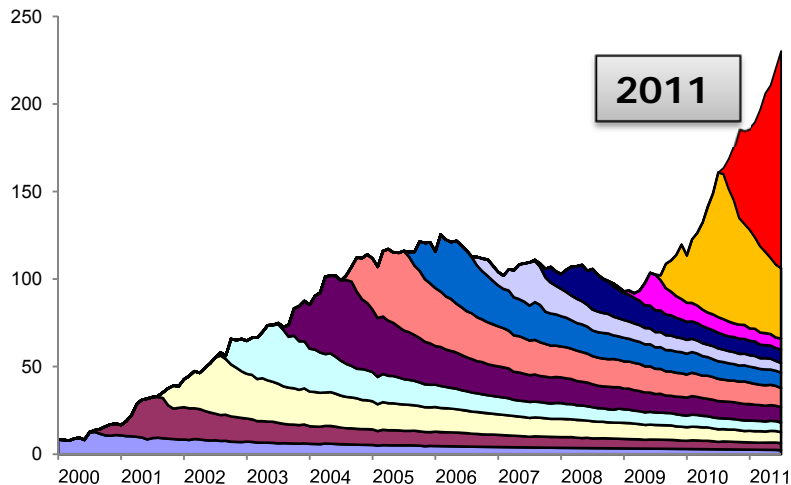
YoY production growth/share

Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
 BOE factor - 6 mcf = 1 bbl of oil equivalent

The Peyto Strategy

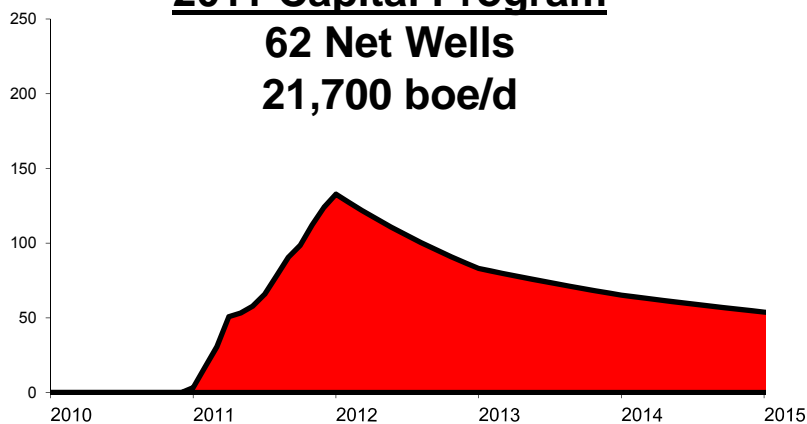
Returns Driven

"The entire 2011 capital program (incl. wells, land, seismic & facilities) generated 31% IRR and turned \$284 MM into \$708MM PV₅ (\$524M PV₁₀) based on the engineering evaluation."



2011 Capital Program

62 Net Wells
21,700 boe/d



\$284M → \$708M

Net Capital to PV₅

35%

Production/share growth

19%

2P Reserves/share growth

31%

IRR

Note: liquids are converted to molar equivalent gas volume for this analysis (1 bbl approximately equal to 1.13 mcf)
Based on IPC is InSite Petroleum Consultants (formerly Paddock Lindstrom & Ass.) - Dec 31, 2011 Reserve Report.
Net Capital for 2011 equals \$379MM total capital investment less \$95MM of operating income generated in 2011

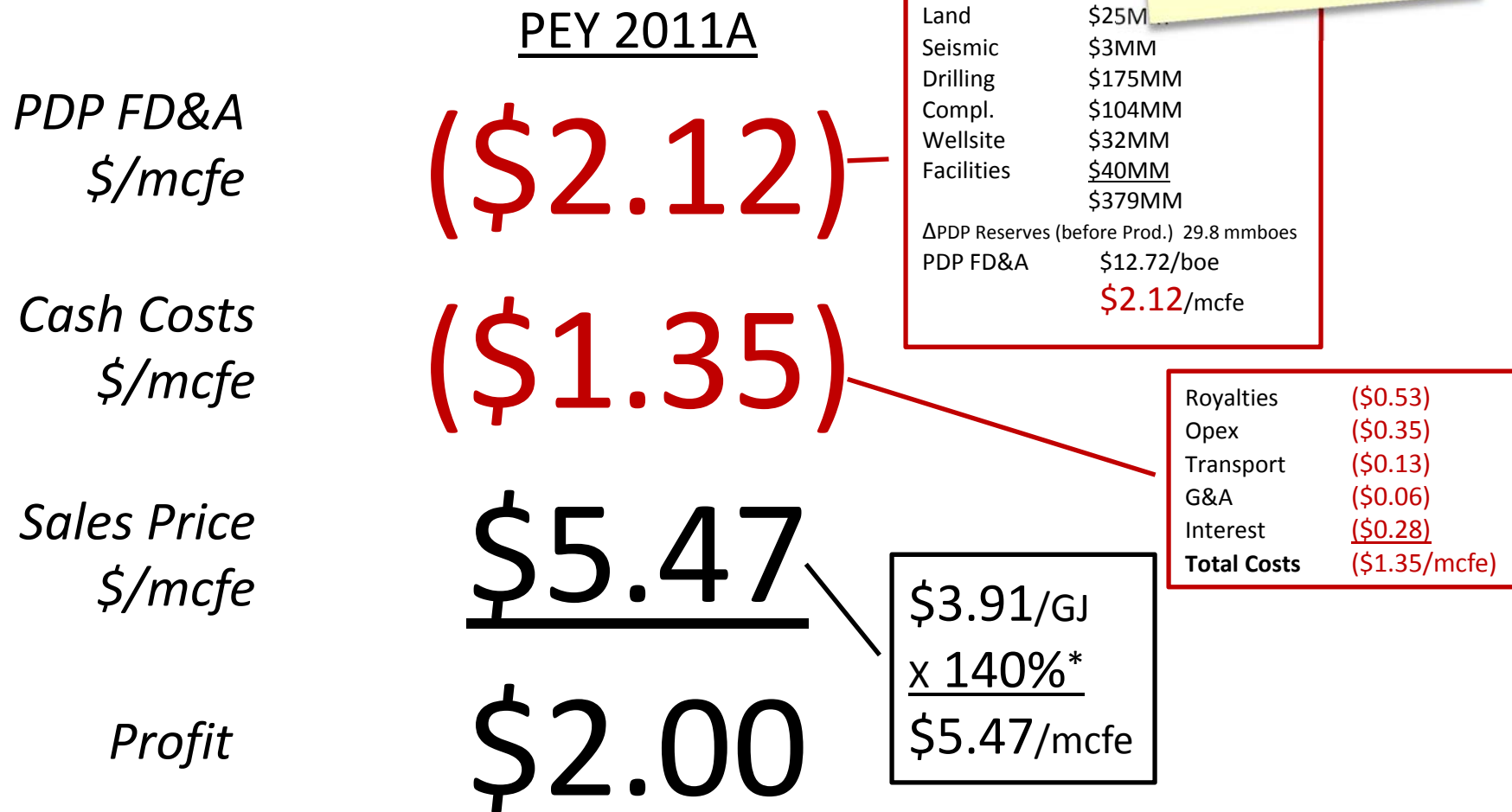
Peyto's Profitable Business



Peyto's Profitable Business

Controlling Costs

"A simple cost analysis shows where Peyto's profits come from. PDP FD&A is a good proxy for replacement cost and tends to match real depletion."

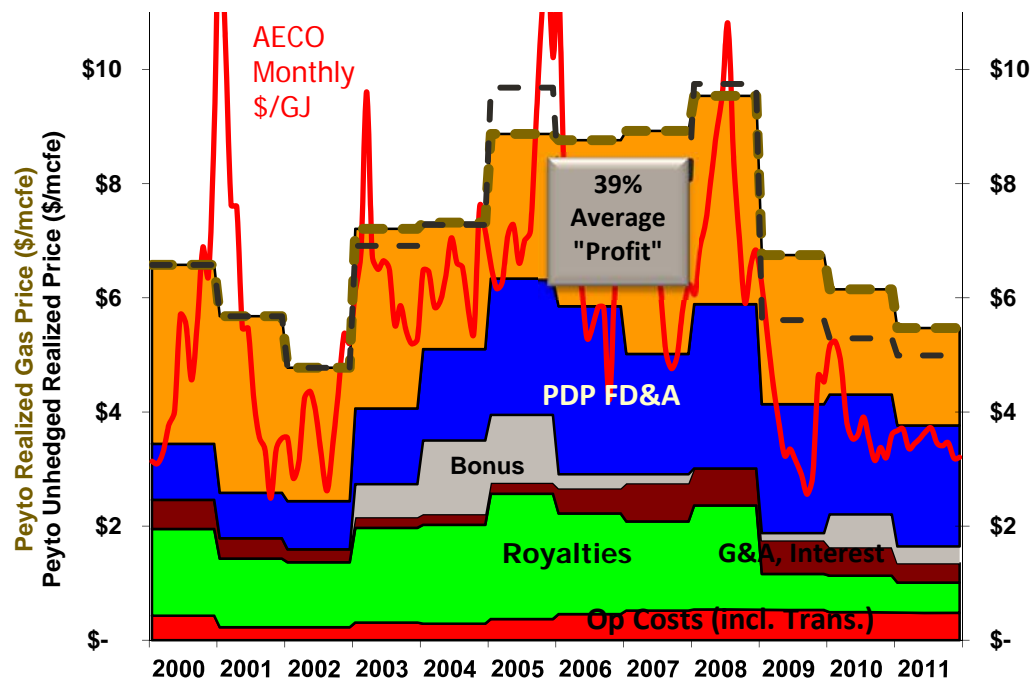
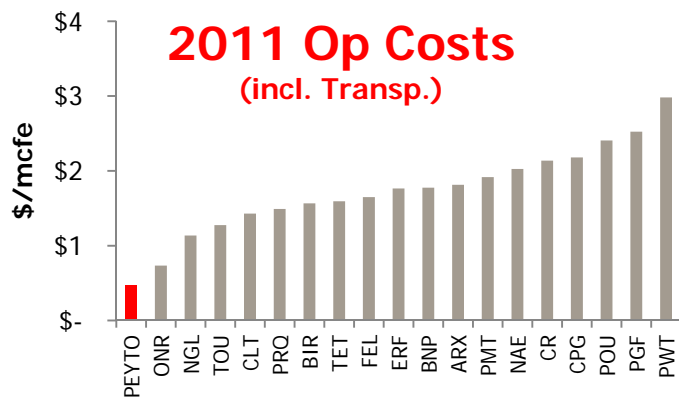
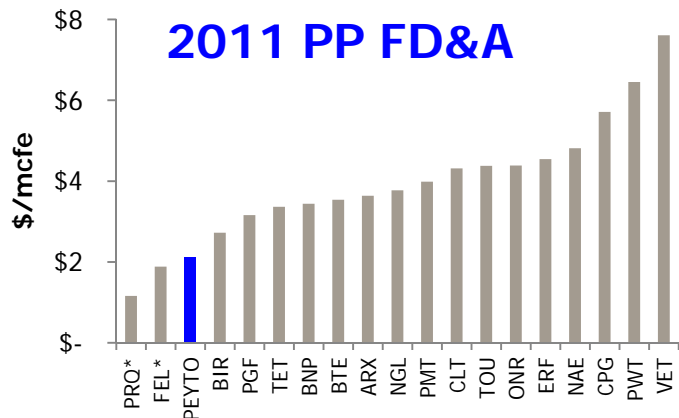


BOE factor - 6 mcfe = 1 bbl of oil equivalent
 * 2011 uplift for NGLs and heat content from unhedged natural gas price (\$/GJ) to realized effective price (\$/mcfe)

Peyto's Profitable Business

"Build it for less than you sell it"

"Peyto is quite simply a profitable business, consistently building it for less than we sell it, throughout the commodity price cycle."



BOE factor - 6 mcf = 1 bbl of oil equivalent

* Proved Producing FD&A inclusive of significant dispositions

Peyto's Profitable Business

Cost Control Challenges for the Canadian Industry

"The Canadian industry is struggling to generate profits with current costs and commodity prices. That makes sustainable dividends difficult too."

	<u>CND 2011*</u>	<u>CND 2010*</u>	<u>CND 2009**</u>
PDP FD&A \$/mcfe	(\$4.20)	(\$4.74)	(\$4.31)
Cash Costs \$/mcfe	(\$3.91)	(\$3.64)	(\$3.63)
Sales Price \$/mcfe	<u>\$7.89</u>	<u>\$7.60</u>	<u>\$7.27</u>
Loss	(\$0.22)	(\$0.78)	(\$0.68)

*Includes: AAV,ARX,BIR,BNP,BTE,CLT,CPG,CR,ERF,FEL,NAE,NGL,PBN,PGF,PMT,POU,PRQ,PWT,TET,TOU,VET,ZAR

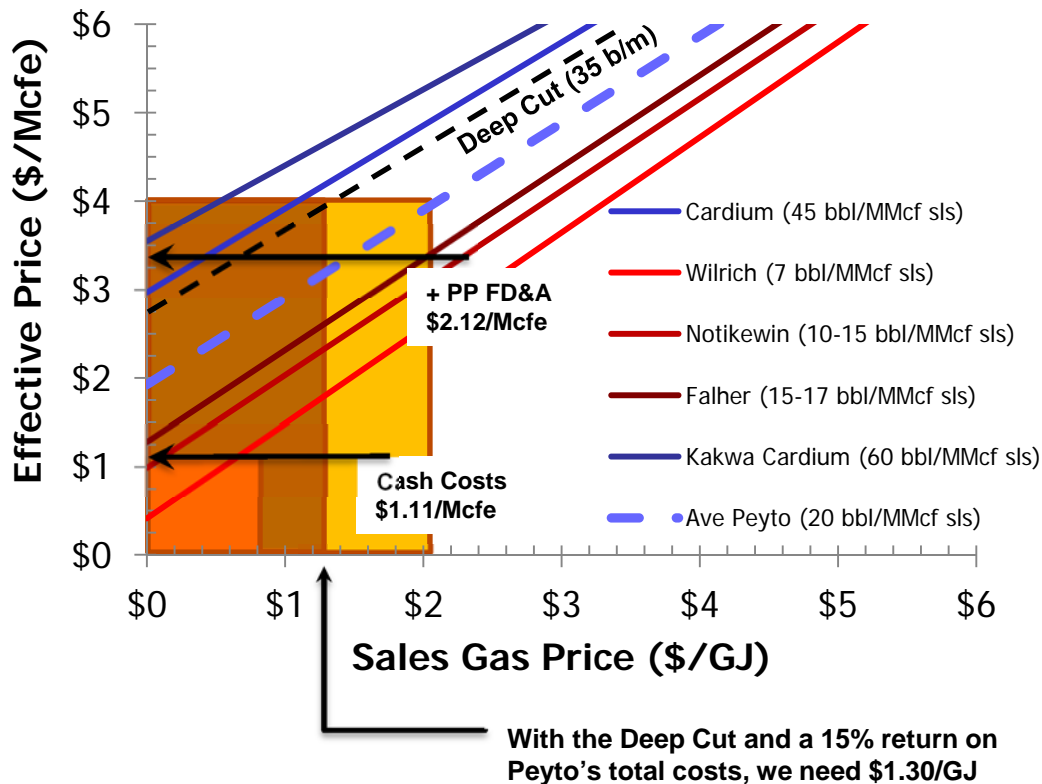
**Includes: AAV,ARX,BIR,BNP,BTE,CLT,CPG,CR,FEL,NAE,NGL,PGF,PMT,PRQ,PWT,TET,VET,ZAR

Peyto's Profitable Business

Liquids Rich Gas Streams

"Peyto's ave. liquid yield of 20 bbl/MMcf delivers a minimum \$2/mcf even at zero gas price (and \$100 oil). That's well above our Q1 12 cash costs of \$1.11/mcf."

Effective Gas Price per Mcfe
(assumes \$100/bbl oil)



\$2

Min. Realized Gas Price (\$/Mcfe)

Peyto's Unique Assets



Peyto's Assets

Geographically Focused Core Areas

"Peyto operates 99% of its production and processes 98% of that production through the five, 100% owned and operated, gas plants. Concentration and control are how you achieve low costs."

98%

Processed by Peyto

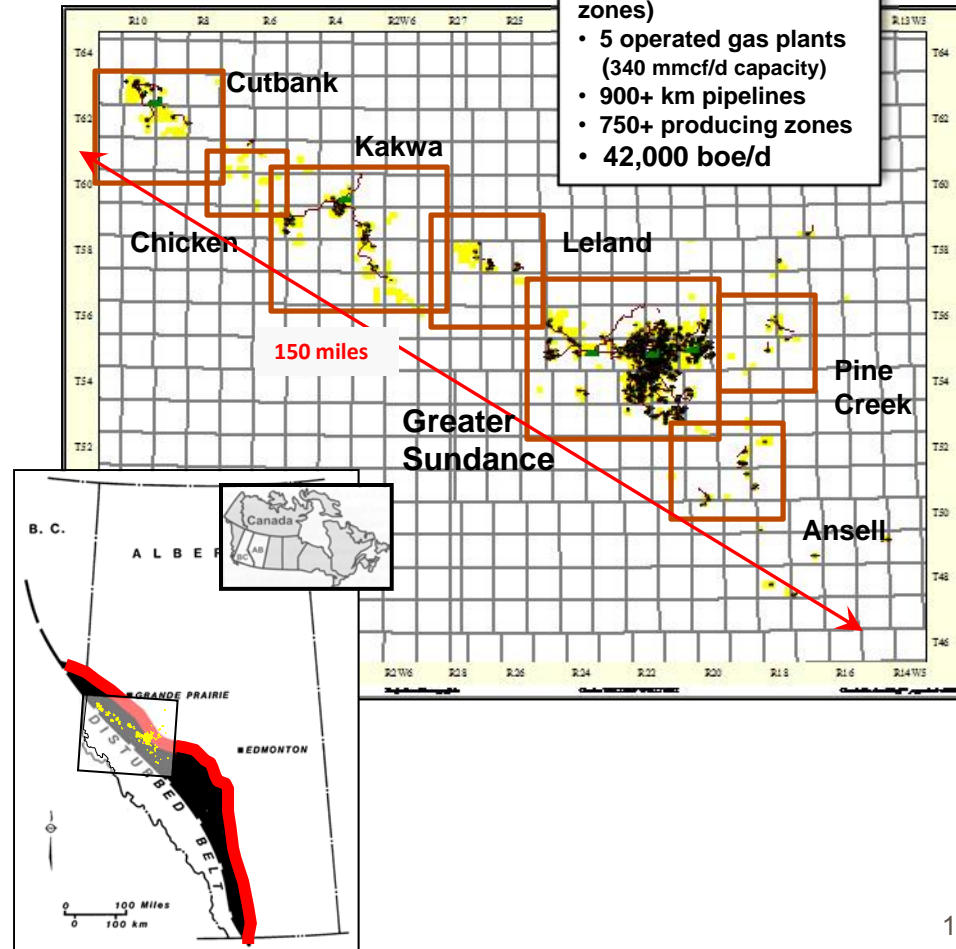
99%

Operated by Peyto

100%

Interest in 5 Processing Facilities

- 313,800 net acres (825,000 net acres for all zones)
- 5 operated gas plants (340 mmcf/d capacity)
- 900+ km pipelines
- 750+ producing zones
- 42,000 boe/d



Peyto's Assets

Deep Basin Lands Go A Long Way

471

Net Peyto Sections

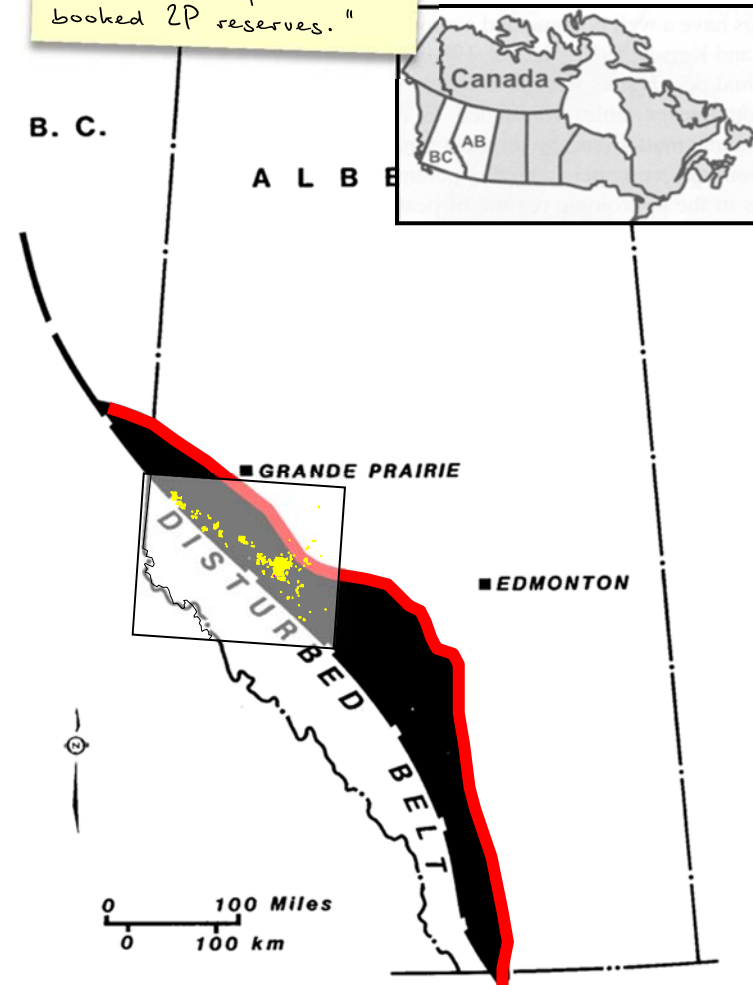
1,289

Net Sections of Cardium, Dunvegan,
Notikewin, Falher, Wilrich, Bluesky, & Cadomin

228

Net Sections for 2.2 TCFe of 2P EUR

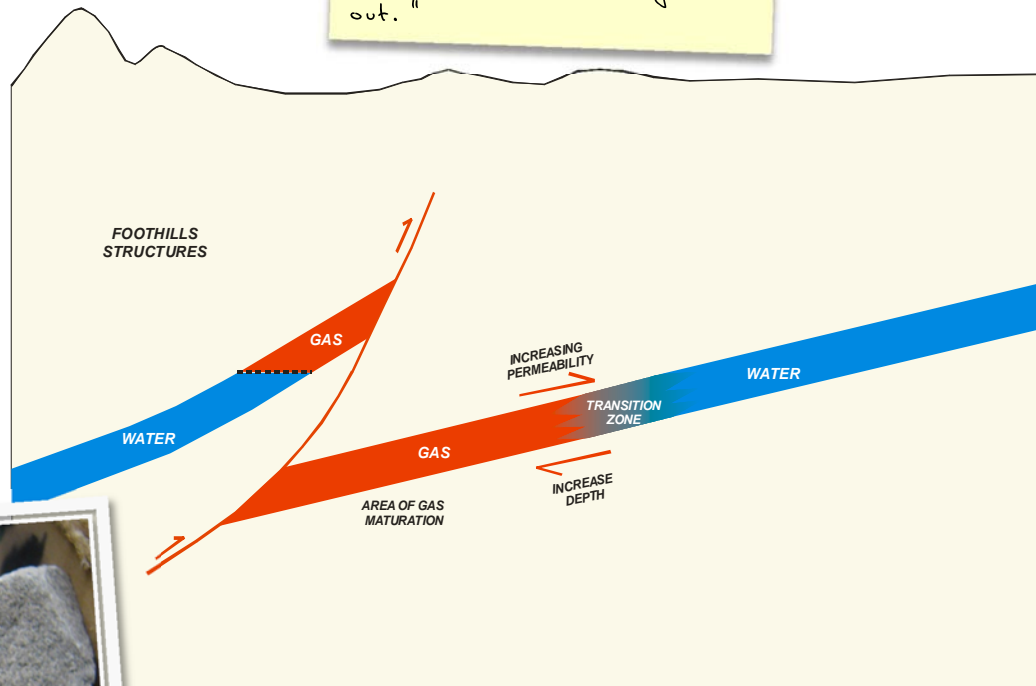
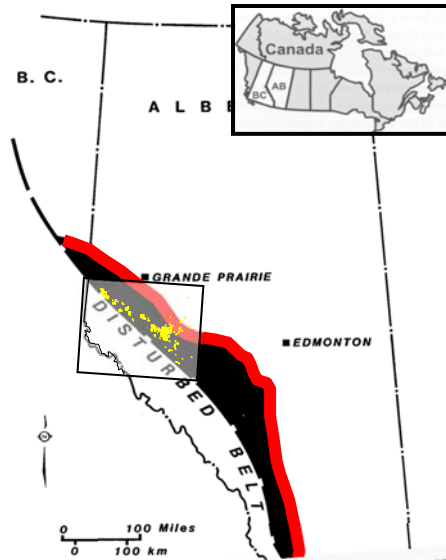
"The multi zone potential of the deep basin turns 471 sections into 1289 sections, of which only 18% are recognized in the reserve report with booked 2P reserves."



Peyto's Assets

Deep Basin Permeability Segregation

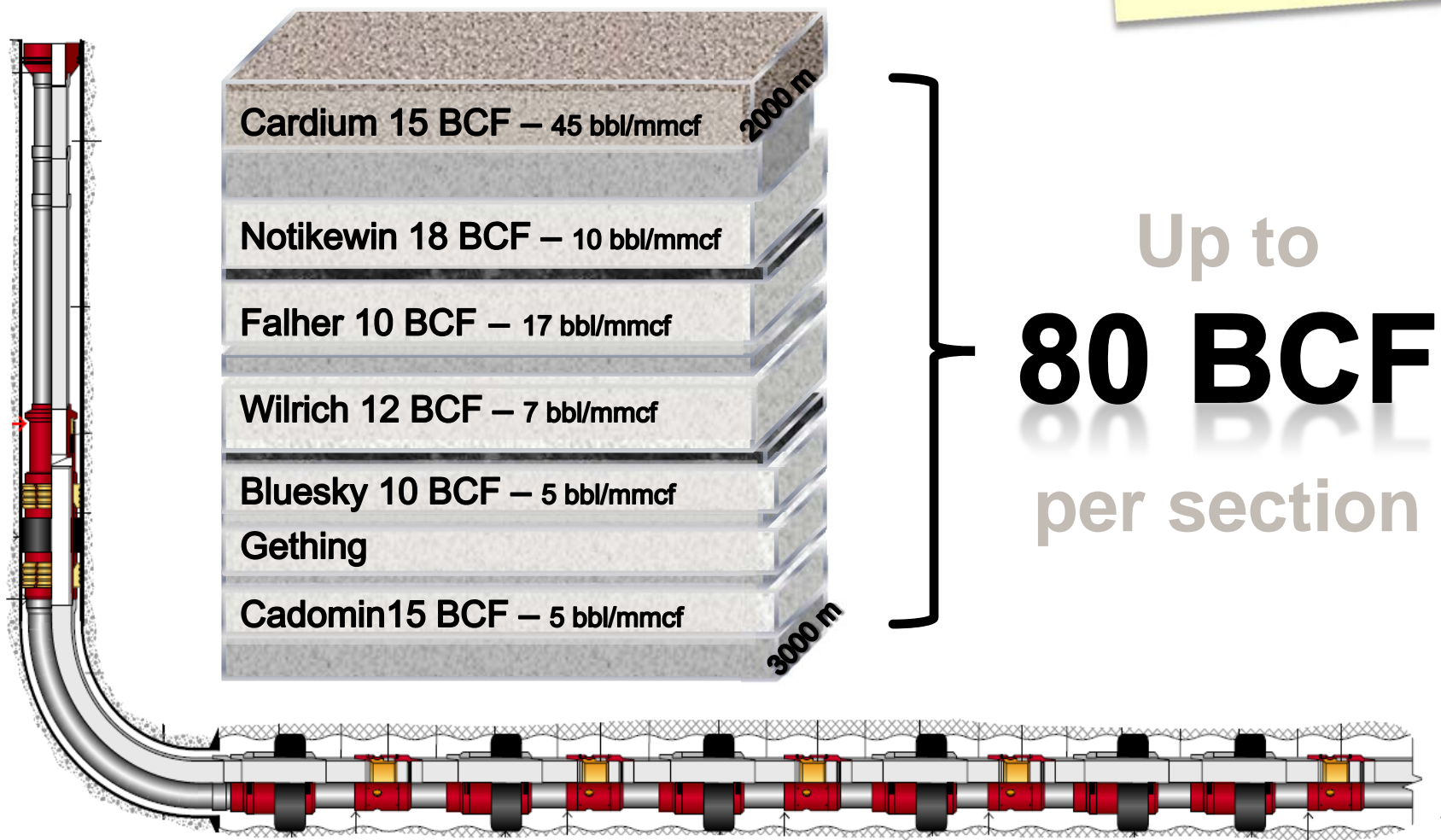
"The Deep Basin is a permeability trap, because the fluids in the updip position can't travel through these fine grained reservoirs so there is no risk of wells watering out."



Peyto's Assets

Applying Hz Technology to Tight Deep Basin Sands

"At 15 bcf per section, the 63 new sections bought in 2011 (at less than \$520/ac) have up to 1.0 TCF of resource potential in just one of the prospective horizons."



*NGL recoveries can increase by up to 15 bbl/mmcft with deeper cutting processing facilities

Peyto's Assets

ONR Acquisition (Pending Mid-August 2012 Closing)*

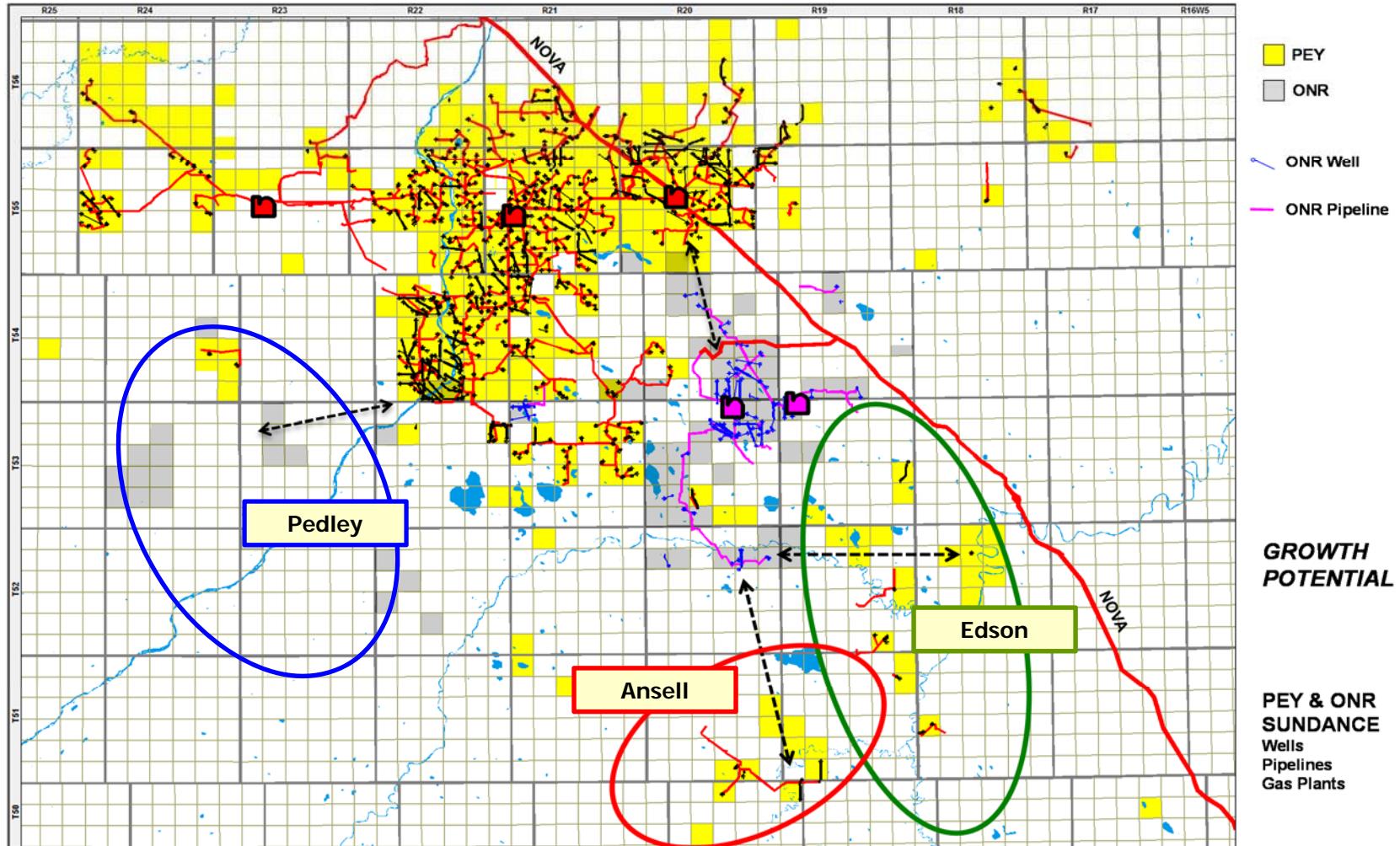


- ✱ 5,600 boe/d (31 mmcf/d natural gas, 460 boe/d NGLs)
- ✱ 98% operated and processed
- ✱ 125 gross (110 net) sections of lands (principally Deep Basin)
- ✱ 2 gas plants (100% - 20 mmcf/d, 69% - 60 mmcf/d)
- ✱ 100 upside locations (Cardium, Notikewin, Falher, Wilrich, Bluesky)
- ✱ 115 sq mi. 3D seismic coverage
- ✱ \$175MM acquisition cost, \$245MM Future Development (next 3 yrs)

*BOE factor - 6 mcf = 1 bbl of oil equivalent
See Press Release Dated July 3,2012

PEY/ONR Strategic Fit

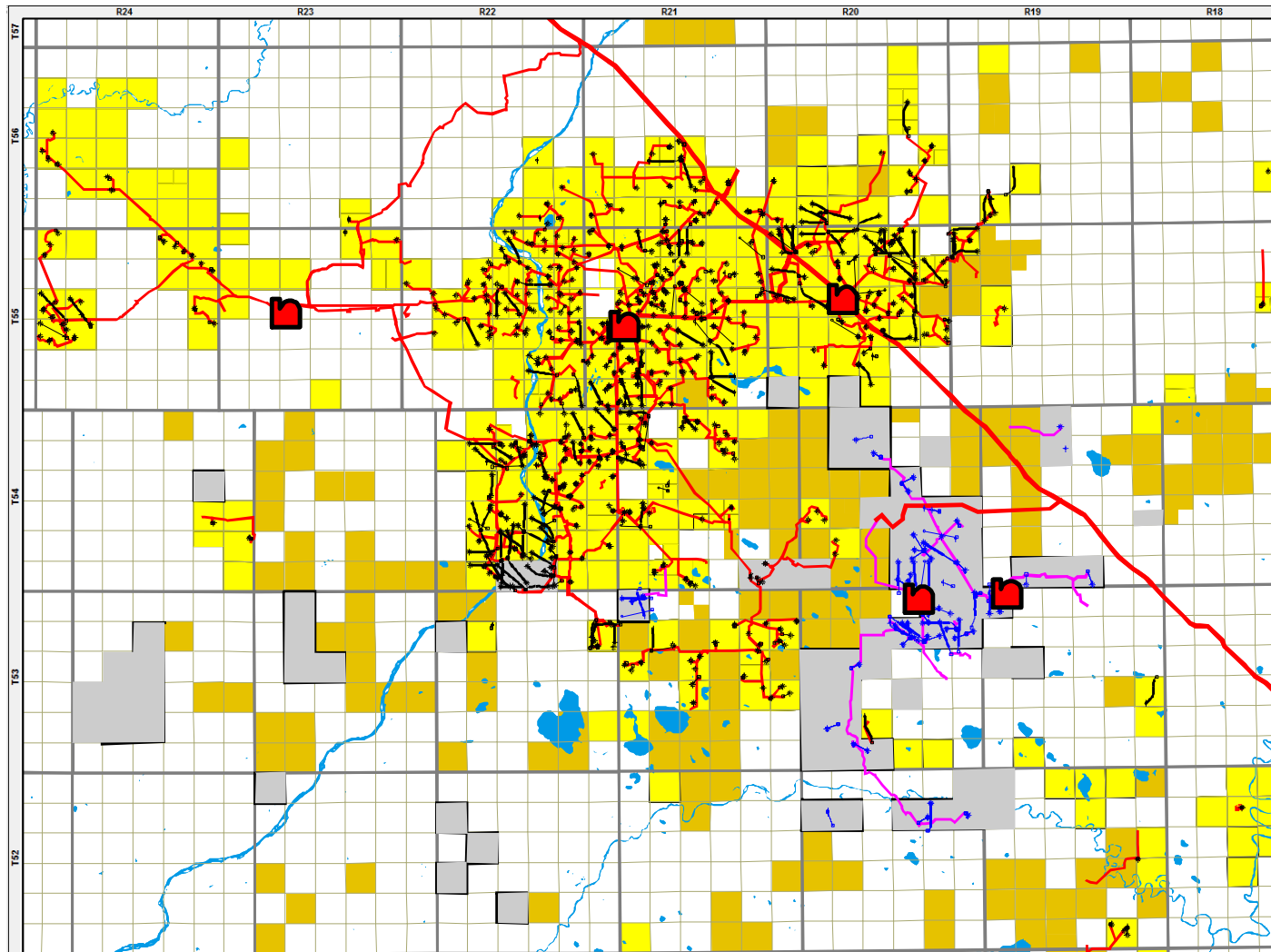
Infrastructure Access for Peyto Step-out Areas



Subject to Mid August 2012 closing. See press release dated July 3, 2012

PEY/ONR Strategic Fit

ONR is Step 1 in Longer Term Plan



- PEY
- ONR
- ONR Spirit River PNG
- Spirit River PNG Expires Apr 1/12 - Jul 1/13

**SPIRIT RIVER
12 MONTH PNG
EXPIRY**

**GROWTH
POTENTIAL**

**Notikewin
Falher
Wilrich**

**PEY & ONR
SUNDANCE
Wells
Pipelines
Gas Plants**

*Expires to July 2013, not reflective of possible continuations
 **Subject to Mid August 2012 closing. See press release dated July 3, 2012

Peyto's Assets

Large Hz MSF Inventory

"Peyto's has developed over 1.4 TCFe using vertical and now horizontal wells. But there is a lot more to do. More than 10 years worth of drilling inventory."

	<u>Done</u>		<u>To Do</u>		
	<u>Total Vertical Wells</u>	<u>Total Hz Wells</u>	<u>Total Hz Locations Booked*</u>	<u>Total Hz Locations Unbooked</u>	<u>Total ONR Hz Locations Unbooked**</u>
SMOKY					
CHINOOK ●✱					
PUSKOWASKAU □					
BADHEART ●					
MUSKIKI □					
CARDIUM ●					
KASKAPAU □					
DOE CK. ●✱ POUCE COUPE					
DUNVEGAN ●✱ X					
FORT ST. JOHN					
SHAFTS-BURY □					
BELLE FOURCHE □					
FISH SCALE □					
WESTGATE □					
PADDY ✱					
PEACE RIVER					
CADOTTE ✱					
HARMON □					
NOTIKWIN ✱					
A					
B					
C					
D					
E					
F					
SPIRIT RIVER					
FALHER ✱ X					
WILRICH □					
BLUESKY ●✱△					
BULL-HEAD					
GETHING ●✱△ X					
CADOMIN ●✱					
TOTAL	432	40	206	103	9
	5	1	6	10	
	1		2	12	
	90	29	44	25	35
	7	11	34	148	7
	14	53	83	99	30
	4	2	14	6	19
	12	1	21	124	
	87				
	652	137	410	527	100

Over 1000 Locations

*As recognized in the IPC (formerly PLA) independent reserve report dated Dec. 31, 2011

**Subject to Mid August 2012 closing. See press release dated July 3, 2012

Peyto's Assets

Longest Reserve Life

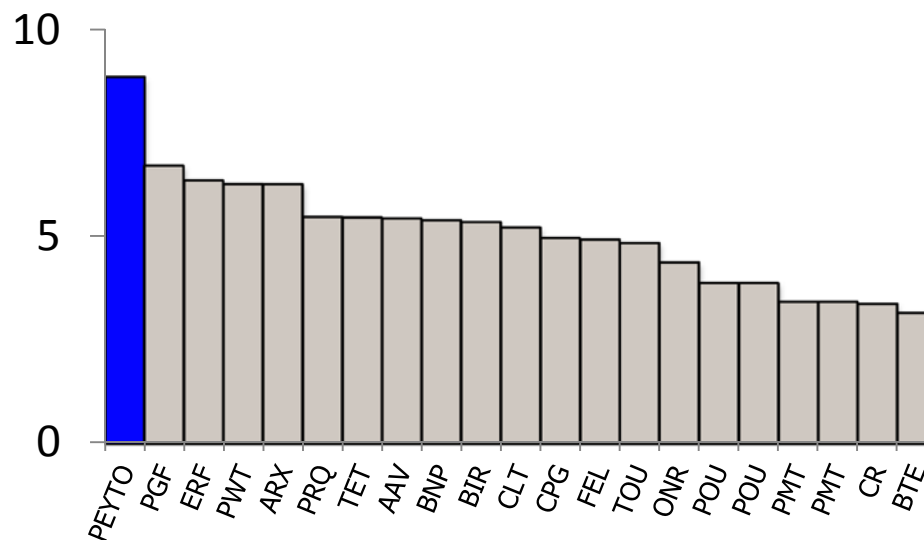
"Peyto is a pure play unconventional tight gas company. Others may claim to have long reserve life assets but only because they are measuring current production against undeveloped reserves, not the reserves associated with the current production"

9

Peyto 2011 PP RLI (yrs)

5

Industry 2011 PP RLI (yrs)



Peyto's Assets

Lowest Operating Costs

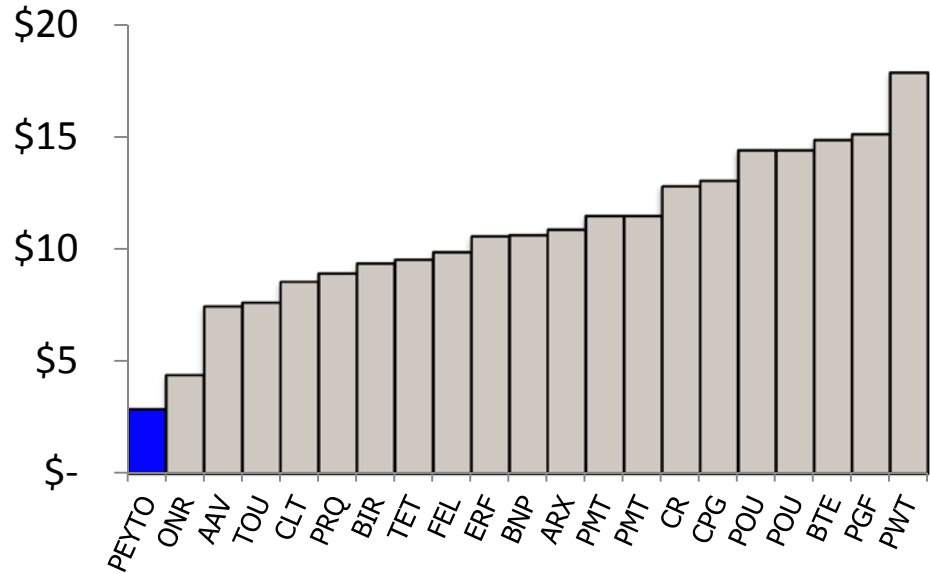
"Peyto's operating costs are not just low, they are unique in the Canadian energy sector."

\$3

Peyto 2011 Op Costs (\$/boe)

\$11

Industry 2011 Op Costs (\$/boe)

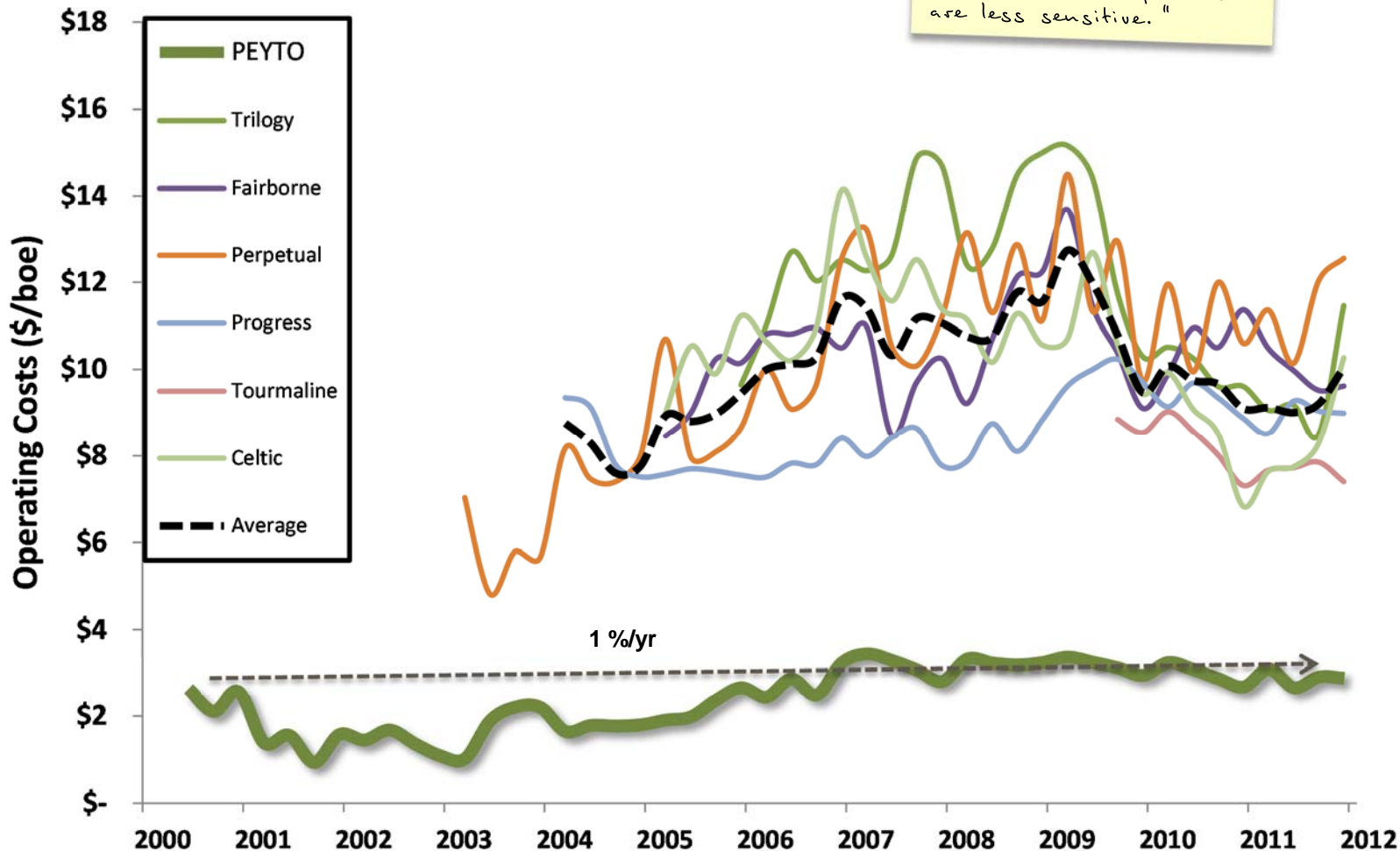


Operating Costs include Transportation costs. (\$/boe)
 BOE factor - 6 mcf = 1 bbl of oil equivalent

Peyto's Assets

Lowest Operating Costs – Gas Producers

"Rising oil price drives inflation, even in the energy business. It's not surprising most of the gas industry has seen op cost go up with oil prices. Peyto's op costs are less sensitive."

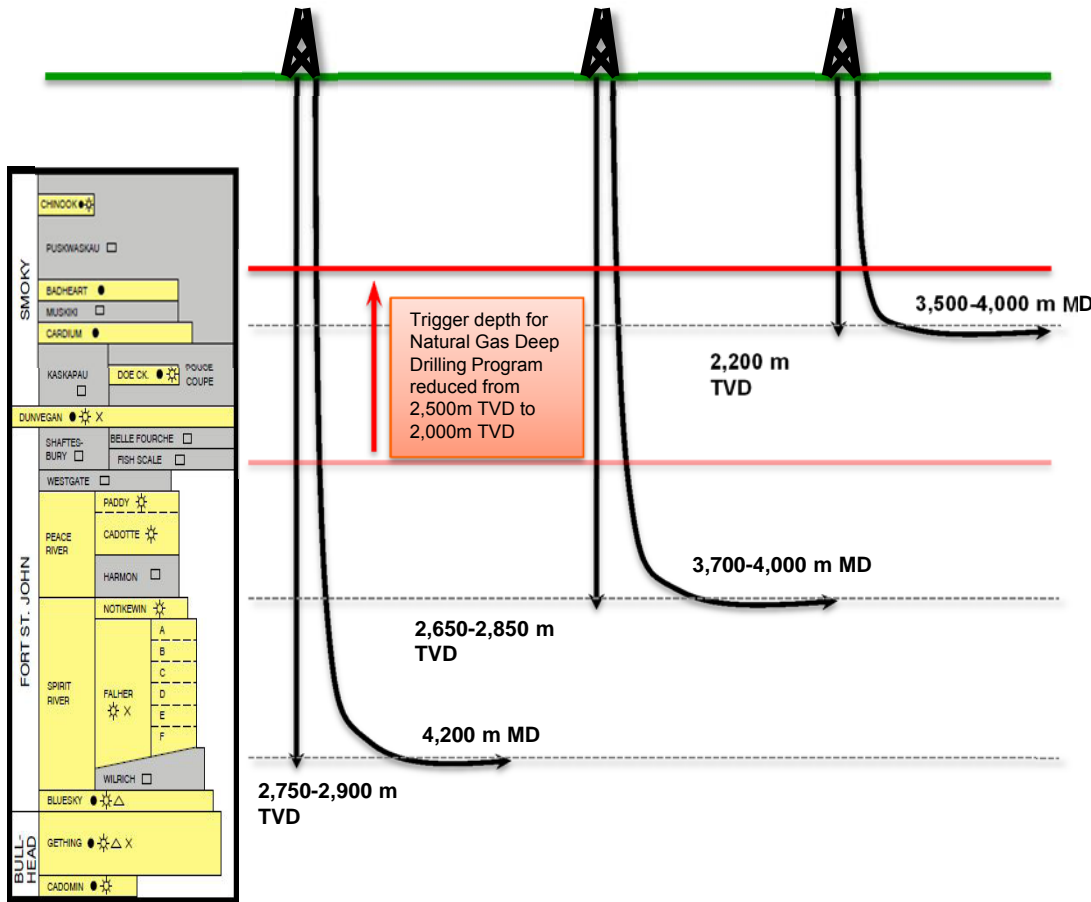


BOE factor - 6 mcf = 1 bbl of oil equivalent
Operating costs include transportation

Peyto's Assets

Deep Gas Drilling Royalty Incentives

"All of the formations that Peyto targets are eligible for the Natural Gas Deep Drilling incentives. At \$4 gas, royalties for the first 5 yrs are effectively capped at 5%."



5%

Effective Royalty

***3,700m Cardium Horizontal Well would receive**
1,500m at \$625/m
+200m at \$2,500/m
\$1,437,500 in royalty credit

Peyto's Assets

Lowest FD&A Cost

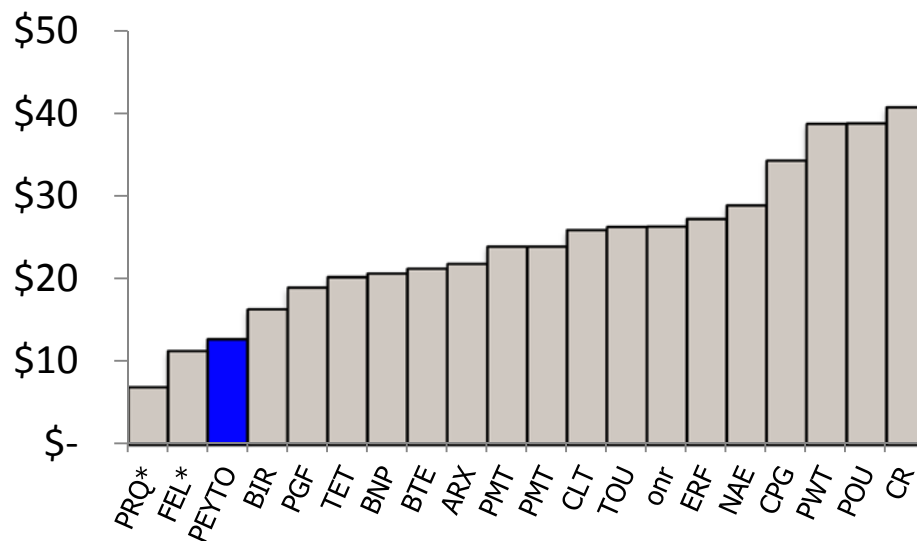
"Proved Producing is the most critical category to evaluate since sooner or later all reserves have to come on production to cover their cost."

\$13

Peyto 2011 PP FD&A (\$/boe)

\$25

Industry 2011 PP FD&A (\$/boe)



Proved Producing FD&A Cost – Inclusive of Acquisition, Finding and Development Capital
*Inclusive of significant dispositions

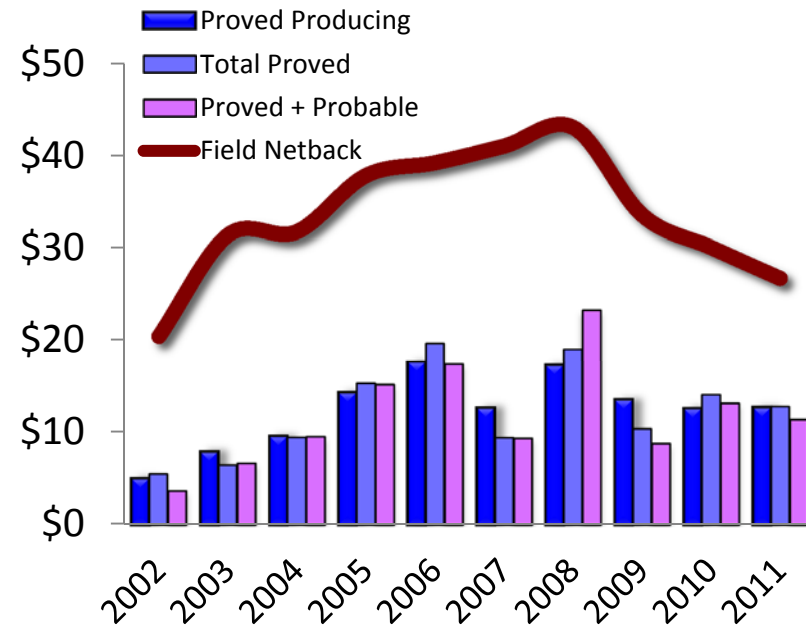
Peyto's Assets

Low FD&A Costs = High Recycle Ratio

"On average Peyto has built producing reserves for 1/3 of what we sell them for. That is where the real profit lies."

2.8

Peyto PP Recycle Ratio
(10 yr)



Recycle Ratio is the Netback divided by FD&A

*FD&A costs include all capital expenditures and changes in Future Development Capital

Field Netback is revenue less royalties, op costs, and transportation

BOE factor - 6 mcf = 1 bbl of oil equivalent

Peyto's Assets

Lowest Total Costs

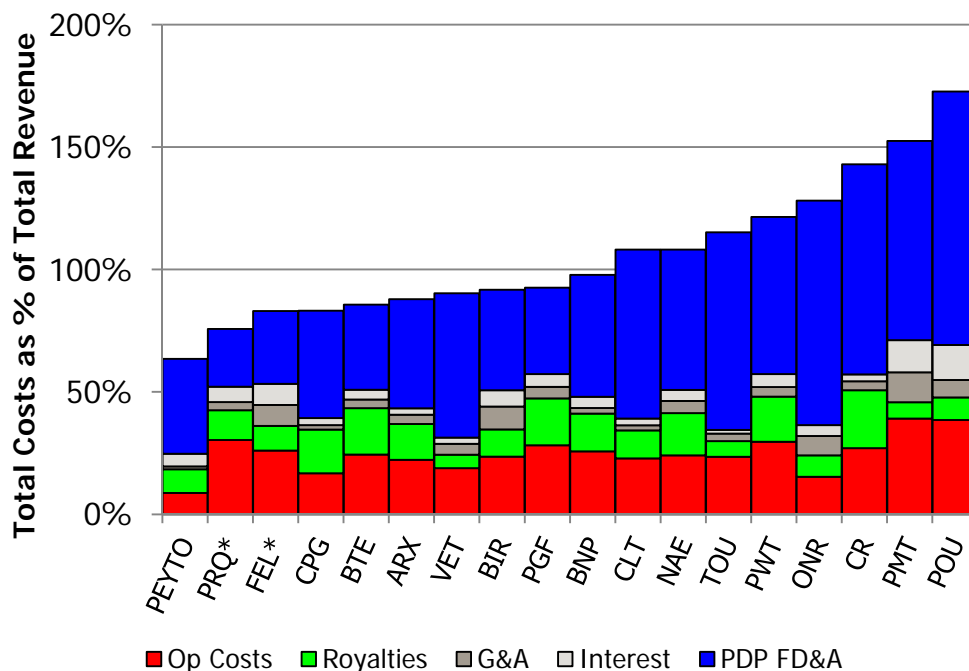
"Being the low cost producer is the best competitive advantage you can have - in both good times and bad."

36%

Peyto 2011 Margin

-8%

Industry 2011 Margin



Total Costs per boe includes - Royalties, Op Costs, G&A, Interest, Management Fees, and PP FD&A cost
 *Inclusive of significant dispositions

Peyto's Incredible Returns



Peyto's Returns

High Returns on Capital and Equity

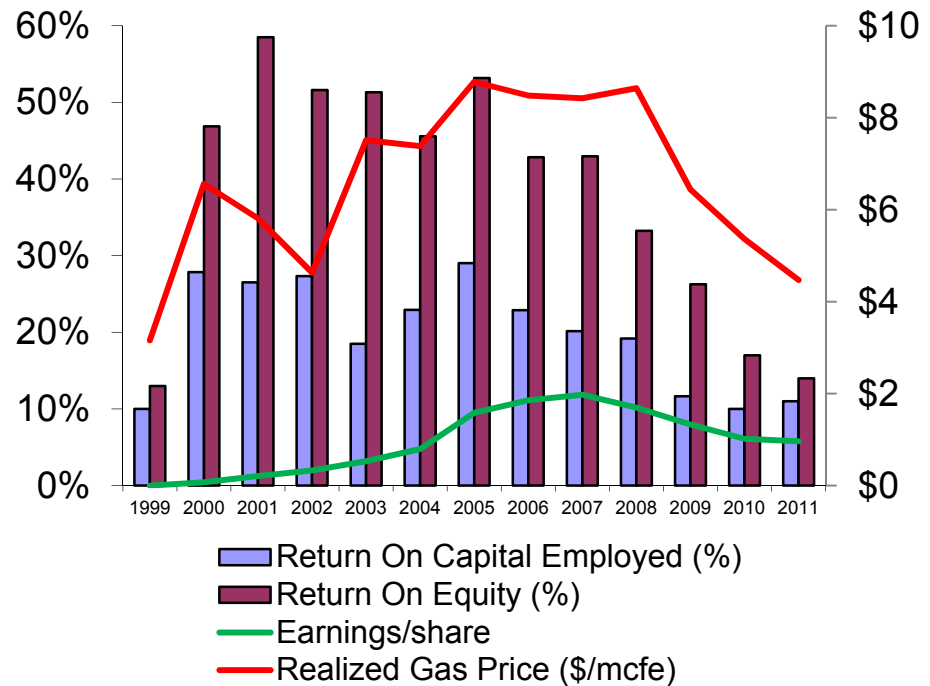
"Good well economics and IRRs should translate into good corporate returns. Peyto's do, with average ROE of 40% and ROCE of 21%."

40%

12 yr Average ROE

21%

12 yr Average ROCE



Return on Equity (ROE) is earnings for the period divided by average unitholders equity – reveals how much profit a company generates with the money shareholders have invested

Return on Capital Employed (ROCE) is earnings before interest and tax for the period divided by total assets less current liabilities - indicates the efficiency and profitability of a company's capital investments

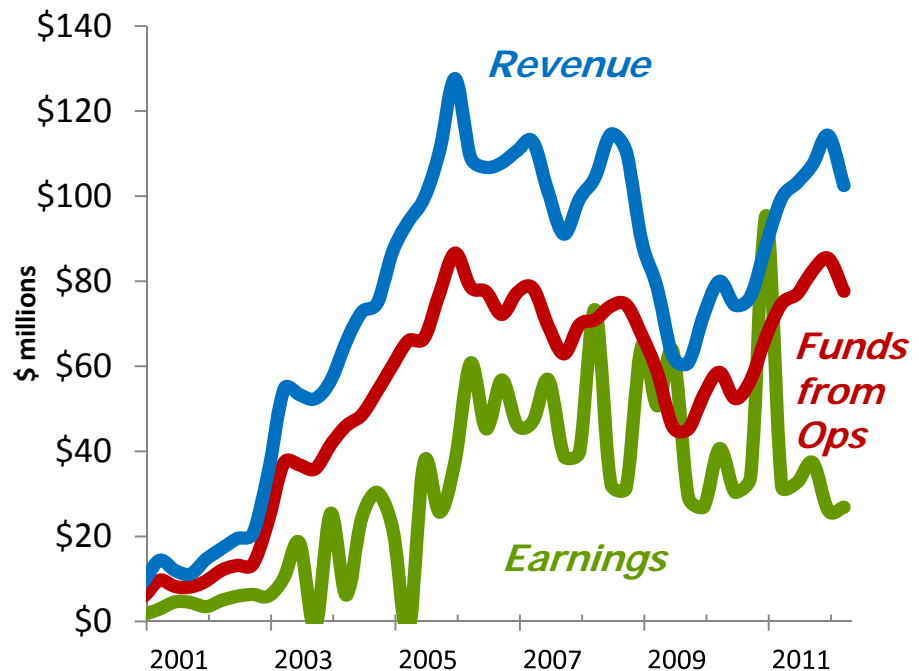
The Peyto Strategy

Strong Per Share Operating and Profit Margin

"Low costs drive strong margins and profits, regardless of where you are in the commodity price cycle. That has always been the Peyto advantage."

38%

Profit Margin
(last 12 yrs)

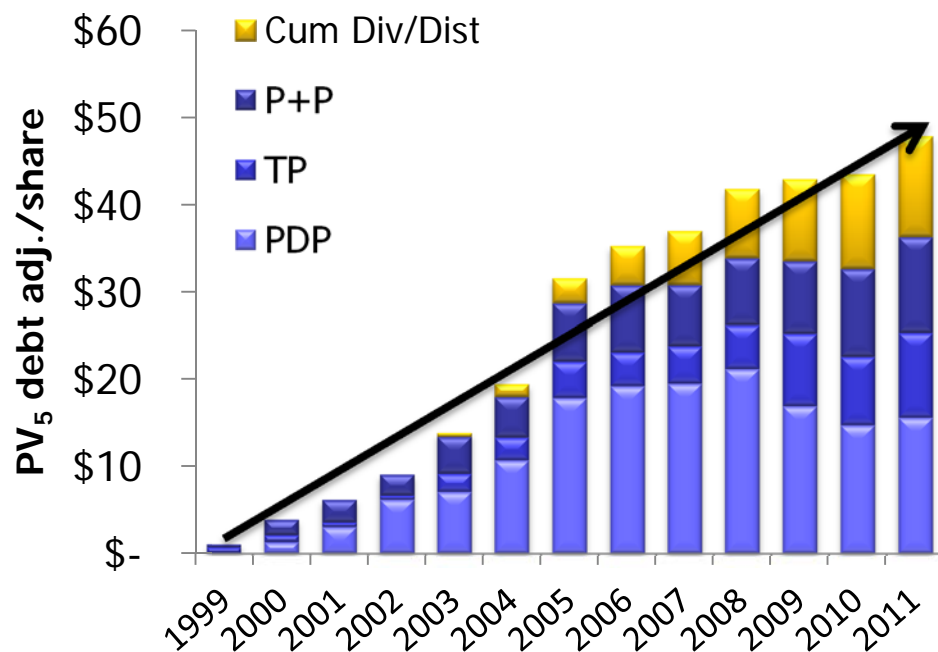


Funds from Operations is defined as earnings before performance based compensation, non-cash and non-recurring expenses.
Profit Margin is earnings divided by revenues inclusive of realized hedging gains/losses

Peyto's Returns

Shareholder Returns = NAV Growth + Income

"Peyto offers a total return package. Growth per share in assets, plus an income stream."



37%

Compound Annual Growth Rate

PV₅ DA/share is Before Tax Net Present Value, discounted at 5%, less debt divided by the number of shares/units outstanding. Historical Units and Shares have been adjusted to reflect the May 27, 2005 2:1 stock split.

The Peyto Strategy

Maintain a Strong Balance Sheet

"Peyto has always maintained a strong balance sheet. Our Debt to FFO ratio is really half that of others due to a producing RLL that is twice as long."

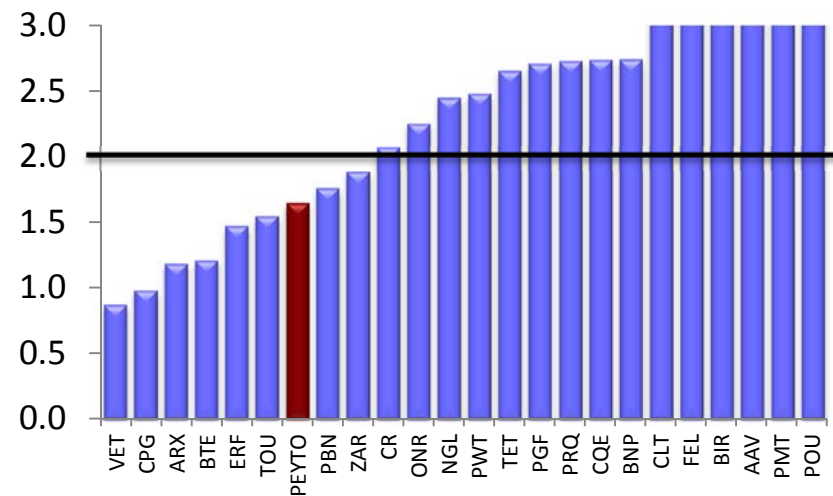
1.7

Peyto Q1/12 D/FFO

3.1

Industry Ave. Q1/12 D/FFO

Q1 2012 Net Debt/FFO



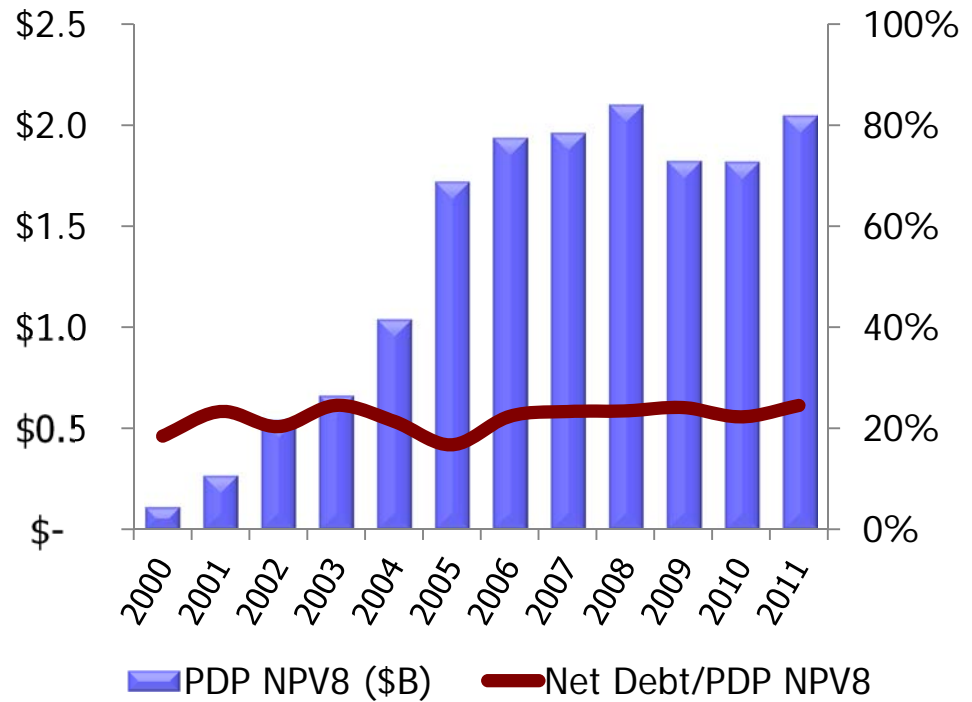
Peyto's Returns

Careful Use of Debt

"Peyto has consistently carried less than 25% leverage on our asset base, using PDP NPV₈ (banks use NPV₇). As the value of that asset base grows, so too does the amount of net debt we can carry."

22%

Average Net Debt to NPV



2012 Outlook

More Of 2011

"Our 2012 budget calls for more of the same. Horizontal drilling in the Deep Basin with infrastructure expansion to handle the new volumes."

\$400M-
\$450M

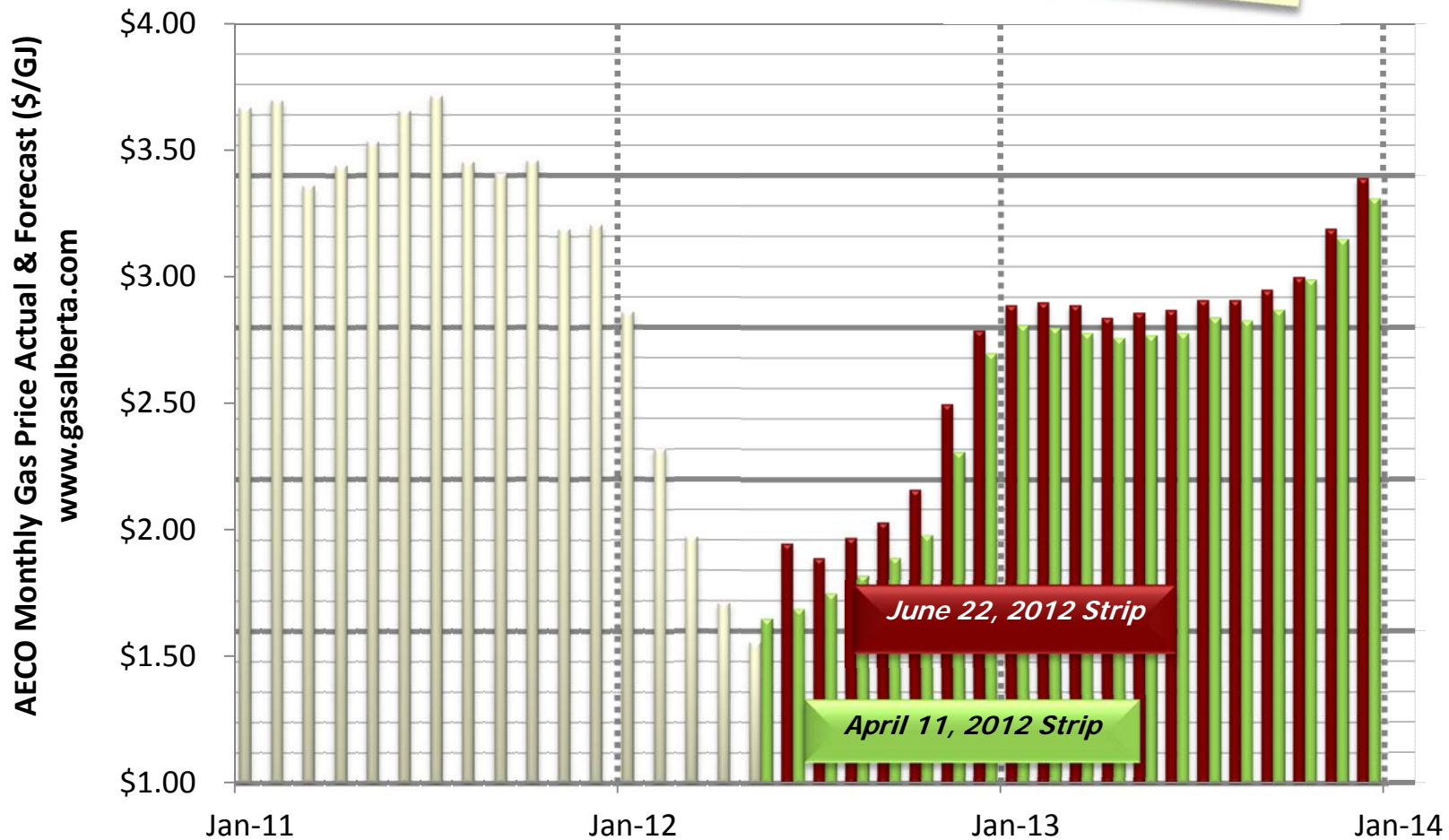
2012 Capital Program

- ✓ **Drill**
(100% Hz Wells, liquids rich)
- ✓ **Expand & Extract**
Increase Processing Capacity & NGL Yield
- ✓ **Increase**
Undeveloped Land Base
- ✓ **Shoot**
Seismic
- ✓ **Acquire**
Additional Opportunities and Partner Interests

2012 Outlook

Levering the Low Cost Advantage

"Peyto takes advantage of it's low costs to build when others can't, in advance of the natural gas price recovery, which appears to have started."

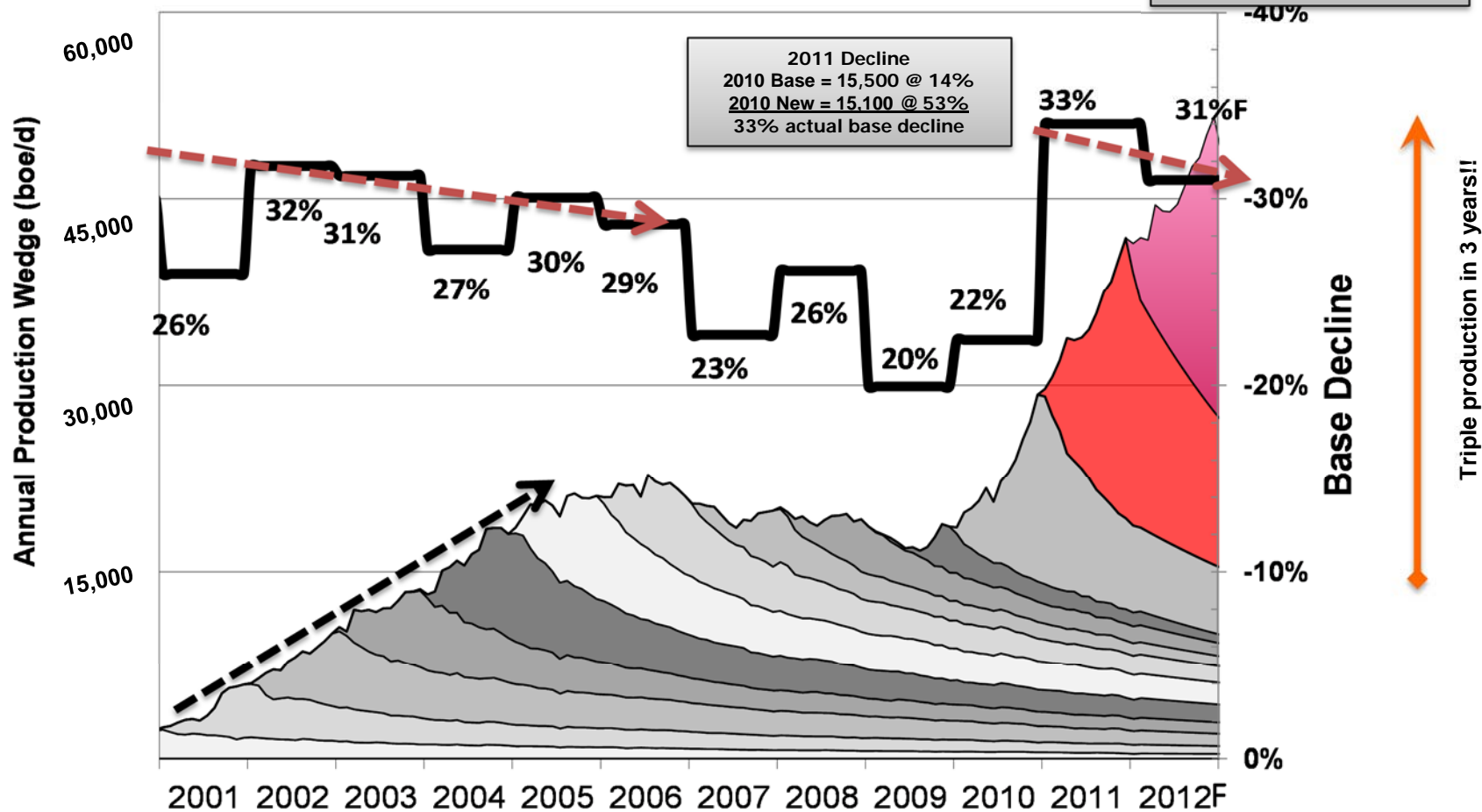


2012 Outlook

It Just Gets Easier to Grow

"The independent engineers have forecast the base decline on the pre-2012 wells to be 31%, less than the 33% last year, making it easier to grow."

2012 Decline Assumes
 2011 Base 20,700 @ 13%
 2011 New 21,300 @ 48%
 31% forecast base decline*



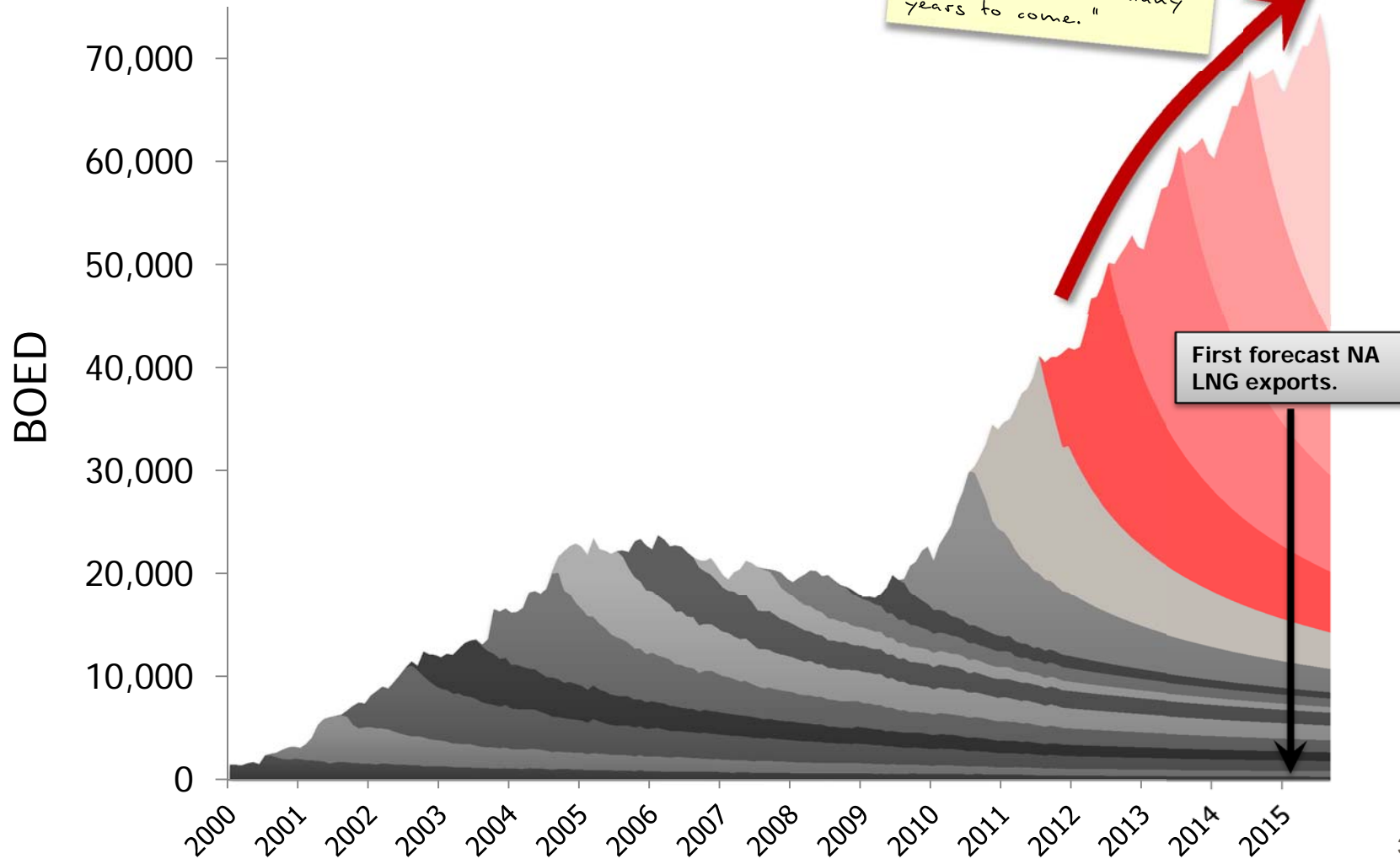
BOE factor - 6 mcf = 1 bbl of oil equivalent

*Forecast decline rate based on Insite Petroleum Consultants Dec 31, 2011 Reserve Report

2012 Outlook

Organic Growth Potential

"While the real future is unknowable, Peyto's inventory of future opportunities and funding capabilities suggest organic growth can continue for many years to come."



Appendix

- Quarterly Track Record
- Tax Pools
- Payout Ratio
- Gas Marketing
- Hedging Strategy
- Reserves data – volumes, values, RLI

Quarterly Track Record

	2012	2011					2010					2009
	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
Operations												
<u>Production</u>												
Oil & NGLs (bbl/d)	4,101	3,856	3,947	3,918	3,811	3,746	3,389	3,439	3,322	3,465	3,330	3,028
Natural gas (mcf/d)	220,811	189,653	212,715	194,832	183,790	166,710	122,031	148,551	122,717	112,422	103,934	92,718
Barrels of oil equivalent (boe/d)	40,903	35,465	39,400	36,390	34,443	31,531	23,728	28,197	23,775	22,202	20,653	18,481
Year over Year % Growth	30%	49%	40%	53%	55%	53%	28%	47%	34%	23%	9%	-8%
<u>Average Product Prices</u>												
Oil & NGLs (\$/bbl)	84.83	81.67	88.04	78.07	84.06	76.19	65.31	67.06	59.66	65.58	68.93	50.18
Natural gas (\$/mcf)	3.53	4.47	4.21	4.43	4.43	4.92	5.36	4.93	5.16	5.25	6.34	6.44
Operating expenses (\$/mcf)	0.45	0.48	0.47	0.49	0.45	0.52	0.48	0.45	0.48	0.51	0.54	0.52
Field Netback (\$/mcf)	3.75	4.46	4.32	4.41	4.41	4.75	5.02	4.75	4.83	4.82	5.81	5.60
Financial (\$000)												
Revenue (net of royalties)	93,661	383,496	104,393	98,261	91,186	89,655	286,020	80,921	69,650	64,649	70,801	247,846
Funds from Operations ¹	77,645	314,622	80,410	82,506	77,010	74,696	236,956	69,201	56,743	52,415	58,559	202,699
Net earnings (loss)	26,868	128,183	26,036	37,741	32,718	31,688	200,414	95,419	32,567	24,696	36,874	152,774
Capital expenditures	98,632	379,061	94,688	111,570	69,017	103,786	264,364	113,403	64,123	37,439	49,361	72,739
Net Debt ²	512,627	465,391	465,391	526,743	474,008	453,376	404,944	404,944	457,959	417,854	467,368	439,860
Common shares outstanding (000)	138,312	137,960	137,960	133,061	133,061	133,061	132,811	132,811	122,136	121,476	115,417	115,116
Weighted average shares	138,312	133,196	133,913	133,061	133,061	132,737	120,549	125,726	121,766	119,420	115,154	110,556
Per share data												
Funds from operations	0.56	2.36	0.60	0.62	0.58	0.56	1.96	0.55	0.47	0.44	0.51	1.83
Earnings (loss)	0.19	0.96	0.19	0.28	0.25	0.24	1.66	0.76	0.27	0.21	0.32	1.38

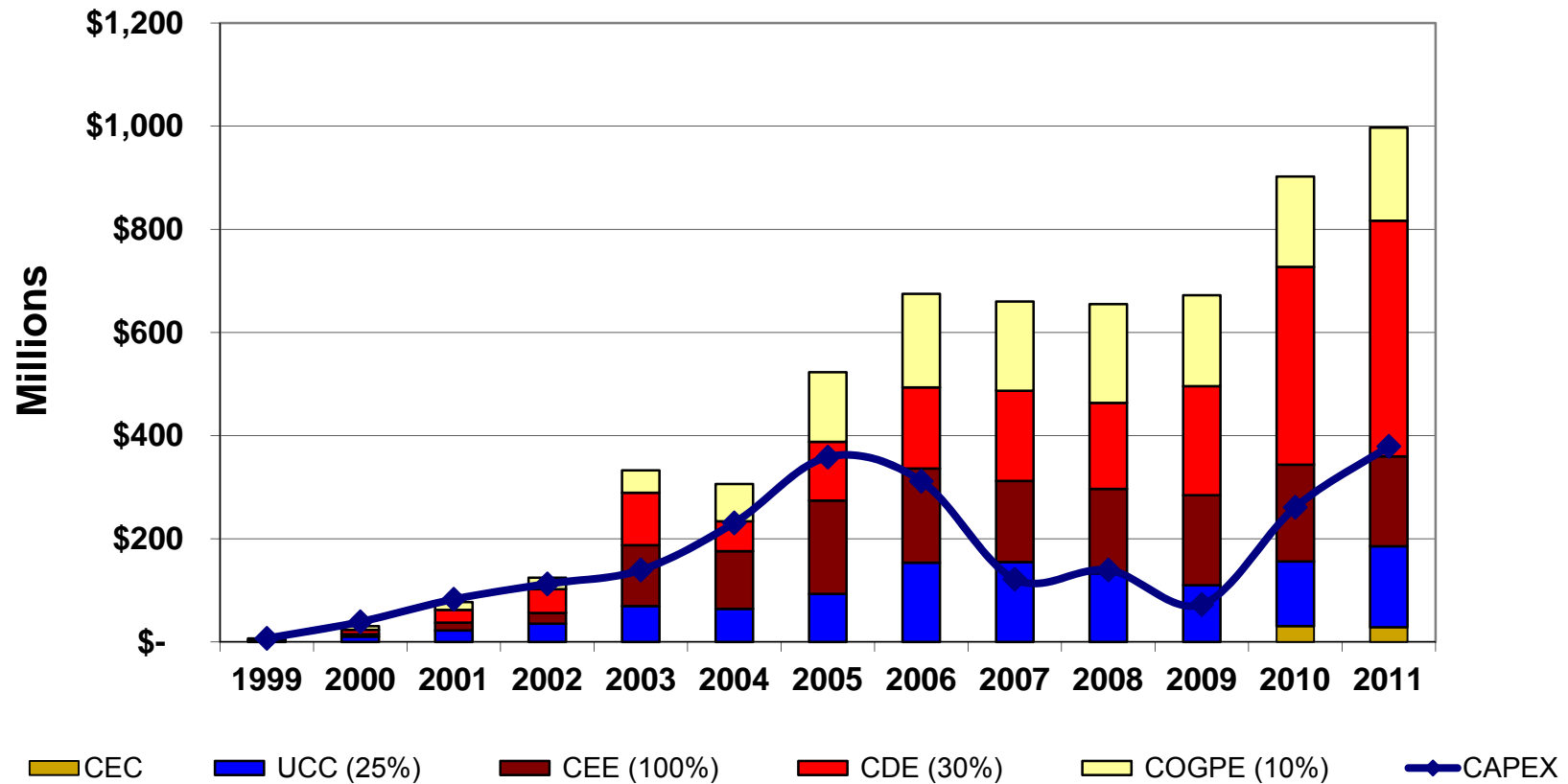
Management uses funds from operations to analyze operating performance. In order to facilitate comparative analysis funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. As presented, funds from operations does not have any standardized meaning prescribed by Canadian GAAP.

Net debt does not include provision for future performance based compensation, site restoration, abandonment and income taxes.

Organic Business Model

Peyto's Tax Pools

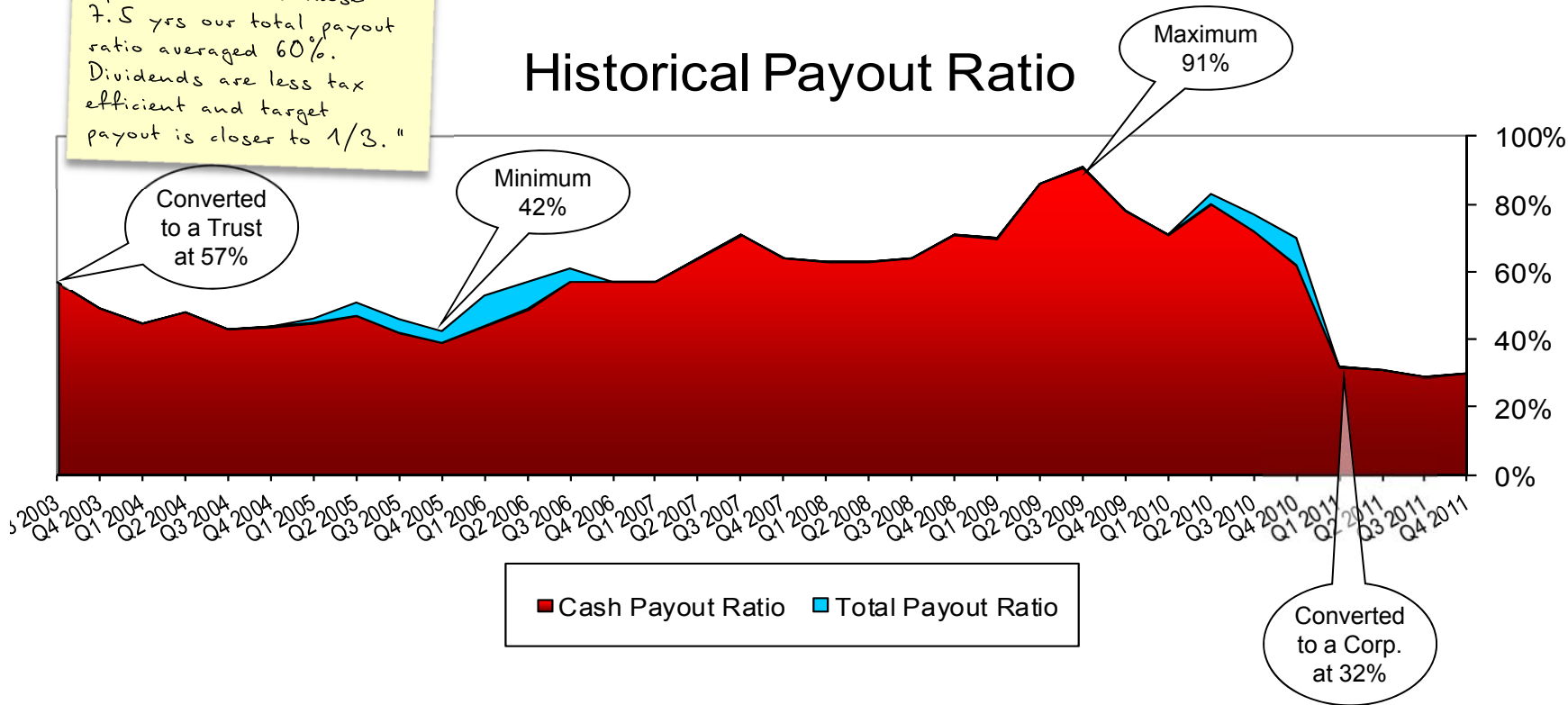
"At Peyto, our tax efficiency accumulates the old fashioned way, we build it."



Payout Ratio History

"Our plan as a Trust was to payout roughly 50% of the funds from operations. Over those 7.5 yrs our total payout ratio averaged 60%. Dividends are less tax efficient and target payout is closer to 1/3."

Historical Payout Ratio



Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Total Payout Ratio is prior to Distribution Re-investments

Gas Marketing

Future Sales

"Low risk reserves and production can be forward sold with confidence since you know they will still be there when the time comes."

Financial Hedges - Gas

				2011					2012					2013					2014																			
Term		GJ/d	Pricing (\$/GJ)	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O				
From	To																																					
1-Apr-10	31-Mar-12	5000	\$5.670	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Mar-12	5000	\$6.200	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-10	31-Mar-12	5000	\$5.820	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-10	31-Mar-12	5000	\$4.500	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Mar-12	5000	\$5.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Mar-12	5000	\$5.120	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Nov-10	31-Mar-12	5000	\$4.100	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Oct-12	5000	\$4.050	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Oct-12	5000	\$4.150	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Oct-11	5000	\$3.500	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Oct-12	5000	\$4.100	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Oct-11	5000	\$3.800	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Oct-12	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Mar-13	5000	\$3.800	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Nov-11	31-Mar-13	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-11	31-Mar-13	5000	\$4.055	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-May-11	31-Mar-12	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jun-11	31-Mar-13	5000	\$4.170	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jun-11	31-Mar-13	5000	\$4.100	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jun-11	31-Mar-13	5000	\$4.100	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jul-11	31-Oct-11	5000	\$4.030	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Oct-13	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Oct-13	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Oct-13	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Oct-13	5000	\$4.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Dec-12	5000	\$3.313	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Dec-12	5000	\$3.395	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jul-12	31-Oct-12	5000	\$2.320	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jul-12	31-Oct-12	5000	\$2.350	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Mar-14	5000	\$3.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Jun-12	31-Oct-12	5000	\$1.830	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Mar-13	5000	\$2.200	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Mar-13	5000	\$2.310	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-12	31-Mar-13	5000	\$2.520	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-May-12	31-Oct-13	5000	\$2.300	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Nov-12	31-Oct-13	5000	\$2.600	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Nov-12	31-Mar-14	5000	\$2.810	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Nov-12	31-Mar-14	5000	\$3.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Apr-13	31-Mar-14	5000	\$3.105	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Nov-12	31-Oct-14	5000	\$3.058	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
1-Aug-12	31-Oct-14	5000	\$3.100	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Avg (Gas only)																																						
Avg GJ/d				87,857					90,000					115,714					104,000					65,000					30,000					10,000				
Avg \$ per GJ				\$4.44					\$4.50					\$3.49					\$3.36					\$3.19					\$3.01					\$3.08				
Avg mcf/d				75,100					76,900					98,900					88,900					55,600					25,600					8,500				
Avg \$ per mcf				\$5.20					\$5.26					\$4.08					\$3.93					\$3.73					\$3.52					\$3.60				

•Assuming an Average Heating Value of 1.17 GJ/mcf for Peyto's gas

For 2012 we have ~41% of current production sold at \$4.29/mcf

Liquids Marketing

Future Sales

"We've now started hedging NGLs like we do gas, in small layers to smooth out the price."

Financial Hedges - Propane

Term				2012						2013						2014							
				A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
From	To	bbl/d	Pricing (\$/bbl)																				
1-Sep-12	31-Mar-13	66	\$49.56																				
1-Sep-12	31-Mar-13	66	\$44.10																				
Avg (propane)																							
Avg bbl/d				38						132						0							
Avg \$ per bbl				\$46.83						\$46.83						N.A.							

Financial Hedges - Iso-Butane

Term				2012						2013						2014							
				A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
From	To	bbl/d	Pricing (\$/bbl)																				
1-Sep-12	31-Mar-13	33	\$82.32																				
Avg (Iso-Butane)																							
Avg bbl/d				9						33						9							
Avg \$ per bbl				\$82.32						\$82.32						\$82.32							

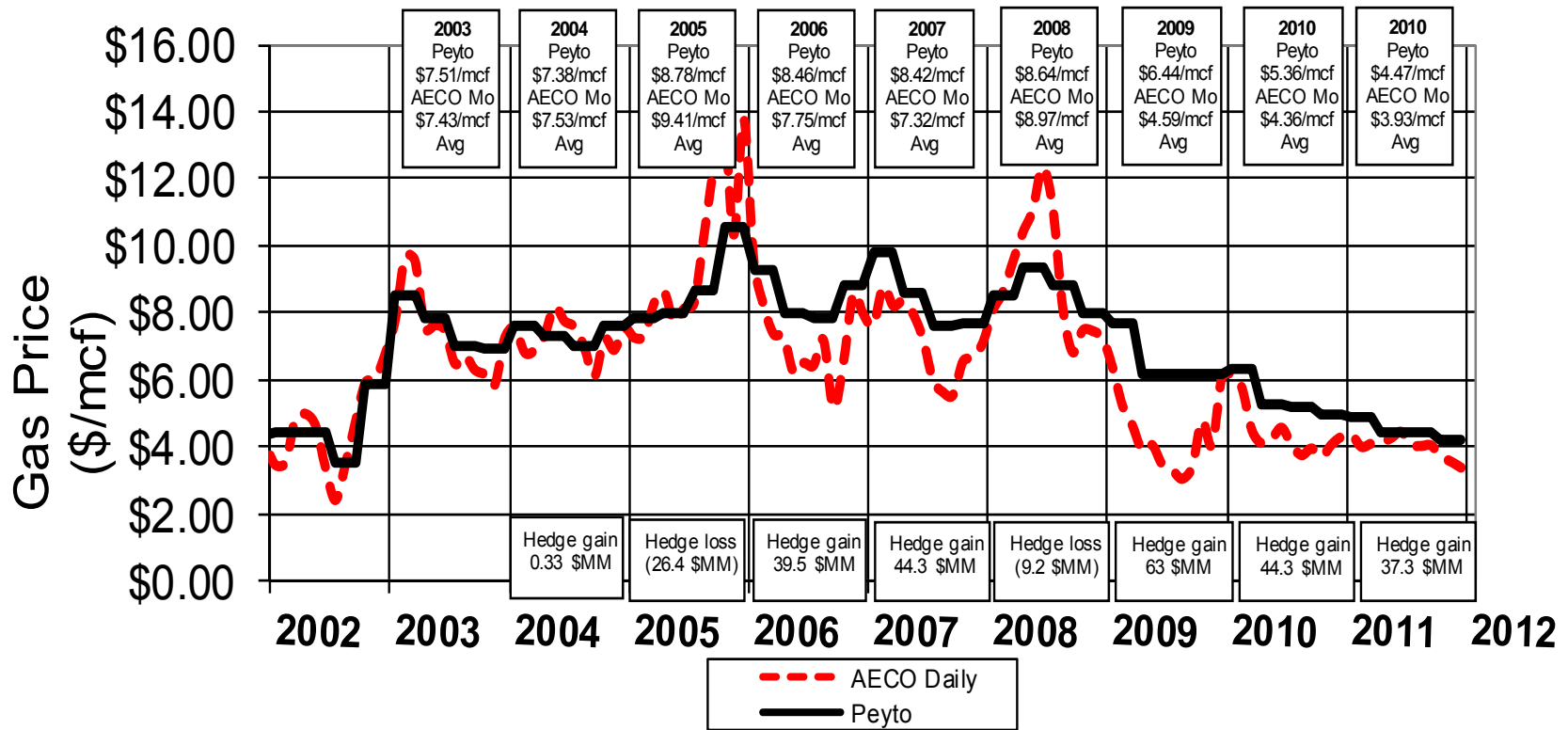
Financial Hedges - Butane

Term				2012						2013						2014							
				A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
From	To	bbl/d	Pricing (\$/bbl)																				
1-Sep-12	31-Mar-13	66	\$80.64																				
Avg (Butane)																							
Avg bbl/d				19						66						19							
Avg \$ per bbl				\$80.64						\$80.64						\$80.64							

Successful Hedging Strategy

Peyto Realized Price History

"The "dollar cost averaging" approach to our forward sales smooths out the volatility and avoids speculation. Forward price averaging can occur on up to 50% of gross production over a 24 month period."



Peyto's 2011 Reserves

Volumes

Category	Sales Gas (BCF)	Natural Gas Liquids & Oil (Mstb)	BOE's(Mstb)
Proven Producing	668	16,125	127,457
Proven Non-Producing	14	356	2,745
Proven Undeveloped	422	24,834	95,102
Total Proven	1,104	41,314	225,304
Probable Additional	496	14,525	79,977
Proved + Probable	1,600	55,839	322,427

InSite Petroleum Consultants February 2012 Reserve Report (effective: December 31, 2011)

Peyto's 2011 Reserves

Before Tax Net Present Value

"The effect of discounting on Peyto's NPV is significant because of the long life of our assets. Every year our asset base becomes more valuable because of the accretion of this discount."

Variable Price Economics

Category	NPV (millions of CDN dollars)			
	0%	5%	8%	10%
Proven Producing	\$ 4,809	\$ 2,624	\$ 2,049	\$ 1,792
Proven Non-Producing	\$ 97	\$ 43	\$ 29	\$ 23
Proven Undeveloped	\$ 2,796	\$ 1,306	\$ 878	\$ 681
Total Proven	\$ 7,702	\$ 3,972	\$ 2,956	\$ 2,496
Probable Additional	\$ 3,554	\$ 1,511	\$ 1,010	\$ 795
Proven + Probable	\$ 11,256	\$ 5,484	\$ 3,966	\$ 3,291

InSite Petroleum Consultants February 2012 Reserve Report (effective: December 31, 2011)

FAQ

Frequently Asked Questions

1. Peyto has had some spectacular growth over the last two years, how can that growth continue?

The profitable growth in production, reserves and funds from operations per share that we've experienced over the last two years is the result of achieving very good rates of return and improved capital efficiency on large capital programs. Much of that improvement is due to a shift to horizontal well development on our traditional tight gas resource plays which has resulted in quicker payout and faster reinvestment of capital, thus driving greater sustained growth. Peyto's superior assets and strong core competency within its technical team continue to yield undeveloped opportunities faster than we can develop them, further expanding our inventory of undeveloped opportunities.

2. Why is Peyto pursuing such high growth levels at low natural gas prices?

Peyto's strategy has always been to maximize returns for shareholders. Our low full cycle development costs and our low producing costs are the foundation for this return and provide robust economics through a spectrum of natural gas prices. History has shown us that when natural gas and oil prices rise, so too do service costs and industry activity levels. This results in much greater development costs and effectively the same rates of return being generated for higher natural gas prices. The problem is that prices tend to be cyclical and do not necessarily stay high to justify higher development costs. Peyto takes a counter-cyclical investment strategy and invests aggressively when gas prices are low, ensuring costs are also at their lowest and returns are at their highest.

3. What will the corporate decline rate be going forward with this growth?

As we've shown in previous analysis (President's Monthly Report May 2011), the only way for our base decline to rise is for us to deploy ever greater capital programs and combine larger volumes of new high-decline production with older low-decline production. In fact, we would have to increase the capital program by 35% or more every year just to hold the current corporate decline flat, otherwise it is expected to naturally come down over time, making it easier to grow.

4. How can this growth be funded in a low gas price environment?

Peyto is the lowest cost producer in Canada. That fact combined with our high heat content, liquids rich natural gas means we generate some of the highest netbacks of any gas weighted producer. By comparison, our netbacks rival those of much oilier companies and allows us to fund the bulk of our capital program and our dividend from our Funds from Operations. The remaining balance of our large capital programs can be funded from the strength of our balance sheet while maintaining a safe and conservative level of debt. As the value of our producing asset base grows, so does the amount of debt we can safely carry against it.

5. What is the end game with Peyto?

The strategy at Peyto has always been about recovering the maximum returns for shareholders on the capital we put to work. Everyday we produce and sell our reserves for more than it cost us to build them. Over the company's history this proven strategy has resulted in the largest shareholder "IRR" of any energy company on the TSX and a track record of 12 consecutive years of positive earnings. As long as there are future returns to be generated, Peyto will be hard at work.

6. How much running room is there in terms of locations relative to some of the other Deep Basin players?

Not all land holdings or drilling inventories are the same amongst industry competitors. Likewise, the means by which future locations are funded and when they are developed plays a large part in the real returns that shareholders ultimately realize. At Peyto, we have as many as 10 years of high quality drilling inventory in front of us with several more initiatives in the Deep Basin currently underway which could extend this timeline. Our proven track record of using internal funding to "build it for less than we sell it" in a timely manner will play a large part in ensuring these future opportunities generate accretive returns for shareholders.