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*TD Securities
Calgary Energy Conference*

July 2013

Advisory

Regarding Forward-Looking Statements

PEYTO

Exploration & Development Corp.



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 dividends to be paid to shareholders, dividend policy, and the timing of payment of such dividends.

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

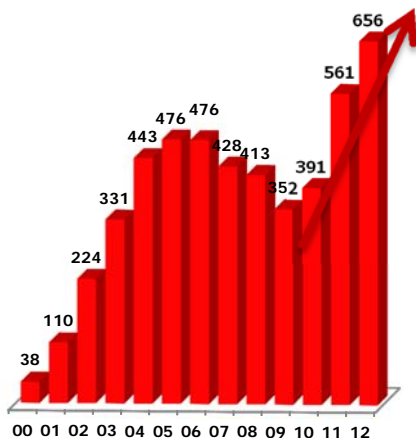
- ✱ TSX Listing: PEY
- ✱ Monthly Dividend: \$0.08/share (incr. from \$0.06 effective May/13)
- ✱ Shares Outstanding: 148.7 million, 5% insiders
- ✱ Current Production: ~345 MMCFe/d (57,500 boe/d)
- ✱ YE 2012 2P Reserves: 2.35 TCFe (392 mmboes)
- ✱ Net Debt: \$100 million (senior unsecured notes, 7 yr, 4.39% coupon, Prudential IM)
\$ 50 million (senior unsecured notes, 10 yr, 4.88% coupon, Prudential IM)
(Q1 2013) \$600 million (revolving bank debt)
\$750 million
- ✱ Bank Lines: \$1.15B total capacity (\$1.0B unsecured bank facility)
- ✱ Enterprise Value: \$5.2 billion (\$30/share)

The Peyto Strategy

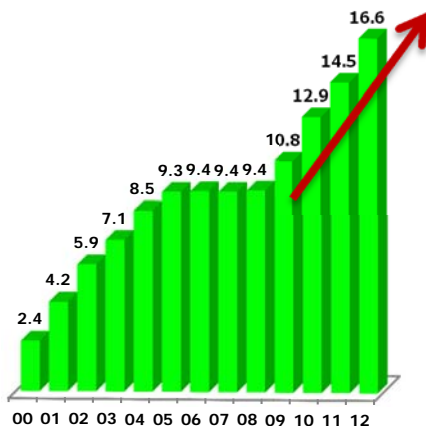
Grow Our Assets

"Our goal is to profitably grow our assets for shareholders. We've been doing that for several years, even in the face of low gas prices."

Production
(MMcfe/d/mm sh)



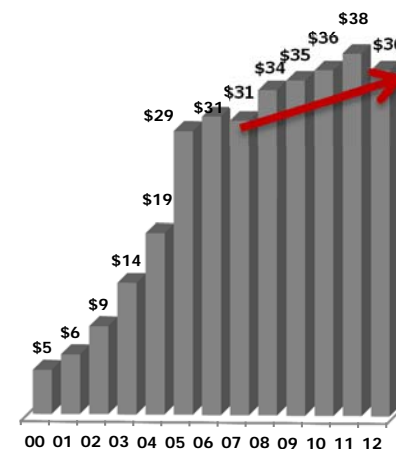
2P Reserves
(Bcfe/mm sh)



Funds from Operations
(\$/sh)



2P NPV₅ DA
(\$/sh)



BOE factor - 6 mcf = 1 bbl of oil equivalent

Reserve and production volumes are before royalty deductions

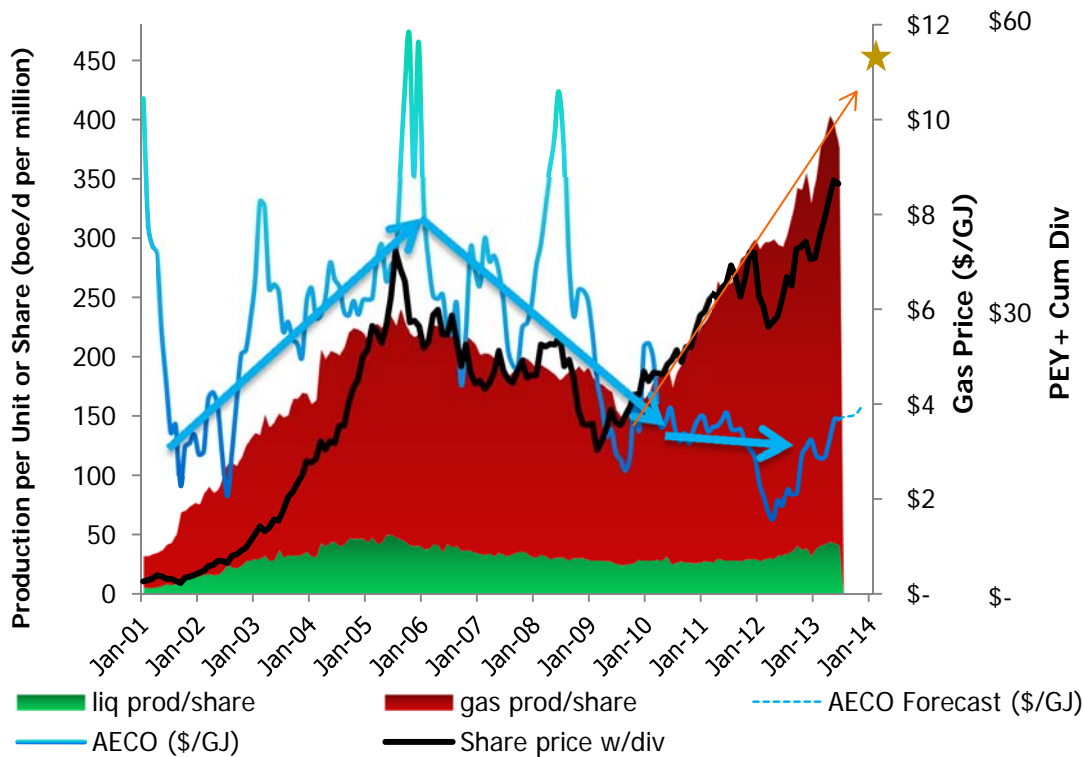
Historical annual average per share and shares outstanding numbers used above have been adjusted to reflect the May 27, 2005 2:1 stock split

The Peyto Strategy

Growth per Share

"Since the adoption of horizontal multi-stage frac well design in 2009, Peyto has been growing production per share at a CAGR of around 35%. And that's at \$3-4/GJ gas price."

2013 YE Target
67,000 boe/d



35%

Production/share
growth rate

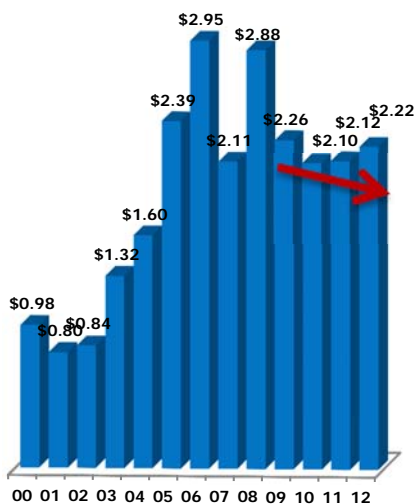
Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
BOE factor - 6 mcf = 1 bbl of oil equivalent

The Peyto Strategy

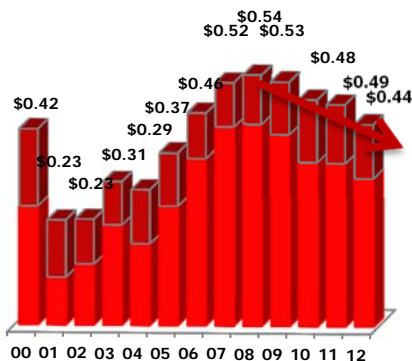
Control Our Costs

"We do it profitably by controlling our costs. The cost to build it and the cost to produce it."

PDP FD&A
(\$/Mcf)



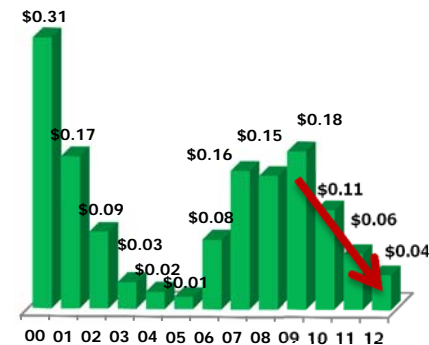
Operating Costs
w/transportation
(\$/Mcf)



Interest Cost
(\$/Mcf)



G&A
(\$/Mcf)



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

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 2012

PDP FD&A
\$/mcfe

(\$2.22)

Cash Costs
\$/mcfe

(\$1.05)

Sales Price
\$/mcfe

\$4.21

22% Profit

\$0.94

Land	\$11MM
Seismic	\$2MM
Drilling	\$212MM
Compl.	\$127MM
Wellsite	\$46MM
Facilities	\$37MM
Acq/Disp	\$183MM
	\$618MM
ΔPDP Reserves (before Prod.) 46.3 mmoes	
PDP FD&A	\$13.34/boe
	\$2.22/mcfe

Royalties	(\$0.31)
Opex	(\$0.32)
Transport	(\$0.12)
G&A	(\$0.04)
Interest	(\$0.26)
Total Costs	(\$1.05/mcfe)

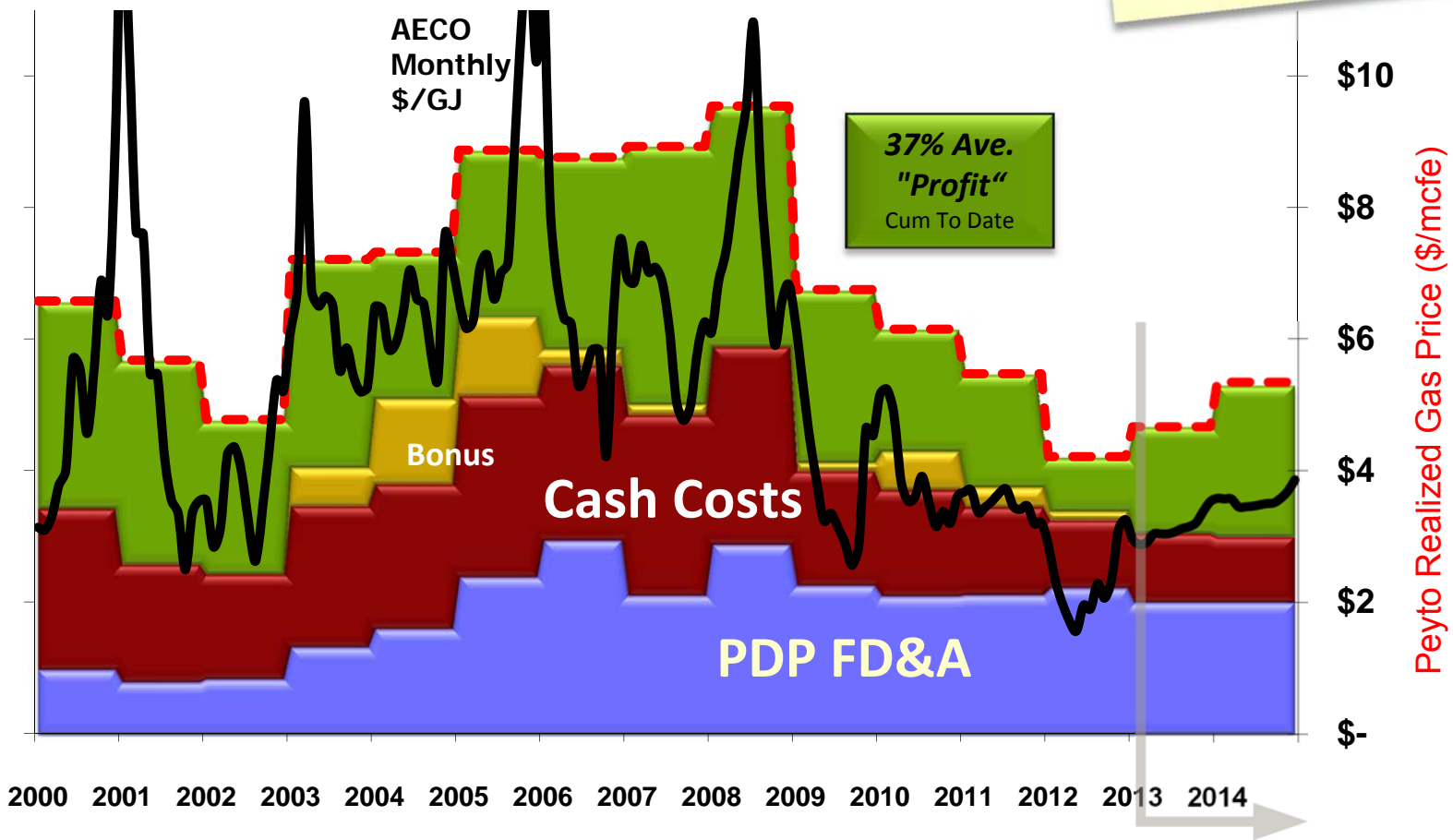
\$2.30/GJ
X 160%*
\$3.66/mcfe
<u>\$0.55/mcfe hedging</u>
\$4.21/mcfe

BOE factor - 6 mcfe = 1 bbl of oil equivalent
 * 2012 uplift for NGLs and heat content from average Alberta daily natural gas price (\$/GJ)

Peyto's Profitable Business

Profitable Even Through The Lows

"Peyto has always built it and produced it for less than we sell it, despite where we are in the commodity price cycle. That's the power of the low cost producer."



Total Cash Costs per mcf includes – Royalties, Op Costs, G&A, and Interest
 PDP FD&A – Proved Developed Producing Finding Development & Acquisition Costs

Forecast with
 AECO Strip
 Prices and
 Historical Costs

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 2012**</u>	<u>CND 2011*</u>	<u>CND 2010*</u>
PDP FD&A \$/mcfe	(\$3.84)	(\$4.17)	(\$4.71)
Cash Costs \$/mcfe	(\$3.79)	(\$3.91)	(\$3.71)
Sales Price \$/mcfe	<u>\$7.12</u>	<u>\$7.89</u>	<u>\$7.69</u>
Profit/(Loss)	(\$0.51)	(\$0.19)	(\$0.74)

*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,CPG,CR,ERF,FEL,NGL,PBN,PGF,PMT,POU,PWT,TET,TOU,VET,ZAR

Peyto's Unique Assets



Peyto's Assets

Geographically Focused Core Areas

"Peyto operates 99% of its production and processes 97% of that production through its seven owned and operated gas plants. Concentration and control are how you achieve low costs."

97%

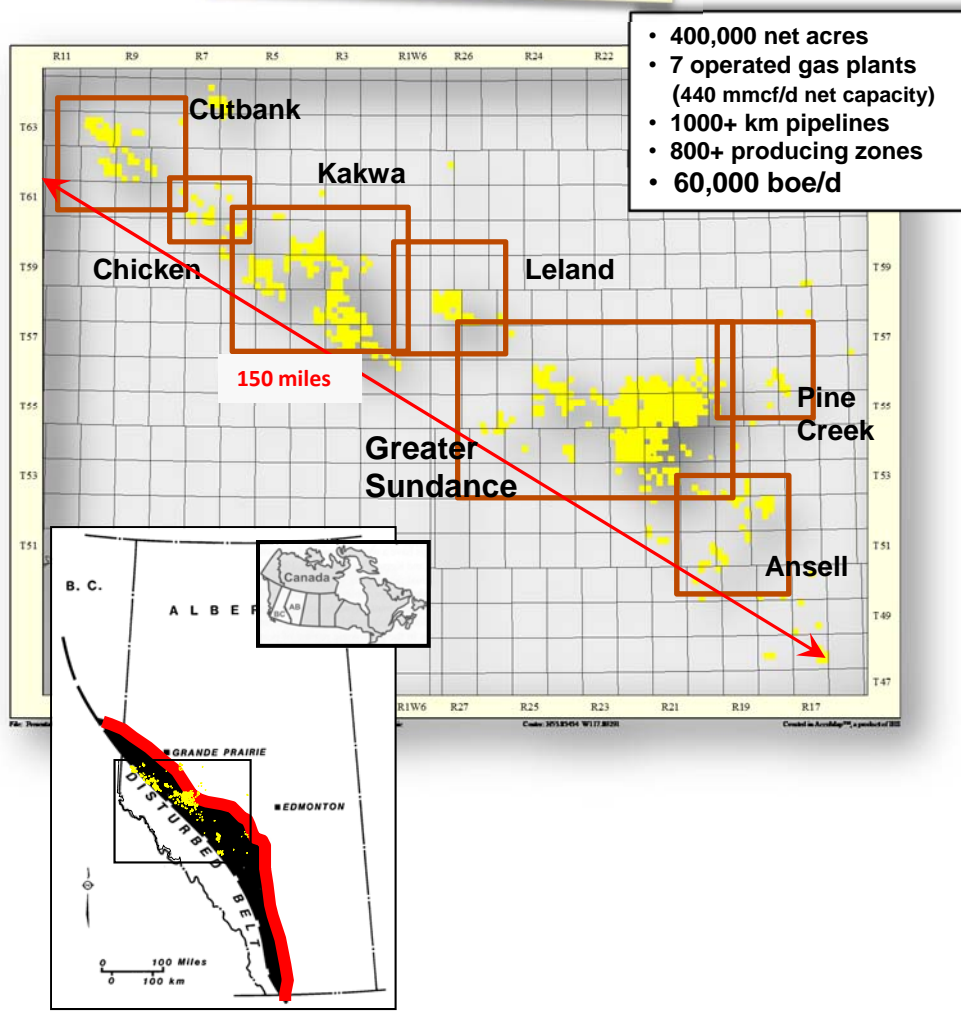
Processed by Peyto

99%

Operated by Peyto

96%

Interest in 7 Processing Facilities

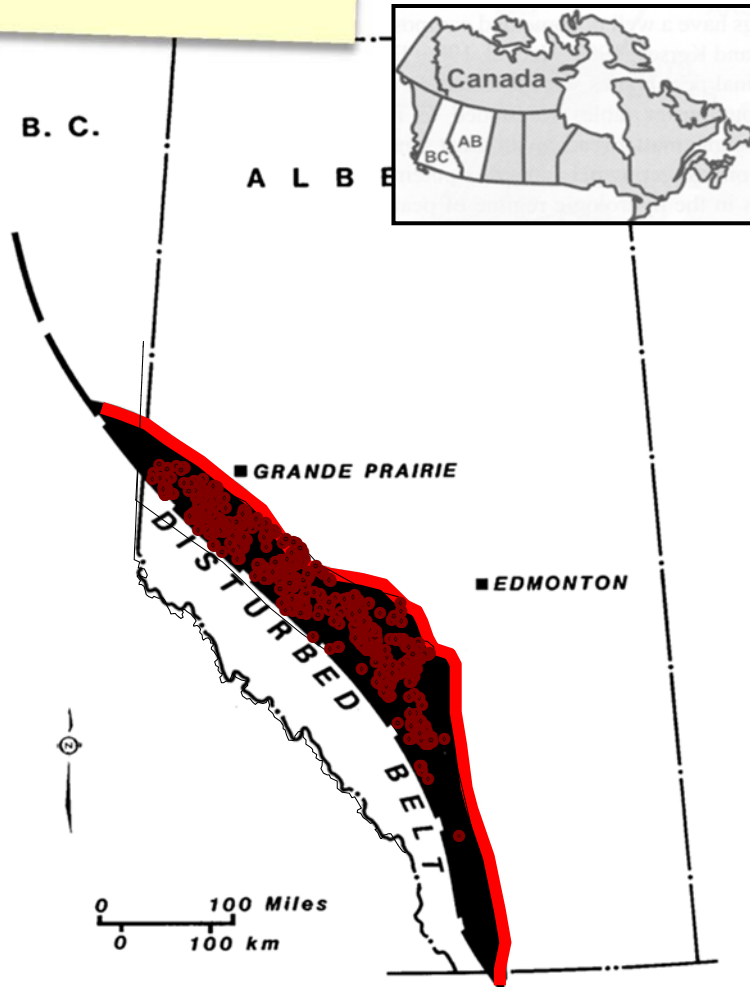
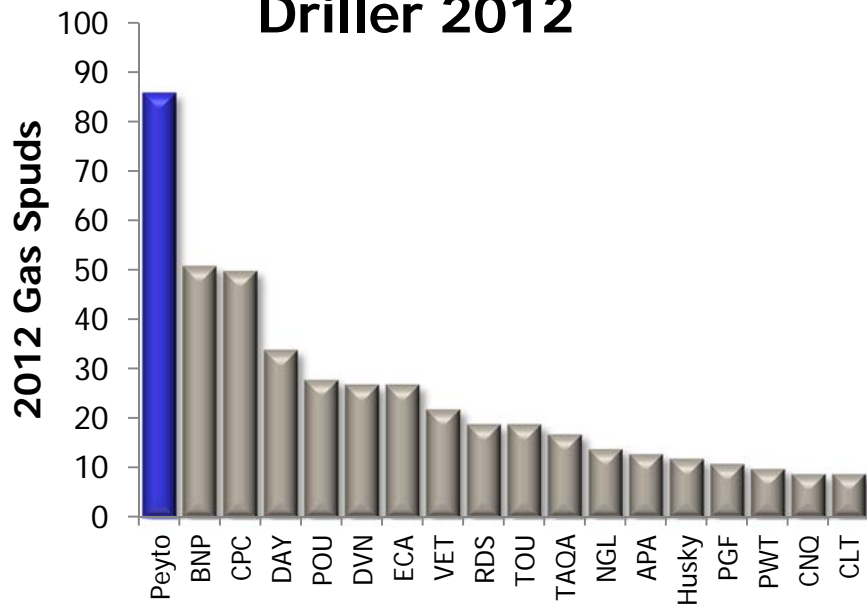


Peyto's Assets

Deep Basin Expert

"Peyto was by far the most active Deep Basin gas driller in 2012. Not surprising given our expertise in the area and cost structure advantage."

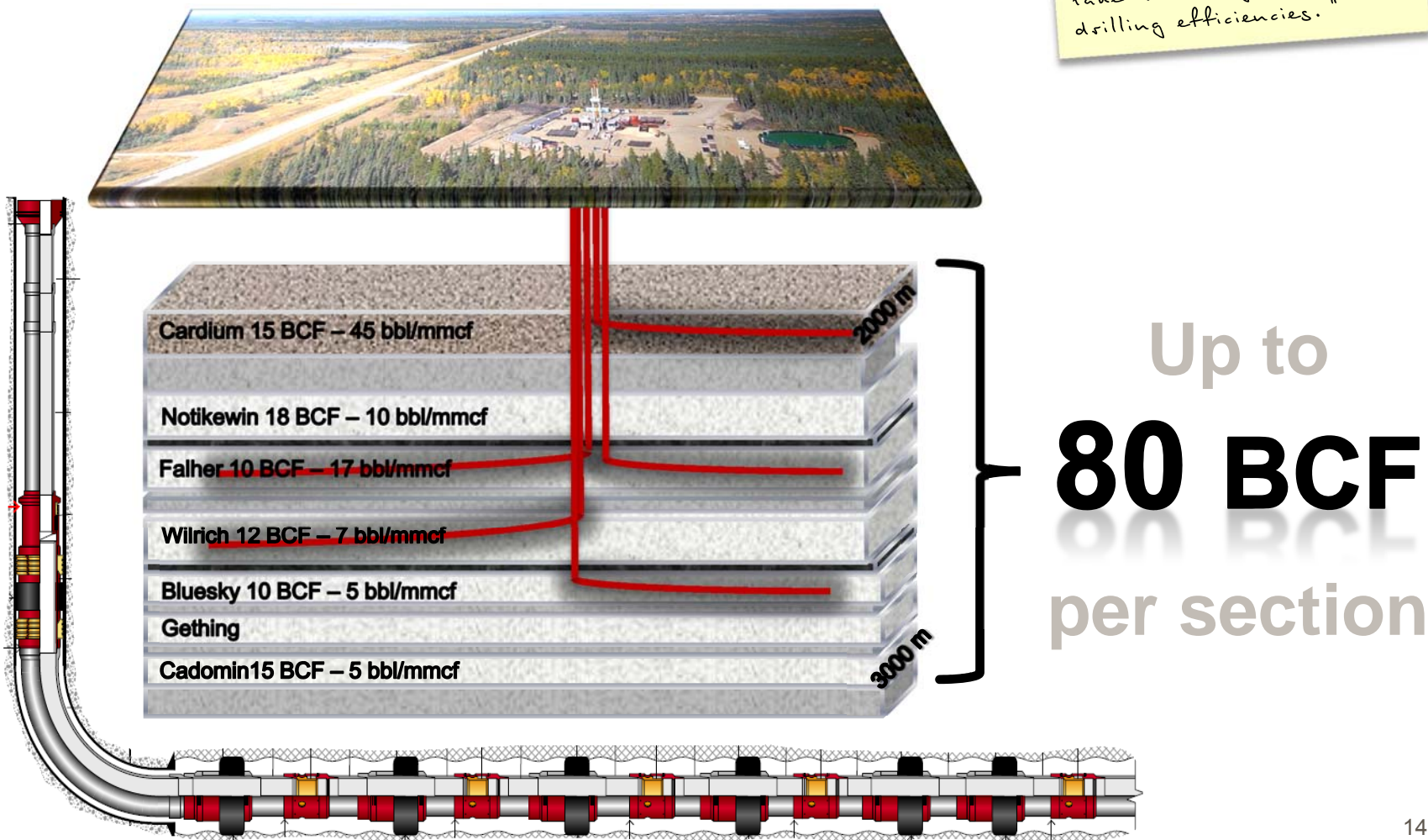
AB Hz Deep Basin Gas Driller 2012



Peyto's Assets

Multi Zone Stacked Sandstone Reservoirs

"Large resource potential, in a concentrated, stacked package, that can be developed with modern horizontal MSF well design and allows us to take advantage of pad drilling efficiencies."



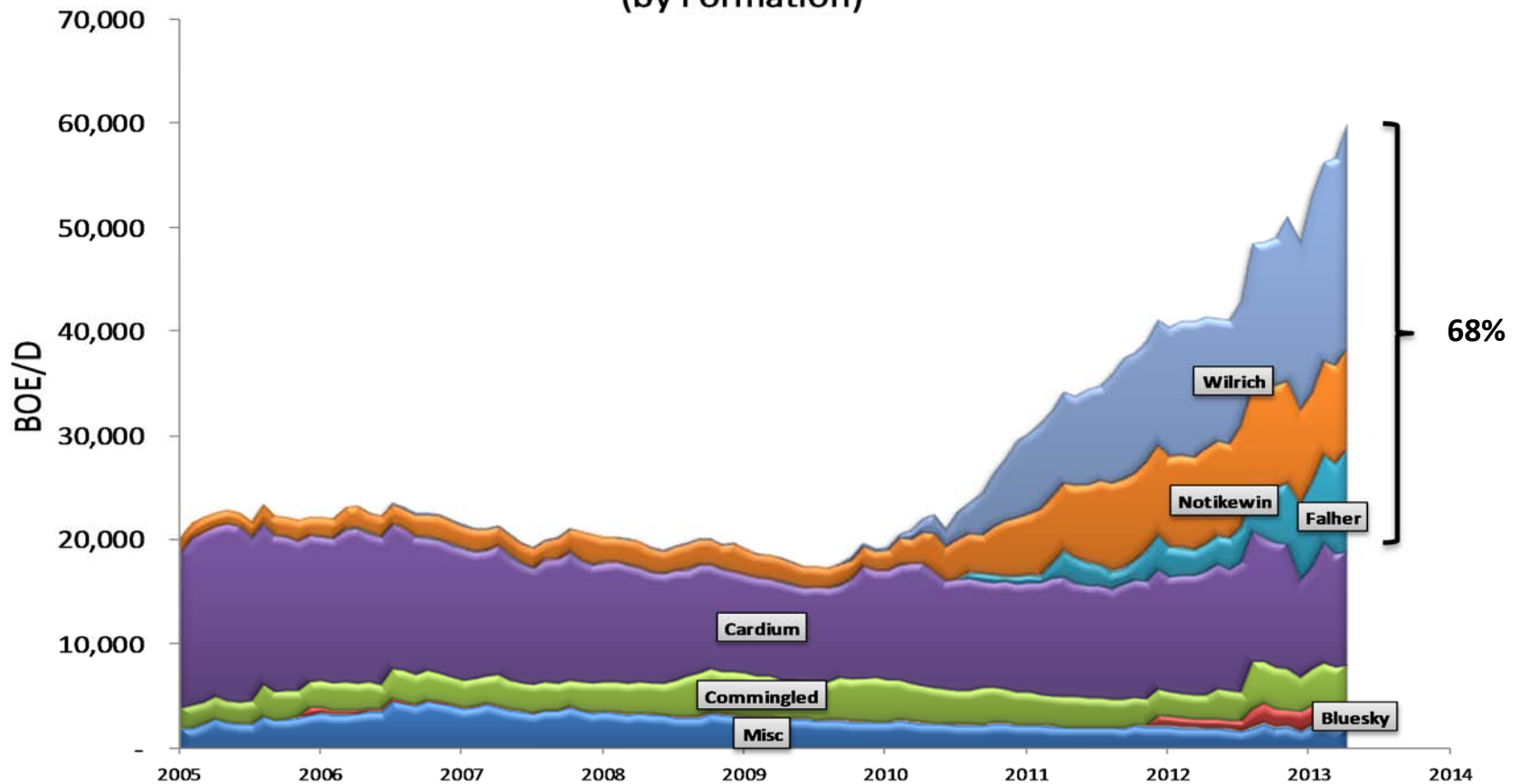
*NGL recoveries can increase by 15+ bbl/mmcf with deeper cutting processing facilities

Peyto's Assets

Spirit River Sands Have Provided Significant Growth

"The Wilrich, Notikewin and Falher sands of the Spirit River Group have provided (and will continue to provide) significant growth since the implementation of horizontal MSF wells."

Peyto Production (by Formation)



Peyto's Assets

Deep Basin Lands Go A Long Way

"Peyto's land position in the Deep Basin has grown by over 30% in 2012, which multi zone potential more than triples. Only 8% of the land is currently developed, 13% currently booked."

624

Net Peyto Sections

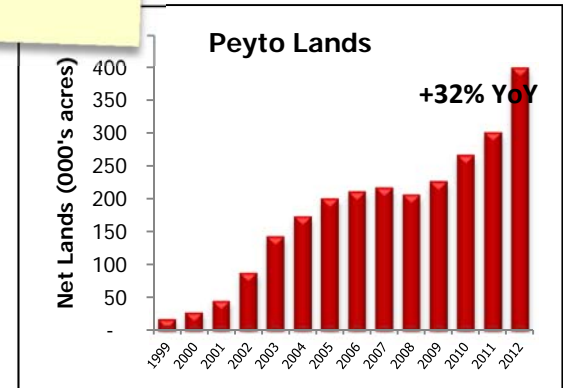
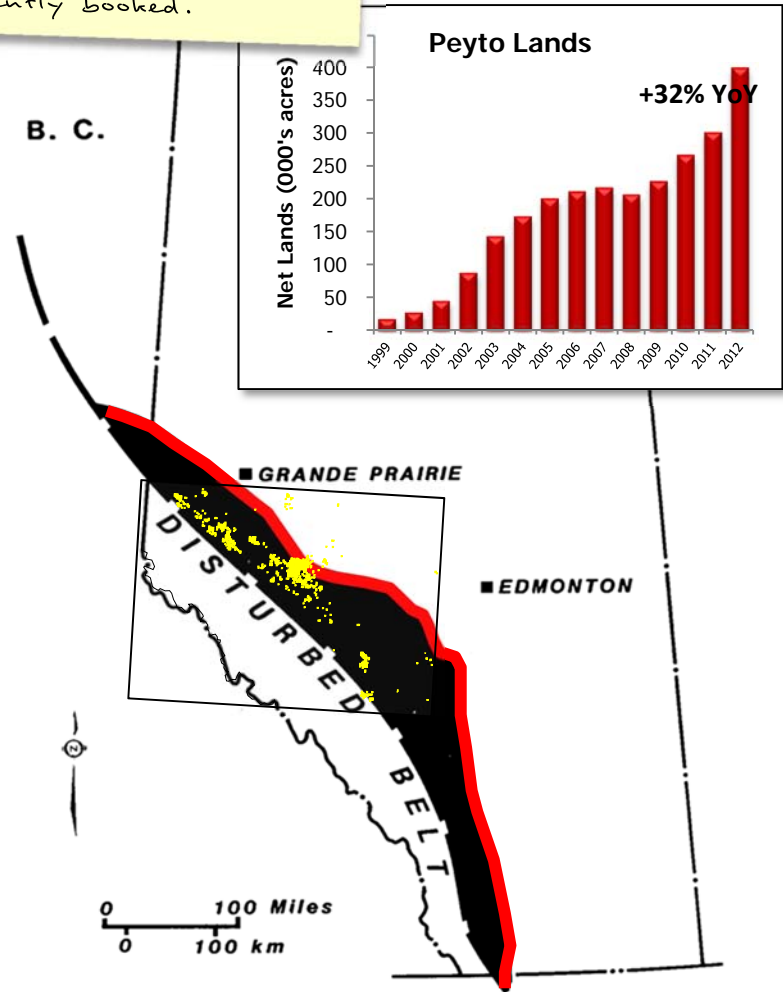
2,182

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

176

Net Sections for 1.9 TCFe of PD EUR*

TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable
*Based on InSite Petroleum Consultants Dec 31, 2012 Reserve Report.
Lands at December 31, 2012



Peyto's Assets

Large Hz MSF Inventory

"Peyto has developed over 1.5 TCFz using vertical and now horizontal wells. But there is a lot more to do. More than 12 years worth of drilling inventory."

	<u>Done</u> ¹		<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>
SMOKY				
CHINOOK ●✱				
PUSKAWASKAU □				
BADHEART ●				
MUSKIKI □				
CARDIUM ●				
KASKAPAU □				
DOE CK ●✱				
POLICE COUPE				
DUNVEGAN ●✱ X	5	1	5	29
SHAPTES-BURY □				
BELLE FOURCHE □				
FISH SCALE □				
WESTGATE □				
PADDY ✱	1			14
CADOTTE ✱				
HARMON □				
FORT ST. JOHN				
PEACE RIVER				
NOTIKEWIN ✱	90	39	79	61
A	7	14	14	54
B				
C				
D				
E				
F				
SPIRIT RIVER			35	222
FALHER ✱ X				
WILRICH □	14	93	97	165
BLUESKY ●✱△	4	6	46	36
BULL-HEAD				
GETHING ●✱△ X	12	2		
CADOMIN ●✱	87	2	21	205
TOTAL	652	222	488	842

Over 1300 locations

1. Drilling to Dec 31, 2012

*As recognized in the IPC independent reserve report dated Dec. 31, 2012

Peyto's Assets

Longest Reserve Life

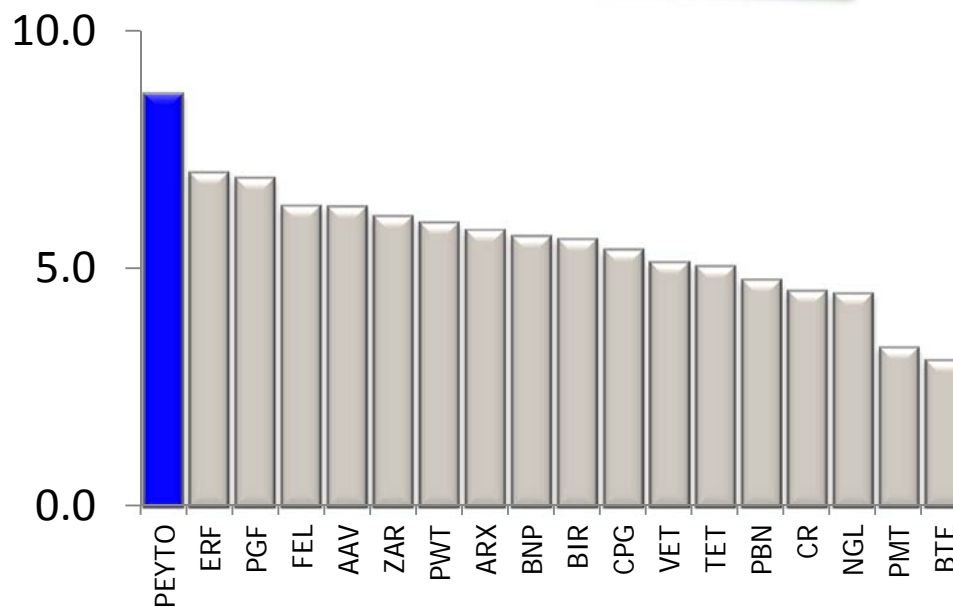
"Peyto is a pure play unconventional tight gas company. Others may claim to have long reserve life assets but only because they are measuring current production against undeveloped reserves, not the reserves associated with the current production."

9

Peyto 2012 PP RLI (yrs)

5

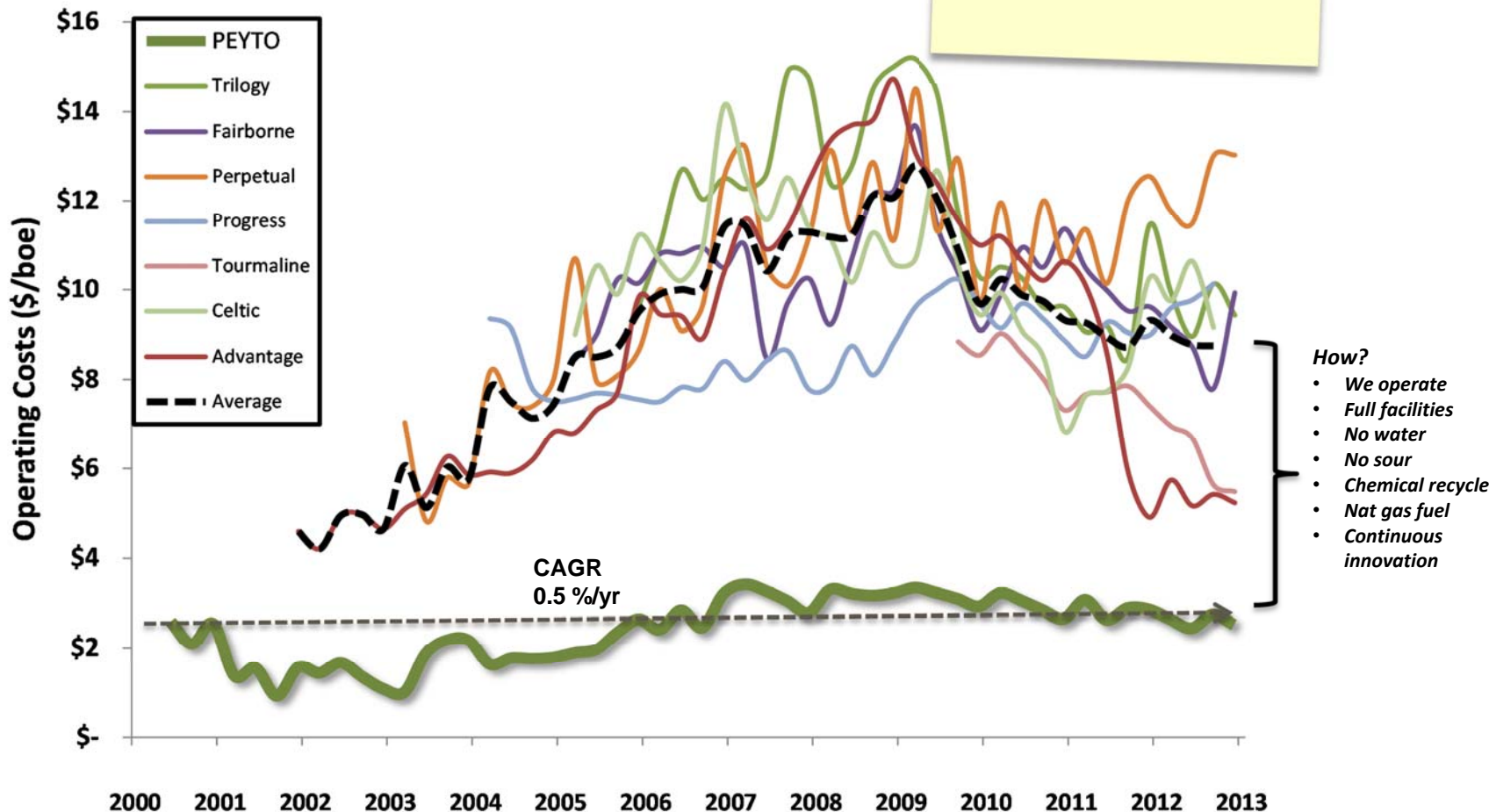
Industry 2012 PP RLI (yrs)



Peyto's Assets

Lowest Operating Costs – Gas Producers

"If all we had was our op cost advantage that would be significant but our other cash costs are low too!"

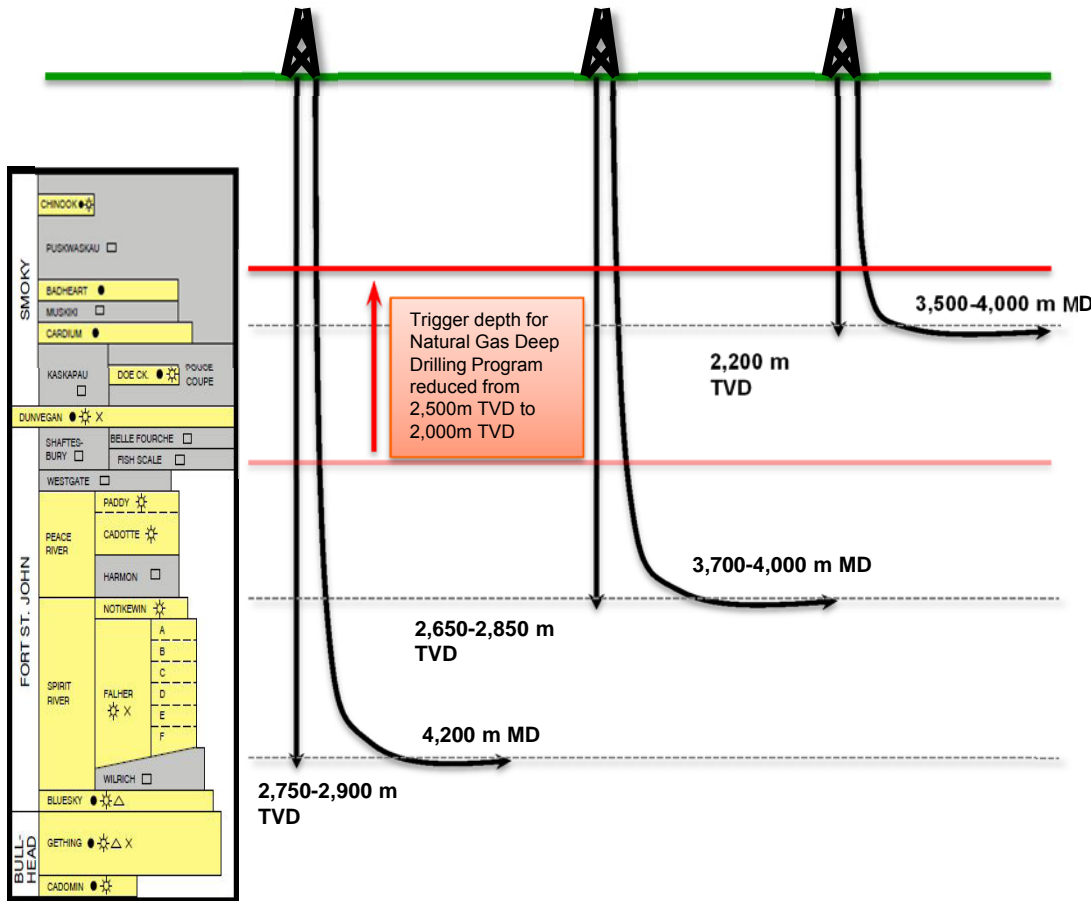


BOE factor - 6 mcf = 1 bbl of oil equivalent
 Operating costs include transportation

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%

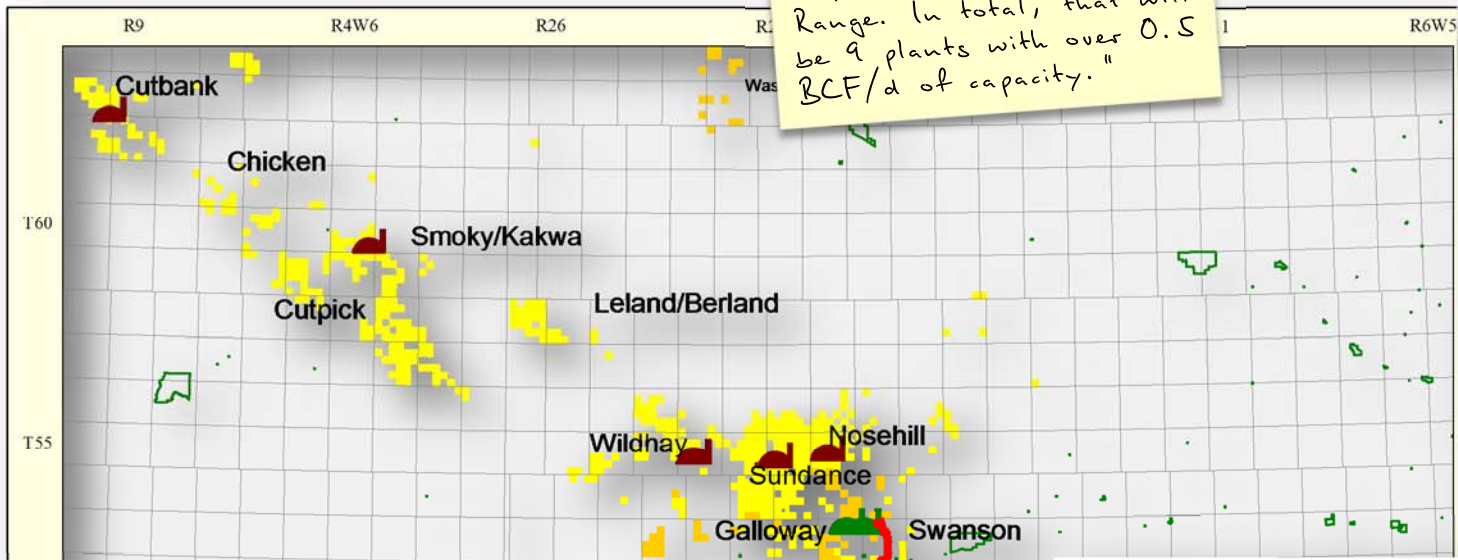
Effective Royalty

***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

Facility Ownership and Control

"2013 budget includes 2 new gas plants and a material expansion to the Swanson plant we acquired from Open Range. In total, that will be 9 plants with over 0.5 BCF/d of capacity."



Peyto Gas Plants

		Cheap Cut <i>ETA</i>	<u>W1</u>	<i>ETA</i>
Oldman	125 mmcf/d	Q4 '12	100%	
Nosehill	120 mmcf/d	Q4 '13	100%	
Wildhay	70 mmcf/d	Q1 '14	100%	
Galloway	60 mmcf/d		69%	
Newman	30 mmcf/d		100%	Oct/13
Kakwa	35 mmcf/d		100%	
Swanson	20 mmcf/d		100%	
Swanson+	30 mmcf/d		100%	Sept/13
New Area	20 mmcf/d		100%	Oct/13
Cutbank	10 mmcf/d		100%	
Total	520 mmcf/d			



Peyto Nosehill Gas Plant: 120 MMCF/d throughput

Peyto's Assets

Self Sufficient Energy Inputs

"Innovation, like replacing diesel and electrical power throughout our operations with natural gas fired energy, allows Peyto to continue to push costs down."

**Gas Plant
Compression**



**Gas Plant
Refrigeration and
Control**



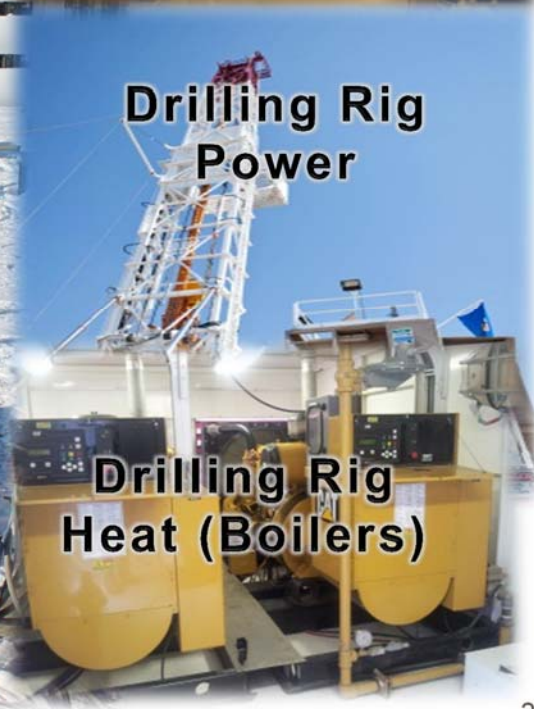
**Operating
Personnel
Vehicles**



\$5MM

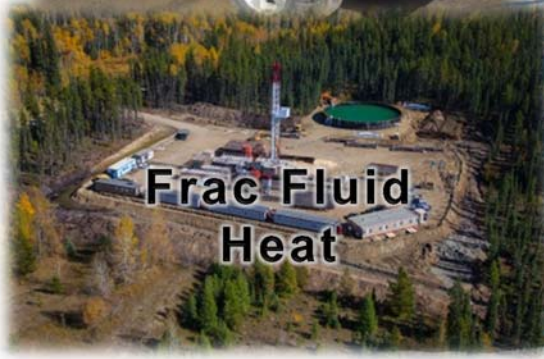
Estimated Savings/yr.

**Drilling Rig
Power**



**Drilling Rig
Heat (Boilers)**

**Frac Fluid
Heat**



Diesel \$1.00/litre
Nat Gas \$3.00/Mcf (~\$0.10/litre)

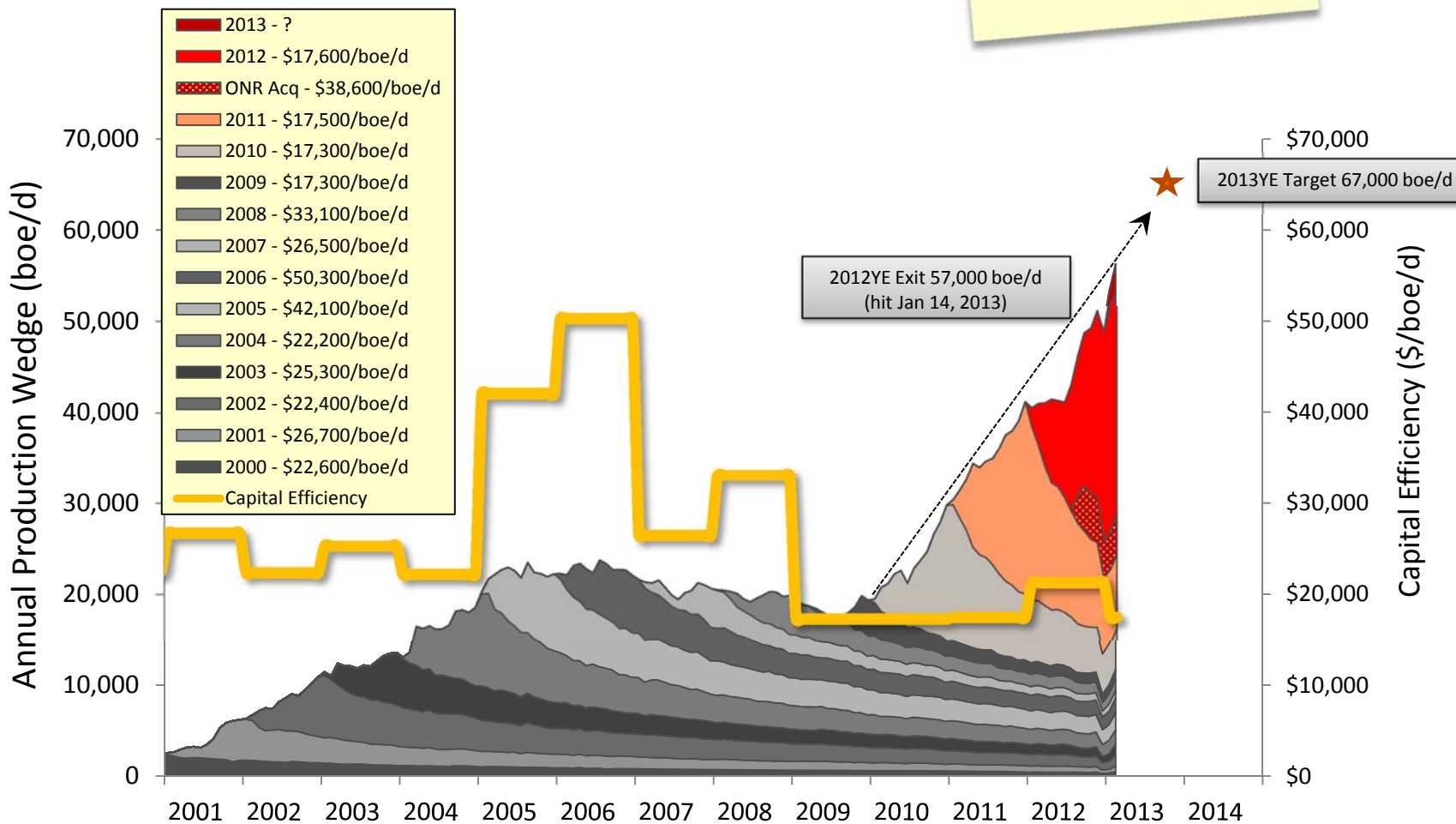
Peyto's Incredible Returns



Peyto's Business

Focus on Returns Drives Capital Discipline

"Improvements in capital efficiency have resulted in progressively larger capital programs since 2010 and record wedges of new production (2012 was 30,000 boe/d)."

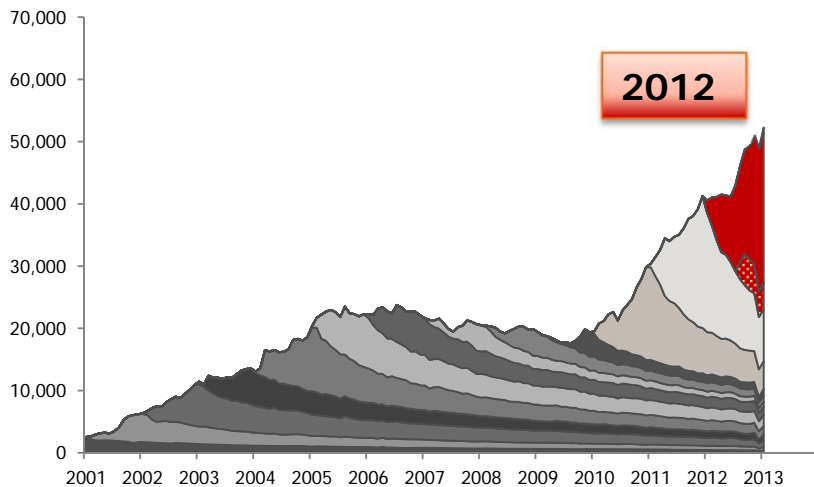


* Capital Efficiency is the cost to add new production measured at Dec 31 each year. Example: In 2010, Peyto invested \$261MM to build 15,100 boe/d for a capital efficiency of \$17,300/boe/d.

Peyto's Returns

Returns Driven – Organic Activity

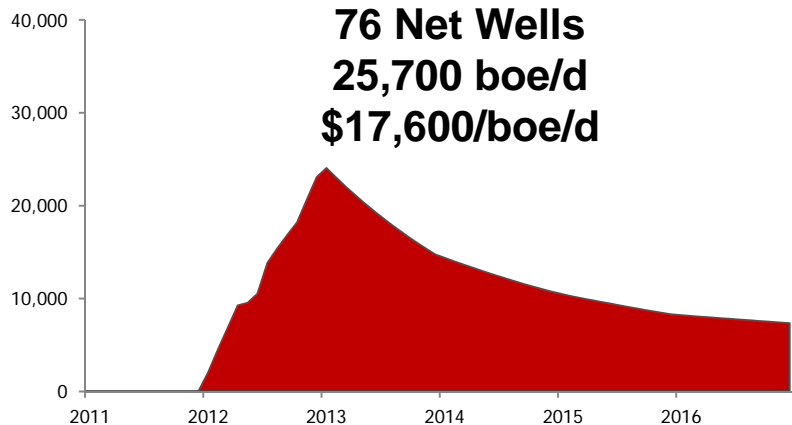
"The 2012 organic capital program (incl. wells, land, seismic & facilities) generated 24% IRR and turned \$373 MM into \$748MM PVs (\$578M PV₁₀) based on the engineering evaluation."



\$452M CAPEX
(\$79M) OP INCOME
\$373M NET CAPEX

2012 Capital Program

76 Net Wells
25,700 boe/d
\$17,600/boe/d



\$373M → \$748M

Net Capital to PV₅

24%

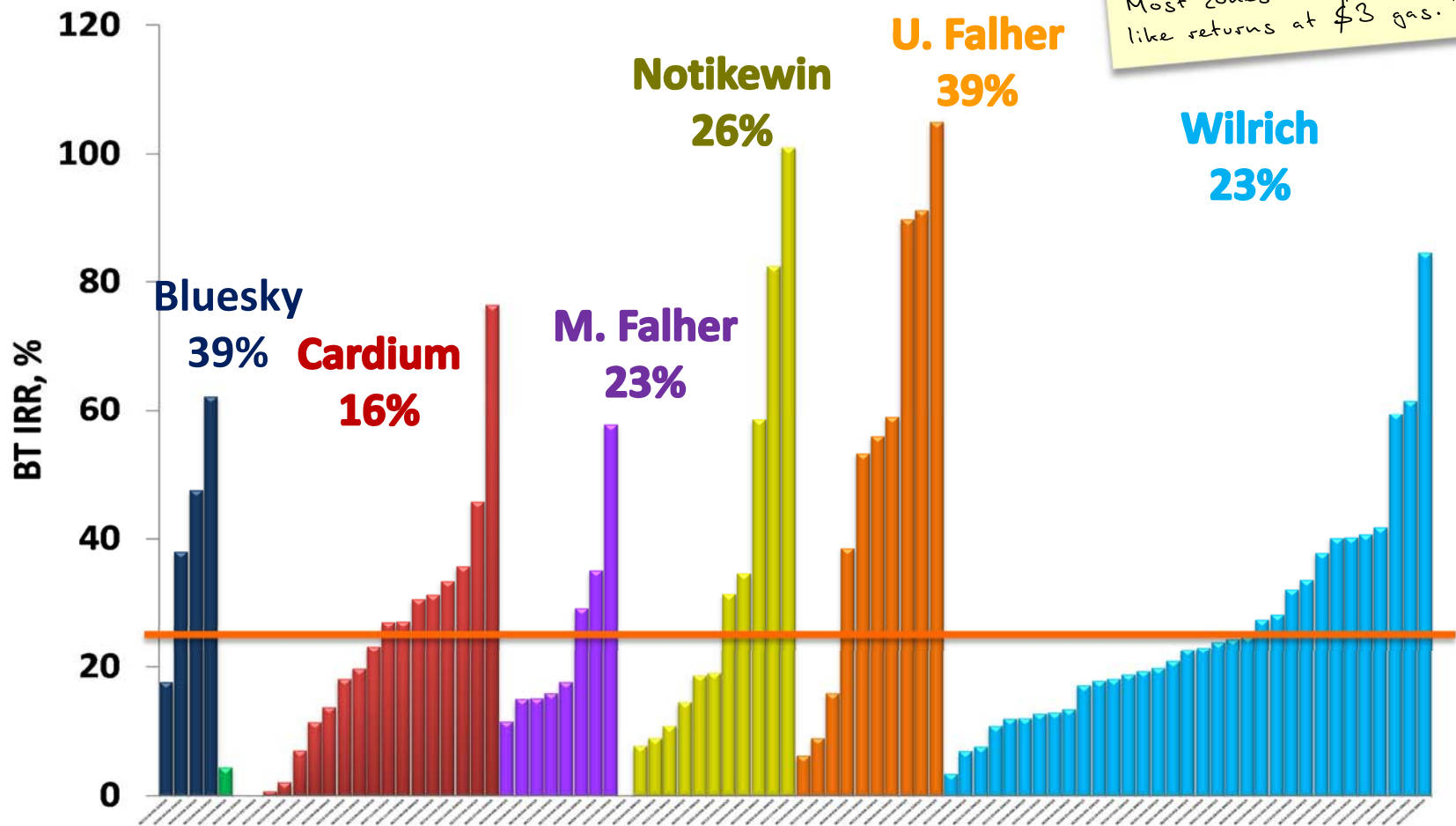
IRR

*Production and reserves per share growth includes the ONR acquisition.
 Based on IPC is InSite Petroleum Consultants (formerly Paddock Lindstrom & Ass.) - Dec 31, 2012 Reserve Report.
 Net Capital for 2012 equals \$452MM total capital investment less \$79MM of operating income generated in 2012

Peyto's Returns

Flexible Capital Allocation Required

"Peyto constantly reviews the economic results of each well and tries to allocate capital to only the best projects and zones going forward. Most zones are yielding like returns at \$3 gas."

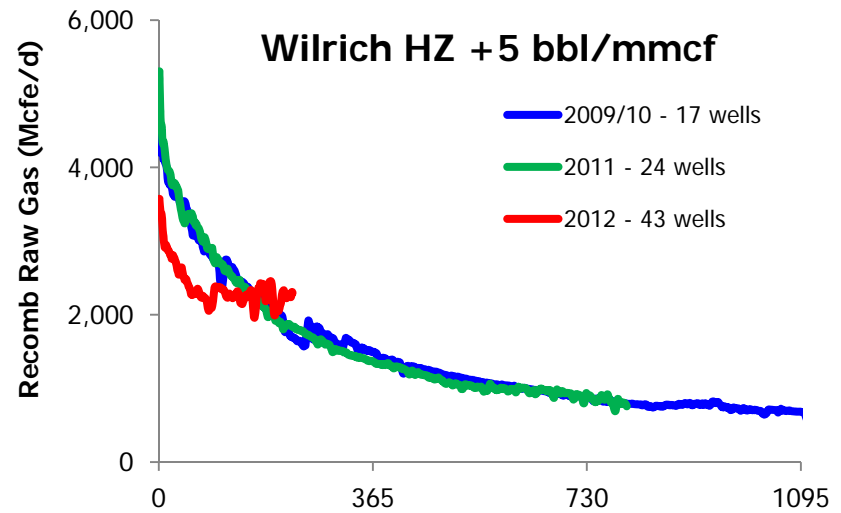
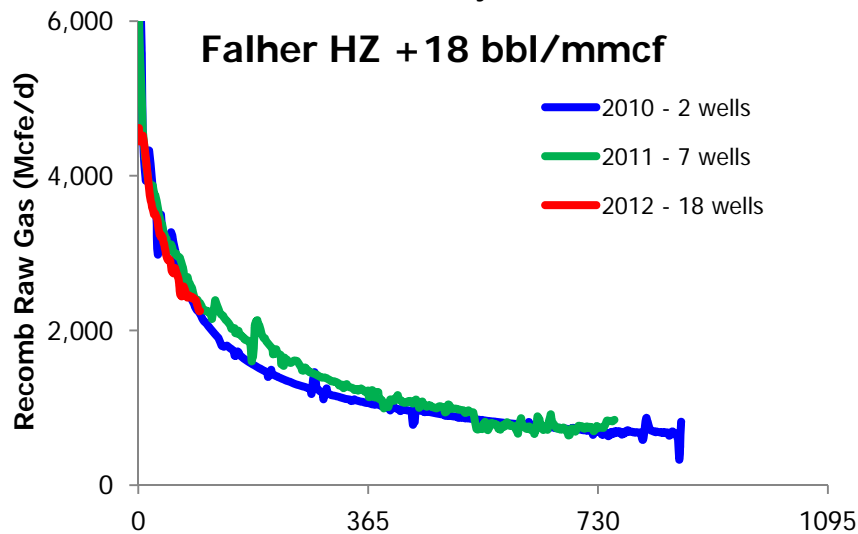
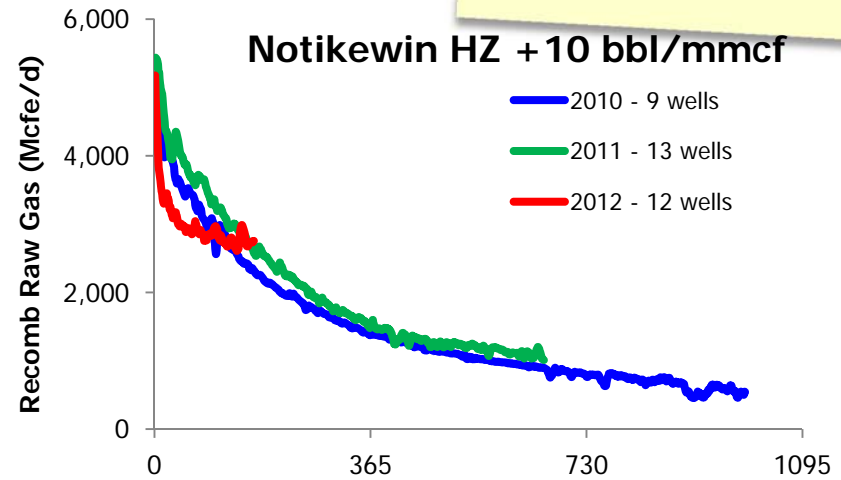
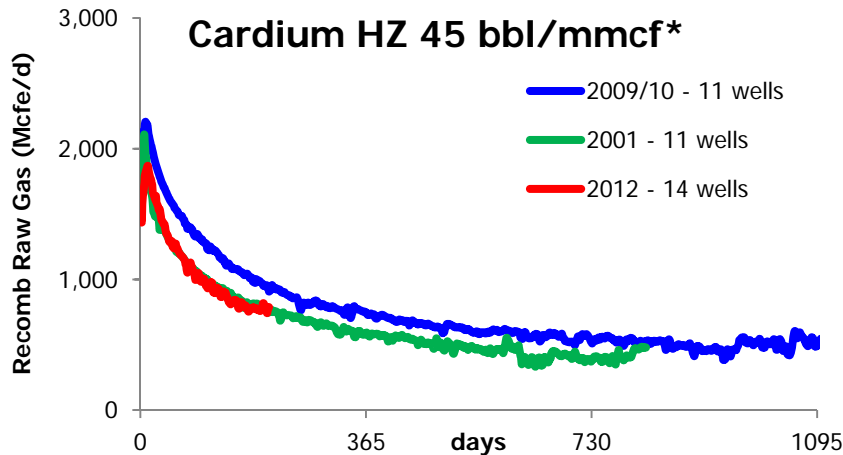


*Includes provision of \$520k per well for Facilities, Land and Seismic
Full Cycle IRR on 86 of 86 2012 Wells by Species, Insite Dec 31/12 Prices*

Peyto's Returns

Continuously Improving Results

"Results have been very consistent while costs have continued to slowly come down. By maintaining the same well design we can improve efficiency of execution."



*Liquid yields are all before the enhanced liquids extraction facilities. For example, Cardium yields increase to over 70 bbl/mmcf with the "cheap cut" facilities installed.

Peyto's Returns

High Returns on Capital and Equity

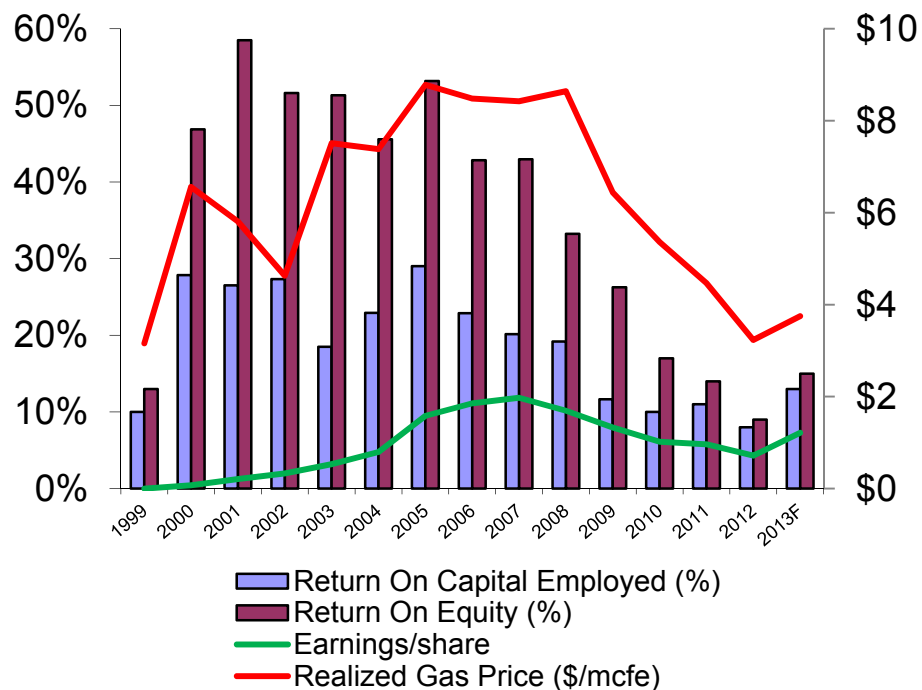
"Good well economics and IRRs should translate into good corporate returns. Peyto's do, with average ROE of 38% and ROCE of 20%."

38%

13 yr Average ROE

20%

13 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

Peyto's Future



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

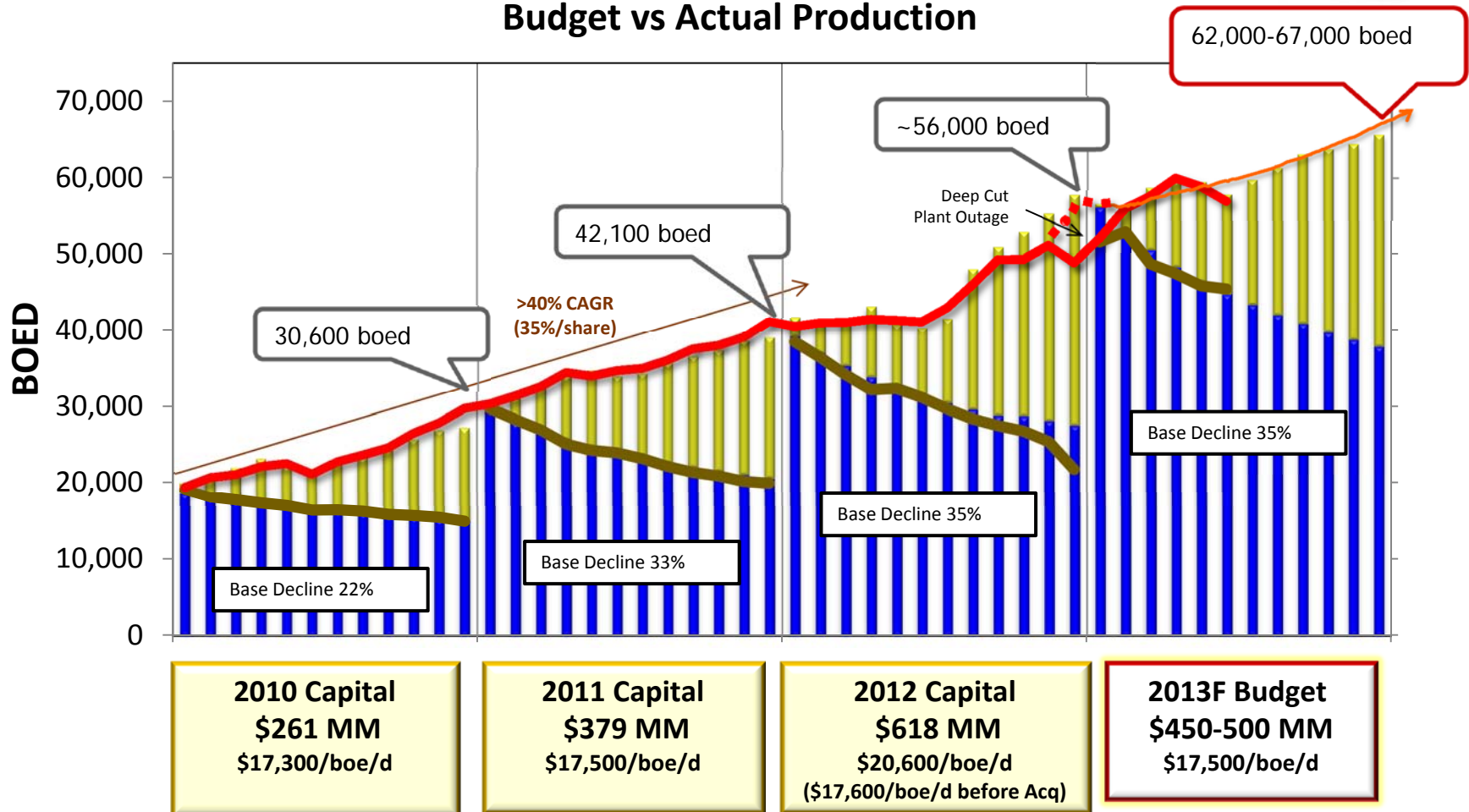
- ✓ **Drill**
(100% Hz Wells, Liquids Rich Natural Gas)
- ✓ **Expand & Extract**
Increase Processing Capacity & NGL Yield
- ✓ **Increase**
Undeveloped Land Base
- ✓ **Shoot**
Seismic
- ✓ **Acquire**
Additional Opportunities and Partner Interests

2013 Outlook

Large Resource + Low Cost = Profitable 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."

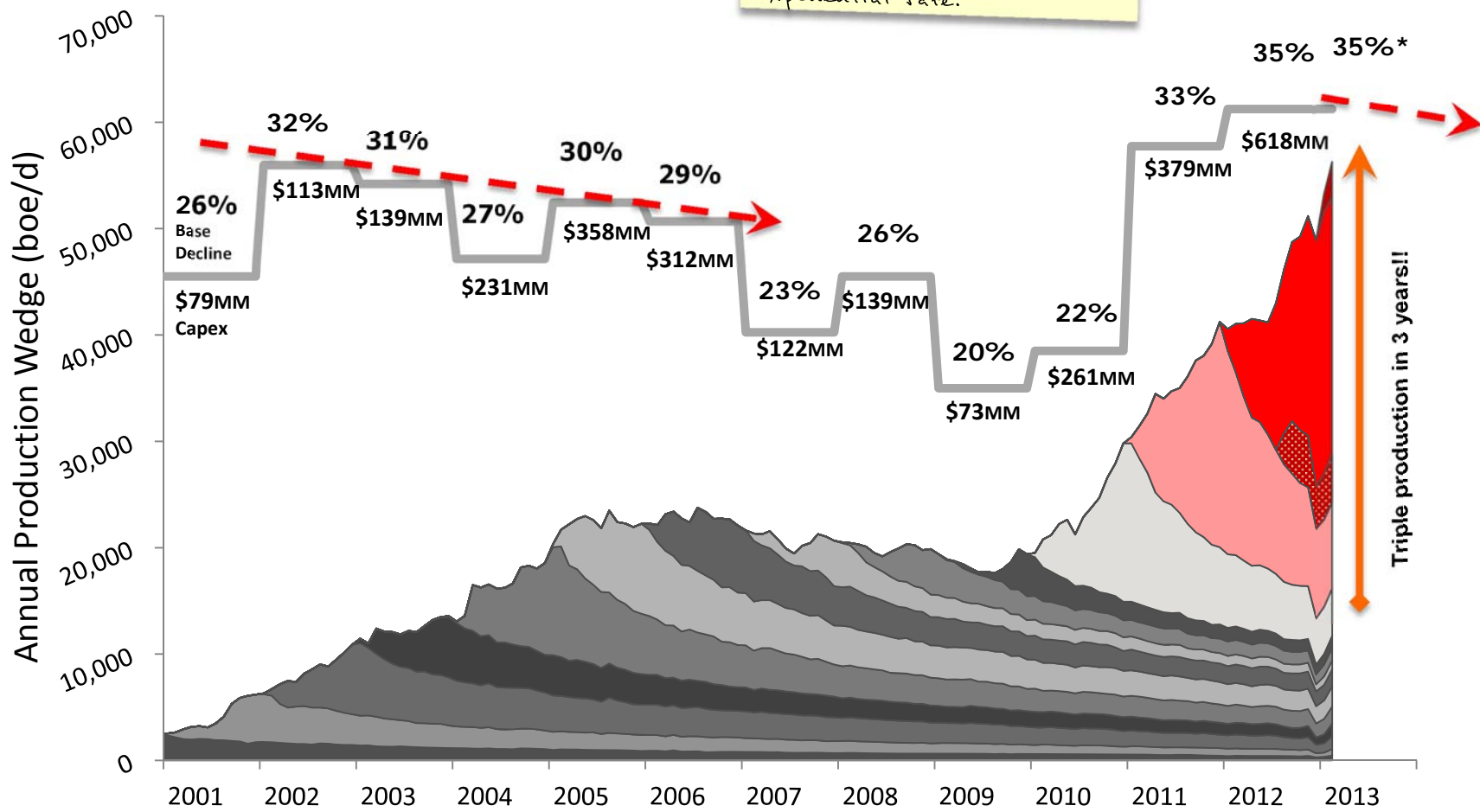
Budget vs Actual Production



2013 Outlook

It Just Gets Easier to Grow

"The base decline naturally comes down over time with this type of producing profile. It showed us this in the past and will again because the growth in our capital spending cannot practically continue at an exponential rate."



Triple production in 3 years!!

BOE factor - 6 mcf = 1 bbl of oil equivalent

*2013 Forecast decline rate based on Insite Petroleum Consultants Dec 31, 2012 Reserve Report

2013 Outlook

Continuously Improve Profitability

"At Peyto, our cost advantage comes from constantly challenging the status quo on costs. We are always working on ways to improve our profitability."

2013 Goals*

PDP FD&A
\$/mcfe

< (\$2.00)

- Pad drilling
- CNG powered rigs
- Well design improvements
- Water optimization
- Natural gas heated water
- Summer drilling

Cash Costs
\$/mcfe

< (\$1.00)

- Natural gas fired power
- CNG trucks
- Facility utilization
- Pad wellsite/automation

Sales Price
\$/mcfe

> \$5.00

- Cheap cut
- Liquids rich fms
- Hedging
- \$3.25/GJ*155%

40% Profit

> \$2.00

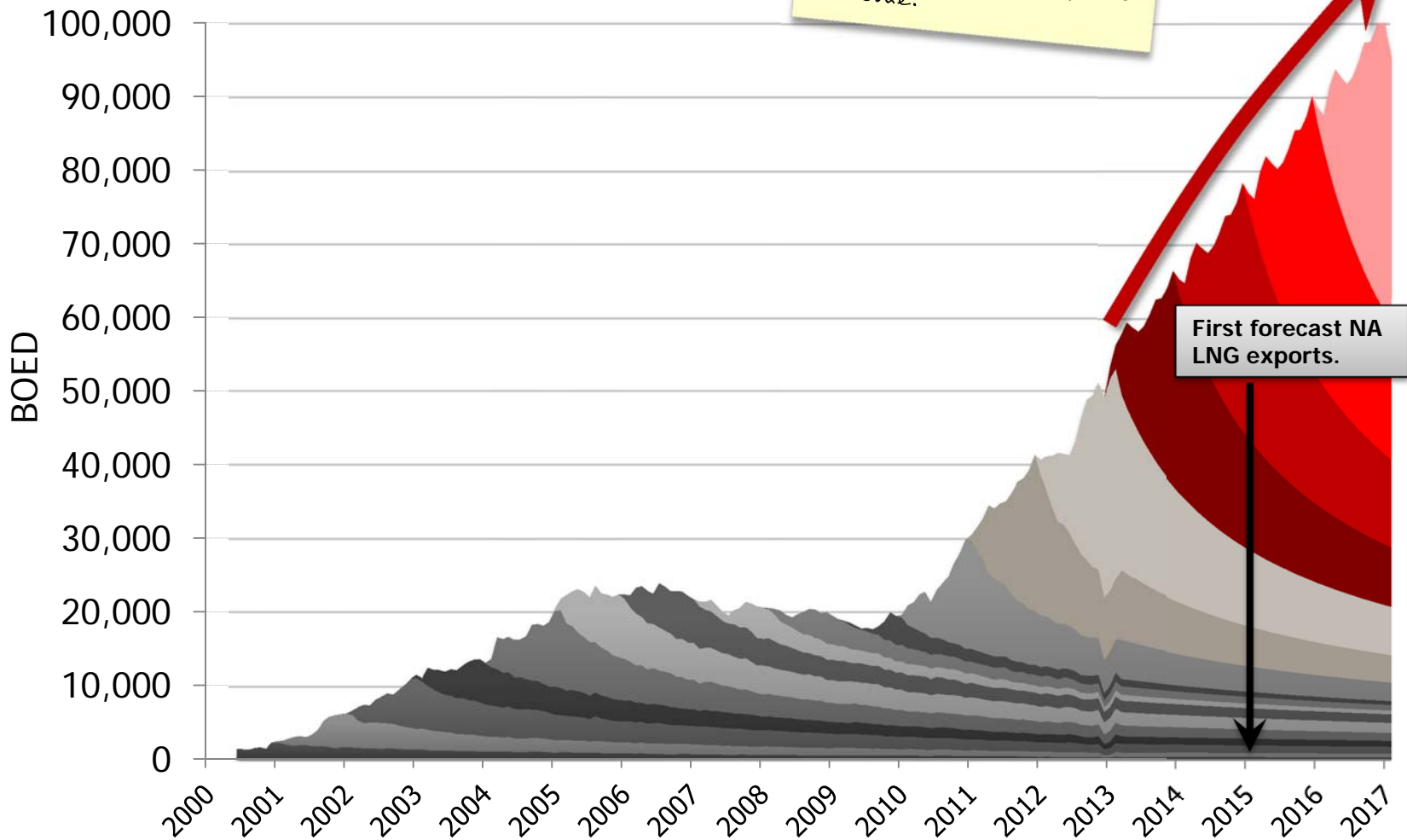
BOE factor - 6 mcfe = 1 bbl of oil equivalent

* 2013 goals are not budgeted expectations

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
- Tax Pools
- Payout
- Hedging Strategy
- Gas Marketing
- Liquids Marketing
- FAQ

Quarterly Track Record

	2013	2012					2011					2010
	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total
Operations												
Production												
Oil & NGLs (bbl/d)	5,840	4,778	5,286	5,236	4,480	4,101	3,856	3,947	3,918	3,811	3,746	3,389
Natural gas (mcf/d)	297,191	238,490	266,808	244,794	221,176	220,811	189,653	212,715	194,832	183,790	166,710	122,031
Barrels of oil equivalent (boe/d)	55,372	44,526	49,754	46,035	41,343	40,903	35,465	39,400	36,390	34,443	31,531	23,728
Year over Year % Growth	35%	26%	26%	27%	20%	30%	49%	40%	53%	55%	53%	28%
Average Product Prices												
Oil & NGLs (\$/bbl)	75.88	73.92	73.01	68.62	71.27	84.83	81.67	88.04	78.07	84.06	76.19	65.31
Natural gas (\$/mcf)	3.49	3.23	3.45	3.06	2.86	3.53	4.47	4.21	4.43	4.43	4.92	5.36
Operating expenses (\$/mcf)	0.43	0.44	0.42	0.46	0.41	0.45	0.48	0.47	0.49	0.45	0.52	0.48
Field Netback (\$/mcf)	3.67	3.46	3.62	3.29	3.16	3.75	4.46	4.32	4.41	4.41	4.75	5.02
Financial (\$000)												
Revenue (net of royalties)	122,612	380,646	111,105	95,410	80,471	93,661	383,496	104,393	98,261	91,186	89,655	286,020
Funds from Operations ¹	102,856	308,865	90,078	76,918	64,732	77,645	314,622	80,410	82,506	77,010	74,696	236,956
Net earnings (loss)	36,405	93,951	25,823	23,058	18,201	26,868	128,183	26,036	37,741	32,718	31,688	200,414
Capital expenditures	169,099	617,985	156,847	317,089	45,924	98,632	379,061	94,688	111,570	69,017	103,786	264,364
Net Debt ²	749,546	662,461	662,461	683,540	519,328	512,627	465,391	465,391	526,743	474,008	453,376	404,944
Common shares outstanding (000)	148,759	148,519	148,519	143,886	138,486	138,312	137,960	137,960	133,061	133,061	133,061	132,811
Weighted average shares	148,673	141,094	145,450	142,069	138,399	138,312	133,196	133,913	133,061	133,061	132,737	120,549
Per share data												
Funds from operations	0.69	2.19	0.62	0.54	0.47	0.56	2.36	0.60	0.62	0.58	0.56	1.96
Earnings (loss)	0.24	0.67	0.18	0.16	0.13	0.19	0.96	0.19	0.28	0.25	0.24	1.66
Dividends (Distributions)	0.18	0.72	0.18	0.18	0.18	0.18	0.72	0.18	0.18	0.18	0.18	1.44

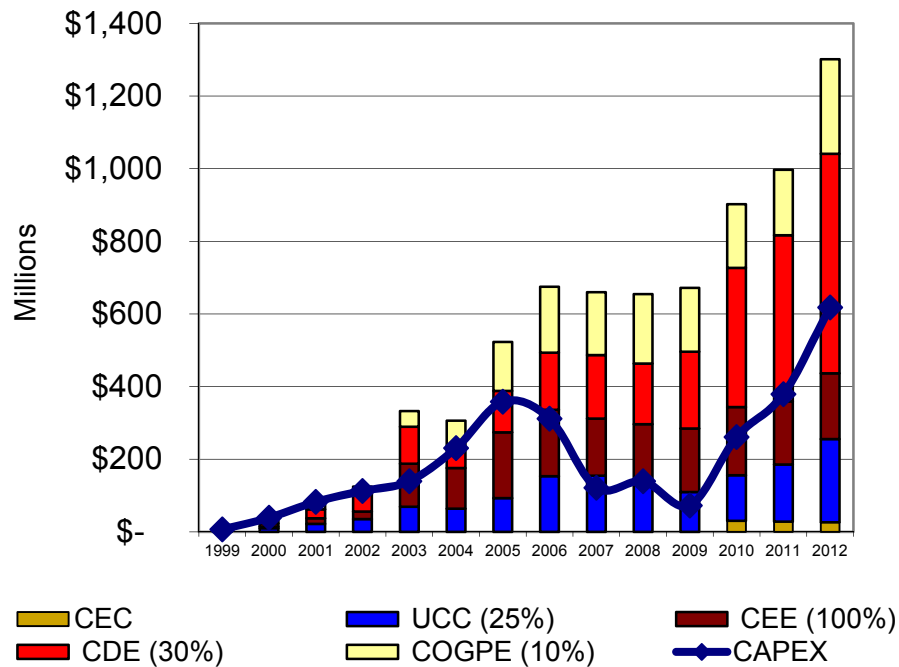
¹ Management uses funds from operations to analyze operating performance. In order to facilitate comparative analysis funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. As presented, funds from operations does not have any standardized meaning prescribed by Canadian GAAP.

² 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."



\$1.3B

Federal Tax Pools
Q4/12

\$2.9B

Peyto Cum. CapEx
Q4/12

Peyto's Payout

Dividend Sustainability

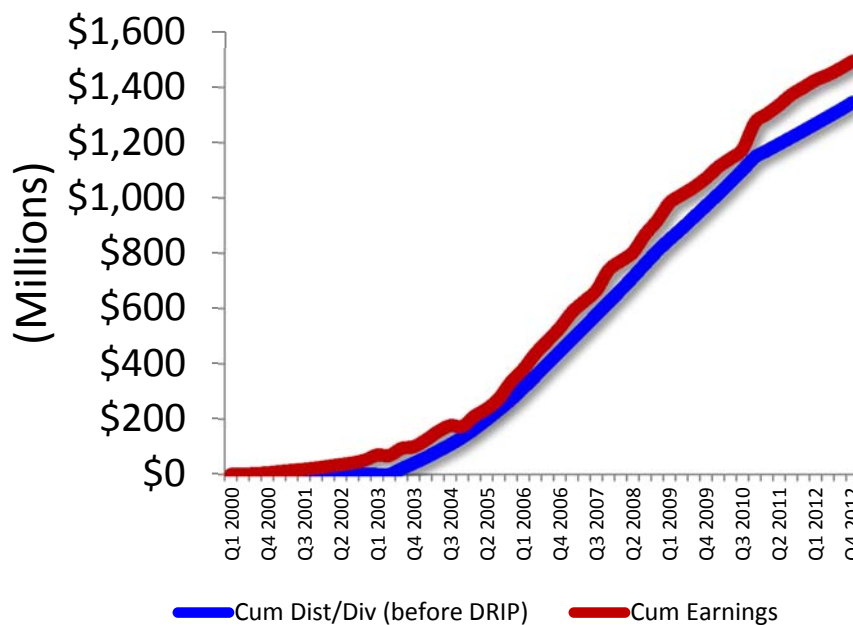
"The best way to ensure sustainable distributions (trust) and dividends (corp.) is to generate earnings. That's where they are supposed to come from and that's where Peyto's come from."

\$1.5B

Peyto Cum. Earnings
Q4/12

\$1.3B

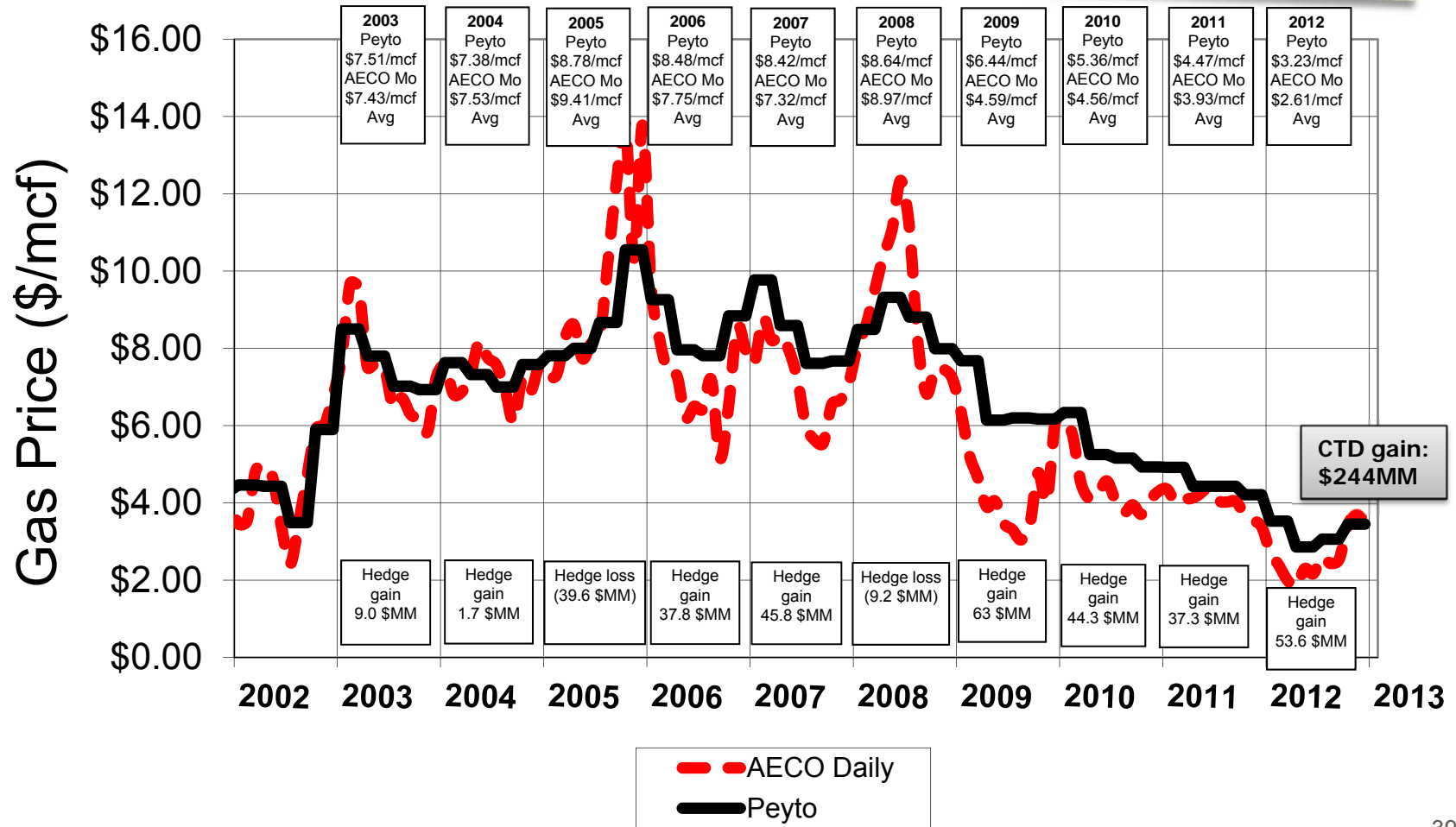
Peyto Cum. Dist/Div.
Q4/12



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. We forward sell up to 50% of gross production over a 24 month period."



Gas Marketing

Future Sales (Contracted in 2013)

"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

Date contracted	GJ/d	Pricing (\$/GJ)	2012					2013					2014					2015													
			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
15-Jan-13	5000	\$3.100								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
18-Jan-13	5000	\$3.250								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
22-Jan-13	5000	\$3.300								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
25-Jan-13	5000	\$3.330								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
30-Jan-13	7500	\$3.200								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
05-Feb-13	5000	\$3.220								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
13-Feb-13	5000	\$3.200								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
19-Feb-13	5000	\$3.193								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
25-Feb-13	5000	\$3.250								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
25-Feb-13	5000	\$3.300								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
04-Mar-13	5000	\$3.603								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
07-Mar-13	5000	\$3.530								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
14-Mar-13	5000	\$3.340								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
15-Mar-13	5000	\$3.550								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
21-Mar-13	5000	\$3.710								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
05-Apr-13	5000	\$3.760								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
05-Apr-13	5000	\$3.505								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
12-Apr-13	5000	\$3.860								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
17-Apr-13	5000	\$3.555								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
18-Apr-13	5000	\$4.000								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
07-May-13	5000	\$3.480								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
13-May-13	5000	\$3.810								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
22-May-13	5000	\$3.900								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
22-May-13	5000	\$3.820								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
13-Jun-13	5000	\$3.440								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
18-Jun-13	5000	\$3.520								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
19-Jun-13	5000	\$3.520								.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.

Avg (Gas only)																															
Avg GJ/d	125,357	151,000	197,500	184,500	102,500	25,000	0																								
Avg \$ per GJ	\$3.41	\$3.22	\$3.20	\$3.31	\$3.36	\$3.64	\$0.00																								
Avg mcf/d	107,100	129,100	168,800	157,700	87,600	21,400	0																								
Avg \$ per mcf	\$3.99	\$3.77	\$3.74	\$3.87	\$3.94	\$4.26	\$0.00																								

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

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.