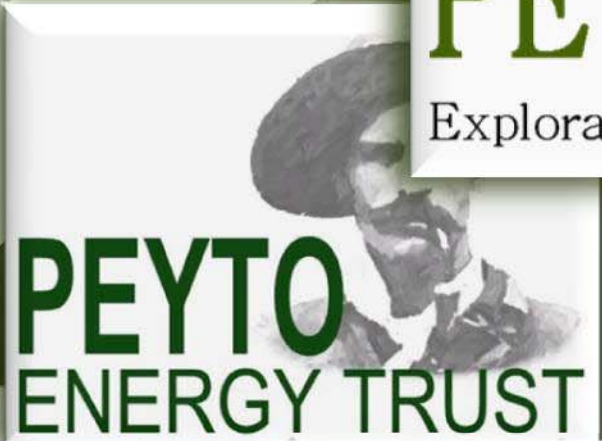
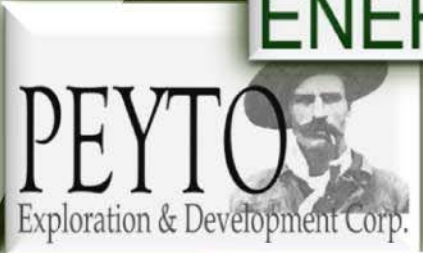


**2011 -**



**2003 - 2010**



**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](http://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: 144 million (5% insider ownership)
- ✱ Current Production: 300 MMCFe/d (51,000 boe/d)
- ✱ Net Debt:
  - \$100 million (senior secured notes, 7 yr, 4.39% coupon, Prudential IM)
  - \$50 million (senior secured notes, 10 yr, 4.88% coupon, Prudential IM)\*
  - (Q3 2012) \$534 million (revolving bank debt)
  - \$684 million
- ✱ Bank Lines: \$880 million total capacity (\$730 revolving facility)
- ✱ Enterprise Value: \$4.3 billion (\$25/share)

*BOE factor - 6 mcf = 1 bbl of oil equivalent*

*Reserve and production volumes are before royalty deductions*

*\*An additional \$50MM of senior secured notes, 10 yr, 4.88% were issued on Sept 6/12 replacing bank debt*

# 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

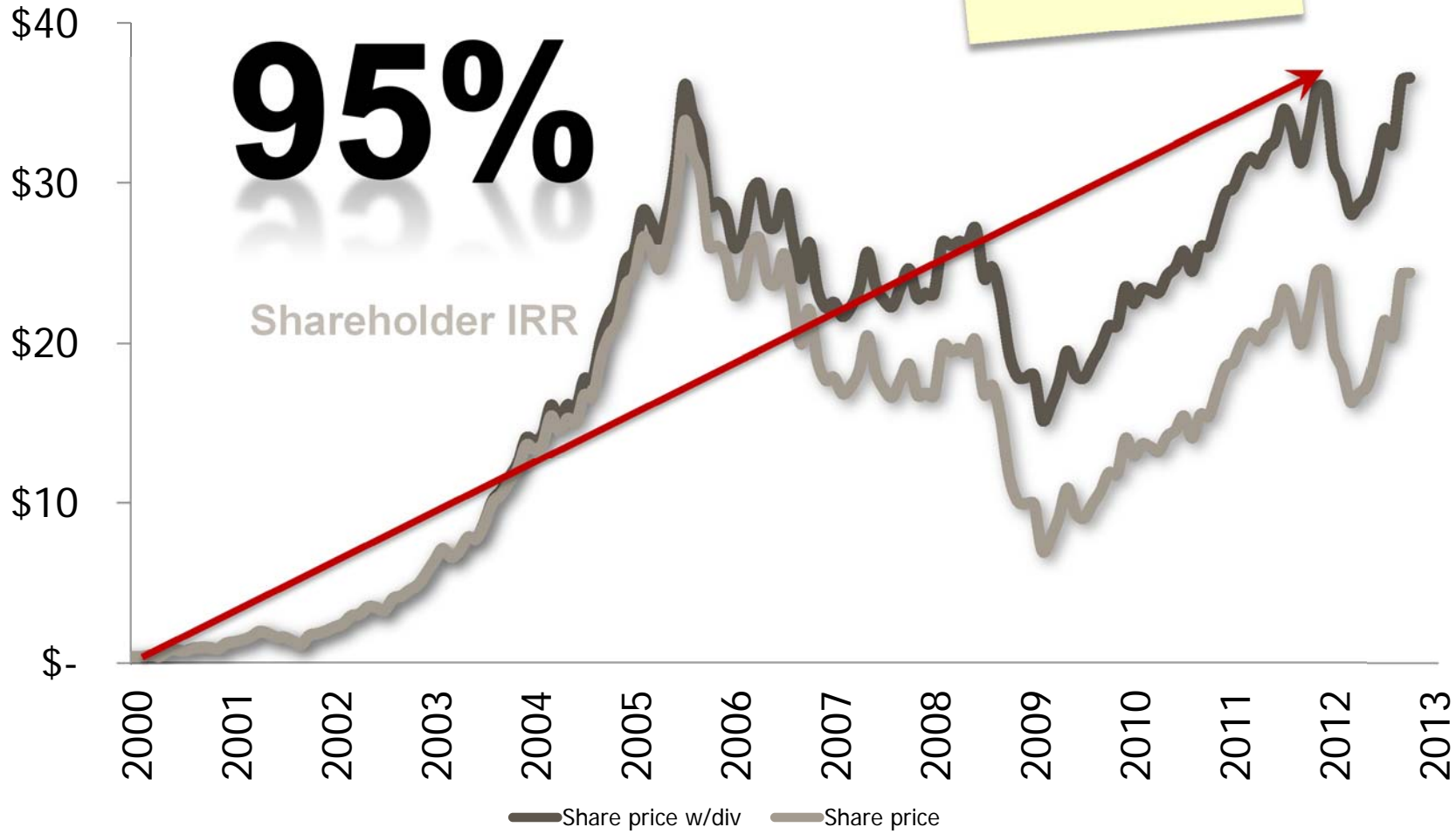
- ✦ Return on capital (ave 21%)
- ✦ Return on equity (ave 40%)
- ✦ Shareholder rate of return (compound average 95%)

\*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%!"

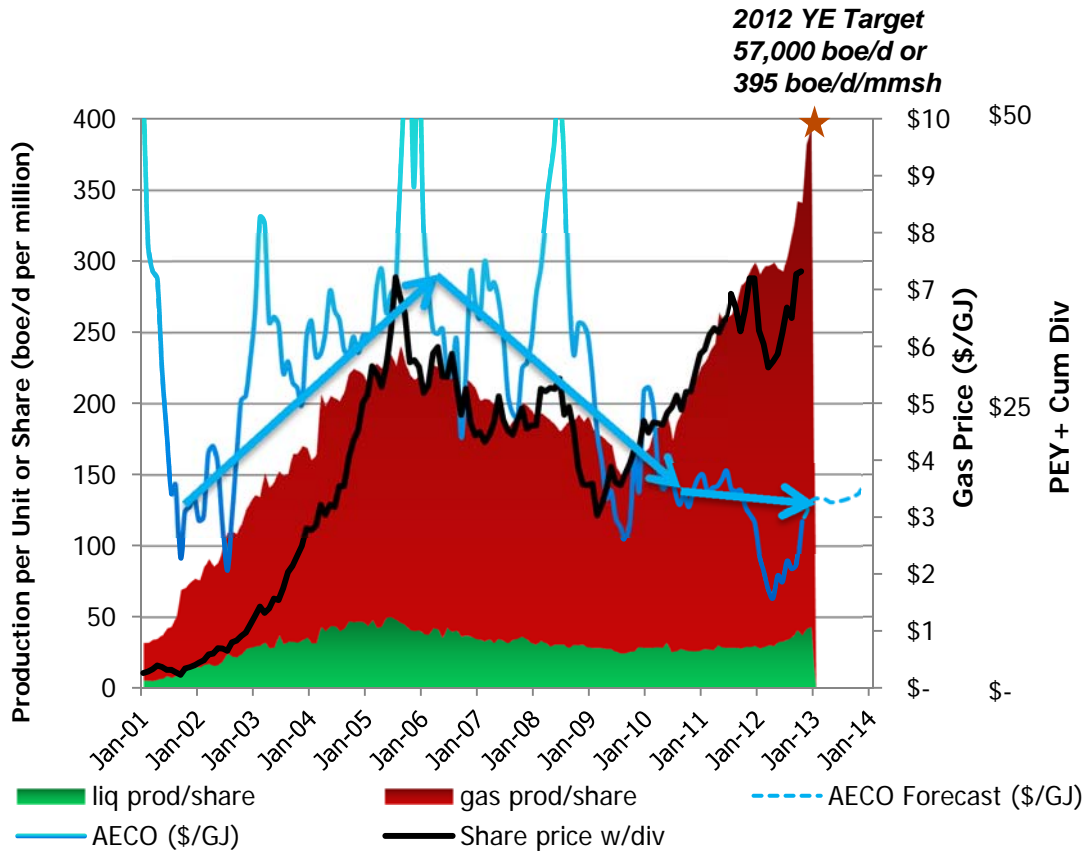


Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split  
 Oct 23, 1998 price of \$0.075/share, Dec 30, 2011 price of \$24.39/share

# The Peyto Strategy

## Growth per Share

"Peyto delivered 35% production per share growth from Q4 2010 to Q4 2011. Over the last 3 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

# Peyto's Profitable Business



# Peyto's Profitable Business

"Build it for less than we sell it"

"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."

## PEY 2011A

PDP FD&A  
\$/mcfe

(\$2.12)

|                              |                    |
|------------------------------|--------------------|
| Land                         | \$25MM             |
| Seismic                      | \$3MM              |
| Drilling                     | \$175MM            |
| Compl.                       | \$104MM            |
| Wellsite                     | \$32MM             |
| Facilities                   | <u>\$40MM</u>      |
|                              | \$379MM            |
| ΔPDP Reserves (before Prod.) | 29.8 mmboes        |
| PDP FD&A                     | \$12.72/boe        |
|                              | <b>\$2.12/mcfe</b> |

Cash Costs  
\$/mcfe

(\$1.35)

|                    |                      |
|--------------------|----------------------|
| Royalties          | (\$0.53)             |
| Opex               | (\$0.35)             |
| Transport          | (\$0.13)             |
| G&A                | (\$0.06)             |
| Interest           | <u>(\$0.28)</u>      |
| <b>Total Costs</b> | <b>(\$1.35/mcfe)</b> |

Sales Price  
\$/mcfe

\$5.47

\$3.44/GJ  
x 160%\*  
\$5.47/mcfe

Profit

\$2.00

BOE factor - 6 mcfe = 1 bbl of oil equivalent

\* 2011 uplift for NGLs and heat content from average Alberta daily natural gas price (\$/GJ) to hedged realized effective price (\$/mcfe)



# 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<br>\$/mcfe    | (\$4.20)         | (\$4.74)         | (\$4.31)          |
| Cash Costs<br>\$/mcfe  | (\$3.91)         | (\$3.64)         | (\$3.63)          |
| Sales Price<br>\$/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

# Payout History

*Peyto's Dividend Sustainability*

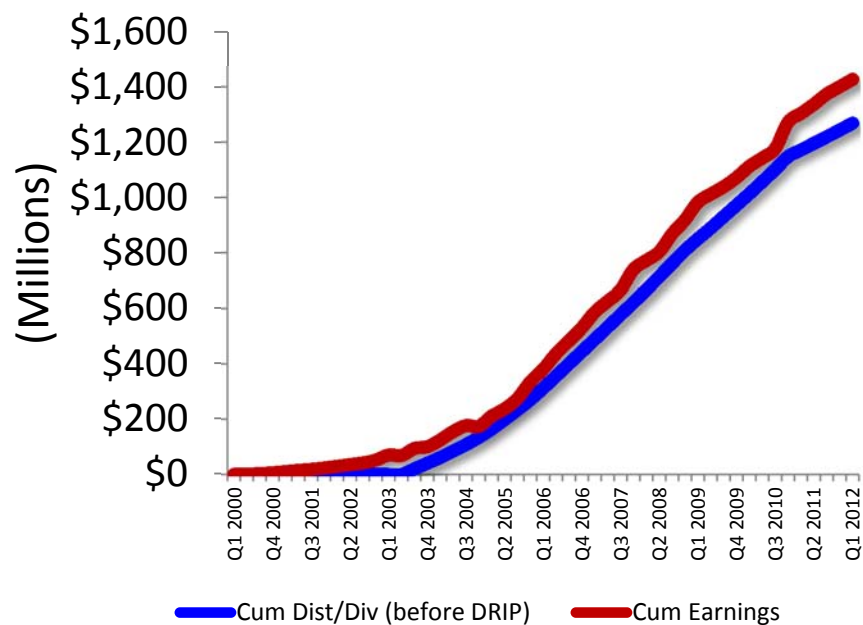
"The best way to ensure sustainable distributions (trust) and dividends (corp.) is to generate earnings. That's where they are supposed to come from and that's where Peyto's come from."

# \$1.5B

Peyto Cum. Earnings  
Q3/12

# \$1.3B

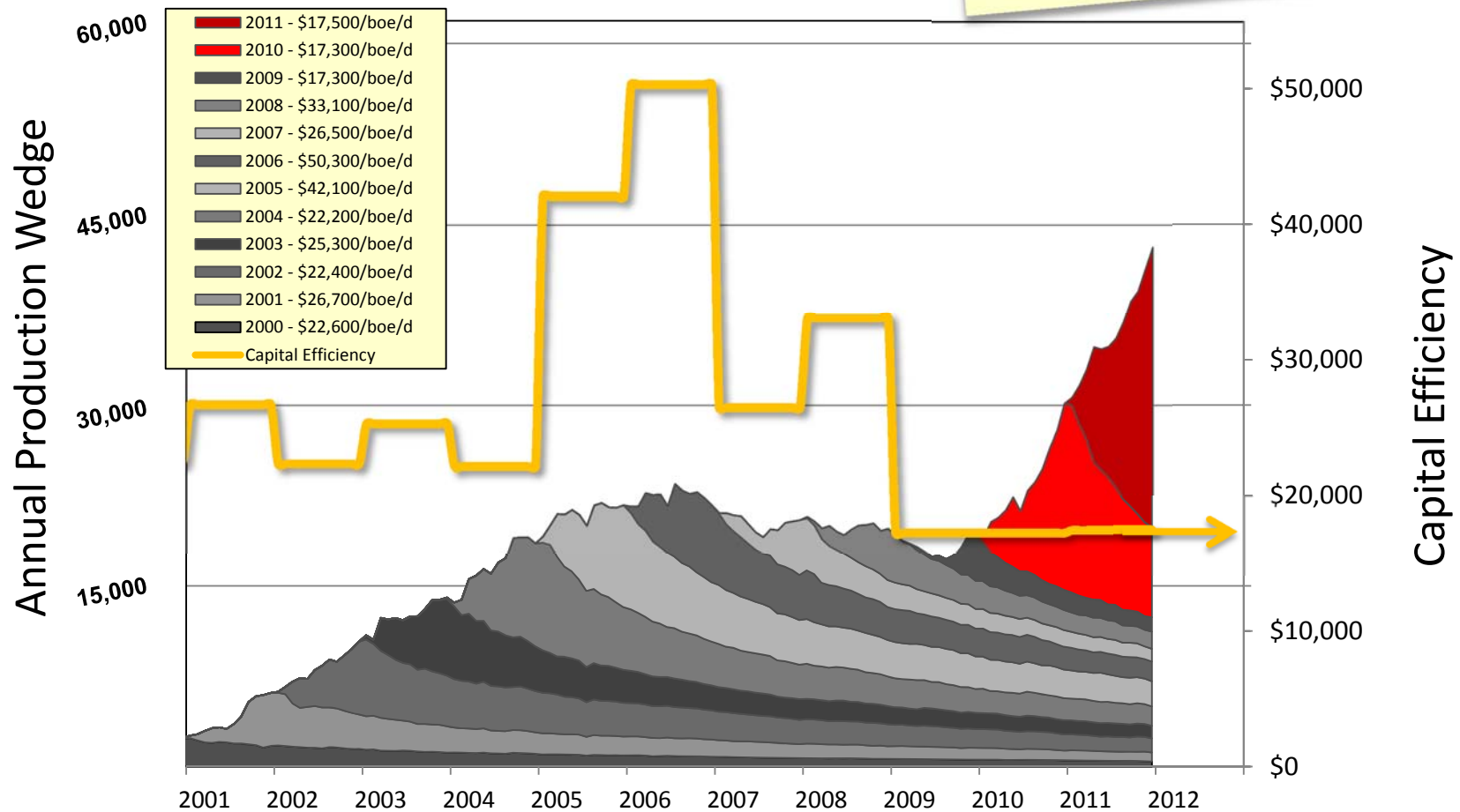
Peyto Cum. Dist/Div.  
Q3/12



# Peyto's Profitable Business

## Focus on Returns Drives Capital Discipline

"Peyto tries to be countercyclical with its investment activity, aggressively building when costs are low to deliver maximum return."

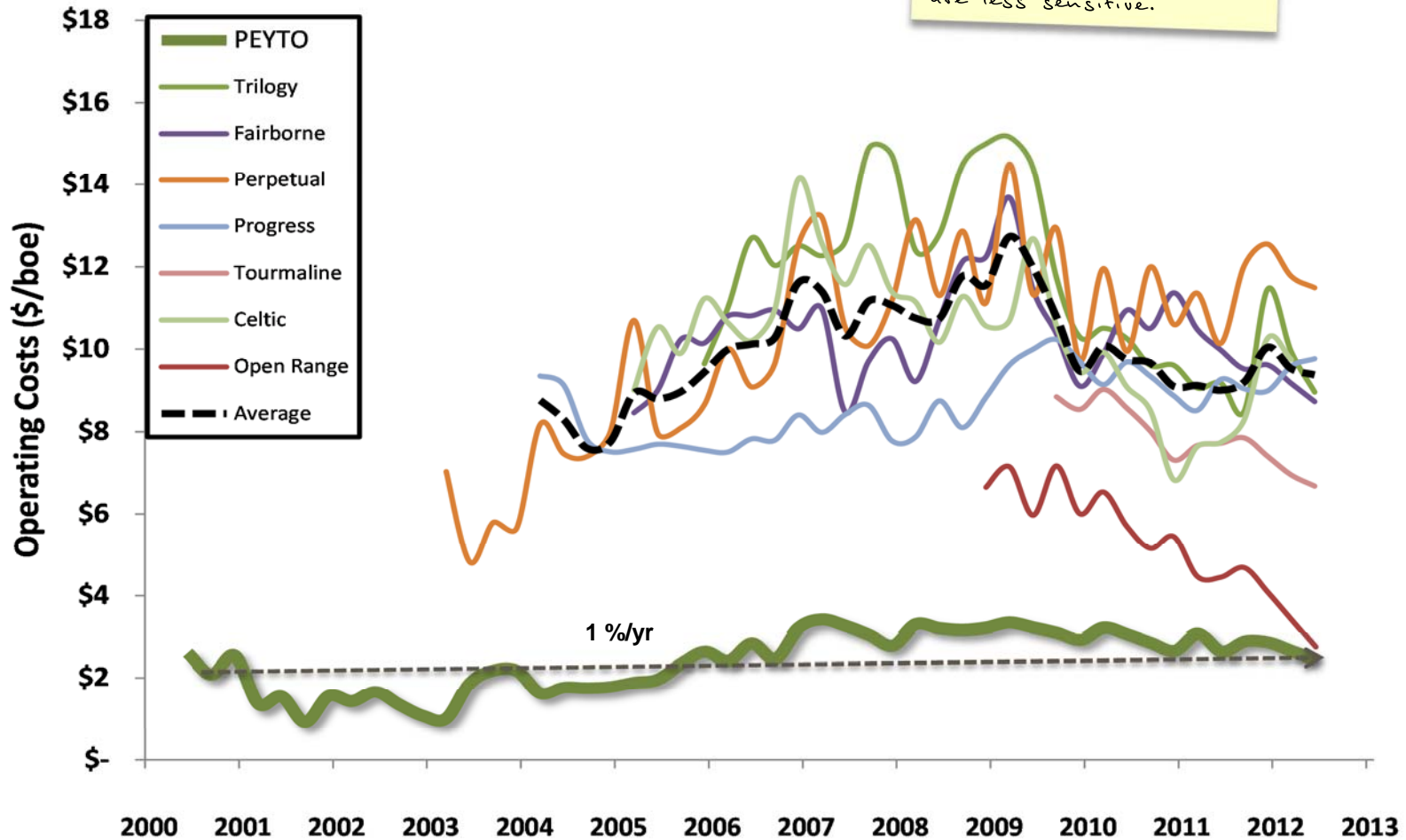


\* Capital Efficiency is the cost to add new production measured at Dec 31 each year. Example: In 2011, Peyto invested \$379MM to build 21,700 boe/d for a capital efficiency of \$17,500/boe/d.

# Peyto's Profitable Business

## 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."



# Peyto's Unique Assets



# Peyto's Assets

## Geographically Focused Core Areas

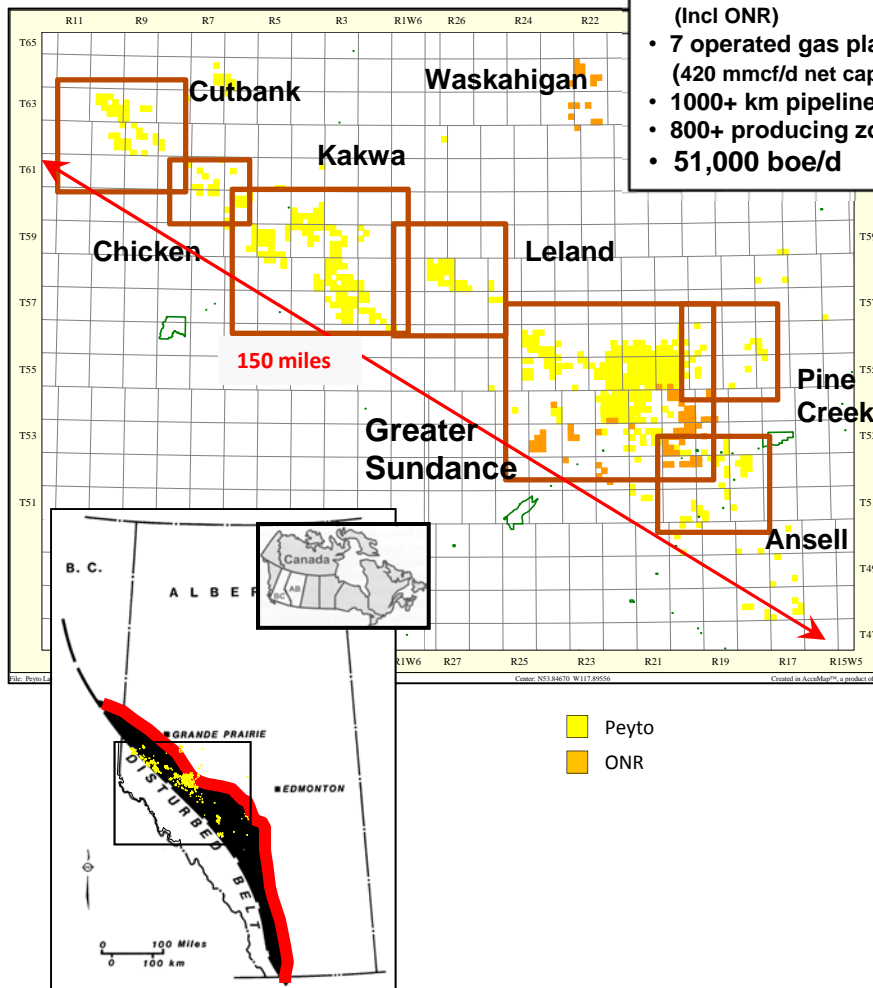
"Peyto operates 99% of its production and processes 95% of that production through the seven owned and operated, gas plants. Concentration and control are how you achieve low costs."

**95%**  
Processed by Peyto

**99%**  
Operated by Peyto

**96%**  
Interest in 7 Processing Facilities

- 400,000 net acres (Incl ONR)
- 7 operated gas plants (420 mmcf/d net capacity)
- 1000+ km pipelines
- 800+ producing zones
- 51,000 boe/d

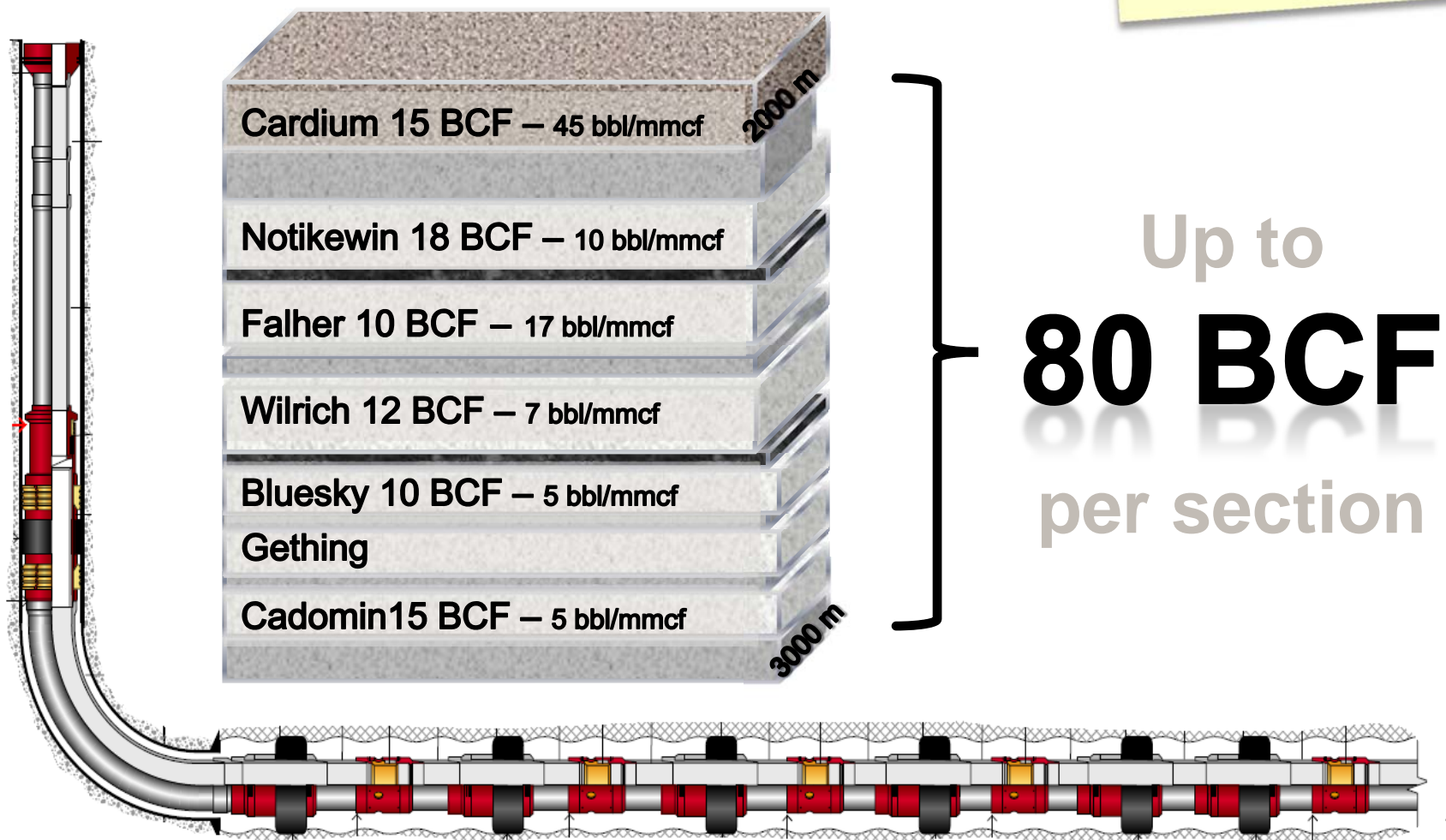


■ Peyto  
■ ONR

# Peyto's Assets

## Multi Zone Stacked Sandstone Reservoirs

"At 15 bcf per section, the 134 new sections added in 2012 have up to 2.0 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

Deep Basin Lands Go A Long Way

# 626

Net Peyto Sections

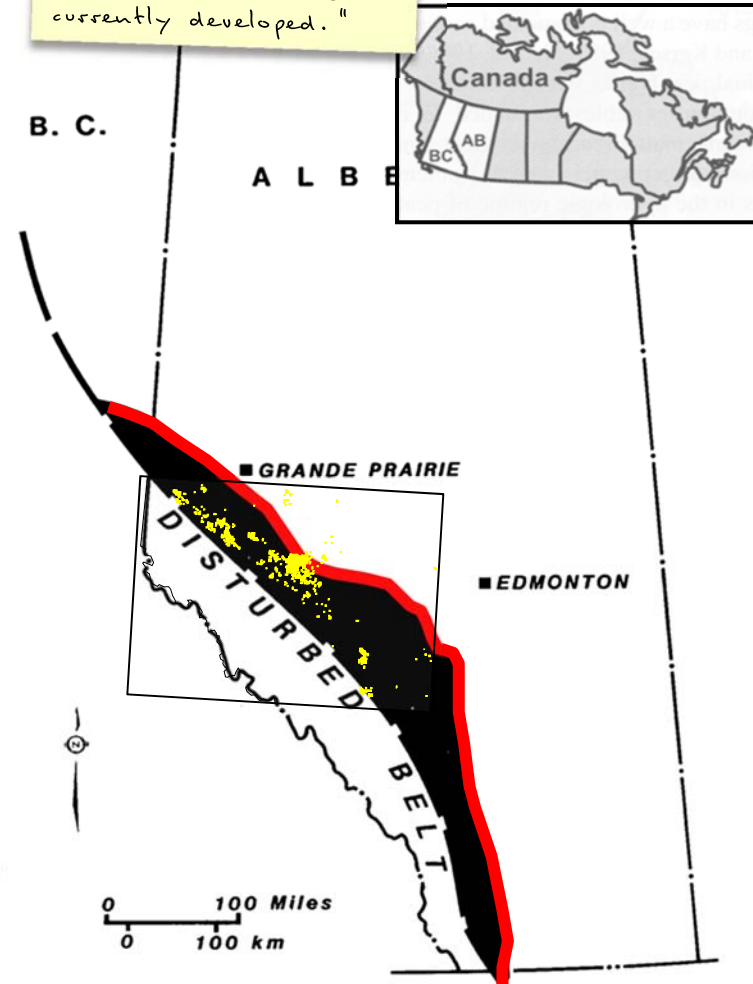
# 1,353

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

# 228

Net Sections for 2.2 TCFe of 2P EUR\*

"Peyto's land position in the Deep Basin has grown by over 30% in 2012, which multi zone potential more than doubles. Less than 10% of the land is currently developed."



TCFe – Trillion Cubic Feet equivalent  
Lands at October 31, 2012

\*Based on InSite Petroleum Consultants (formerly Paddock Lindstrom & Ass.) Dec 31, 2011 Reserve Report.



# 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> |
| <b>SMOKY</b>         |                             |                       |                                   |                                    |
| CHINOOK              |                             |                       |                                   |                                    |
| PUSKWASKAU           |                             |                       |                                   |                                    |
| BADHEART             |                             |                       |                                   |                                    |
| MUSKIKI              |                             |                       |                                   |                                    |
| CARDIUM              |                             |                       |                                   |                                    |
| KASKAPAU             |                             |                       |                                   |                                    |
| DOE CK.              |                             |                       |                                   |                                    |
| POUCE COUPE          |                             |                       |                                   |                                    |
| DUNVEGAN             |                             |                       |                                   |                                    |
| SHAFTS-BURY          |                             |                       |                                   |                                    |
| BELLE FOURCHE        |                             |                       |                                   |                                    |
| FISH SCALE           |                             |                       |                                   |                                    |
| WESTGATE             |                             |                       |                                   |                                    |
| PADDY                |                             |                       |                                   |                                    |
| CADOTTE              |                             |                       |                                   |                                    |
| HARMON               |                             |                       |                                   |                                    |
| NOTIKWIN             |                             |                       |                                   |                                    |
| A                    |                             |                       |                                   |                                    |
| B                    |                             |                       |                                   |                                    |
| C                    |                             |                       |                                   |                                    |
| D                    |                             |                       |                                   |                                    |
| E                    |                             |                       |                                   |                                    |
| F                    |                             |                       |                                   |                                    |
| FALHER               |                             |                       |                                   |                                    |
| WILRICH              |                             |                       |                                   |                                    |
| BLUESKY              |                             |                       |                                   |                                    |
| GETHING              |                             |                       |                                   |                                    |
| CADOMIN              |                             |                       |                                   |                                    |
| <b>FORT ST. JOHN</b> |                             |                       |                                   |                                    |
| <b>BULL-HEAD</b>     |                             |                       |                                   |                                    |
| <b>TOTAL</b>         | <b>432</b>                  | <b>48</b>             | <b>200</b>                        | <b>57</b>                          |
|                      | <b>5</b>                    | <b>1</b>              | <b>6</b>                          | <b>10</b>                          |
|                      | <b>1</b>                    | <b>2</b>              | <b>2</b>                          | <b>12</b>                          |
|                      | <b>90</b>                   | <b>40</b>             | <b>44</b>                         | <b>84</b>                          |
|                      | <b>7</b>                    | <b>13</b>             | <b>12</b>                         | <b>49</b>                          |
|                      | <b>14</b>                   | <b>13</b>             | <b>22</b>                         | <b>99</b>                          |
|                      | <b>14</b>                   | <b>93</b>             | <b>83</b>                         | <b>117</b>                         |
|                      | <b>4</b>                    | <b>6</b>              | <b>14</b>                         | <b>67</b>                          |
|                      | <b>12</b>                   | <b>2</b>              | <b>21</b>                         | <b>205</b>                         |
|                      | <b>87</b>                   | <b>2</b>              | <b>21</b>                         | <b>205</b>                         |
|                      | <b>652</b>                  | <b>216</b>            | <b>404</b>                        | <b>700</b>                         |

Over 1100 Locations

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

# Peyto's Assets

## Liquids Rich Natural Gas

"Propane only sold for \$20/bbl in Q3 but that was still almost 2.5 times better than the what we would have received had we left it in gas phase."

### Peyto Q3 2012 Realized Prices

Natural Gas      \$2.08/GJ\*\*

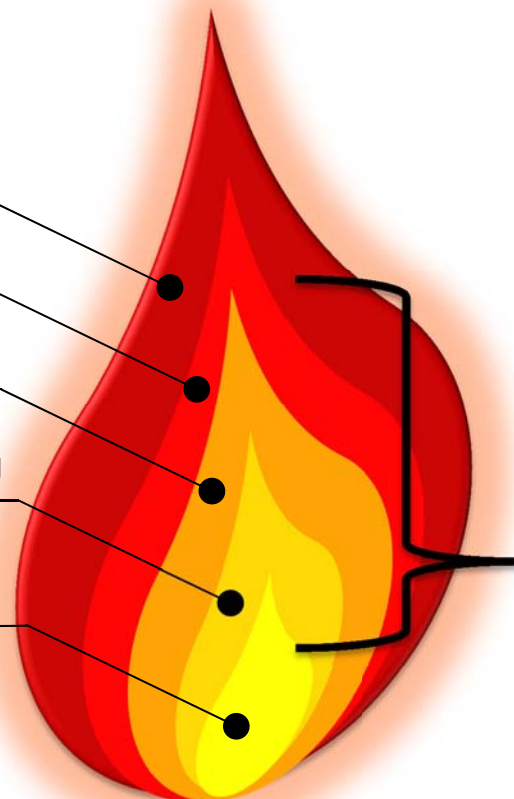
Ethane C<sub>2</sub>H<sub>6</sub>      \$7/bbl = \$2.45/GJ\*

Propane C<sub>3</sub>H<sub>8</sub>      \$20/bbl = \$4.86/GJ

Butane C<sub>4</sub>H<sub>10</sub>      \$58/bbl = \$13.00/GJ

Pentanes C<sub>5</sub>      \$93/bbl = \$17.76/GJ

Condensate C<sub>5</sub>+      \$90/bbl



### Liquid Conversion

| Existing Refrig. (-35C) | "Cheap" Cut (-80C)   | Deep Cut (-110C)     |
|-------------------------|----------------------|----------------------|
| 1% C <sub>2</sub>       | 1% C <sub>2</sub>    | 40% C <sub>2</sub>   |
| 30% C <sub>3</sub>      | 90% C <sub>3</sub>   | 95% C <sub>3</sub>   |
| 50% C <sub>4</sub>      | 99% C <sub>4</sub>   | 99% C <sub>4</sub>   |
| 97% C <sub>5</sub> +    | 99% C <sub>5</sub> + | 99% C <sub>5</sub> + |

\*Q3 2012 Liquids prices are monthly average Peyto realized prices after pipeline/fractionation/transportation costs (not volume weighted.)

Equivalent gas price uses the gas equivalent and heat values for each liquid component

\*\*Q2 2012 Alberta natural gas price averaged \$1.74/GJ

# Peyto's Assets

## The Peyto "Cheap" Cut

"Peyto's cheap cut liquids recovery project is a choke plant addition to the sales side of our existing plants, allowing us to extract only the most valuable liquids."



3-4,000 KPa  
15-20 °C  
Gas/Liquid

19-37,000 KPa  
75-110 °C  
Gas

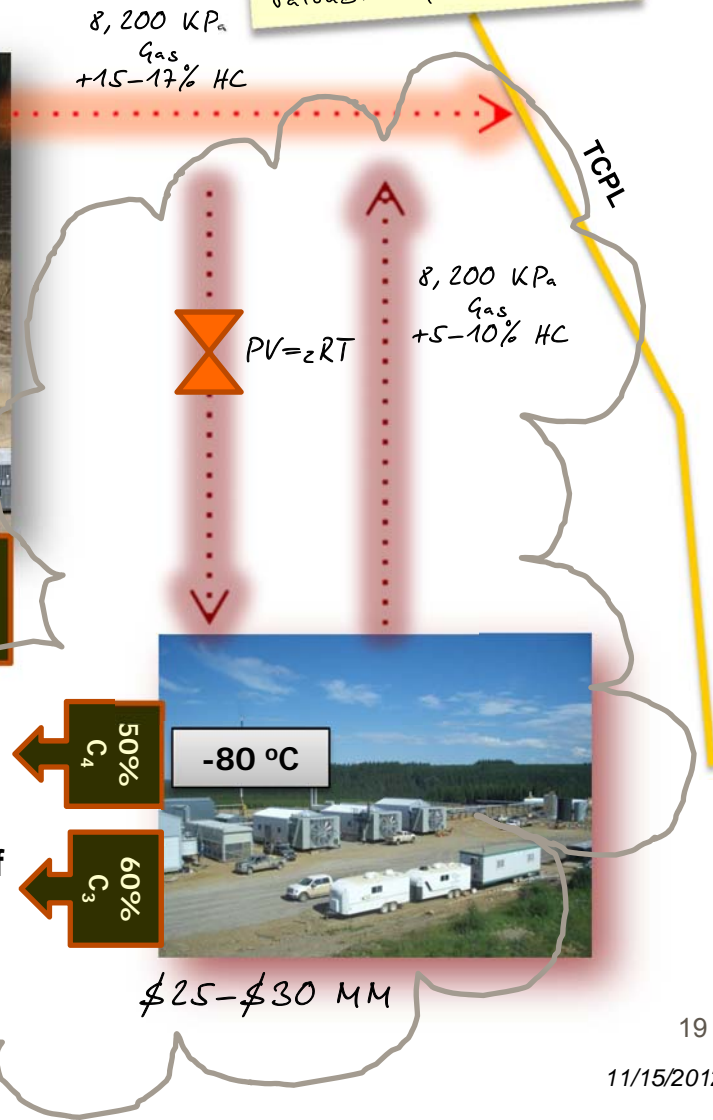


22 bbls/mmcf

15 bbls/mmcf



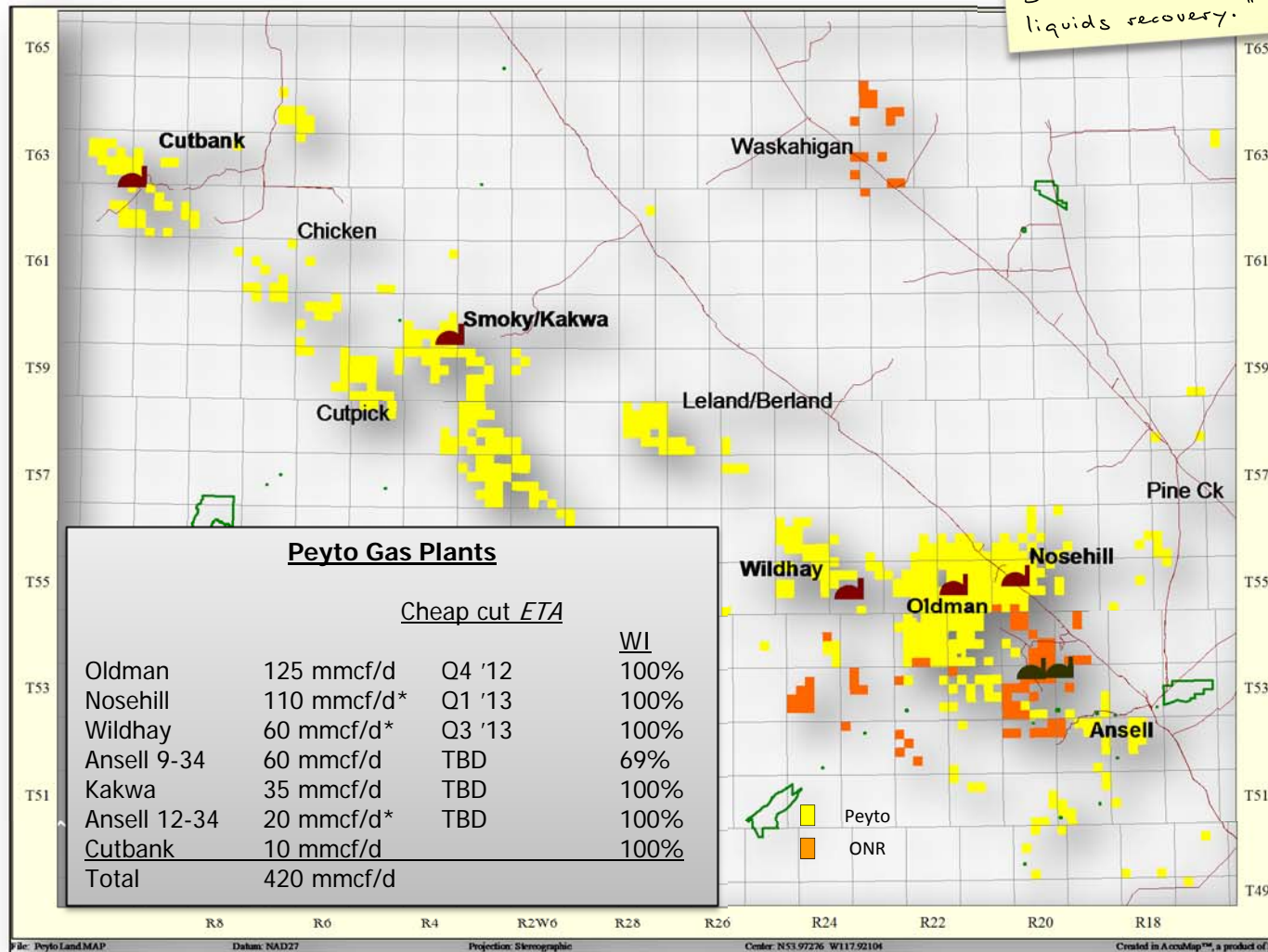
\$25-\$30 MM



# Peyto's Assets

## Facility Ownership and Control

"We'll begin installing "cheap cut" liquids extraction facilities at our largest plants in 2012. The ONR assets are a logical fit that will also benefit from additional liquids recovery."

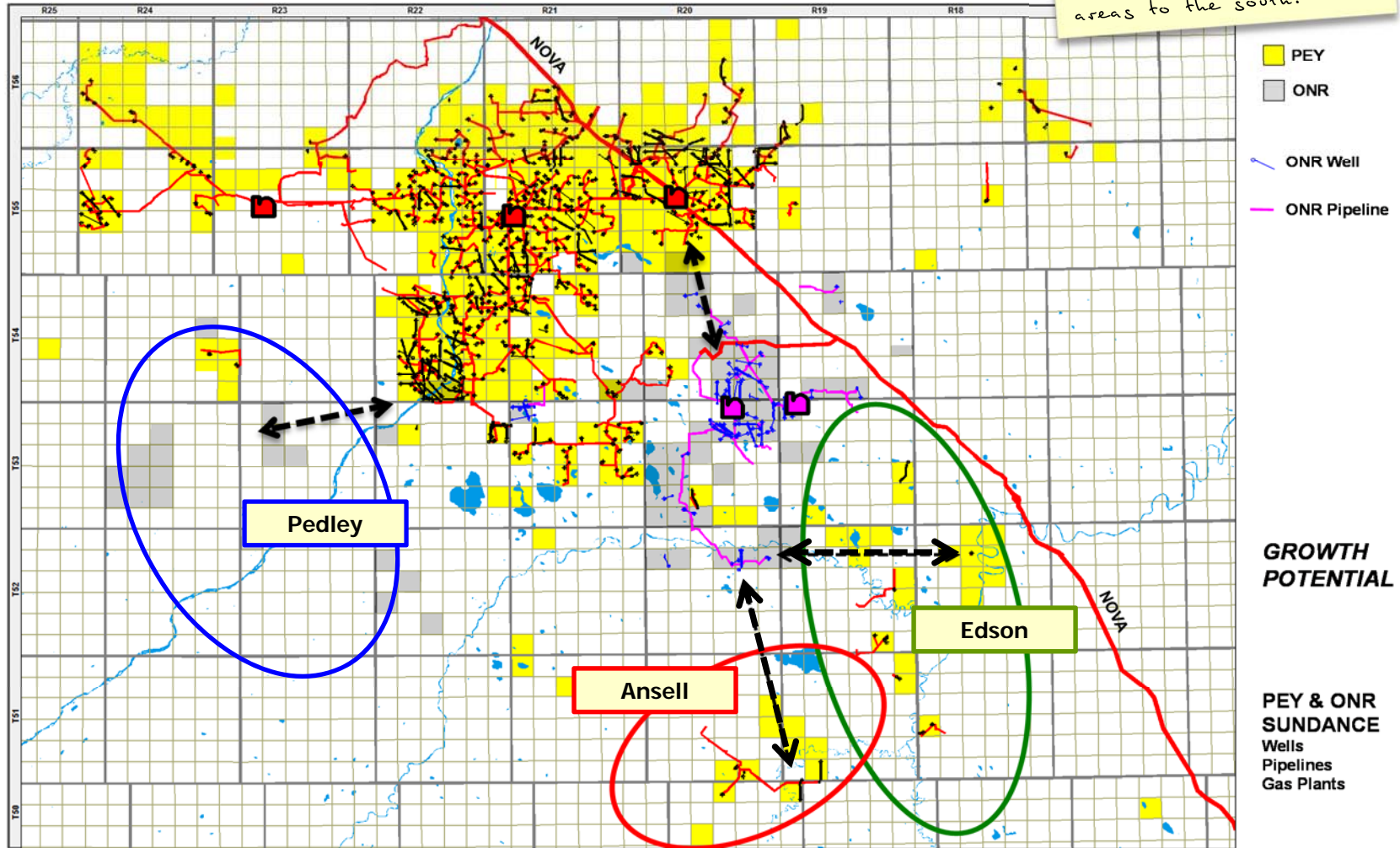


\* These plants have immediate expansion capability with just additional compression

# Peyto's Assets

## PEY/ONR Strategic Fit

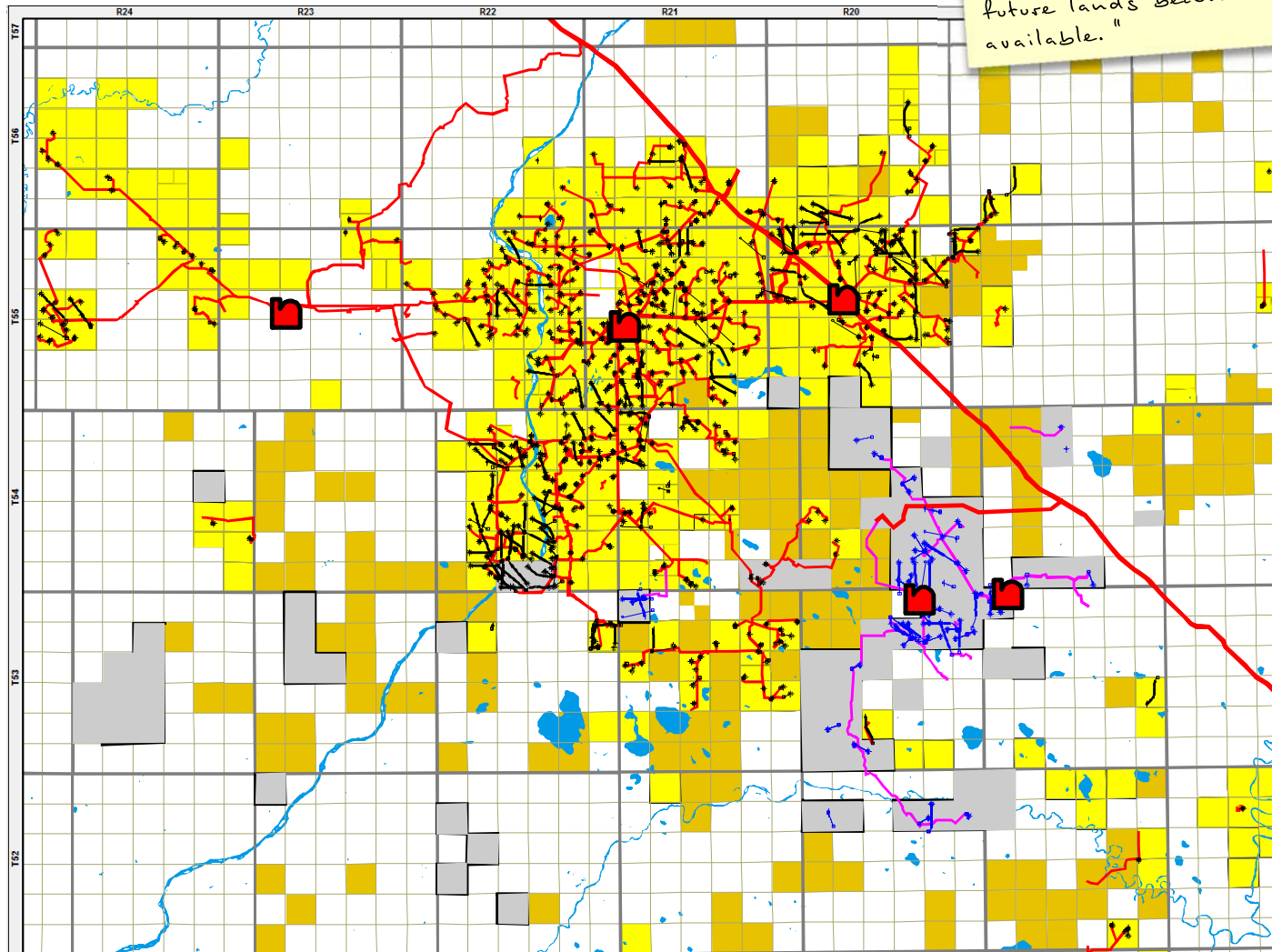
"A map of the Sundance area shows what a logical fit the ONR assets have with Peyto's core area. We can use their plants to access our new step out areas to the south."



# PEY/ONR Strategic Fit

## ONR is Step 1 in Longer Term Plan

"With the Open Range lands and infrastructure, Peyto is in a position to dominate the Greater Sundance Area when future lands become available."



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

**SPIRIT RIVER  
12 MONTH PNG  
EXPIRY**

**Notikewin  
Falher  
Wilrich**

\*Expiries to July 2013, not reflective of possible continuations

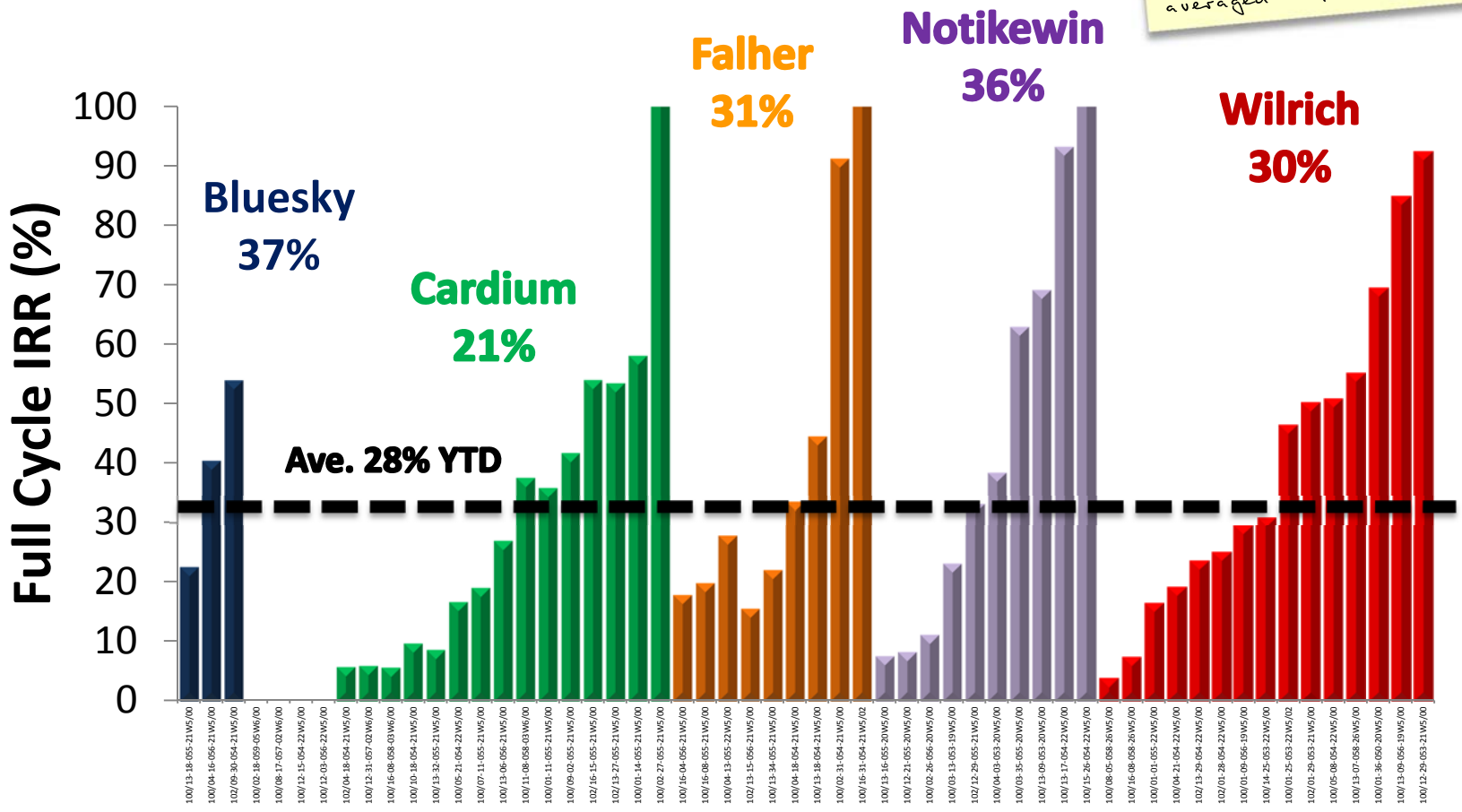
# Peyto's Incredible Returns



# Peyto's Profitable Business

## Returns Focus Requires Flexible Capital Allocation

"Peyto constantly reviews the economic results of each well and tries to allocate capital to only the best projects and formations going forward. 2012 looks to have averaged 28% so far."



Includes provision of \$520k per well for Facilities, Land and Seismic  
 Full Cycle IRR on 2012 Wells by Species (Actual 2012 Pricing to Sep, then Oct 29, Strip)



# Peyto's Returns

High Returns on Capital and Equity

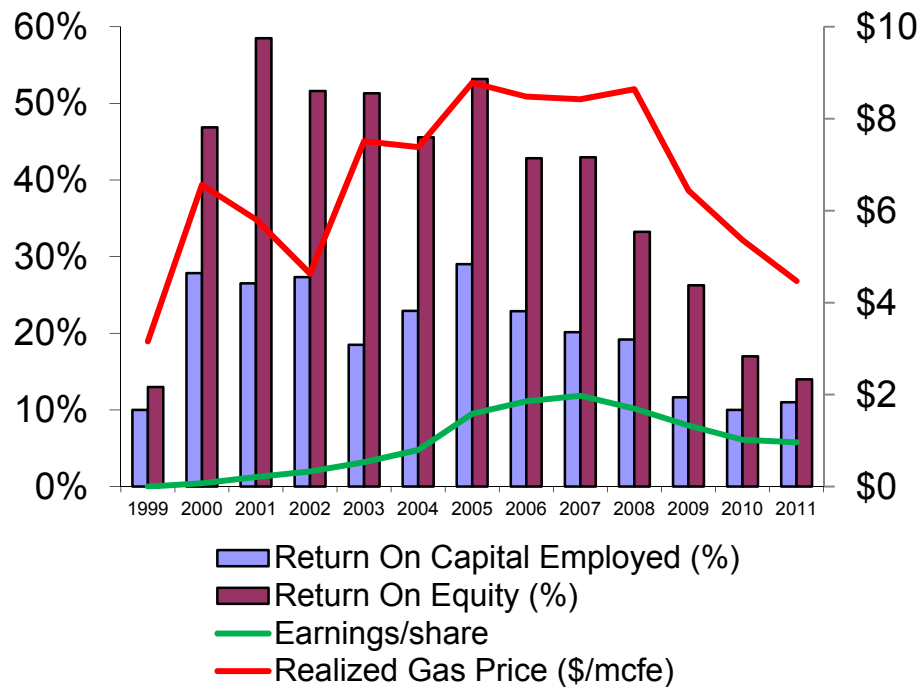
"Good well economics and IRRs should translate into good corporate returns. Peyto's do, with average ROE of 40% and ROCE of 21%."

# 40%

12 yr Average ROE

# 21%

12 yr Average ROCE



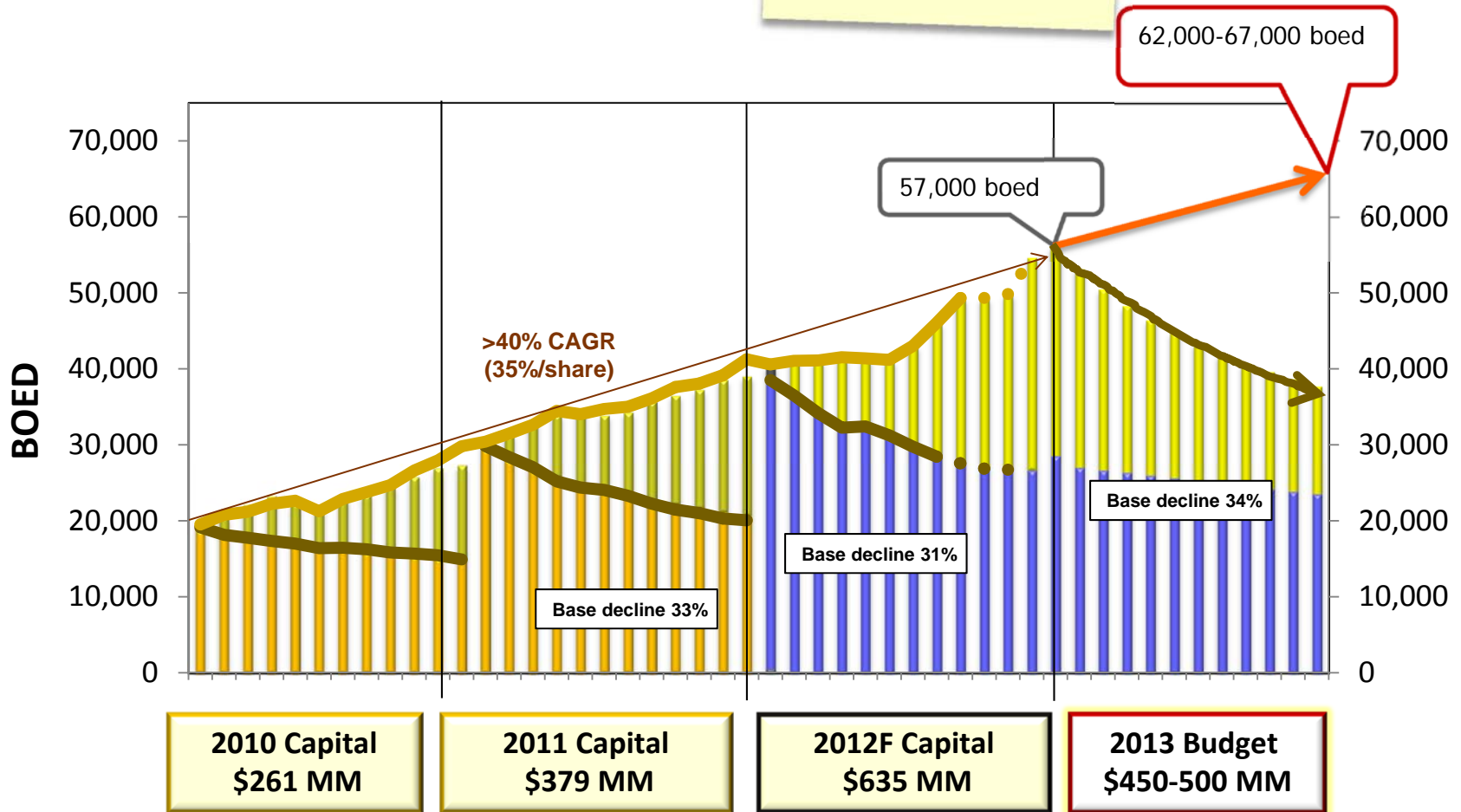
Return on Equity (ROE) is earnings for the period divided by average unitholders equity – reveals how much profit a company generates with the money shareholders have invested

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

# 2013 Outlook

Continued Counter Cyclical Growth

"Our 2013 budget of \$500MM assumes approx. 100 gross (85 net) wells can add 29,000 boe/d of new production at our 4yr average \$17.5k/boe/d."



# 2013 Outlook

*Biggest Year Ever*

"Our 2013 budget calls for more of the same. Horizontal drilling in the Deep Basin with infrastructure expansion to handle the new volumes."

**\$450M-**  
**\$500M**

2013 Capital Program

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

# Peyto's Returns

Maintain a Strong Balance Sheet

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

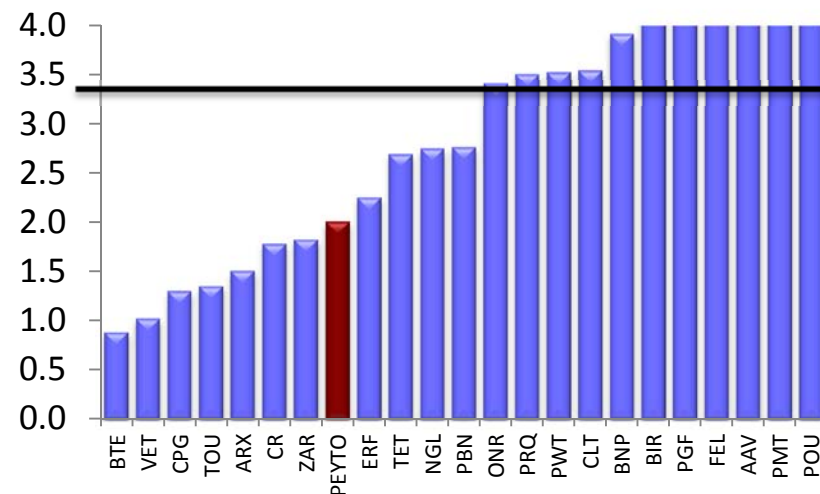
# 2.0

Peyto Q2/12 D/FFO

# 3.4

Industry Ave. Q2/12 D/FFO

### Q2 2012 Net Debt/FFO



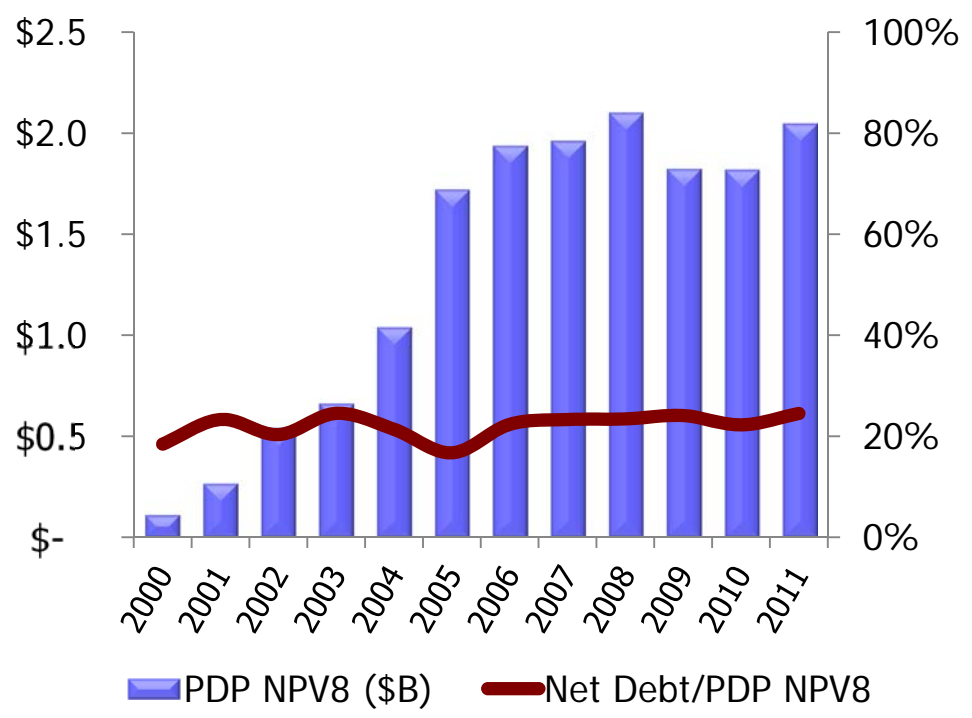
# Peyto's Returns

## Careful Use of Debt

"Peyto has consistently carried less than 25% leverage on our asset base, using PDP NPV<sub>8</sub> (banks use NPV<sub>7</sub>). 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

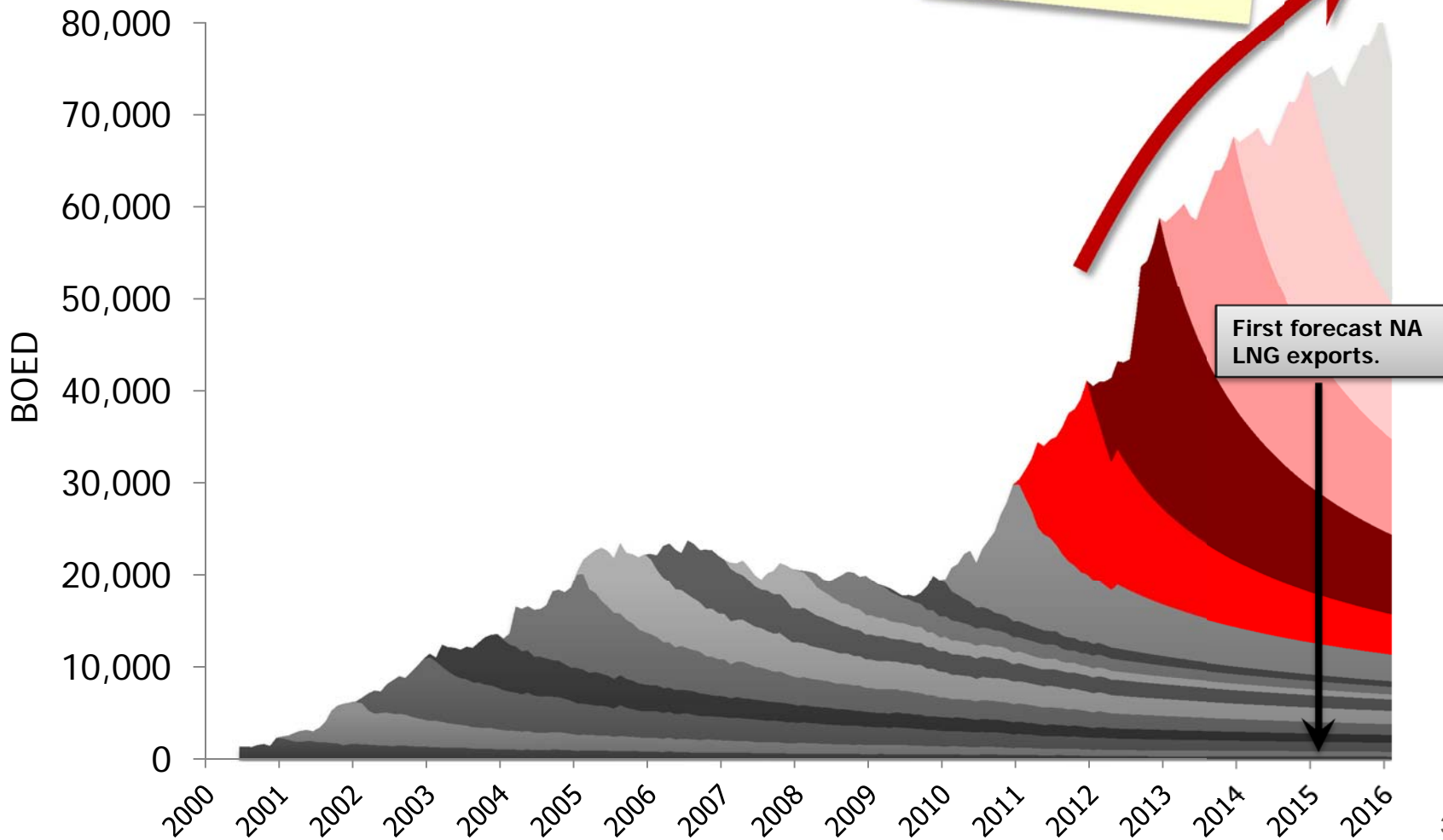


Proved Developed Producing (PDP) Net Present Value (NPV) discounted at 8%, as evaluated by the Independent Engineering firm InSite Petroleum Consultants (formerly Paddock Lindstrom & Associates) Annual Reserve Report (Effective December 31 each year)

# Future 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
- Peyto's Profitable Business
- Peyto's Assets
- Peyto's Returns
- Tax Pools
- Gas Marketing
- Liquids Marketing
- Hedging Strategy
- FAQ

# Quarterly Track Record

|                                    | 2012    |         |         | Total   | 2011    |         |         |         | Total   | 2010    |         |         |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                    | Q3      | Q2      | Q1      |         | Q4      | Q3      | Q2      | Q1      |         | Q4      | Q3      | Q2      |
| <b>Operations</b>                  |         |         |         |         |         |         |         |         |         |         |         |         |
| <u>Production</u>                  |         |         |         |         |         |         |         |         |         |         |         |         |
| Oil & NGLs (bbl/d)                 | 5,236   | 4,480   | 4,101   | 3,856   | 3,947   | 3,918   | 3,811   | 3,746   | 3,389   | 3,439   | 3,322   | 3,465   |
| Natural gas (mcf/d)                | 244,794 | 221,176 | 220,811 | 189,653 | 212,715 | 194,832 | 183,790 | 166,710 | 122,031 | 148,551 | 122,717 | 112,422 |
| Barrels of oil equivalent (boe/d)  | 46,035  | 41,343  | 40,903  | 35,465  | 39,400  | 36,390  | 34,443  | 31,531  | 23,728  | 28,197  | 23,775  | 22,202  |
| Year over Year % Growth            | 27%     | 20%     | 30%     | 49%     | 40%     | 53%     | 55%     | 53%     | 28%     | 47%     | 34%     | 23%     |
| <u>Average Product Prices</u>      |         |         |         |         |         |         |         |         |         |         |         |         |
| Oil & NGLs (\$/bbl)                | 68.62   | 71.27   | 84.83   | 81.67   | 88.04   | 78.07   | 84.06   | 76.19   | 65.31   | 67.06   | 59.66   | 65.58   |
| Natural gas (\$/mcf)               | 3.06    | 2.86    | 3.53    | 4.47    | 4.21    | 4.43    | 4.43    | 4.92    | 5.36    | 4.93    | 5.16    | 5.25    |
| Operating expenses (\$/mcfe)       | 0.46    | 0.41    | 0.45    | 0.48    | 0.47    | 0.49    | 0.45    | 0.52    | 0.48    | 0.45    | 0.48    | 0.51    |
| Field Netback (\$/mcfe)            | 3.29    | 3.16    | 3.75    | 4.46    | 4.32    | 4.41    | 4.41    | 4.75    | 5.02    | 4.75    | 4.83    | 4.82    |
| <b>Financial (\$000)</b>           |         |         |         |         |         |         |         |         |         |         |         |         |
| Revenue (net of royalties)         | 95,410  | 80,471  | 93,661  | 383,496 | 104,393 | 98,261  | 91,186  | 89,655  | 286,020 | 80,921  | 69,650  | 64,649  |
| Funds from Operations <sup>1</sup> | 76,918  | 64,732  | 77,645  | 314,622 | 80,410  | 82,506  | 77,010  | 74,696  | 236,956 | 69,201  | 56,743  | 52,415  |
| Net earnings (loss)                | 23,058  | 18,201  | 26,868  | 128,183 | 26,036  | 37,741  | 32,718  | 31,688  | 200,414 | 95,419  | 32,567  | 24,696  |
| Capital expenditures               | 317,089 | 45,924  | 98,632  | 379,061 | 94,688  | 111,570 | 69,017  | 103,786 | 264,364 | 113,403 | 64,123  | 37,439  |
| Net Debt <sup>2</sup>              | 683,540 | 519,328 | 512,627 | 465,391 | 465,391 | 526,743 | 474,008 | 453,376 | 404,944 | 404,944 | 457,959 | 417,854 |
| Common shares outstanding (000)    | 143,886 | 138,486 | 138,312 | 137,960 | 137,960 | 133,061 | 133,061 | 133,061 | 132,811 | 132,811 | 122,136 | 121,476 |
| Weighted average shares            | 142,069 | 138,399 | 138,312 | 133,196 | 133,913 | 133,061 | 133,061 | 132,737 | 120,549 | 125,726 | 121,766 | 119,420 |
| <b>Per share data</b>              |         |         |         |         |         |         |         |         |         |         |         |         |
| Funds from operations              | 0.54    | 0.47    | 0.56    | 2.36    | 0.60    | 0.62    | 0.58    | 0.56    | 1.96    | 0.55    | 0.47    | 0.44    |
| Earnings (loss)                    | 0.16    | 0.13    | 0.19    | 0.96    | 0.19    | 0.28    | 0.25    | 0.24    | 1.66    | 0.76    | 0.27    | 0.21    |
| Dividends (Distributions)          | 0.18    | 0.18    | 0.18    | 0.72    | 0.18    | 0.18    | 0.18    | 0.18    | 1.44    | 0.36    | 0.36    | 0.36    |

<sup>1</sup> 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.

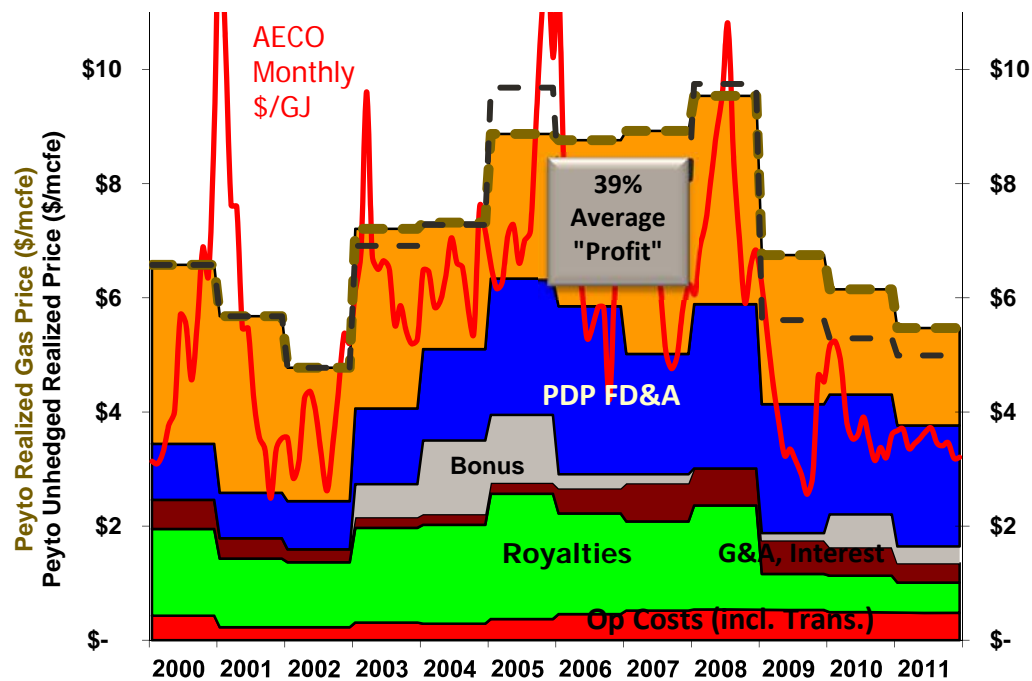
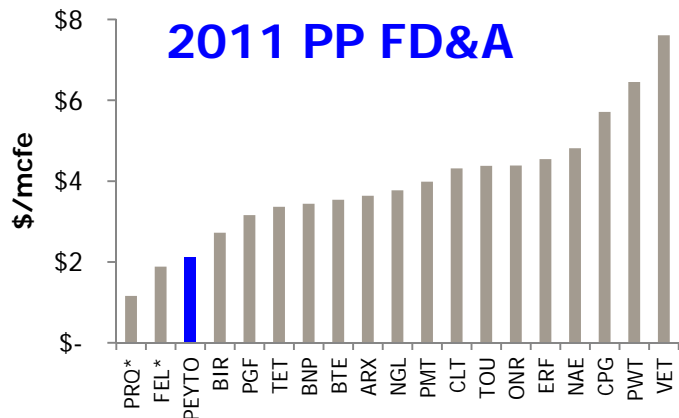
<sup>2</sup> Net debt does not include provision for future performance based compensation, site restoration, abandonment and income taxes.



# 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

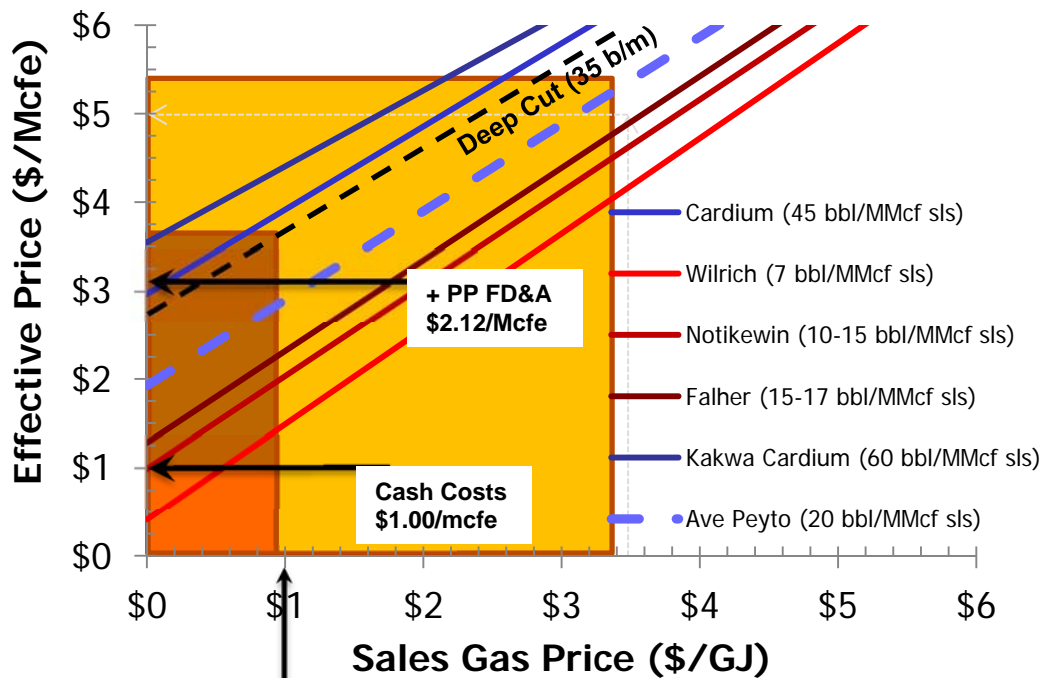
\* Proved Producing FD&A inclusive of significant dispositions

# Peyto's Profitable Business

## Liquids Rich Gas Streams

"Using 2013 prices of \$100/bbl oil and \$3/GJ gas, and assuming a 22 bbl/mmcf liquid yield Peyto could net almost \$25/boe with \$6/boe cash costs."

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



With the Deep Cut and Peyto's total costs, we need <\$1/GJ to generate a 15% return

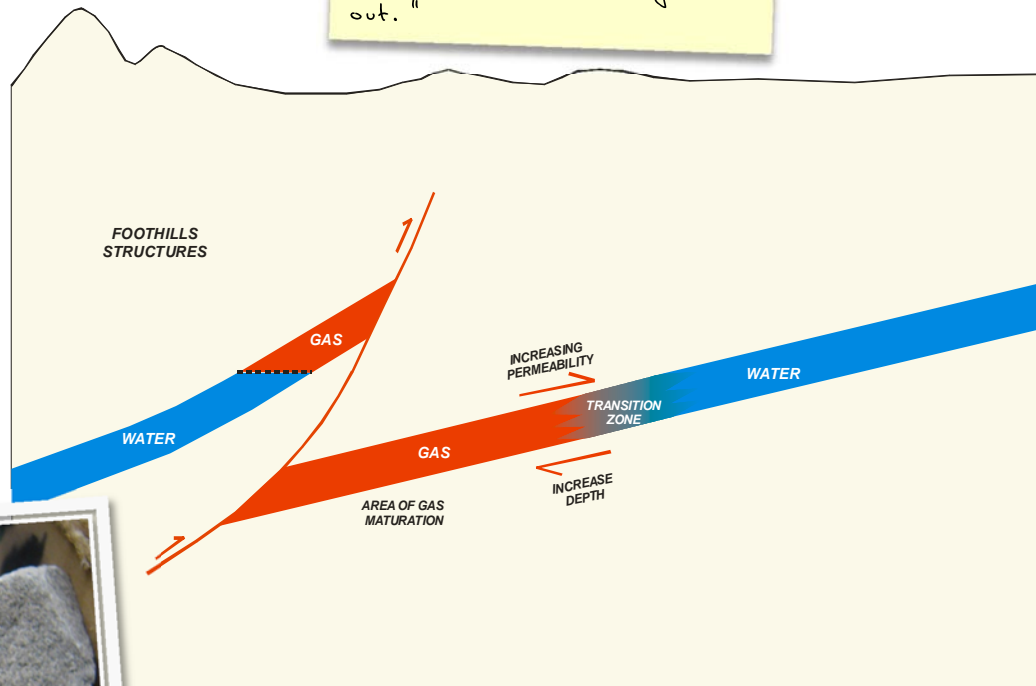
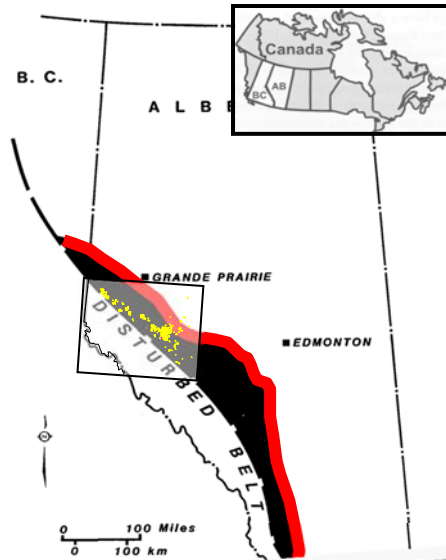
**\$2**

Min. Realized Gas Price (\$/Mcfe)

# 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

## Longest Reserve Life

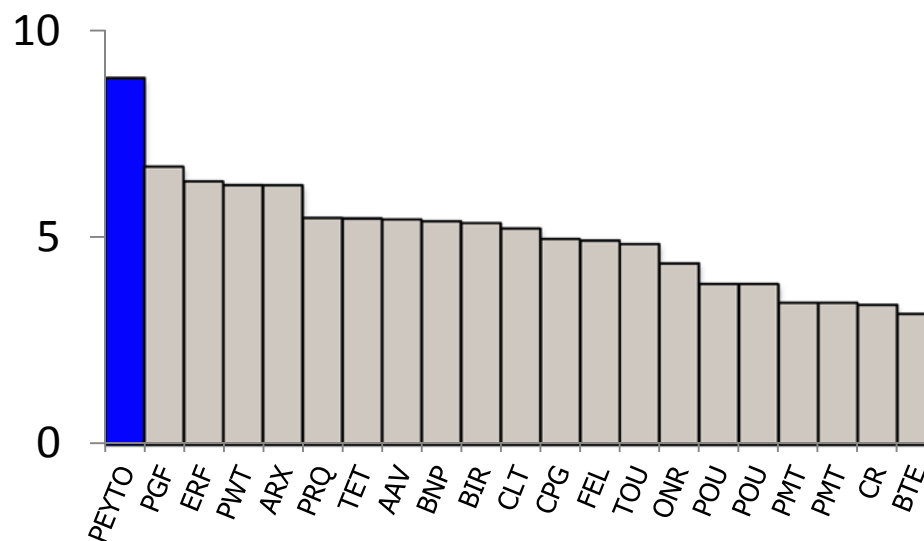
"Peyto is a pure play unconventional tight gas company. Others may claim to have long reserve life assets but only because they are measuring current production against undeveloped reserves, not the reserves associated with the current production"

9

Peyto 2011 PP RLI (yrs)

5

Industry 2011 PP RLI (yrs)



# Peyto's Assets

## Lowest Operating Costs

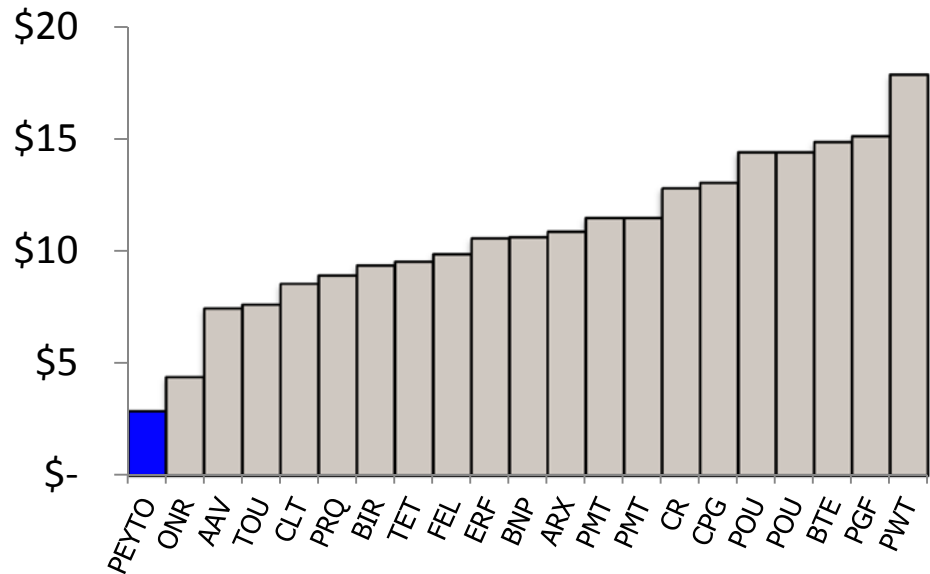
"Peyto's operating costs are not just low, they are unique in the Canadian energy sector."

# \$3

Peyto 2011 Op Costs (\$/boe)

# \$11

Industry 2011 Op Costs (\$/boe)

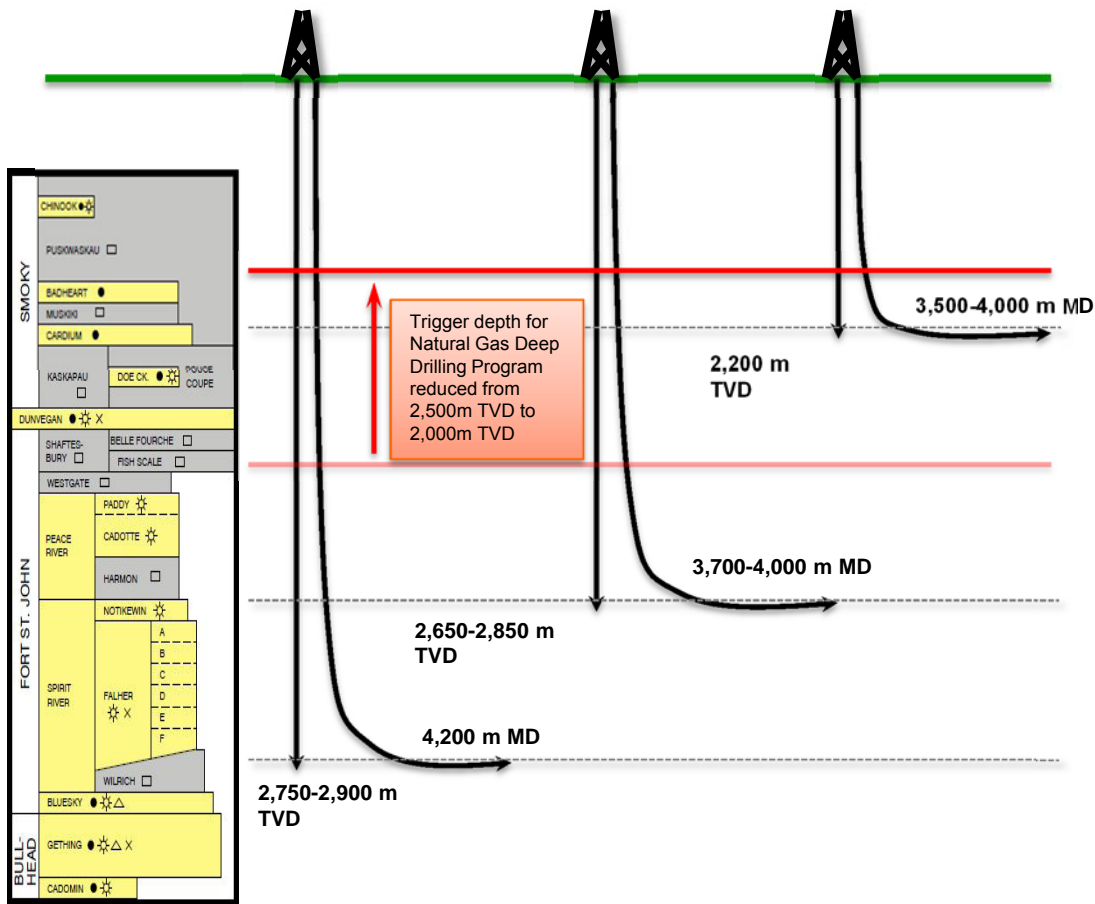


Operating Costs include Transportation costs. (\$/boe)  
BOE factor - 6 mcf = 1 bbl of oil equivalent

# Peyto's Assets

## 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

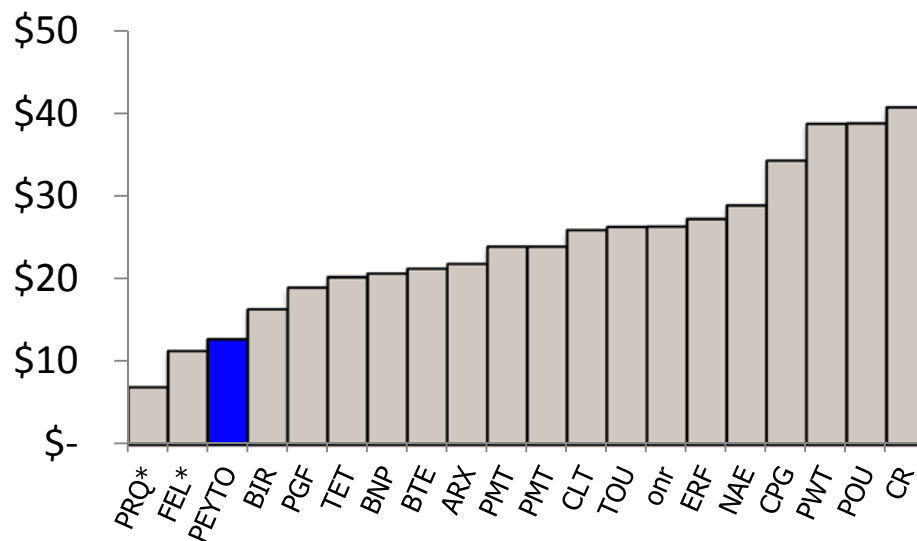
"Proved Producing is the most critical category to evaluate since sooner or later all reserves have to come on production to cover their cost."

# \$13

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

# \$25

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



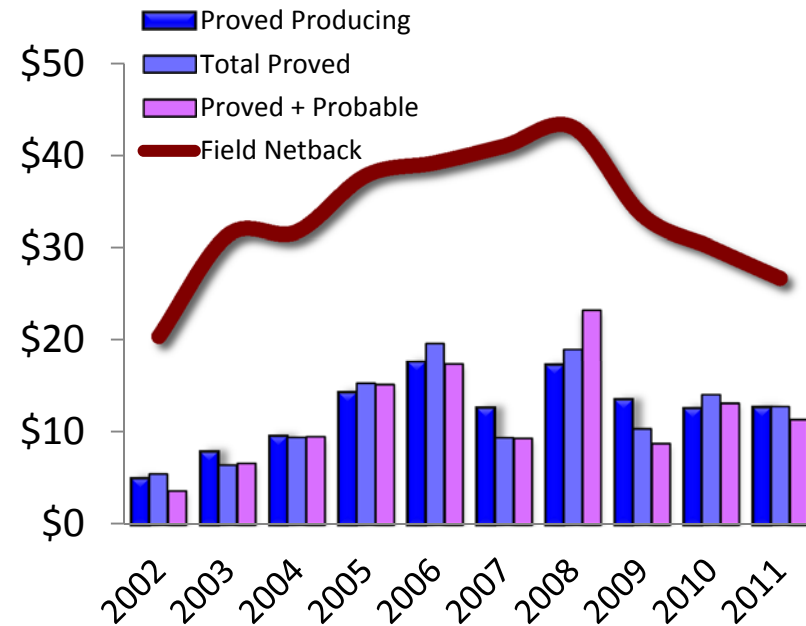
# Peyto's Assets

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

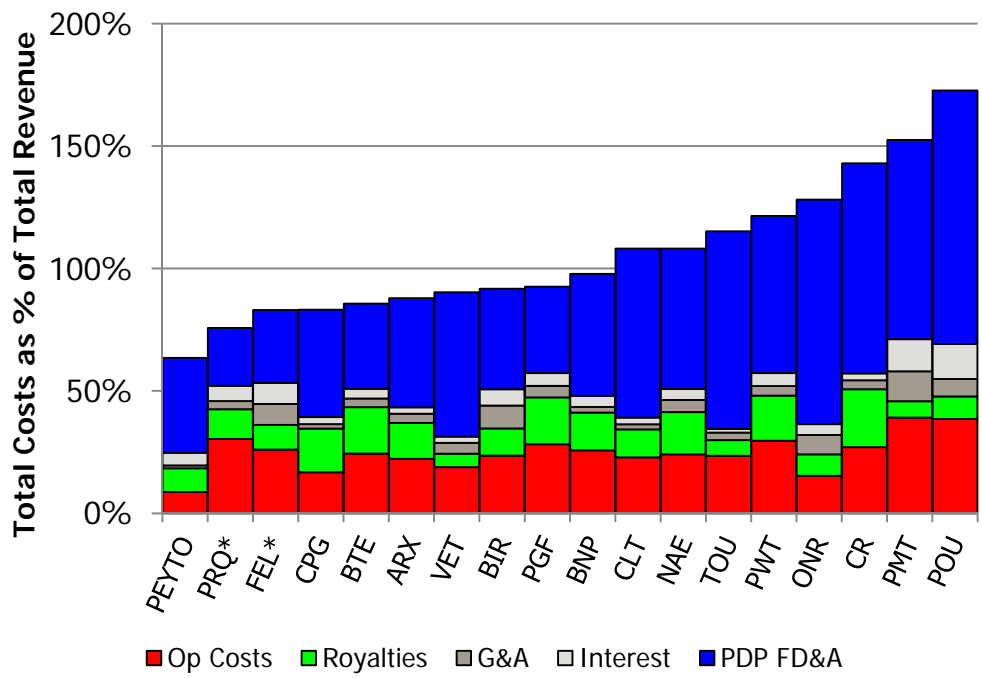
"Being the low cost producer is the best competitive advantage you can have - in both good times and bad."

# 36%

Peyto 2011 Margin

# -8%

Industry 2011 Margin

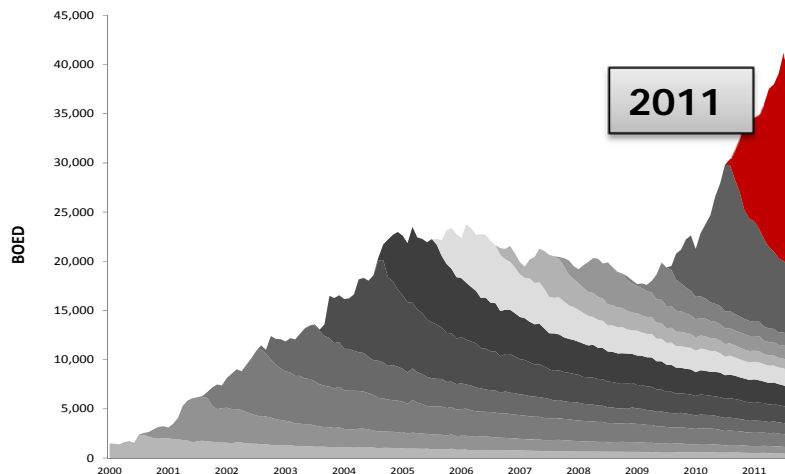


Total Costs per boe includes - Royalties, Op Costs, G&A, Interest, Management Fees, and PP FD&A cost  
 \*Inclusive of significant dispositions

# Peyto's Returns

## Returns Driven Strategy

"The entire 2011 capital program (incl. wells, land, seismic & facilities) generated 31% IRR and turned \$284 MM into \$708MM PVs (\$524M PV<sub>10</sub>) based on the engineering evaluation."



**\$284M → \$708M**

Net Capital to PV<sub>5</sub>

**35%**

Production/share growth

**19%**

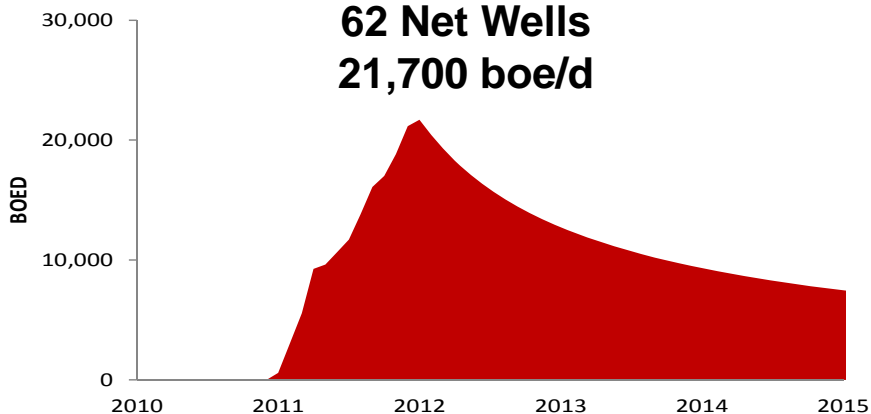
2P Reserves/share growth

**31%**

IRR

### 2011 Capital Program

**62 Net Wells**  
**21,700 boe/d**



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

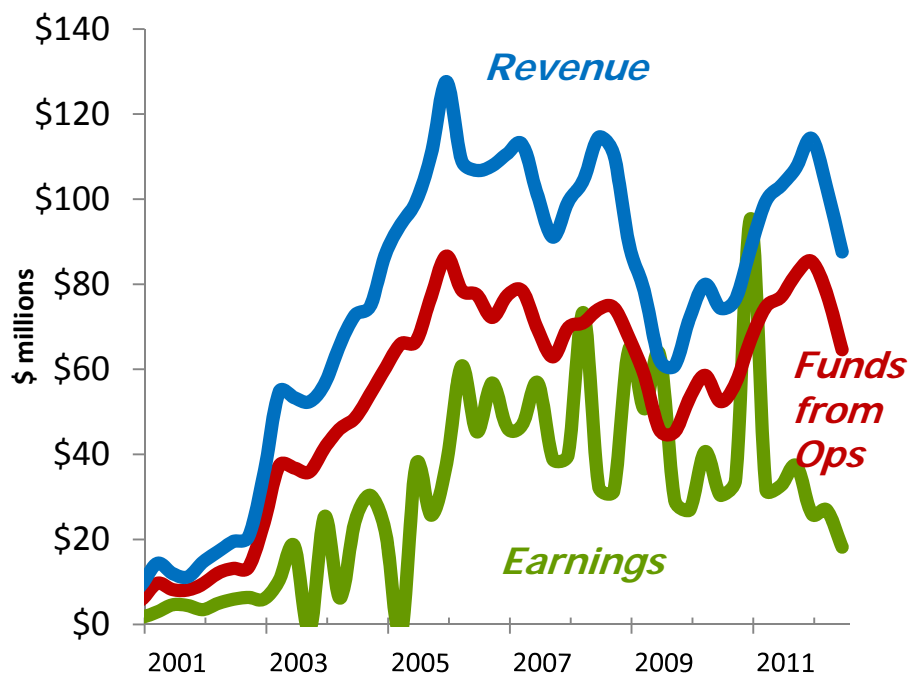
# Peyto's Returns

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."

# 37%

Profit Margin  
(last 12 yrs)

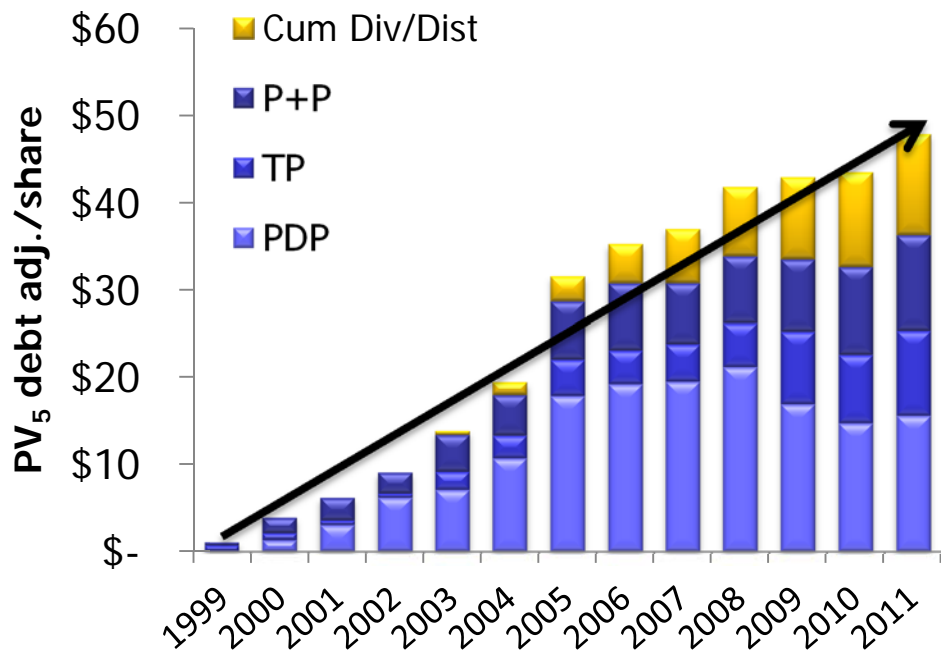


Funds from Operations is defined as earnings before performance based compensation, non-cash and non-recurring expenses.  
Profit Margin is earnings divided by revenues inclusive of realized hedging gains/losses

# Peyto's Returns

Shareholder Returns = NAV Growth + Income

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



# 37%

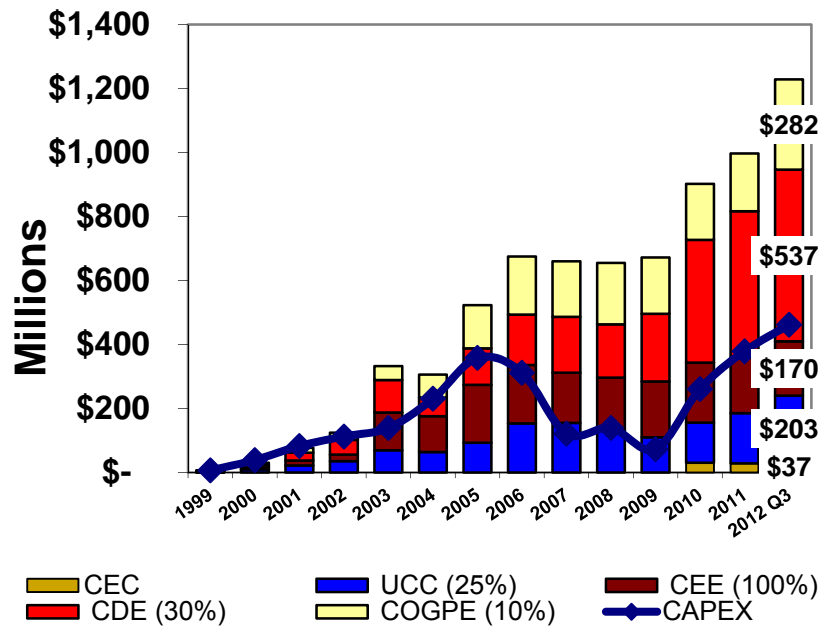
Compound Annual Growth Rate

*PV<sub>5</sub> 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.*

# Organic Business Model

## Peyto's Tax Pools

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



**\$1.2B**

Federal Tax Pools  
Q3/12

**\$2.8B**

Peyto Cum. CapEx  
Q3/12



# 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

|          |           |      |                  | 2012 |   |   |   |   | 2013 |   |   |   |   | 2014 |   |   |   |   |   |   |   |   |   |   |   |   |   |
|----------|-----------|------|------------------|------|---|---|---|---|------|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Term     |           | bb/d | Pricing (\$/bbl) | 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        |      |                  |      |   |   |   |   |      |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$49.56          |      |   |   |   |   | •    | • | • | • | • | •    | • |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$44.10          |      |   |   |   |   | •    | • | • | • | • | •    | • |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$32.34          |      |   |   |   |   | •    | • | • | • | • | •    | • |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$33.60          |      |   |   |   |   | •    | • | • | • | • | •    | • |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$32.97          |      |   |   |   |   | •    | • | • | • | • | •    | • |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Oct-12 | 31-Mar-13 | 66   | \$34.02          |      |   |   |   |   |      | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Oct-12 | 31-Mar-13 | 66   | \$34.65          |      |   |   |   |   |      | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Oct-12 | 31-Mar-13 | 66   | \$36.96          |      |   |   |   |   |      | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |

| Avg (propane)  |         |         |      |
|----------------|---------|---------|------|
| Avg bb/d       | 123     | 528     | 0    |
| Avg \$ per bbl | \$37.74 | \$37.28 | N.A. |

### Financial Hedges - Iso-Butane

|          |           |      |                  | 2012 |   |   |   |   | 2013 |   |   |   |   | 2014 |   |   |   |   |   |   |   |   |   |   |   |   |   |
|----------|-----------|------|------------------|------|---|---|---|---|------|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Term     |           | bb/d | Pricing (\$/bbl) | 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        |      |                  |      |   |   |   |   |      |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 33   | \$82.32          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 33   | \$60.48          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 33   | \$62.58          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 33   | \$62.58          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Oct-12 | 31-Mar-13 | 33   | \$69.30          |      |   |   |   |   |      | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |

| Avg (Iso-Butane) |         |         |      |
|------------------|---------|---------|------|
| Avg bb/d         | 42      | 165     | 0    |
| Avg \$ per bbl   | \$67.25 | \$67.45 | N.A. |

### Financial Hedges - Butane

|          |           |      |                  | 2012 |   |   |   |   | 2013 |   |   |   |   | 2014 |   |   |   |   |   |   |   |   |   |   |   |   |   |
|----------|-----------|------|------------------|------|---|---|---|---|------|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Term     |           | bb/d | Pricing (\$/bbl) | 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        |      |                  |      |   |   |   |   |      |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$80.64          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$58.38          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$60.06          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Sep-12 | 31-Mar-13 | 66   | \$60.06          |      |   |   |   |   | •    | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Oct-12 | 31-Mar-13 | 66   | \$66.36          |      |   |   |   |   |      | • | • | • | • | •    |   |   |   |   |   |   |   |   |   |   |   |   |   |

| Avg (Butane)   |         |         |      |
|----------------|---------|---------|------|
| Avg bb/d       | 85      | 330     | 0    |
| Avg \$ per bbl | \$64.96 | \$65.10 | N.A. |

### Financial Hedges - Crude

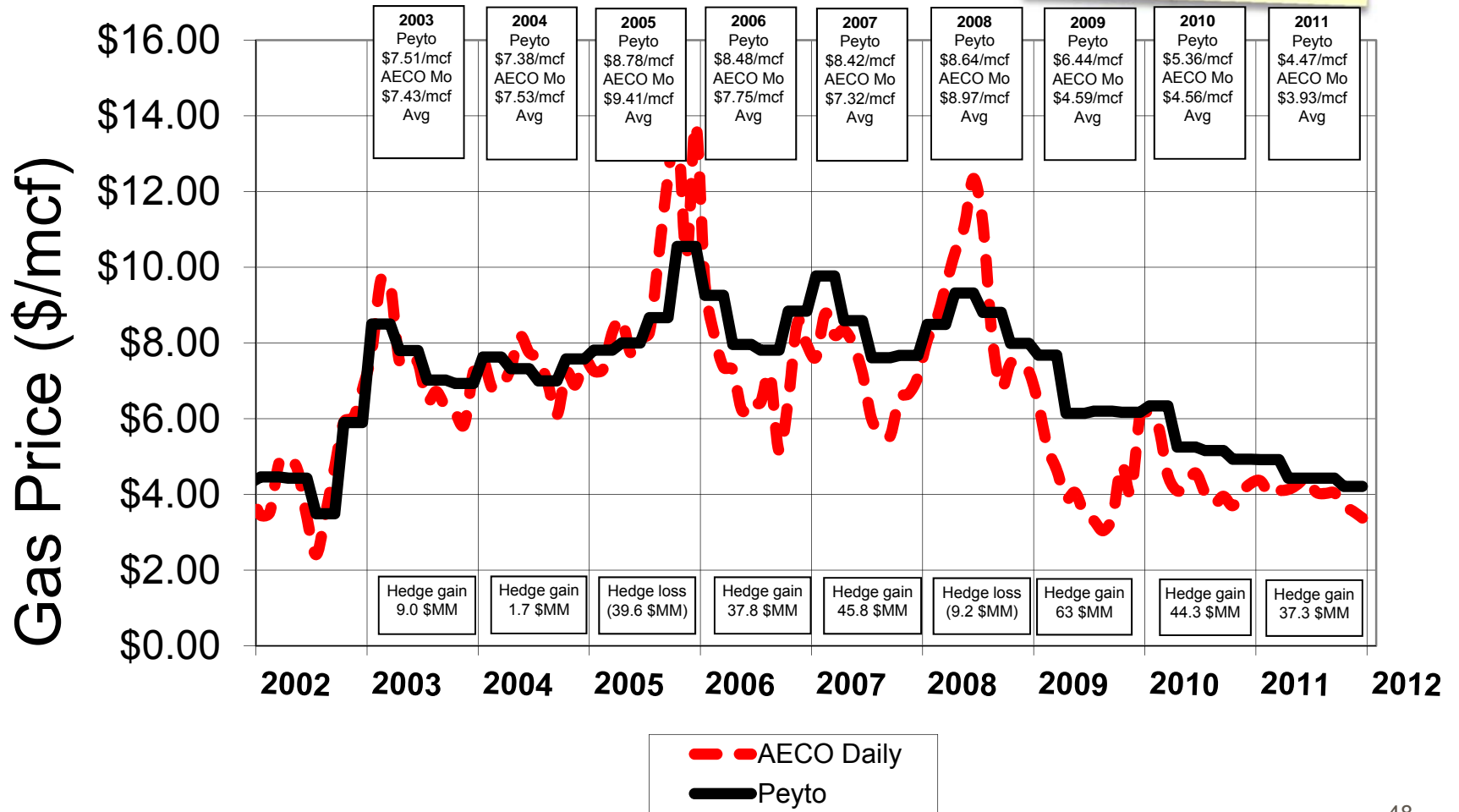
|          |           |      |                  | 2012 |   |   |   |   | 2013 |   |   |   |   | 2014 |   |   |   |   |   |   |   |   |   |   |   |   |   |
|----------|-----------|------|------------------|------|---|---|---|---|------|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Term     |           | bb/d | Pricing (\$/bbl) | 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        |      |                  |      |   |   |   |   |      |   |   |   |   |      |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 1-Aug-12 | 31-Dec-12 | 200  | \$90.00          |      |   |   |   |   | •    | • | • | • |   |      |   |   |   |   |   |   |   |   |   |   |   |   |   |

| Avg (Crude)    |         |         |      |
|----------------|---------|---------|------|
| Avg bb/d       | 86      | 81      | 0    |
| Avg \$ per bbl | \$90.00 | \$90.00 | N.A. |

# Successful Hedging Strategy

## Peyto Realized Price History

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



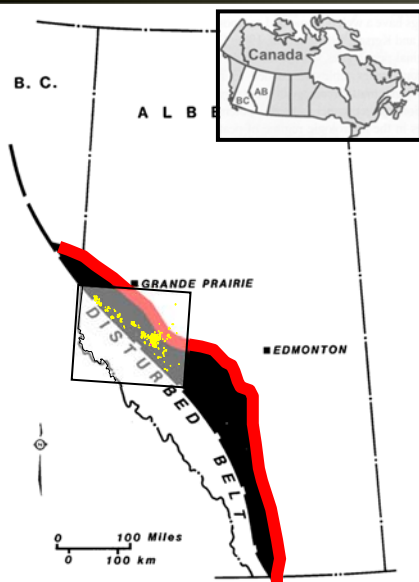


# PEY.TO

## Corporate Fact Sheet

PEYTO

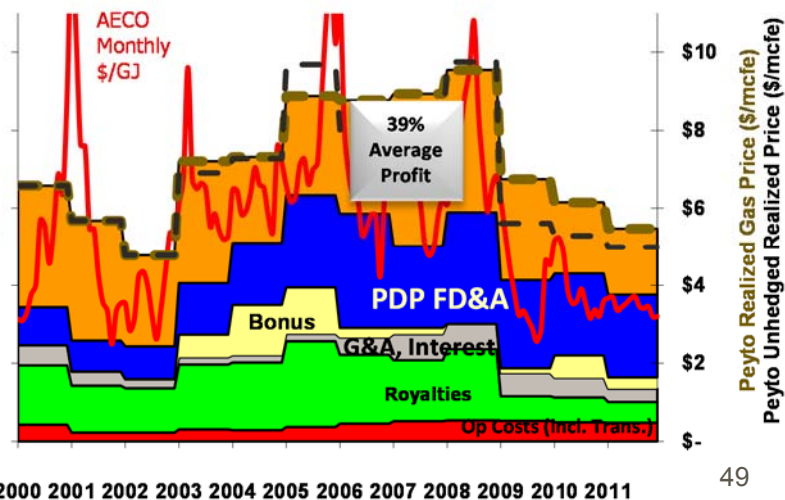
Exploration & Development Corp.



- ✳ Long Reserve Life Asset - 9 yrs PDP, 22 yrs P+P at YE 2011
- ✳ Lowest Cost Producer - \$1.00/mcfe (\$6.02/boe) cash costs\* Q3/12
- ✳ Superior Shareholder Returns - Ave ROCE 21%, Ave ROE 40%
- ✳ Own and Control - Operate 99% of production, Own infrastructure
- ✳ Liquids Rich Gas - 51,000 boe/d Alberta Deep Basin production
- ✳ Exciting Growth Profile - 35% production/share growth in 2011

|                      |  |
|----------------------|--|
| Monthly Dividend:    | \$0.06/share   |
| Shares O/S:          | 144 million (5% insider ownership)                                       |
| 2012 Capex Guidance: | \$450 million (\$655 million incl. acq.)                                 |
| Q3 2012 Net Debt:    | \$150 million (senior secured notes, 7-10 yrs, 4.39-4.88% <sup>1</sup> ) |
| (pro forma w/ONR)    | <u>\$534 million</u> (revolving bank debt)                               |
|                      | \$684 million total net debt   |
| Bank Lines:          | \$880 million total capacity (\$730 revolving facility)                  |
| Enterprise Value:    | \$4.3 billion (\$25/share)   |

**"Building it for less than we're selling it"**



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

BOE factor - 6 mcf = 1 bbl of oil equivalent

(1) an additional \$50 MM senior secured notes, 10 yr, 4.88% issued on Sept 6/12 replacing \$50 MM of bank debt.

# 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.