15th 1998-2013 Anniversary

www.Peyto.com

Peter's & Co. Luncheon Series
Technology Driving Supply Costs Lower

June 2014

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.

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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's Profile

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TSX Listing:	PEY
Shares Outstanding:	153.7 million, 4.4% insiders (as of Feb. 5/14)
Monthly Dividend:	$0.10/share (incr. from $0.08 effective May/14)
Current Production:	~445 MMCFe/d (74,000 boe/d)
YE 2013 2P Reserves:	2.8 TCFe (468 mmboes)
Net Debt:	$100 million (senior unsecured notes, 7 yr, 4.39% CAD, Prudential IM)
	$ 50 million (senior unsecured notes, 10 yr, 4.88% CAD, Prudential IM)
	$120 million (senior unsecured notes, 7 yr, 4.5% CAD, syndicate)
*(Q1 2014)	$568 million (revolving bank debt, unaudited)
	$838 million*
Bank Lines:	$1.27B total capacity ($1.0B unsecured bank facility)
Enterprise Value:	$6.7 billion ($38/share)
Full Time Employees:	46

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

The Peyto Strategy

What We Believe

"If we are successful, we believe we can make more money for our shareholders and ourselves."

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- ***"We believe nature's gas is the fuel for the future."***
- ***"We believe we can make a <u>real</u> profit by being the lowest cost, most efficient producer in the industry."***
- ***"We believe in partnering with shareholders to make that profit, not by trying to make your money our money."***

The Peyto Strategy

How We Do It

"Basically, we strive to be the smartest (both with ideas and execution), build the best, and make the most for our stakeholders."

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- Invest in our own ideas
- Build it ourselves
- Operate it ourselves
- Focus on maximum return
- Stay concentrated, lean & efficient

The Peyto Strategy

Superior Shareholder Returns

"In simple terms,
$1000 invested into
Peyto 15 yrs ago,
would be worth approx.
$700,000 today!
That's a shareholder
IRR of 95%."

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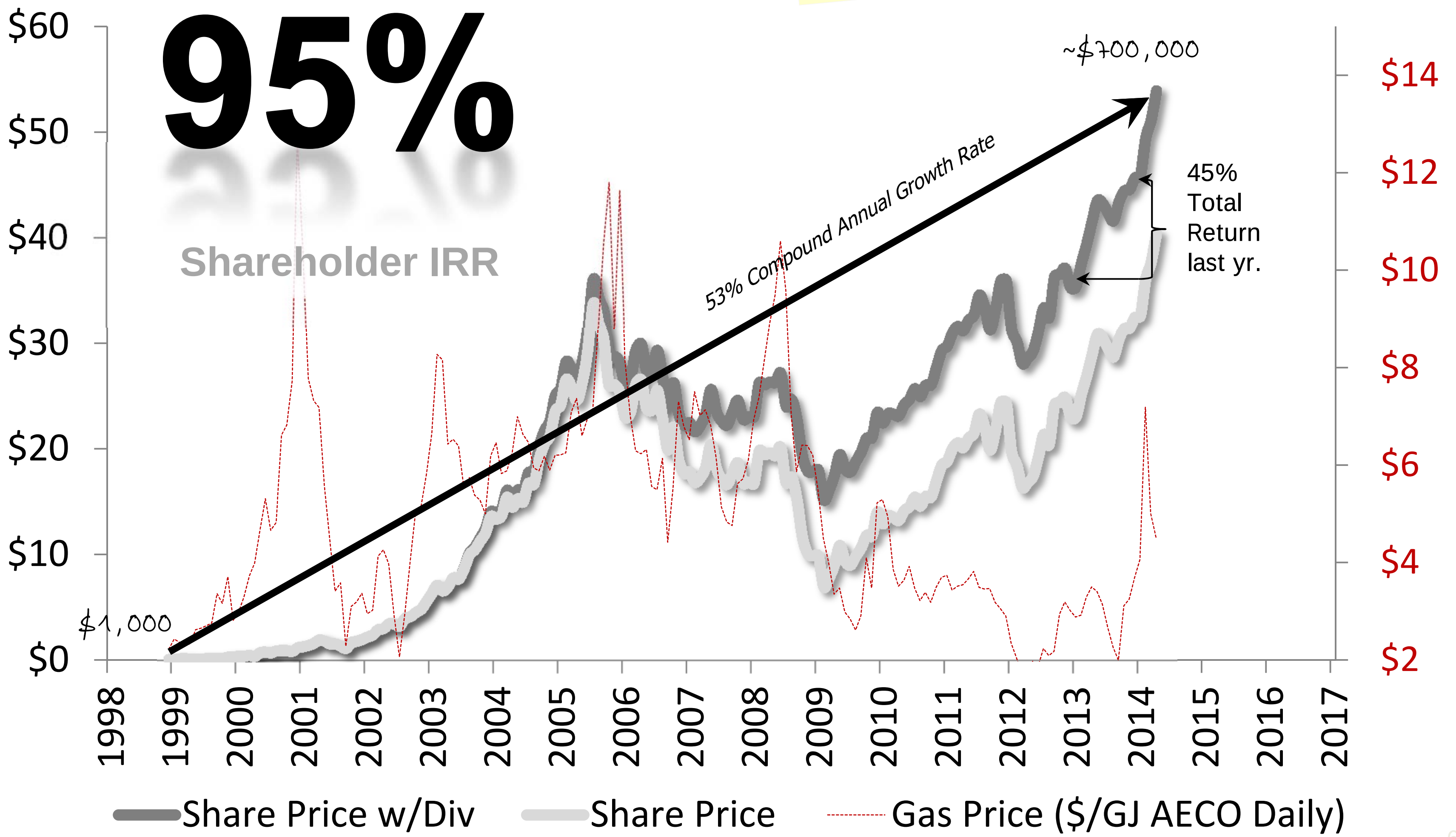


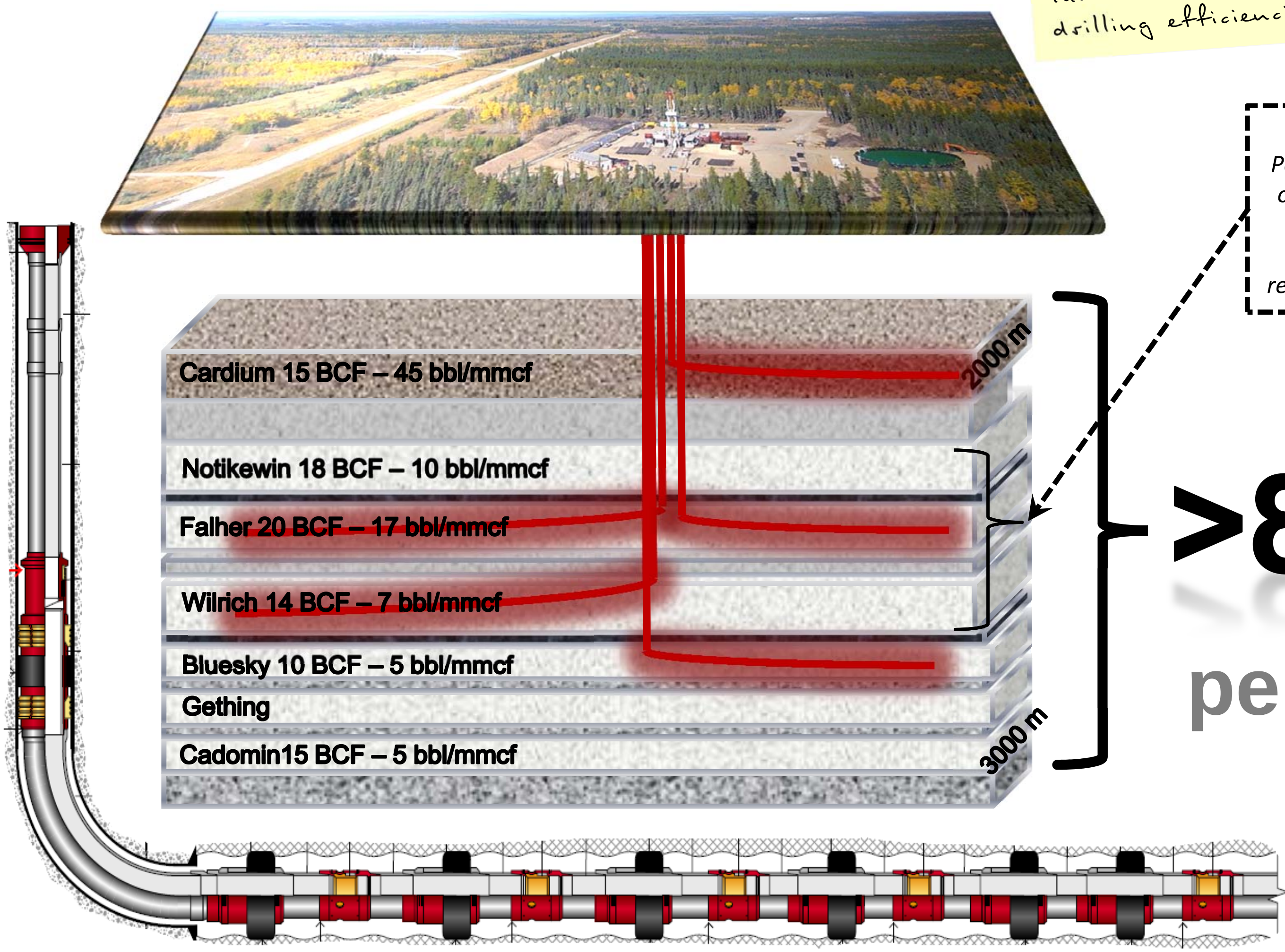
Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Oct 23,1998 price of $0.075/share, Dec 31/13 price of $32.51/share, Cum Dist./Div. to Dec 31/2013 $13.19
2013 return: $22.99/share to $32.51/share plus $0.88/share dividend

How Has Technology Driven Supply Costs Lower?

Horizontal MSF Technology

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."



Detailed Petrophysical work on the Spirit River sands revealed >30% more reserves per section

Up to

>80 BCF

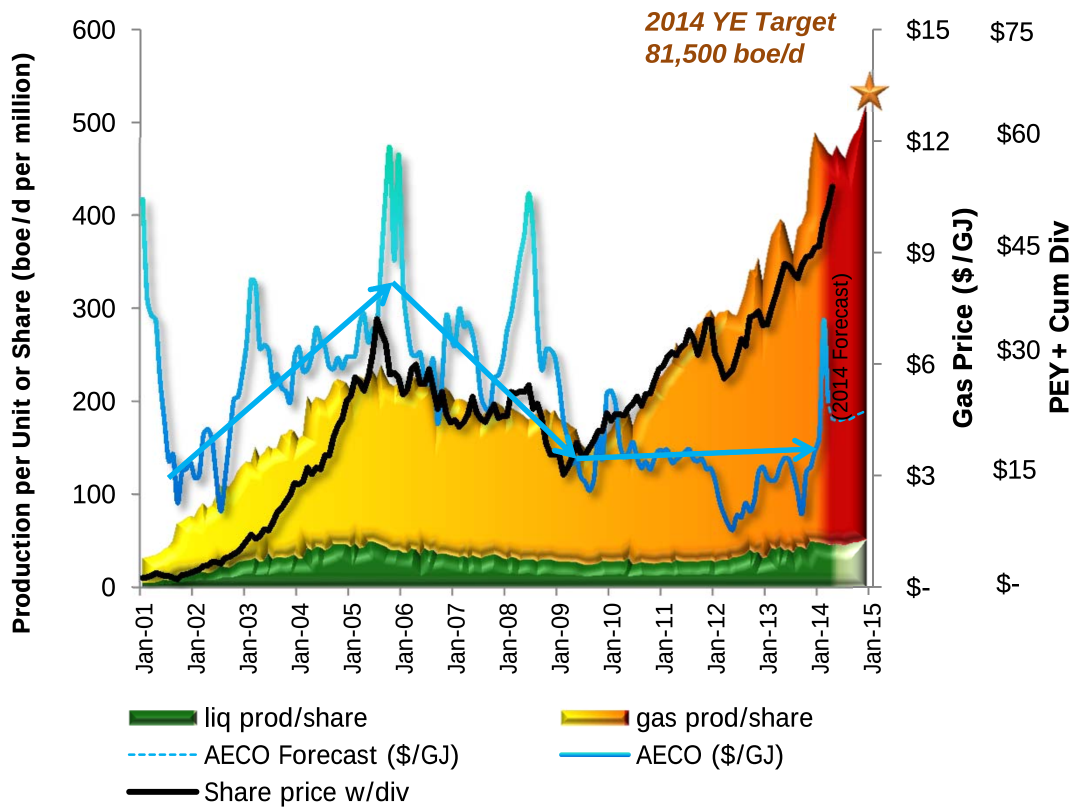
per section*

NGL recoveries can increase by 15+ bbl/mmcf with deeper cutting processing facilities
Reserves are 2P recoverable in a section at 85% RF

Rapid Production Growth

Peyto's Growth per Share

"Since the adoption of horizontal multi-stage frac well designs in 2009, Peyto has been growing production per share at a CAGR of over 30%, in a $3 gas world. That is forecast to continue in 2014."



30%

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

Peyto's 2013 Supply Costs

"Build it for less than we sell it"

"I would define supply cost as the cost to build (PDP FD&A) and cost to produce (cash costs)."

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	PEY 2013
PDP FD&A $/mcfe	($2.35)
Cash Costs $/mcfe	($1.06)
Sales Price $/mcfe	$4.43
23% Profit	$1.02
Dividend	*$1.01*

Land/Acq	$9MM
Seismic	$3MM
Drilling	$254MM
Compl.	$152MM
Wellsite	$48MM
Facilities	$112MM
	$578MM
ΔPDP Reserves (before Prod.)	41.0 mmboes
PDP FD&A	$14.09/boe
	$2.35/mcfe

Royalties	($0.31)
Opex	($0.35)
Transport	($0.12)
G&A	($0.04)
Interest	($0.24)
Total Costs	($1.06/mcfe)

$3.01/GJ AECO daily
X 144%*
$4.32/mcfe
$0.11/mcfe hedging
$4.43/mcfe Peyto Realized

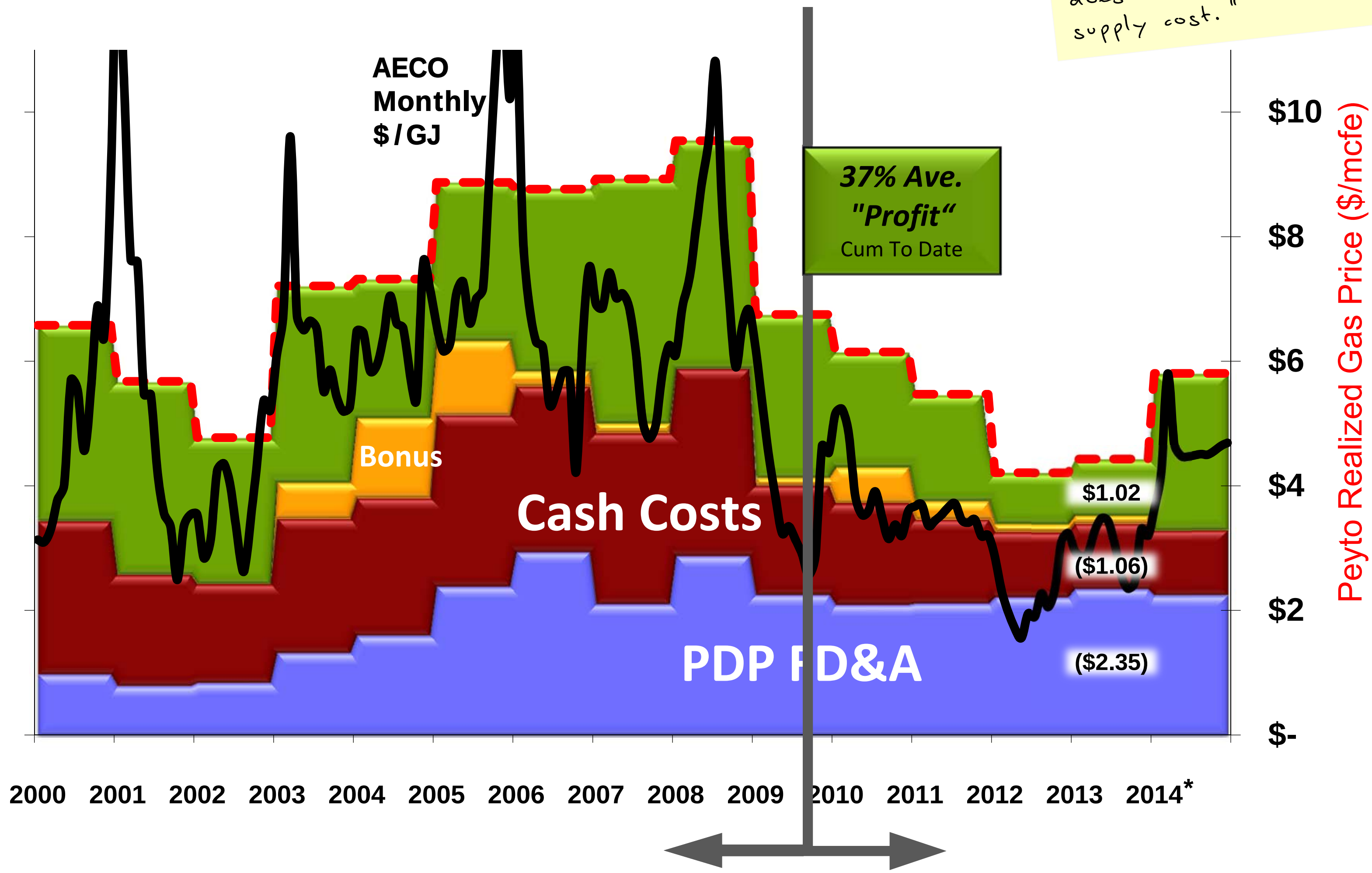
BOE factor - 6 mcfe = 1 bbl of oil equivalent

** 2013 uplift for NGLs and heat content from average Alberta daily natural gas price ($/GJ)*

Peyto's Historical Supply Cost

Profitable Even Through The Lows

"Total supply costs before and after the introduction of horizontal multi-stage fractured wells in 2009 appear to be similar, suggesting the technology doesn't actually lower supply cost."



Started using Hz MSF
wells in Q4 2009

Total Cash Costs per mcfe includes – Royalties, Op Costs, G&A, and Interest
PDP FD&A – Proved Developed Producing Finding Development & Acquisition Costs
**2014 costs and prices are historical costs shown for illustration*

CND Gas Supply Cost

Profitability Challenges for the Canadian Gas Industry

"Our gassy peers haven't seen a big reduction in their costs either as the technology has been adopted over the last several years."

	2013	2012	2011	2010[1]
PDP FD&A $/mcfe	($2.93)	($3.43)	($3.68)	($3.11)
Cash Costs $/mcfe	($3.13)	($2.98)	($3.31)	($3.19)
Supply Cost	**($6.06)**	**($6.41)**	**($6.99)**	**($6.30)**
Sales Price $/mcfe	$6.56	$5.91	$6.95	$6.56
Profit/(Loss)	$0.50	($0.50)	($0.05)	$0.27

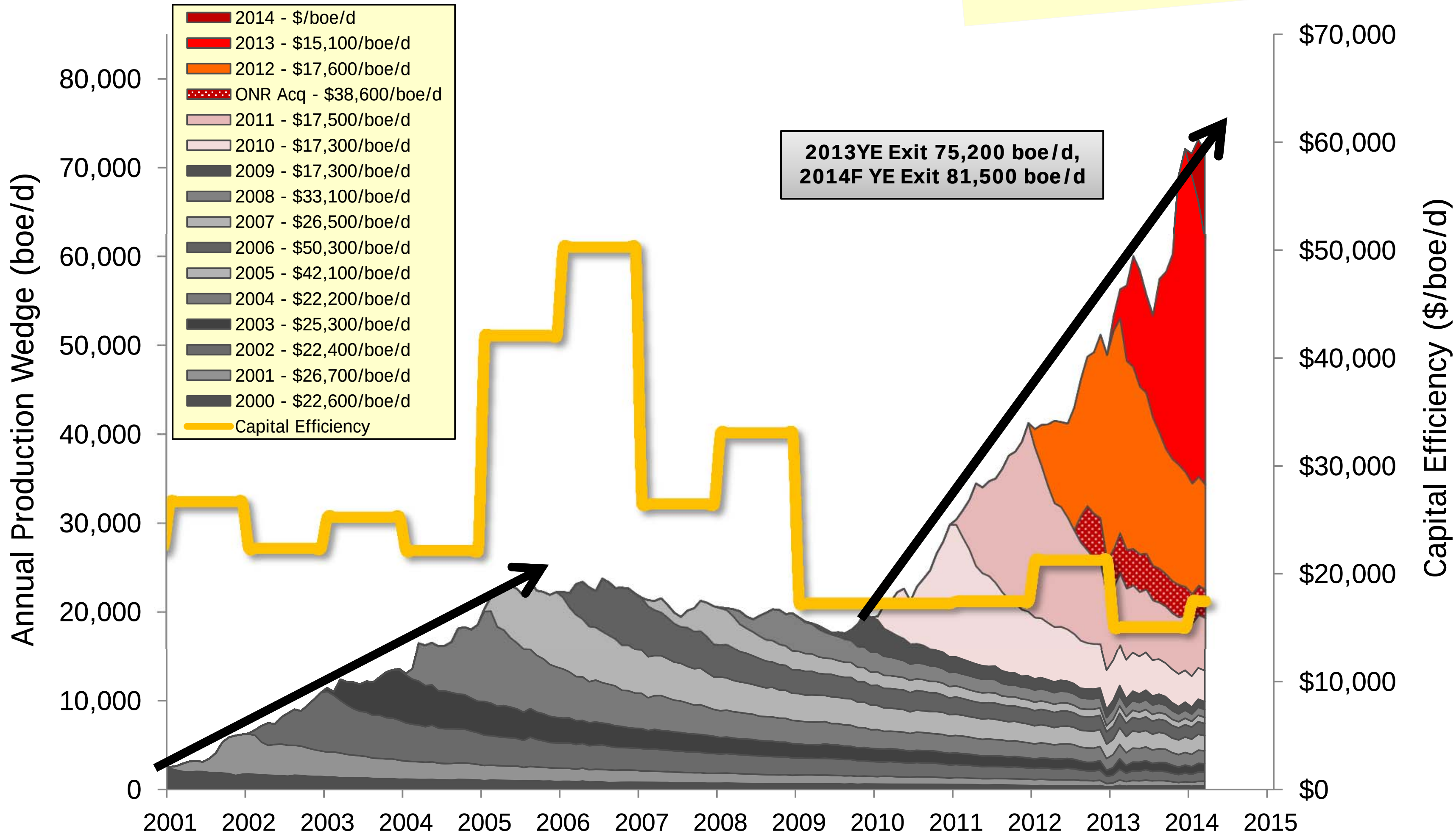
**Includes: ARX,BIR,BNP,BXE,ERF,TET,TOU (>20,000 boe/d, >55% gas, >$1B Market Cap)*

1. ERF 2010 N/A

Improving Capital Efficiency

Building More Faster

"What the technology has done, is allowed us to build more initial production and faster, for less capital, increasing our rate of growth."

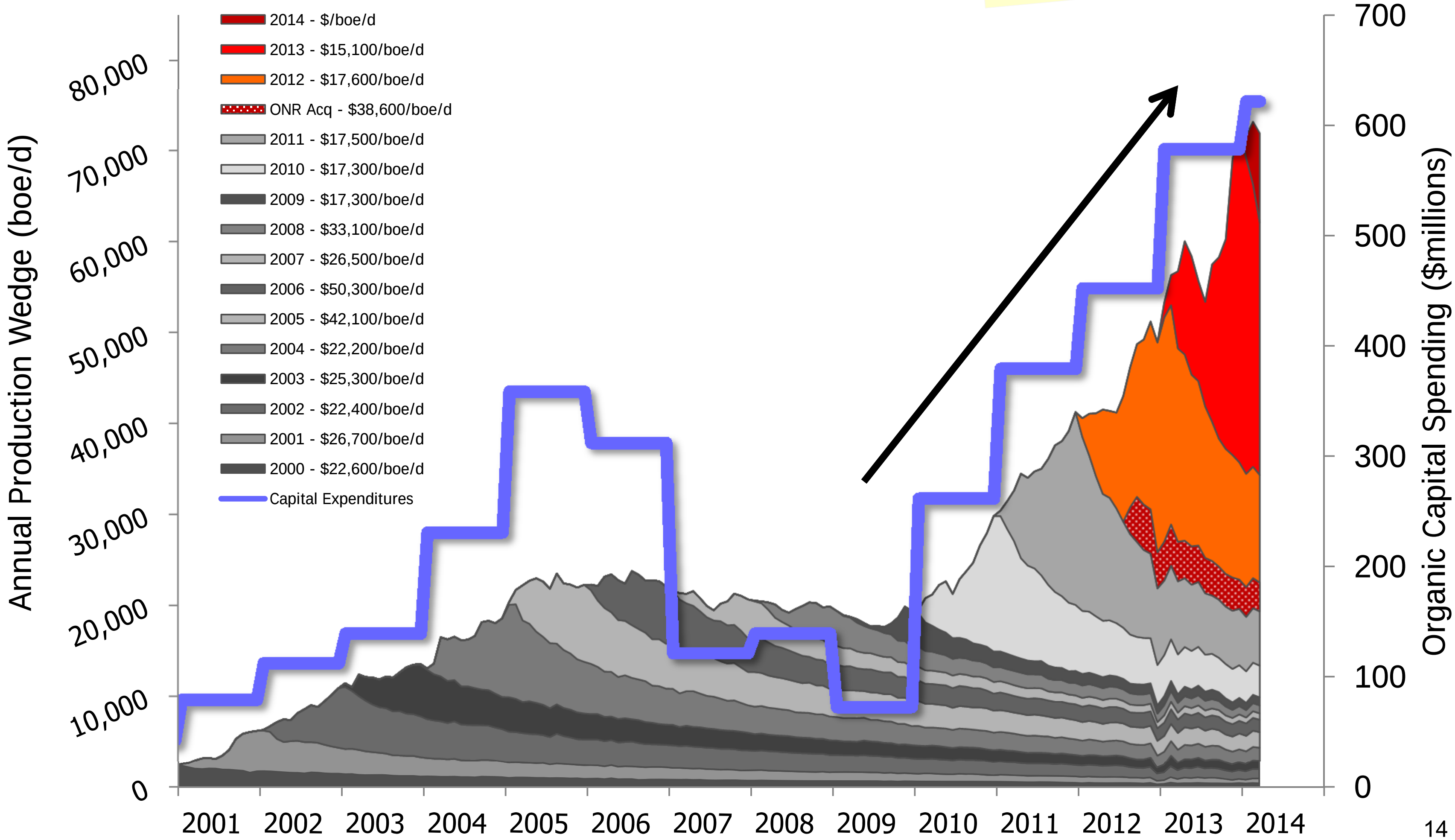


** Capital Efficiency is the cost to add new production measured at Dec 31 each year. Example: In 2010 , Peyto invested $261MM to build 15,100 boe/d for a capital efficiency of $17,300/boe/d.*

Increasing Capital Programs

Deploying More Capital With Less Resources

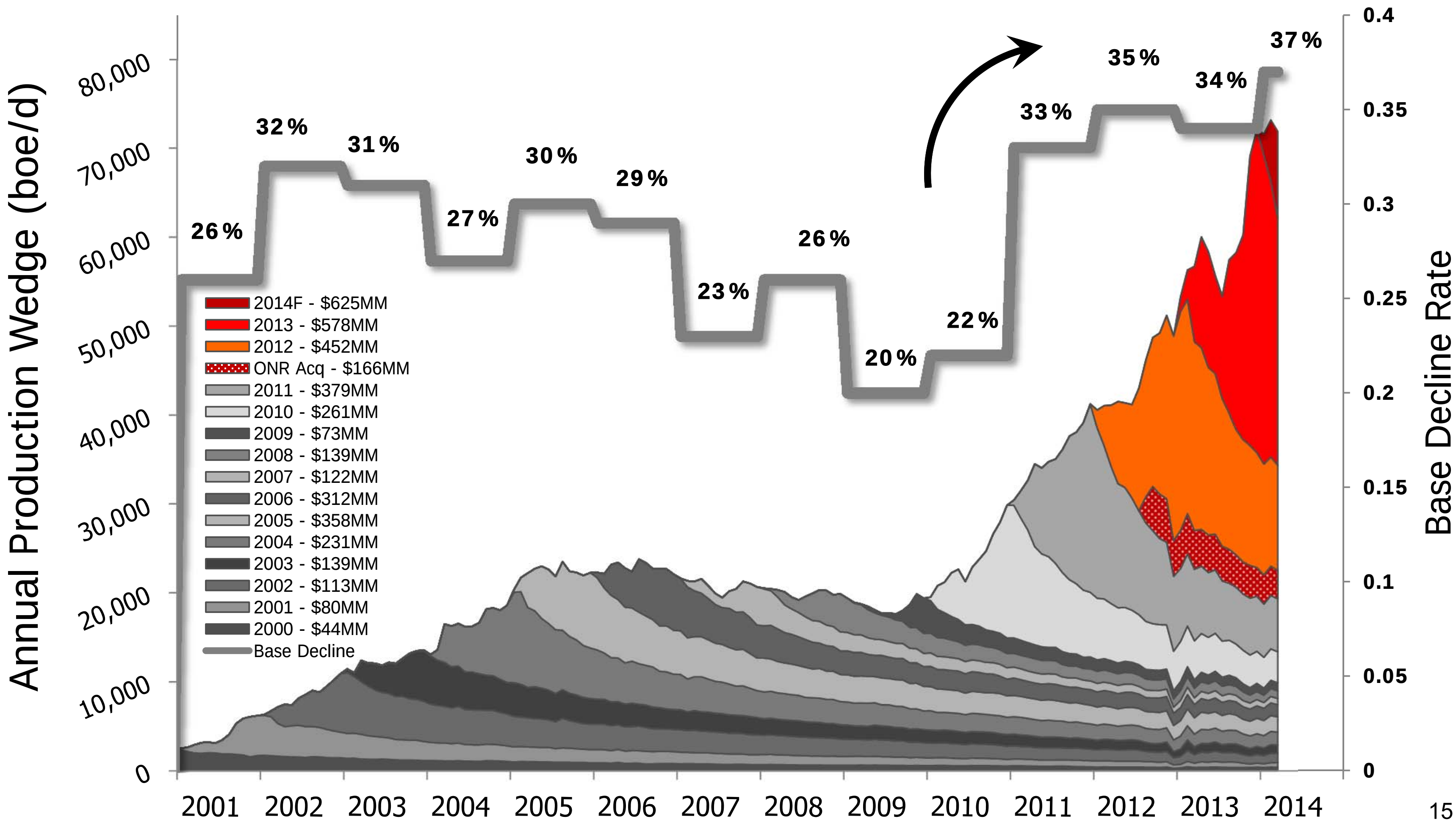
"One of the benefits of this new technology is the ability to deploy even greater amounts of capital with the same size team."



Increasing Decline Rates

Speeding Up The Treadmill

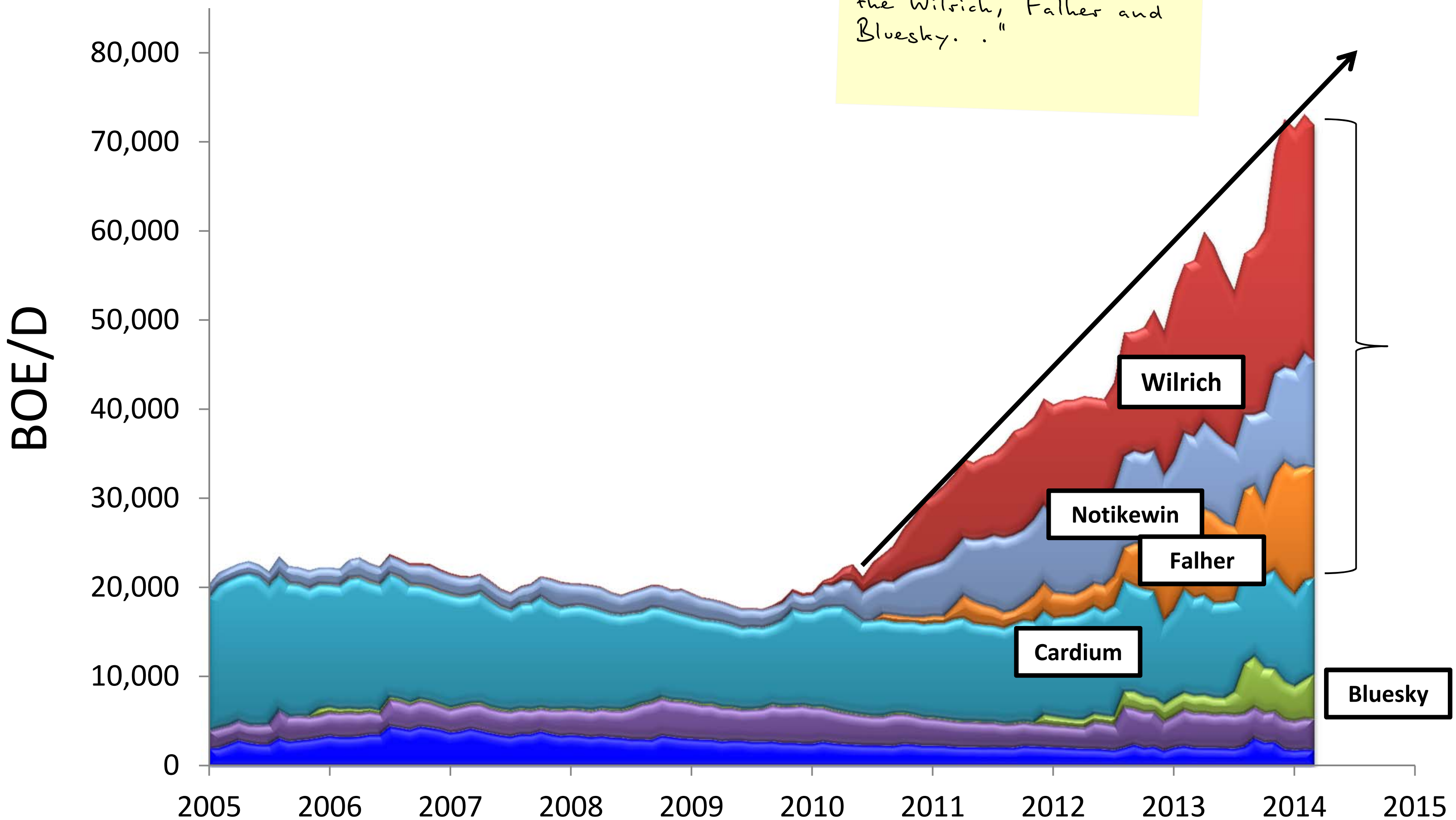
"However, one of the drawbacks of rapid production growth is increased corporate decline. Over time this is expected to come down as a smaller percentage each year is new."



Peyto's Expanding Resource Base

Production By Formation

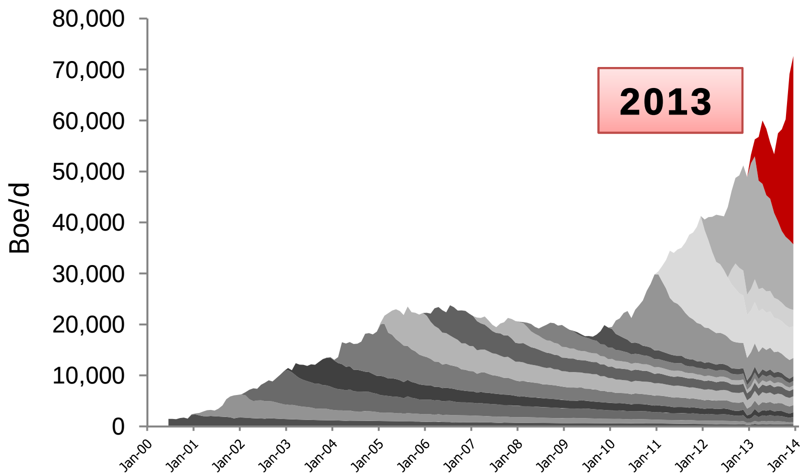
"Hz multi-stage frac well technology has allowed us to unlock even more resource plays like the Wilrich, Falher and Bluesky. ."



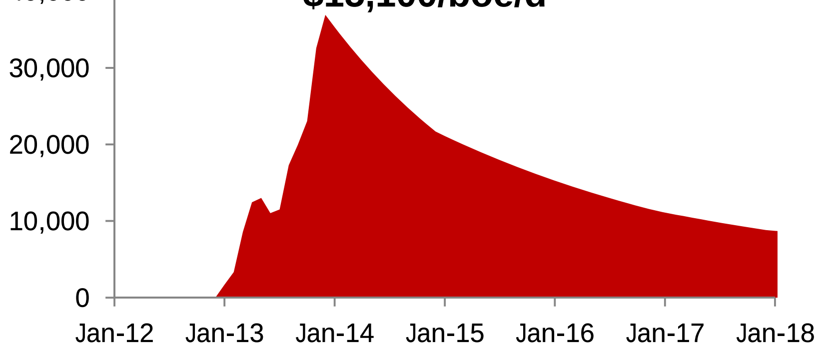
Peyto's Returns

Returns Driven – Organic Activity

"Even if supply costs aren't lower, being able to deploy more capital faster, for similar returns is still better."



2013 Capital Program
99 gross/93 Net Wells
38,400 boe/d
$15,100/boe/d



$446M → $904M

Net Capital (after NOI) to PV_5

33%

Production/share growth

19%

2P Reserves/share growth

27%

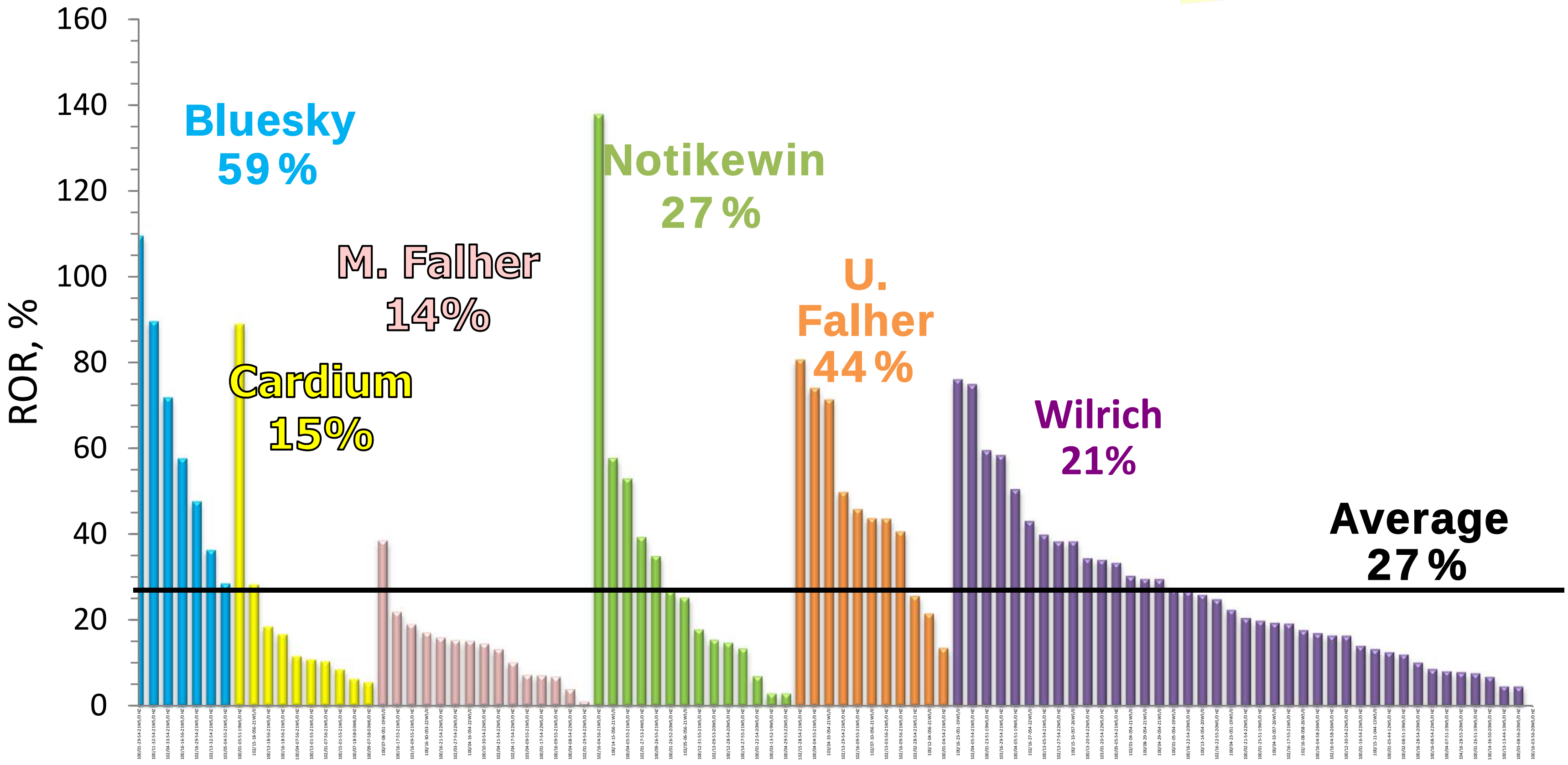
IRR

Based on IPC is InSite Petroleum Consultants - Dec 31, 2013 Reserve Report.
Net Capital for 2013 equals $578MM total capital investment less $132MM of operating income generated in 2013

Peyto's Returns

Full Cycle Real Returns (__NOT__ Hypothetical)

"The technology allows us to develop different resource plays at the same time, thus giving us time to confirm our expectation of returns with performance and therefore lower the risk."



Only 1 well out of 99 will not make back its capital

Includes provision of $930k per well for Facilities, Land and Seismic
Peyto's internal Full Cycle actual IRR on 99 Wells by Species using Insite Dec 31/13 Prices

So Is The Technology Better?

"The advantage of this new technology is not so much to lower supply cost but to unlock additional resources and accelerate capital investment. But only for those that can execute large capital programs."

- ☑ More efficient for multi-zone, stacked tight gas.
- ☑ Lower capital efficiency. Each $ builds more initial production.
- ☑ Invest much more capital with less resources for same returns.
- ☑ Access more unconventional resources.
- ☒ Lowers supply costs.

Appendix

- Peyto's Unique Assets
- Peyto's Incredible Returns
- Peyto's Future
- Quarterly Track Record
- Tax Pools
- Payout
- Hedging Strategy
- Gas Marketing
- Liquids Marketing
- FAQ

Peyto's Unique Assets

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Peyto's Assets

Geographically Focused Core Areas

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

97%

Processed by Peyto

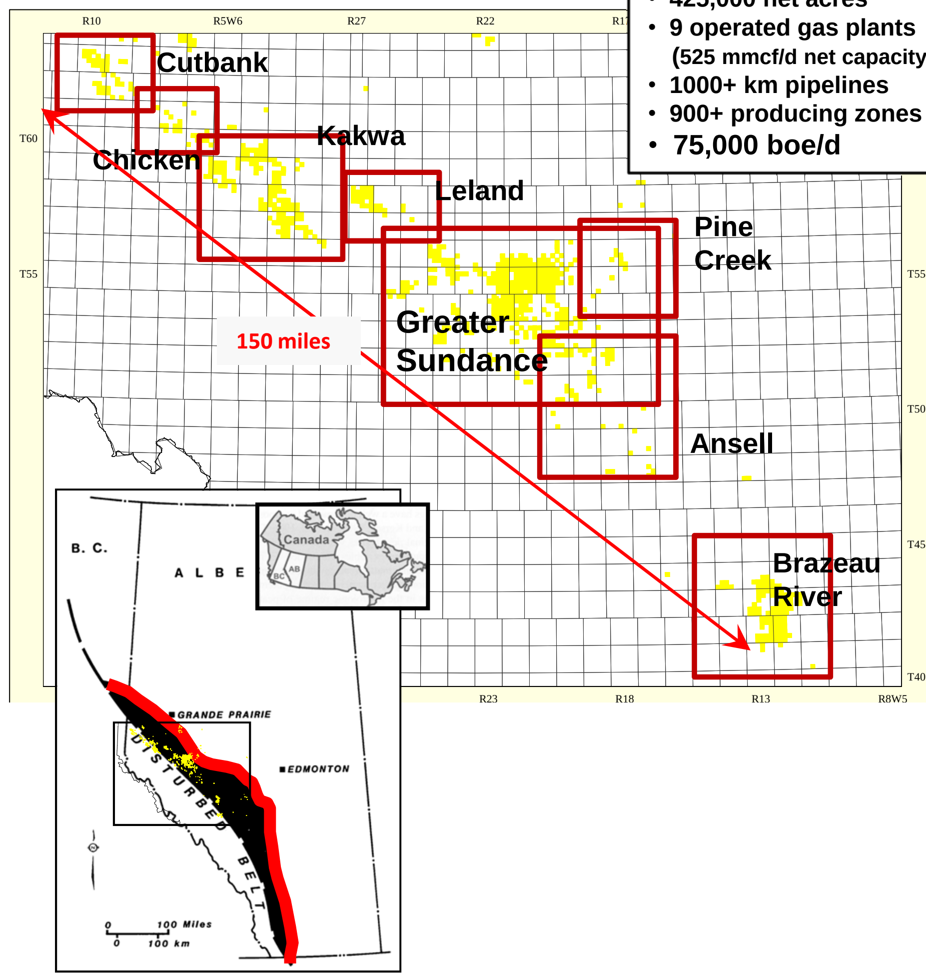
99%

Operated by Peyto

97%

Interest in 9 Processing Facilities

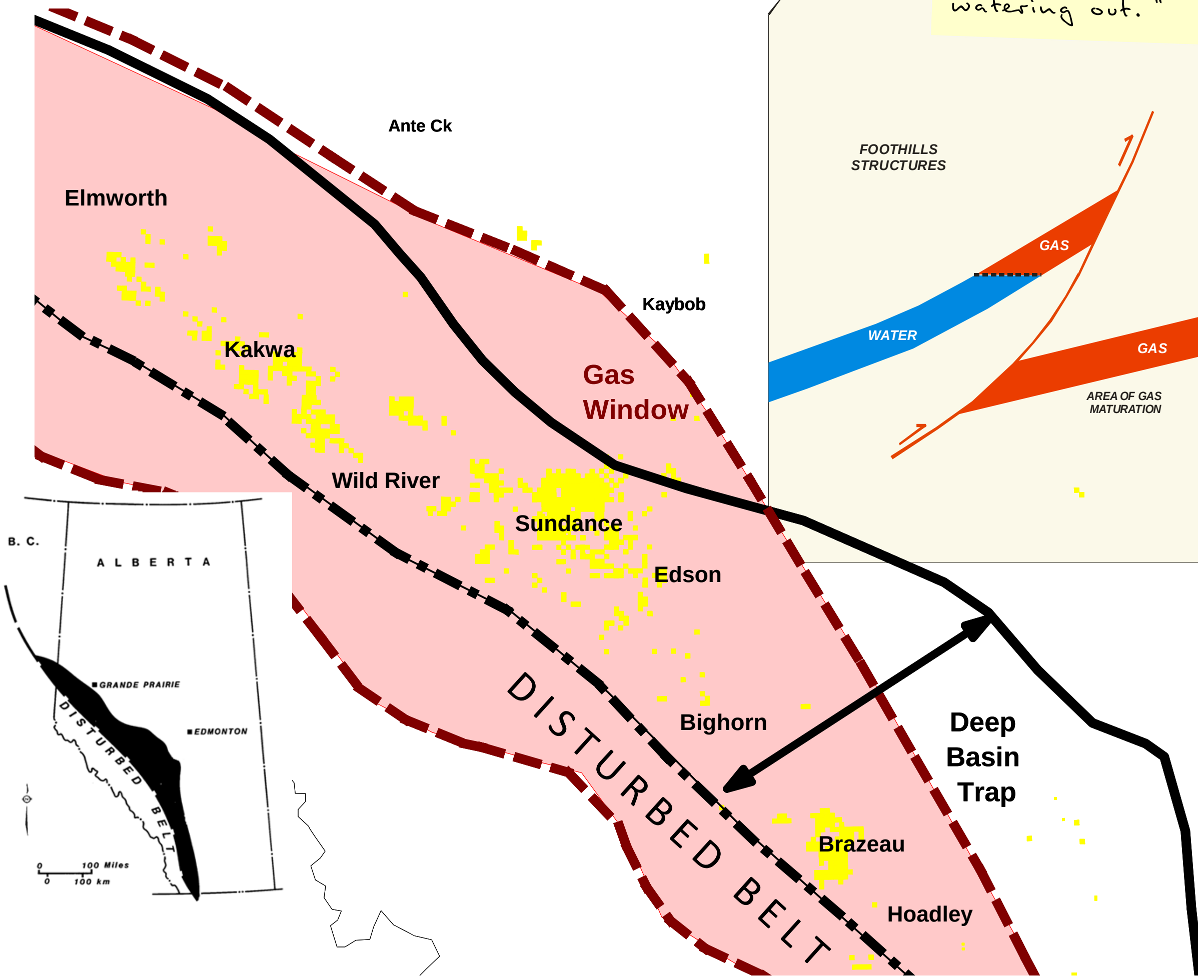
- 425,000 net acres
- 9 operated gas plants (525 mmcf/d net capacity)
- 1000+ km pipelines
- 900+ producing zones
- 75,000 boe/d

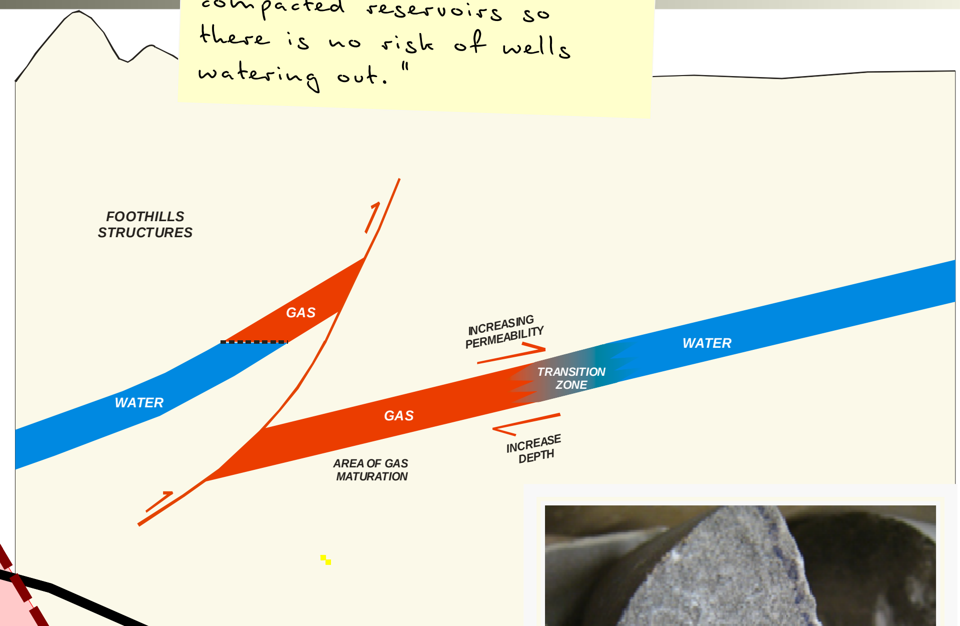


Peyto's Assets

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, tightly compacted reservoirs so there is no risk of wells watering out."





Peyto's Assets

Deep Basin Lands Go A Long Way

"Peyto's land in the Deep Basin is more potent due to the multiple stack formations which more than triples the drillable acreage."

664

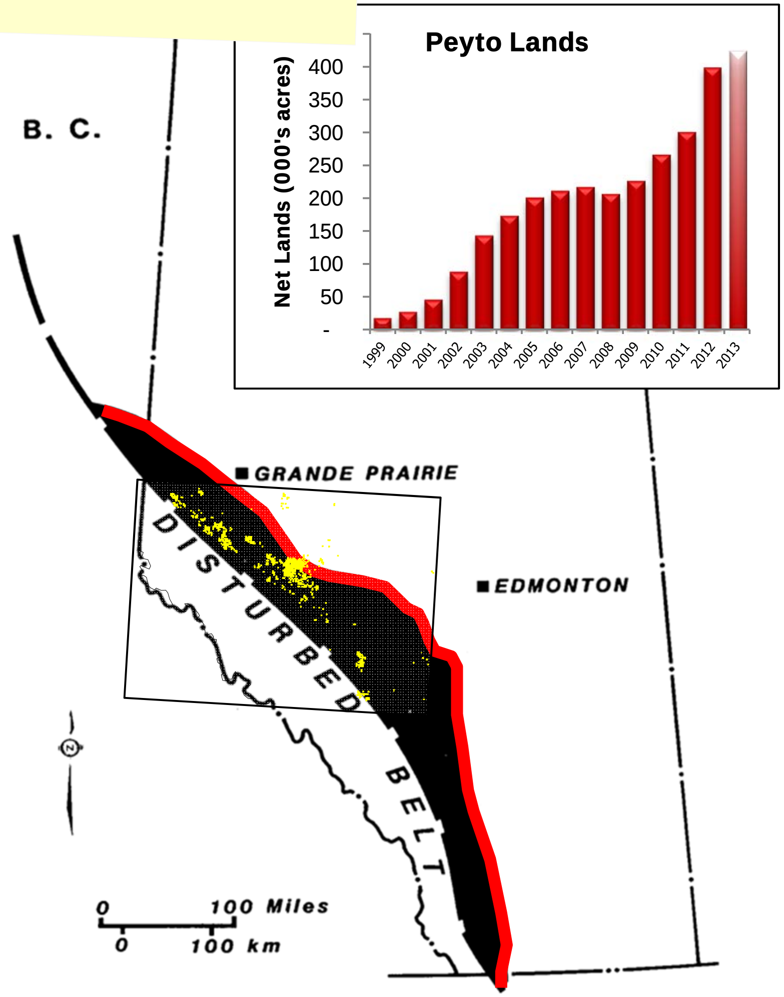
Net Peyto Sections

2,473

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

168

Net Sections for 2.0 TCFe of PD EUR*

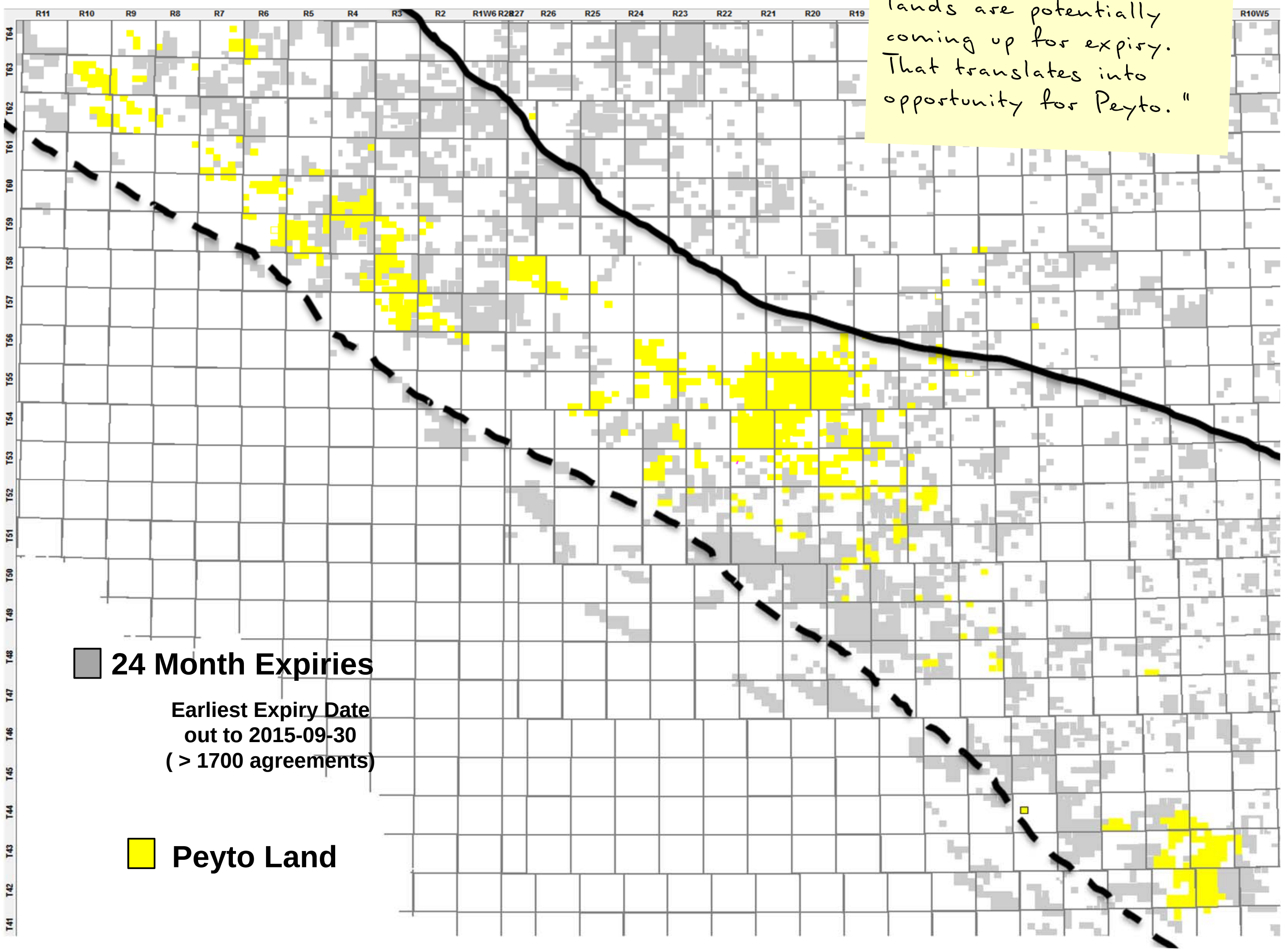


TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable
**Based on InSite Petroleum Consultants Dec 31, 2013 Reserve Report.*
Lands at December 31, 2013

Peyto's Assets

Spirit River Group Potential Land Expiries

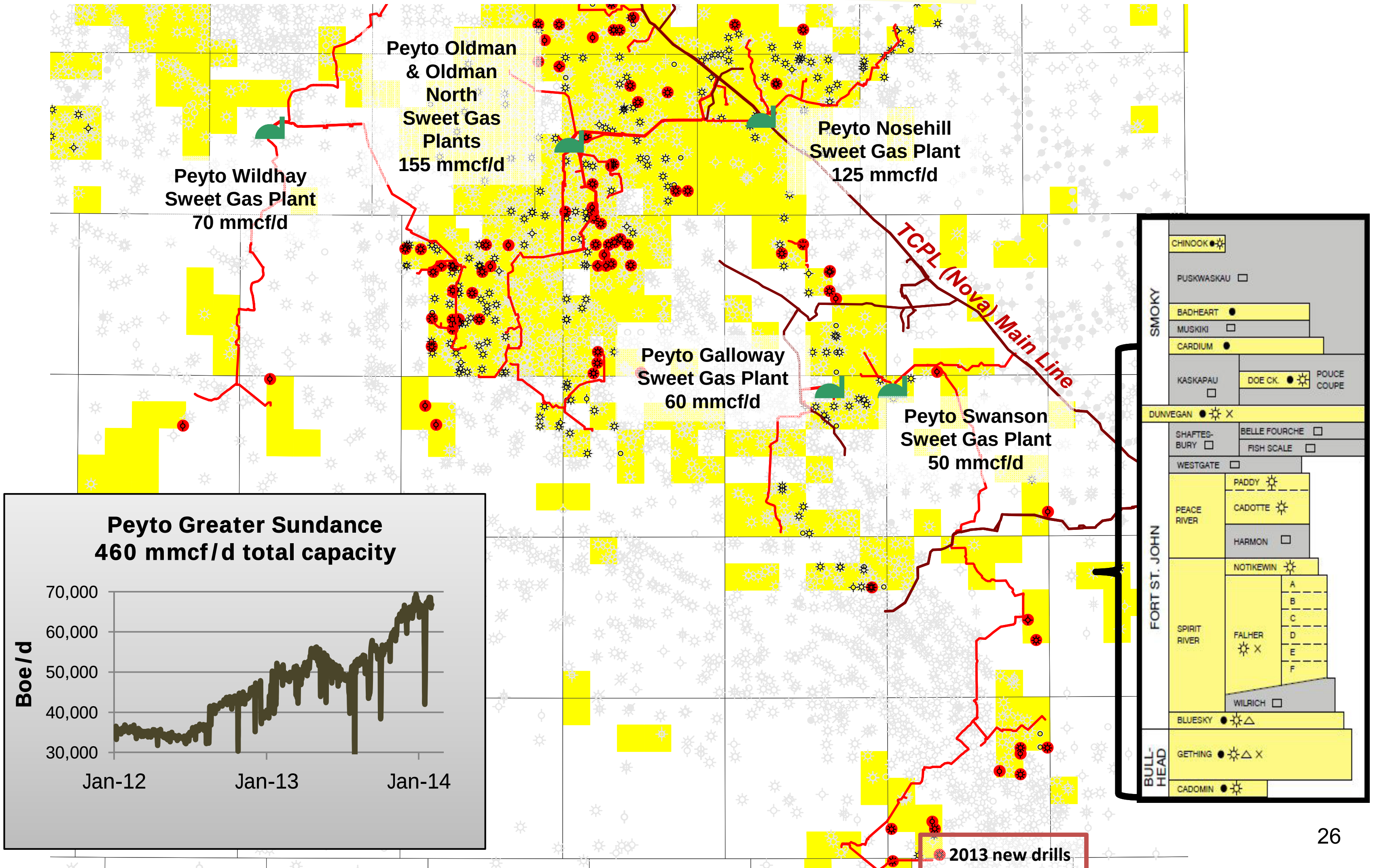
"5 yrs ago in '08 there was a big land grab in Alberta. Now those lands are potentially coming up for expiry. That translates into opportunity for Peyto."



Peyto's Assets

Greater Sundance Area

"The Greater Sundance Area continues to grow, much like a city with new subdivisions and infrastructure.."

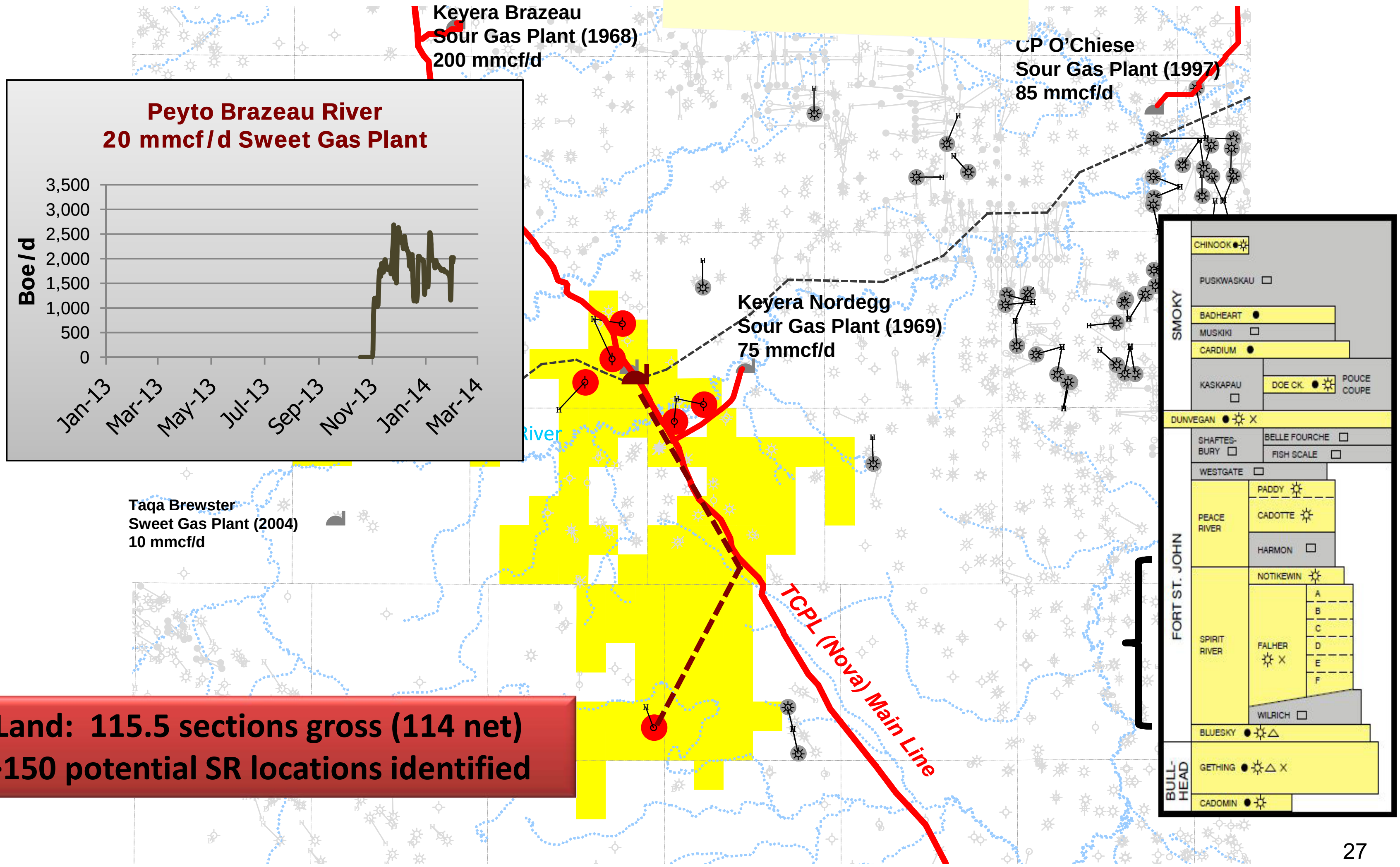


6/2/2014

Peyto's Assets

Brazeau River Area

"The new Brazeau area is well positioned on the TCPL system and existing roadways. Peyto's new sweet facility is a much cheaper solution than old, sour gas plants nearby."

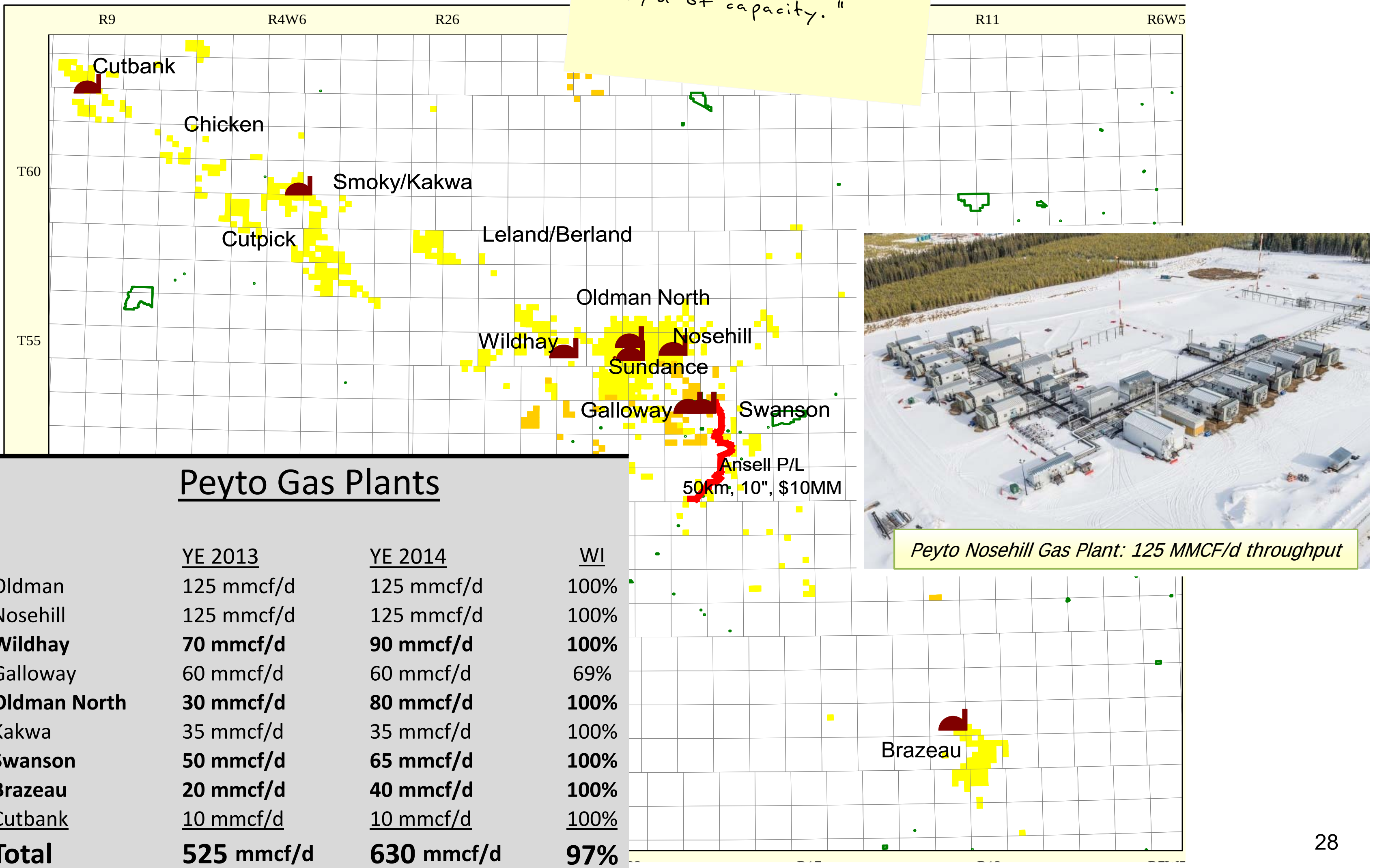


Land: 115.5 sections gross (114 net)
>150 potential SR locations identified

Peyto's Assets

Facility Ownership and Control

"2014 budget includes expansion work at 4 of Peyto's gas plants. In total, that will be 9 plants with over 0.6 BCF/d of capacity."



Peyto Nosehill Gas Plant: 125 MMCF/d throughput

Peyto Gas Plants

	YE 2013	YE 2014	WI
1 Oldman	125 mmcf/d	125 mmcf/d	100%
2 Nosehill	125 mmcf/d	125 mmcf/d	100%
3 **Wildhay**	**70 mmcf/d**	**90 mmcf/d**	**100%**
4 Galloway	60 mmcf/d	60 mmcf/d	69%
5 **Oldman North**	**30 mmcf/d**	**80 mmcf/d**	**100%**
6 Kakwa	35 mmcf/d	35 mmcf/d	100%
7 **Swanson**	**50 mmcf/d**	**65 mmcf/d**	**100%**
8 **Brazeau**	**20 mmcf/d**	**40 mmcf/d**	**100%**
9 Cutbank	10 mmcf/d	10 mmcf/d	100%
Total	**525 mmcf/d**	**630 mmcf/d**	**97%**

Peyto's Assets

Large Hz MSF Inventory

"Peyto has developed almost 2.0 TCFe using vertical and now horizontal wells. But there is a lot more to do. More than 15 years worth of drilling inventory."

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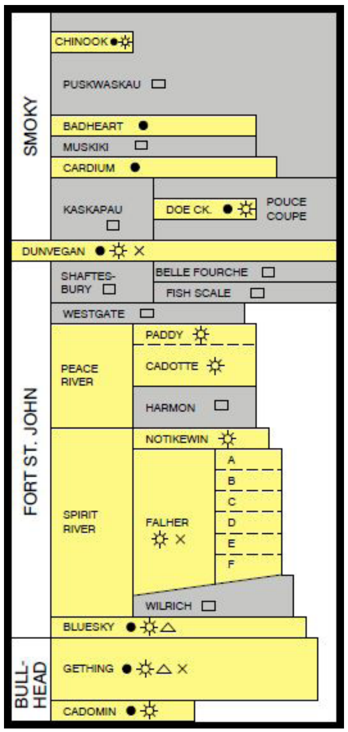


Done[1]		To Do	
Total Vertical Wells	**Total Hz Wells**	**Total Hz Locations Booked***	**Total Hz Locations Unbooked**
			56
432	63	200	356
5	1	5	
1			14
90	56	87	43
7	27	37	23
	27	56	254
		1	
14	136	179	192
4	14	47	48
12	2		
87	2	16	177
652	328	628	1163

Over 1700 locations

1. Drilling to Dec 31, 2013

**As recognized in the IPC independent reserve report dated Dec. 31, 2013*

Peyto's Assets

Longest Reserve Life

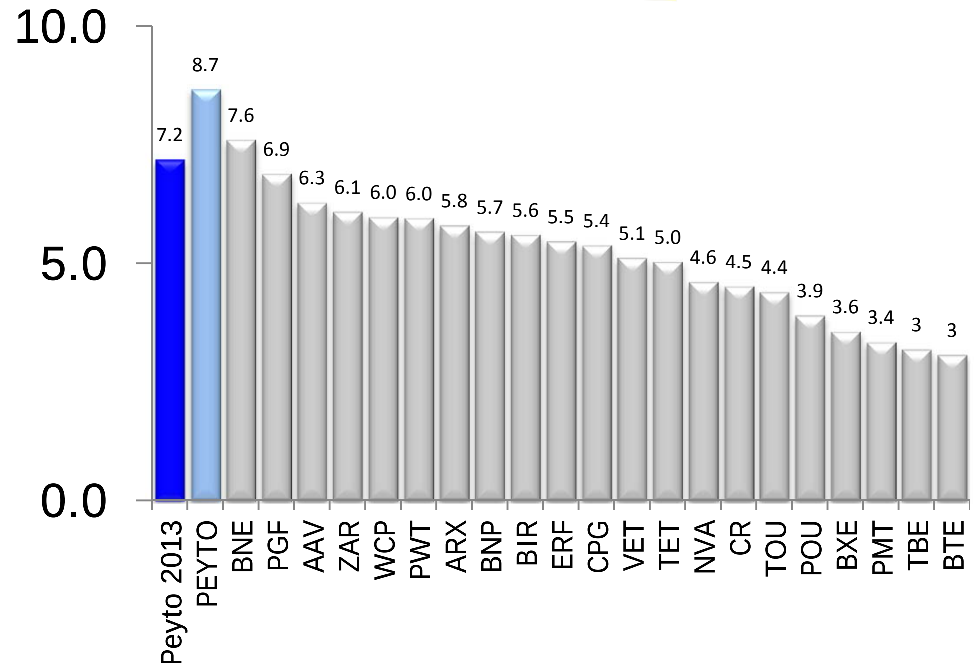
"Peyto is a pure play unconventional tight gas company. Others may claim to have long reserve life assets but only because they are measuring current production against undeveloped reserves, not the reserves associated with the current production."

7

Peyto 2013 PP RLI (yrs)

5

Industry 2012 PP RLI (yrs)



2012 Year End Proved Producing Reserve Life (using Q4 2012 production rate).
Source: Company AIF & Financials

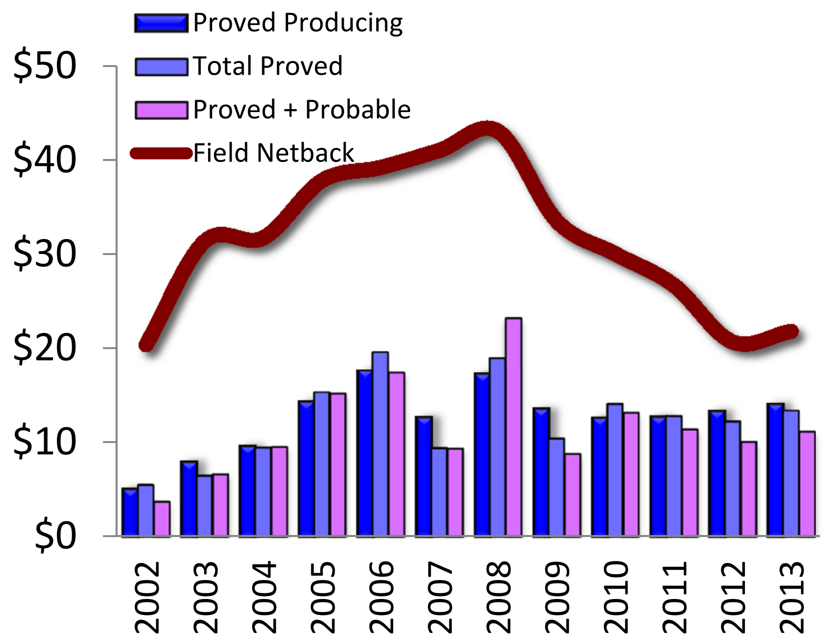
Peyto's Assets

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."

3.0

Peyto PP Recycle Ratio (14 yr average)

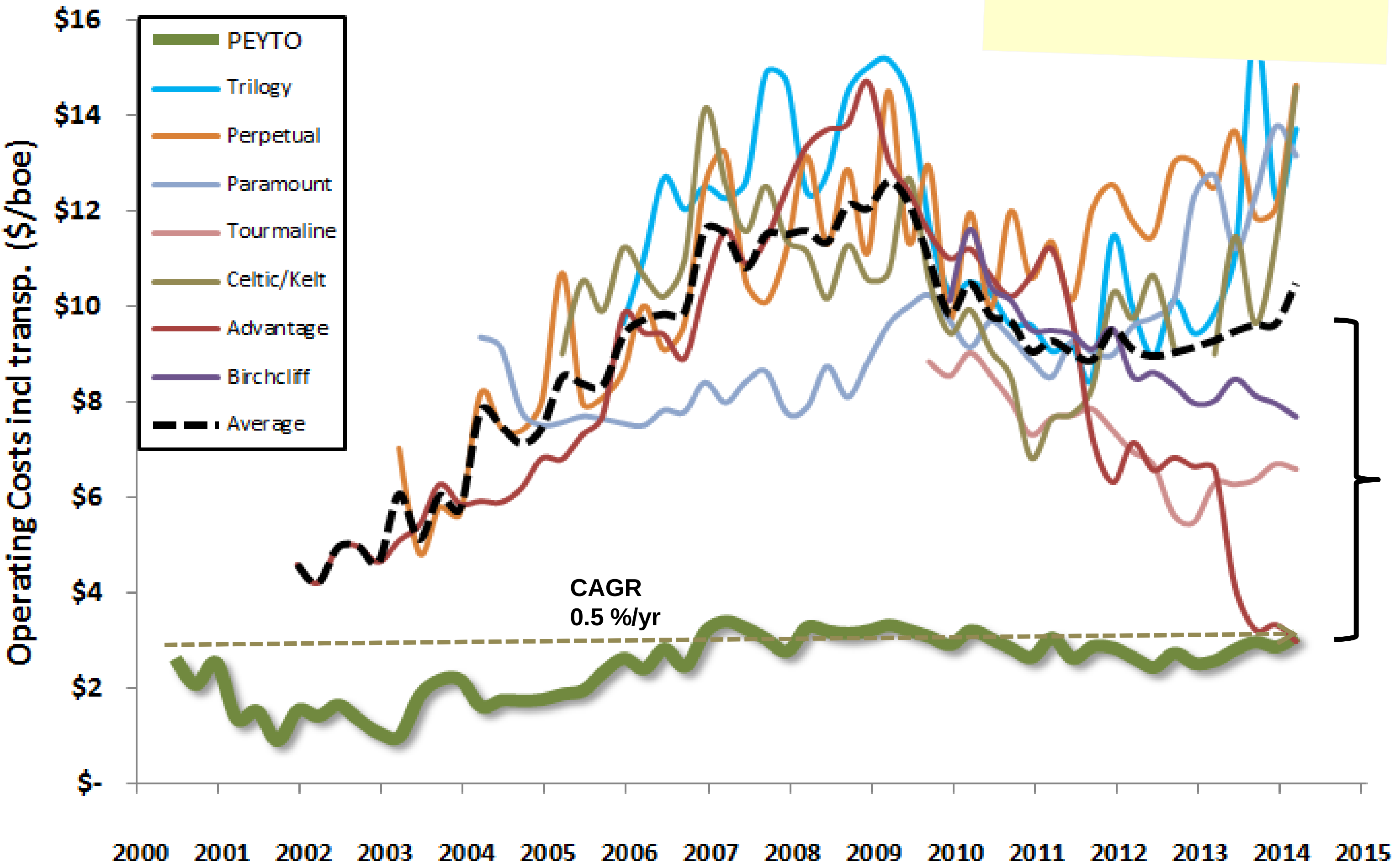


Recycle Ratio is the Netback divided by FD&A
**FD&A costs include all capital expenditures and changes in Future Development Capital*
Field Netback is revenue less royalties, op costs, and transportation
BOE factor - 6 mcf = 1 bbl of oil equivalent

Peyto's Assets

Lowest 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!"



How?

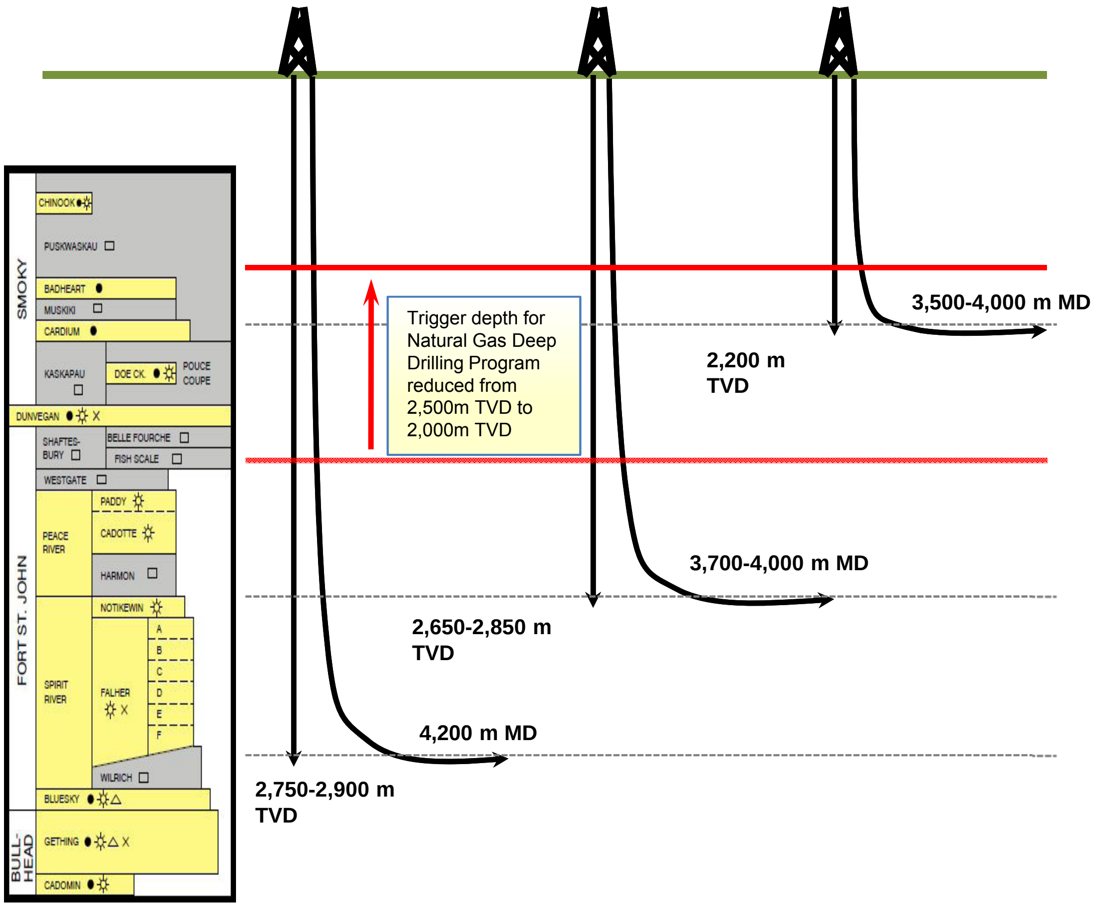
- ***We operate***
- ***Full facilities***
- ***No water***
- ***No sour***
- ***Chemical recycle***
- ***Nat gas fuel***
- ***Continuous innovation***

BOE factor - 6 mcf = 1 bbl of oil equivalent
Operating costs include transportation. (Advantage op costs adjusted for $0.25/mcf reported transportation costs)

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
+<u>200m at $2,500/m</u>
$1,437,500 in royalty credit

Peyto's Assets

Liquids Rich Natural Gas

"Owning our facilities means we can modify the processes to convert more hydrocarbons to liquid form to realize a better price. The majority of our liquid gets oil-like pricing."

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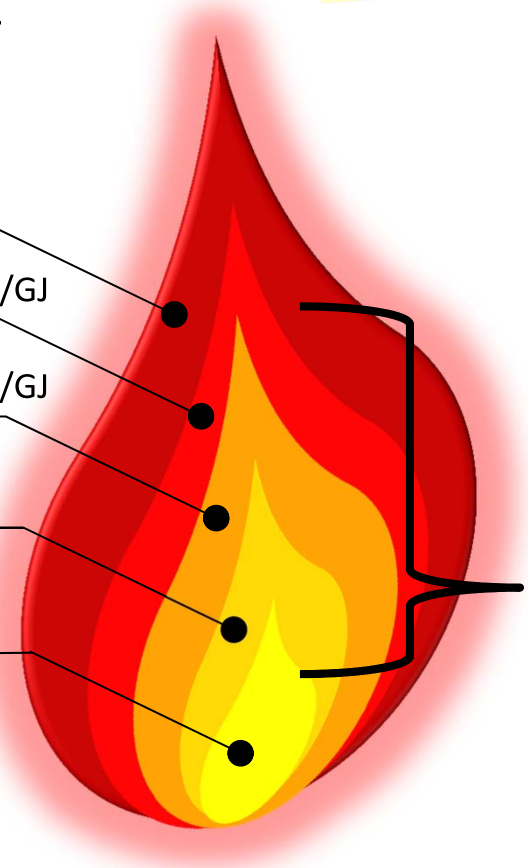
Peyto Q1 2014 Realized Prices[1]

Natural Gas	\$4.57/GJ
Ethane C_2H_6 <1 bbl/mmcf	\$27/bbl = \$9.30/GJ
Propane C_3H_8 4.1 bbl/mmcf	\$55.71/bbl = \$13.80/GJ
Butane C_4H_{10} 3.5 bbl/mmcf	\$55.98/bbl = \$12.50/GJ
Pentanes C_5 3.2 bbl/mmcf	\$105/bbl = \$20/GJ
Condensate C_5+ 7.6 bbl/mmcf	\$101/bbl
NGLs 19 bbl/mmcf	\$84.64/bbl



Liquid Conversion

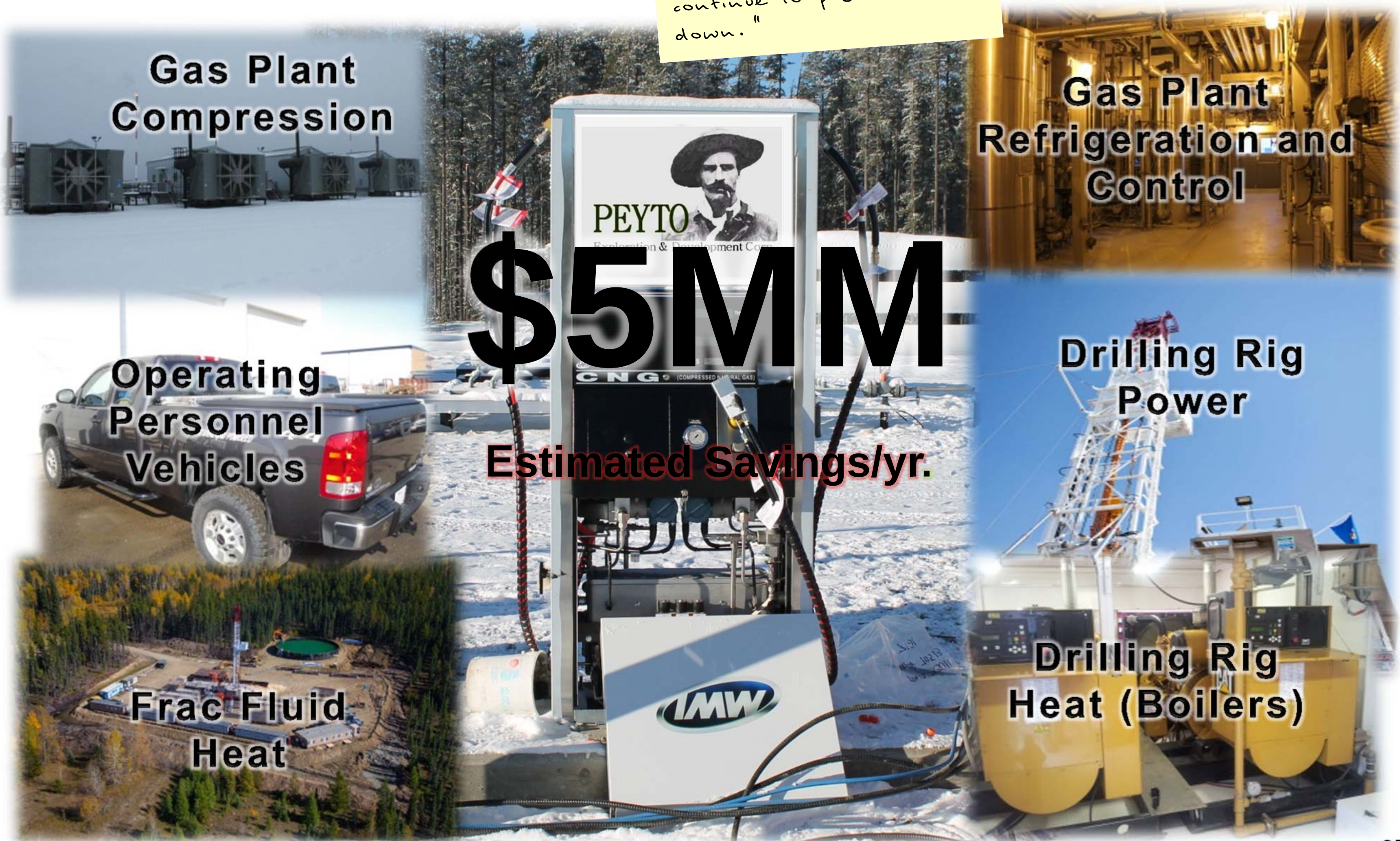
Existing Refrig. (-35C)	"Cheap" Cut (-80C)	Deep Cut (-110C)
1% C_2	1% C_2	40% C_2
30% C_3	90% C_3	95% C_3
50% C_4	99% C_4	99% C_4
97% C_5+	99% C_5+	99% C_5+

1. Realized liquids prices are unhedged
**2013 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

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."



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

Peyto's Incredible Returns

Peyto's Returns

Hypothetical Returns

"Unrisked, hypothetical returns, with only a portion of the capital costs, are useless for investors. Even with full cycle costs, there is still the issue of geological and execution risk."

15th 1998-2013 Anniversary

What most companies show you…

Species		Cardium	Notikewin	Upper Falher	Middle Falher	Wilrich	Bluesky	Brazeau Falher	Brazeau Wilrich	
Well Costs D&C ($M)	($M)	$3,500	$4,300	$4,100	$4,200	$4,300	$4,200	$4,600	$4,800	
Reserves	BCFe	2.2	3.0	3.4	2.9	3.3	3.2	3.5	3.3	
IP30	Mcf/d	1,500	4,000	5,000	3,500	3,500	3,500	5,000	3,500	
GLR	Bbl/mmcf	40	10	23	13	5	13	10	5	
IRR (half cycle)	**%**	**39%**	**46%**	**82%**	**36%**	**36%**	**67%**	**51%**	**30%**	/44% avg
Payout	(yrs)	2.3	2.0	1.3	2.6	2.7	1.6	1.9	3.1	
NPV10	($M)	$3,019	$4,095	$5,954	$3,434	$3,835	$5,566	$4,702	$3,327	

** Based on Insite Sept. 30, 2013 Prices*

What they could show you…

All Costs	($M)	$4,650	$5,450	$5,250	$5,350	$5,450	$5,350	$5,750	$5,950	
IRR (Full Cycle)	**%**	**22%**	**28%**	**48%**	**22%**	**23%**	**43%**	**32%**	**20%**	/30% avg
NPV10	($M)	$1,861	$2,930	$4,810	$2,275	$2,676	$4,407	$3,543	$2,168	

"All Costs" include drilling, completion, wellsite equipment, tie-in, facilities, land, seismic and acquisitions.
For Peyto, that's an additional $500,000 to $1,000,000 depending on facility requirements.

Peyto's Returns

High Returns On Your Capital And Equity

"Investors rarely get to participate in the wells themselves, making those economics somewhat meaningless. ROE and ROCE are the returns investors get, after deducting corporate costs."

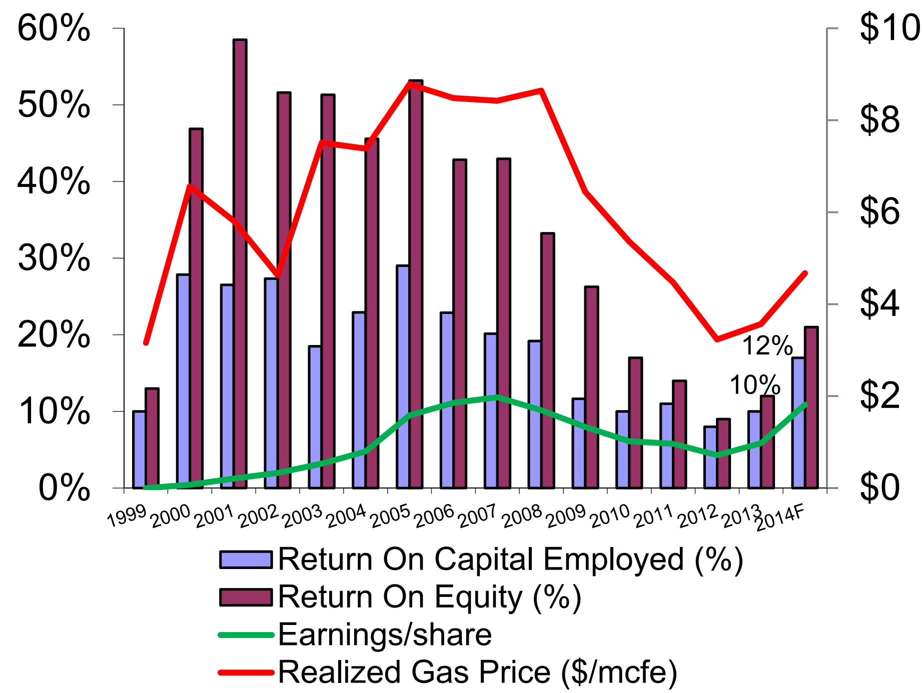
What you get…

34%

15 yr Average ROE

18%

15 yr Average ROCE



Return on Equity (ROE) is earnings for the period divided by average shareholders equity – reveals how much profit a company generates with the money shareholders have invested (15 yrs 1999-2013)

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

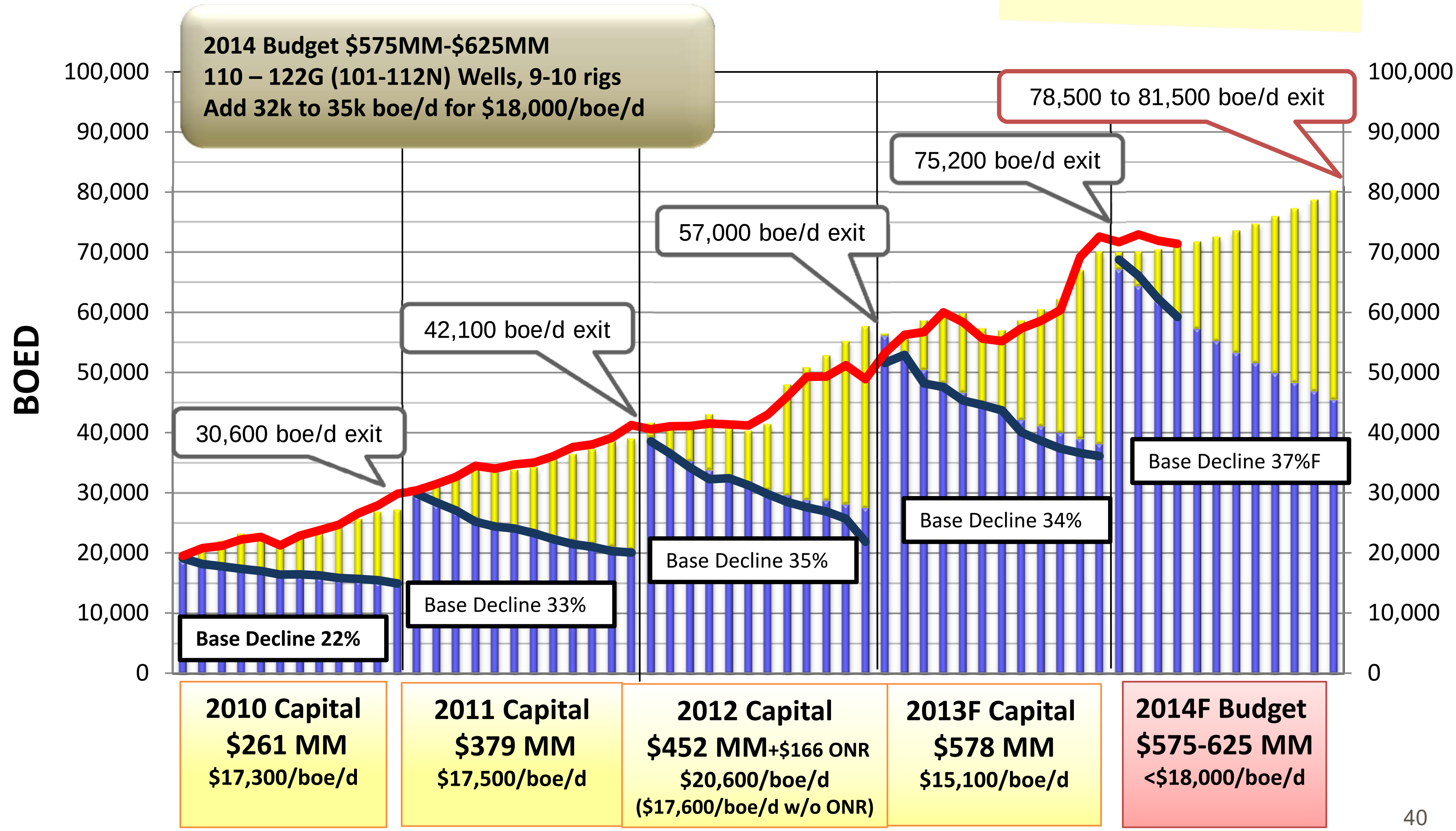
Peyto’s Future

15th 1998-2013 Anniversary

2014 Outlook

Large Resource + Low Cost = Profitable Growth

"Our 2014 budget of $625MM assumes approx. 122 gross (112 net) wells can add ~35,000 boe/d of new production at our 4yr average of <$18,000/boe/d."



2014 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."

2014 Goals*

PDP FD&A $/mcfe <($2.00)

- Pad drilling
- CNG powered rigs
- Longer laterals, more stages
- Continuous operations
- Natural gas heated water
- Summer drilling

Cash Costs $/mcfe <($1.20)

- Chemical optimization
- Improving runtime
- Water handling/disposal
- Pad wellsite/automation
- Lock low interest rates

Sales Price $/mcfe >$5.40

- Liquids rich fms
- Hedging
- $4.00/GJ*135%

44% Profit >$2.20

Dividend $/mcfe *$0.94**

**Q1 2014 dividend rate*

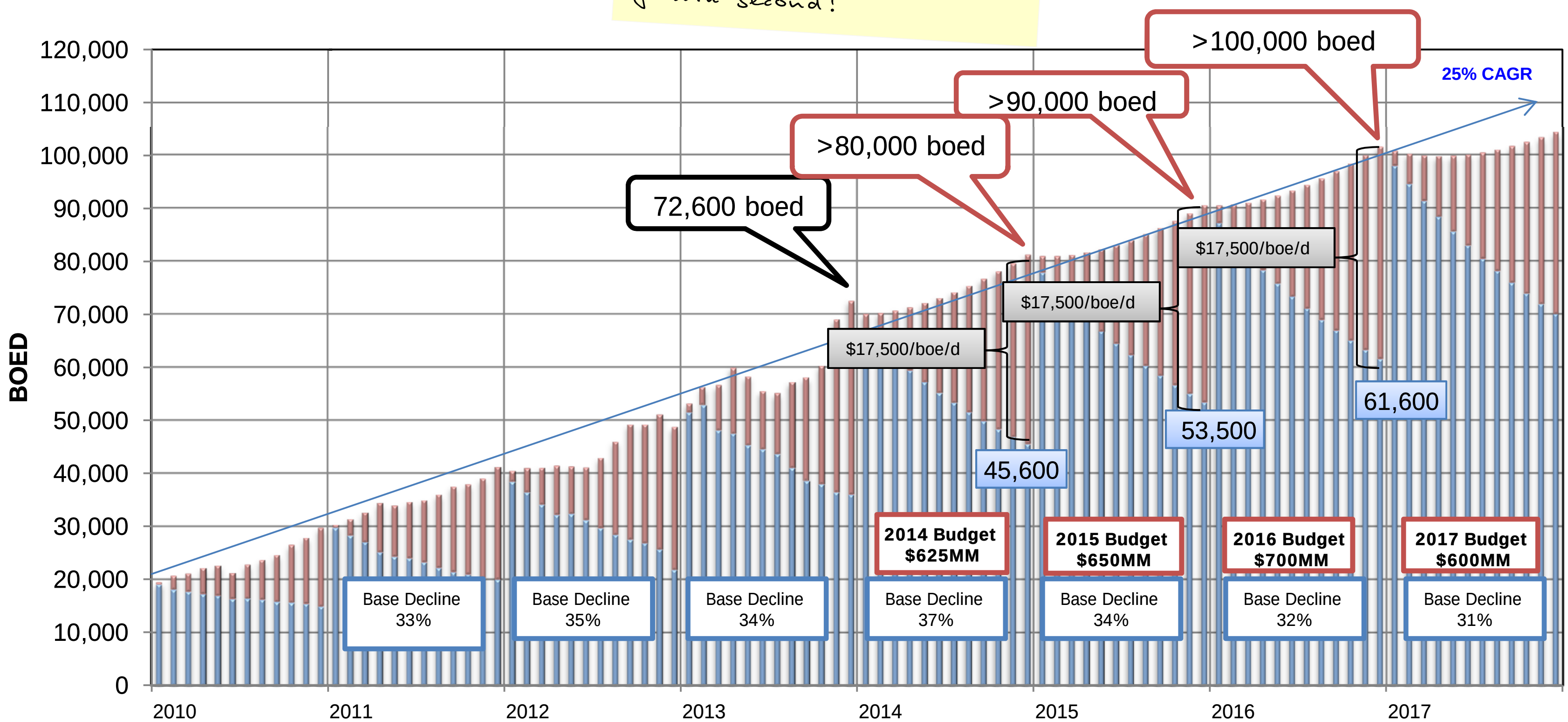
BOE factor - 6 mcfe = 1 bbl of oil equivalent

** 2014 goals are not budgeted expectations*

Peyto's Future

Road to 100,000 boe/d

"Remember, all of this growth would be a byproduct of good returns. You can get short term growth without returns, but we don't want that. We focus on returns first, growth second!"



@$24/boe netback using $4/GJ AECO

Year	Annual Prod.	FFO	CAPEX	Dividend	Net Debt	Debt to FFO	# locations*
2014	74,452	$ 652	$ 625	$ 169	$ 900	1.4	114
2015	84,429	$ 740	$ 650	$ 185	$ 995	1.3	118
2016	94,757	$ 830	$ 700	$ 185	$ 1,050	1.3	127
2017	101,201	$ 887	$ 600	$ 185	$ 948	1.1	109
		$ 3,108	$ 2,575	$ 724			468

*Out of 1,700 currently

** 2014 and beyond provided for illustration only. Budgets and forecasts beyond 2014 have not been finalized and are subject to change due to a variety of factors including but not limited to prior year's results. FFO – Funds from Operations, see definition in Financial Reports. Future illustration derived from historical well performance and cost assumptions.*

Quarterly Track Record

	2014	2013					2012						
	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4
Operations													
Production													
Oil & NGLs (bbl/d)	7,375	6,376	6,984	6,295	6,374	5,840	4,778	5,286	5,236	4,480	4,101	3,856	3,947
Natural gas (mcf/d)	389,002	317,622	361,870	300,286	310,621	297,191	238,490	266,808	244,794	221,176	220,811	189,653	212,715
Barrels of oil equivalent (boe/d)	72,209	59,313	67,296	56,343	58,144	55,372	44,526	49,754	46,035	41,343	40,903	35,465	39,400
Year over Year % Growth	30%	33%	35%	22%	41%	35%	26%	26%	27%	20%	30%	49%	40%
Average Product Prices													
Oil & NGLs ($/bbl)	80.49	70.97	69.84	70.91	67.82	75.88	73.92	73.01	68.62	71.27	84.83	81.67	88.04
Natural gas ($/mcf)	4.45	3.54	3.59	3.35	3.72	3.49	3.23	3.45	3.06	2.86	3.53	4.47	4.21
Operating expenses ($/mcfe)	0.52	0.47	0.48	0.49	0.47	0.43	0.44	0.42	0.46	0.41	0.45	0.48	0.47
Field Netback ($/mcfe)	4.39	3.65	3.67	3.49	3.77	3.67	3.46	3.62	3.29	3.16	3.75	4.46	4.32
Financial ($000)													
Revenue (net of royalties)	191,457	535,394	154,167	123,851	134,765	122,612	380,646	111,105	95,410	80,471	93,661	383,496	104,393
Funds from Operations [1]	160,785	437,737	125,164	99,736	109,987	102,612	308,865	90,078	76,918	64,732	77,645	314,622	80,410
Net earnings (loss)	62,129	142,627	37,989	30,461	37,773	36,405	93,951	25,823	23,058	18,201	26,868	128,183	26,036
Capital expenditures	179,378	578,003	154,295	180,801	73,809	169,099	617,985	156,847	317,089	45,924	98,632	379,061	94,688
Net Debt [2]	838,495	946,542	946,542	862,864	746,094	749,546	662,461	662,461	683,540	519,328	512,627	465,391	465,391
Common shares outstanding (000)	153,691	148,949	148,949	148,759	148,759	148,759	148,519	148,519	143,886	138,486	138,312	137,960	137,960
Weighted average shares	151,826	148,738	148,759	148,759	148,759	148,673	141,094	145,450	142,069	138,399	138,312	133,196	133,913
Per share data													
Funds from operations	1.06	2.94	0.84	0.67	0.74	0.69	2.19	0.62	0.54	0.47	0.56	2.36	0.60
Earnings (loss)	0.41	0.96	0.26	0.21	0.25	0.25	0.67	0.18	0.16	0.13	0.19	0.96	0.19
Dividends (Distributions)	0.24	0.88	0.24	0.24	0.22	0.18	0.72	0.18	0.18	0.18	0.18	0.72	0.18

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.

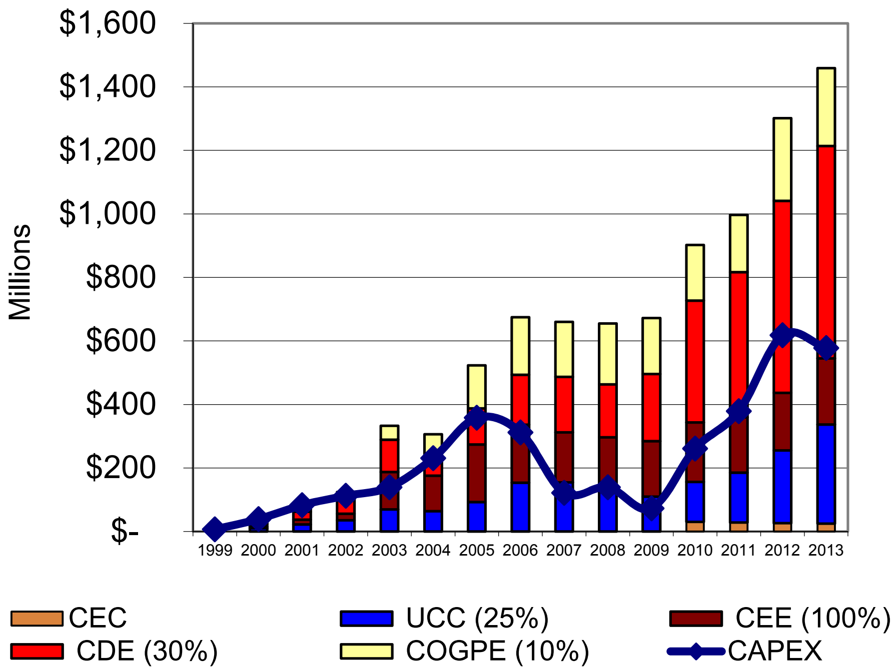
BOE factor - 6 mcf = 1 bbl of oil equivalent

Organic Business Model

Peyto's Tax Pools

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

15th 1998-2013 Anniversary



$1.5B

Federal Tax Pools Q1/14

$3.6B

Peyto Cum. CapEx Q1/14

Peyto's Payout

Dividend Sustainability

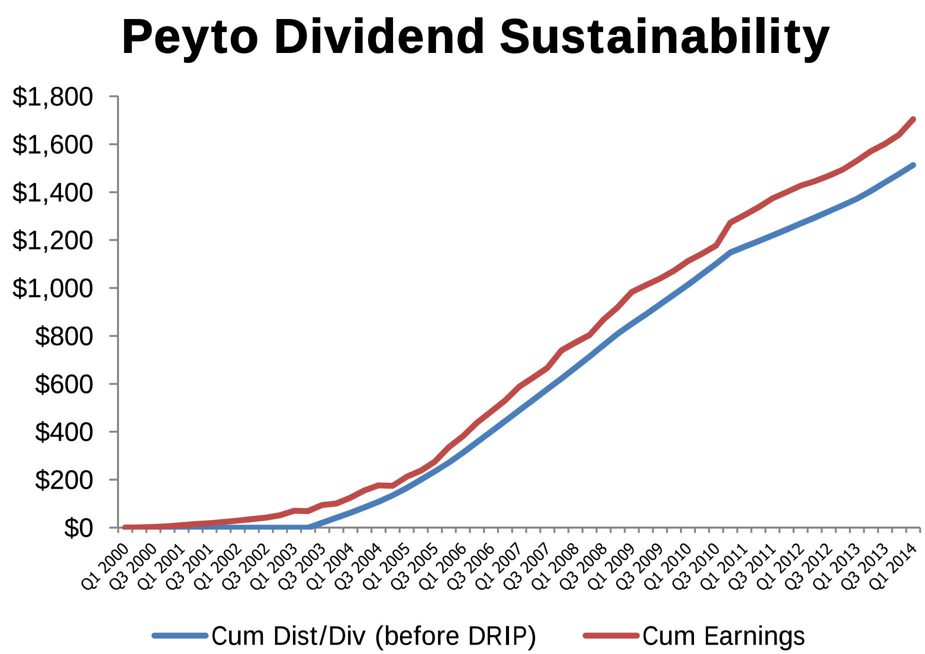
"The best way to ensure sustainable distributions (trust) and dividends (corp.) is to generate earnings. That's where they are supposed to come from and that's where Peyto's come from."

$1.7B

Peyto Cum. Earnings
Q1/14

$1.5B

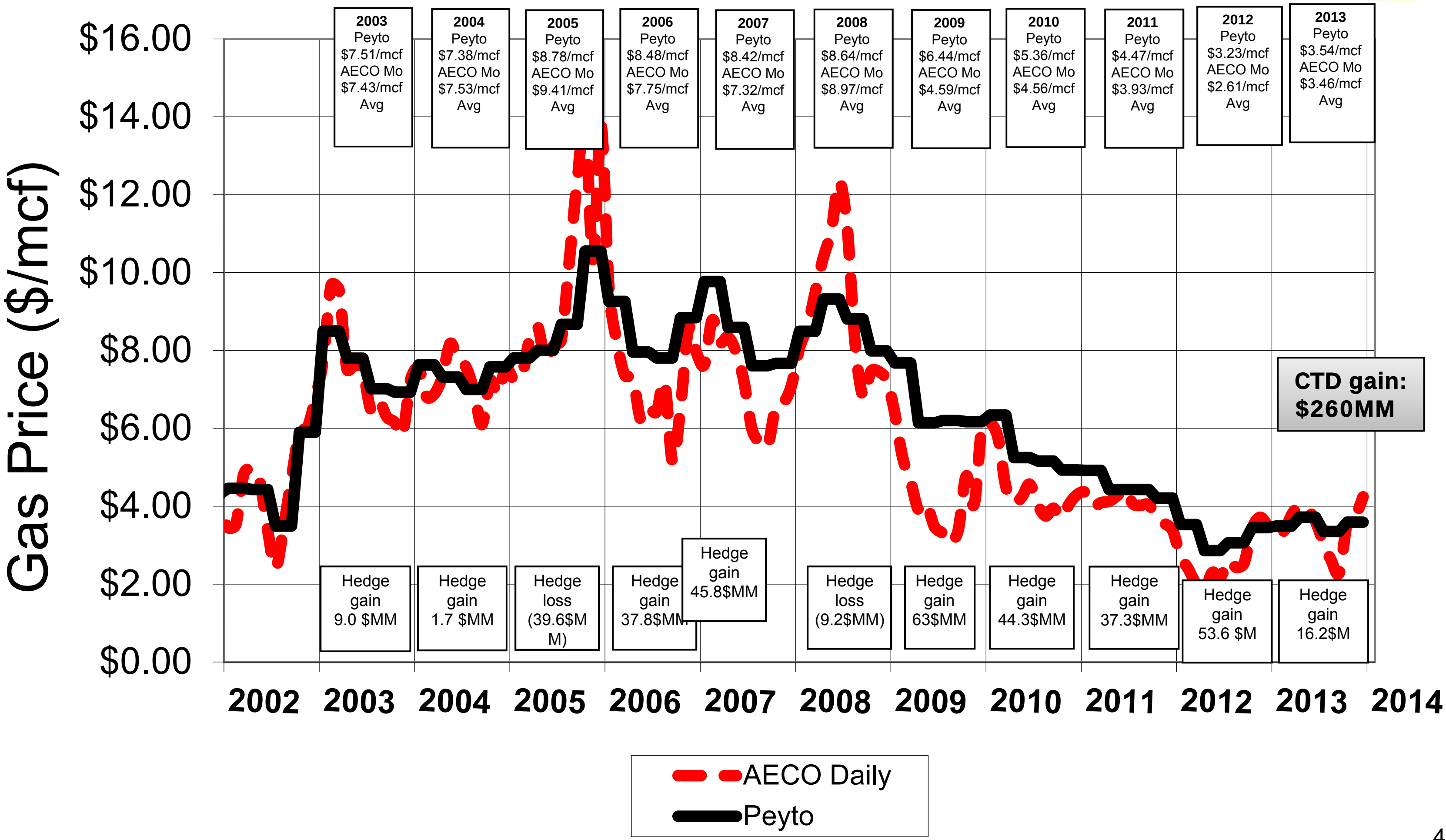
Peyto Cum. Dist/Div.
Q1/14



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 65% of gross production over a 24 month period."



6/2/2014

Gas Marketing

Future Sales (contracts before 2013)

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

15th 1998-2013 Anniversary

Financial Hedges - Gas

Date contracted	GJ/d	Pricing ($/GJ)
14-Mar-11	5000	$3.800
14-Mar-11	5000	$4.000
25-Mar-11	5000	$4.000
02-May-11	5000	$4.170
27-May-11	5000	$4.100
27-May-11	5000	$4.100
01-Sep-11	5000	$4.000
15-Sep-11	5000	$4.000
15-Sep-11	5000	$4.000
04-Oct-11	5000	$4.000
17-Feb-12	5000	$3.000
08-Mar-12	5000	$2.200
20-Mar-12	5000	$2.310
23-Mar-12	5000	$2.520
12-Apr-12	5000	$2.300
24-Apr-12	5000	$2.600
27-Apr-12	5000	$2.810
08-May-12	5000	$3.000
29-May-12	5000	$3.105
20-Jun-12	5000	$3.058
27-Jun-12	5000	$3.100
13-Jul-12	5000	$3.000
24-Jul-12	5000	$3.105
09-Aug-12	5000	$3.005
23-Aug-12	5000	$3.000
12-Sep-12	5000	$3.020
12-Sep-12	5000	$3.050
24-Sep-12	5000	$3.020
26-Sep-12	5000	$3.000
02-Oct-12	5000	$3.205
03-Oct-12	5000	$3.500
19-Oct-12	5000	$3.420
29-Oct-12	5000	$3.530
13-Nov-12	5000	$3.320
13-Nov-12	5000	$3.450
21-Nov-12	5000	$3.500
13-Dec-12	5000	$3.080
28-Dec-12	5000	$3.170
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
08-Jul-13	5000	$3.473
15-Jul-13	5000	$3.525
18-Jul-13	5000	$3.600
14-Aug-13	5000	$3.103

2013 2014 2015 2016

J F M 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 N D J F M A M J J A S O

Hedges by year (averaged)

Year	Vol. GJ/d	Price/GJ	Vol. mcf/d	Price/mcf
2011	81,370	4.73	69,547	5.54
2012	121,141	3.54	103,539	4.14
2013	188,733	3.23	161,310	3.78
2014	265,466	3.53	226,894	4.13
2015	95,288	3.74	81,442	4.38
2016	6,216	3.96	5,313	4.64

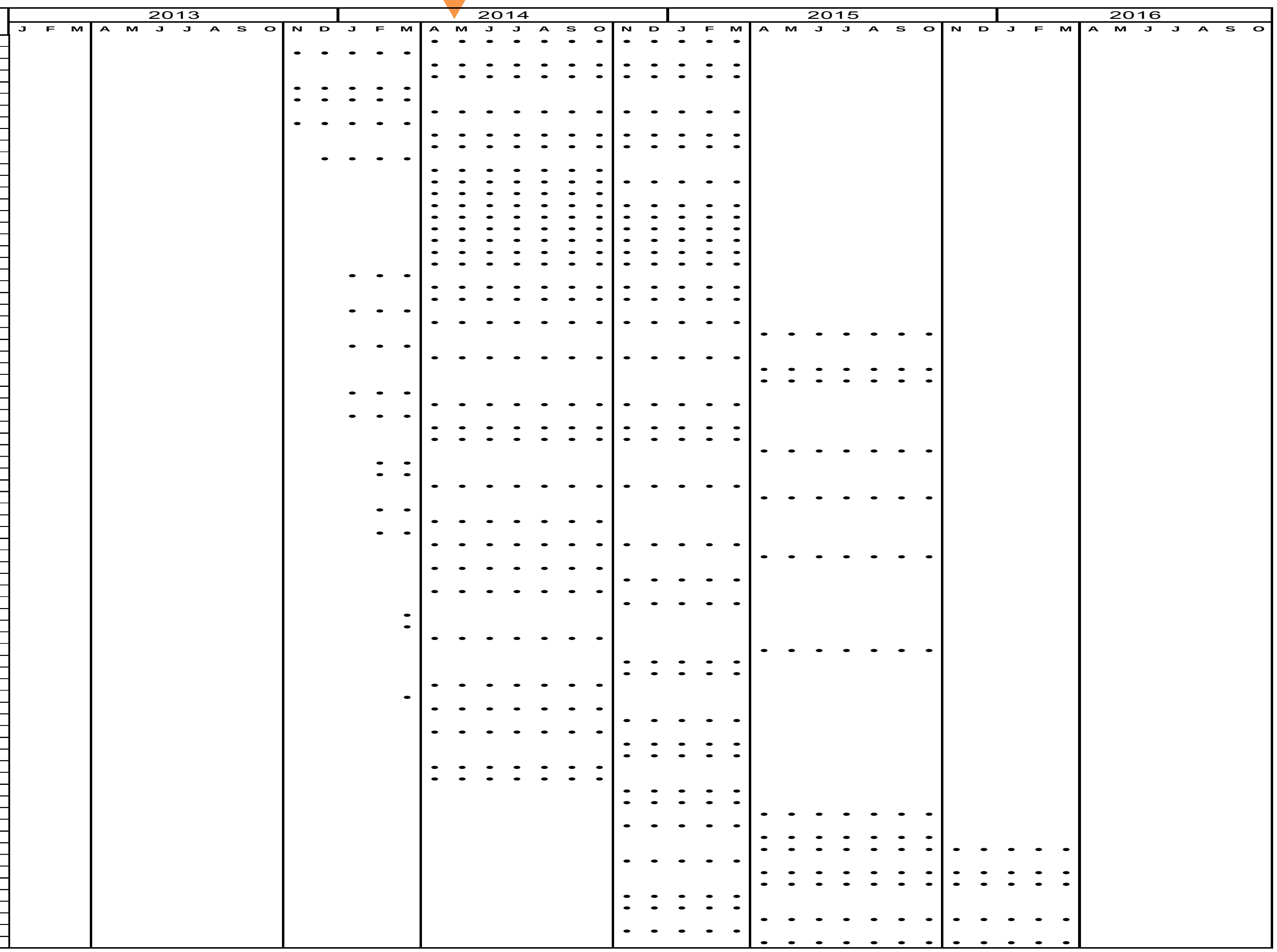
•*Assuming an Average Heating Value of 1.17 GJ/mcf for Peyto's gas*

Gas Marketing

Future Sales (Contracted in 2013)

Financial Hedges - Gas

Date contracted	GJ/d	Pricing ($/GJ)
14-Aug-13	5000	$3.270
19-Aug-13	5000	$3.245
20-Aug-13	5000	$3.410
03-Sep-13	5000	$3.558
03-Sep-13	5000	$3.450
11-Sep-13	5000	$3.308
12-Sep-13	5000	$3.465
04-Oct-13	5000	$3.250
07-Oct-13	5000	$3.430
10-Oct-13	5000	$3.540
11-Oct-13	5000	$3.500
24-Oct-13	5000	$3.335
25-Oct-13	5000	$3.500
04-Nov-13	5000	$3.100
12-Nov-13	5000	$3.250
12-Nov-13	5000	$3.250
15-Nov-13	5000	$3.230
20-Nov-13	5000	$3.230
20-Nov-13	5000	$3.230
21-Nov-13	5000	$3.310
22-Nov-13	5000	$3.295
22-Nov-13	5000	$3.353
25-Nov-13	5000	$3.400
25-Nov-13	5000	$3.350
27-Nov-13	5000	$3.490
27-Nov-13	5000	$3.285
03-Dec-13	5000	$3.510
03-Dec-13	5000	$3.540
03-Dec-13	5000	$3.300
03-Dec-13	5000	$3.350
05-Dec-13	5000	$3.600
05-Dec-13	5000	$3.610
09-Dec-13	5000	$3.650
09-Dec-13	5000	$3.700
19-Dec-13	5000	$3.750
19-Dec-13	5000	$3.400
20-Dec-13	5000	$3.700
30-Dec-13	5000	$3.800
03-Jan-14	5000	$3.810
06-Jan-14	5000	$3.470
07-Jan-14	5000	$3.900
07-Jan-14	5000	$3.800
14-Jan-14	5000	$3.850
16-Jan-14	5000	$3.830
16-Jan-14	5000	$3.480
21-Jan-14	5000	$3.825
21-Jan-14	5000	$3.950
23-Jan-14	5000	$3.950
23-Jan-14	5000	$4.050
24-Jan-14	5000	$4.150
24-Jan-14	5000	$4.240
28-Jan-14	5000	$3.980
28-Jan-14	5000	$3.520
28-Jan-14	5000	$4.120
31-Jan-14	5000	$4.200
31-Jan-14	5000	$4.070
04-Feb-14	5000	$5.100
04-Feb-14	5000	$4.320
04-Feb-14	5000	$4.440
13-Feb-14	5000	$4.350
19-Feb-14	5000	$4.585
19-Feb-14	5000	$4.780
28-Feb-14	5000	$4.550
06-Mar-14	5000	$4.420
06-Mar-14	5000	$4.600
14-Mar-14	5000	$4.580
14-Mar-14	5000	$3.700
27-Mar-14	5000	$4.680
27-Mar-14	5000	$3.750
03-Apr-14	5000	$3.918
09-Apr-14	5000	$4.680
09-Apr-14	5000	$3.930
15-Apr-14	5000	$4.000
17-Apr-14	5000	$4.800
29-Apr-14	5000	$4.870
30-Apr-14	5000	$4.050
15-May-14	5000	$4.500
15-May-14	5000	$3.915



Avg (Gas only)	J F M 2013	A M J J A S O 2013	N D 2013 – J F M 2014	A M J J A S O 2014	N D 2014 – J F M 2015	A M J J A S O 2015	N D 2015 – J F M 2016	A M J J A S O 2016
Avg GJ/d	151,000	197,500	239,500	282,500	220,000	70,000	25,000	0
Avg $ per GJ	$3.22	$3.20	$3.34	$3.53	$3.81	$3.65	$3.96	$0.00
Avg mcf/d	129,100	168,800	204,700	241,500	188,000	59,800	21,400	0
Avg $ per mcf	$3.77	$3.74	$3.91	$4.13	$4.46	$4.27	$4.64	$0.00

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

Liquids Marketing

Future Sales

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

15th 1998-2013 Anniversary

Financial Hedges - Propane

From	To	bbl/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	A	M	J	J	A	S	O	N	D	J	F	M
Term				2012									2013												2014														
01-Sep-12	31-Mar-13	66	$49.56						•	•	•	•	•	•	•																								
01-Sep-12	31-Mar-13	66	$44.10						•	•	•	•	•	•	•																								
01-Sep-12	31-Mar-13	66	$32.34						•	•	•	•	•	•	•																								
01-Sep-12	31-Mar-13	66	$33.60						•	•	•	•	•	•	•																								
01-Sep-12	31-Mar-13	66	$32.97						•	•	•	•	•	•	•																								
01-Oct-12	31-Mar-13	66	$34.02							•	•	•	•	•	•																								
01-Oct-12	31-Mar-13	66	$34.65							•	•	•	•	•	•																								
01-Oct-12	31-Mar-13	66	$36.96							•	•	•	•	•	•																								
01-Oct-12	31-Mar-13	132	$36.12										•	•	•																								
01-Oct-12	31-Mar-13	132	$34.86													•	•	•																					
01-Apr-13	31-Dec-13	132	$30.66													•	•	•	•	•	•	•	•	•															
01-Apr-13	31-Dec-13	132	$32.34													•	•	•	•	•	•	•	•	•															
01-Apr-13	31-Dec-13	132	$34.86													•	•	•	•	•	•	•	•	•															
01-Apr-13	31-Dec-13	132	$35.39													•	•	•	•	•	•	•	•	•															
01-Apr-13	31-Dec-13	132	$34.44													•	•	•	•	•	•	•	•	•															
01-Jan-14	31-Dec-14	132	$35.70																						•	•	•	•	•	•	•	•	•	•	•	•			
01-Jan-14	31-Dec-14	132	$37.49																						•	•	•	•	•	•	•	•	•	•	•	•			
01-Jan-14	31-Mar-14	132	$37.80																						•	•	•												
01-Jan-14	31-Mar-14	132	$36.54																						•	•	•												
01-Oct-13	31-Dec-13	132	$39.77																			•	•	•															
01-Jan-14	31-Mar-14	132	$39.35																						•	•	•												
01-Jan-14	31-Mar-14	132	$41.37																						•	•	•												
01-Oct-13	31-Dec-13	132	$46.20																			•	•	•															
01-Jan-14	31-Mar-14	132	$44.94																						•	•	•												
01-Apr-14	30-Sep-14	132	$41.79																									•	•	•	•	•	•						
01-Oct-14	31-Dec-14	132	$42.84																															•	•	•			
01-Apr-14	30-Sep-14	132	$42.63																									•	•	•	•	•	•						
01-Apr-14	30-Sep-14	132	$44.31																									•	•	•	•	•	•						
01-Jan-14	31-Mar-14	132	$49.46																						•	•	•												
01-Apr-14	30-Sep-14	132	$46.20																									•	•	•	•	•	•						
01-Apr-14	30-Sep-14	132	$46.20																									•	•	•	•	•	•						
			Avg (propane)																																				
			Avg bbl/d							123					607							754					1,003							848					160
			Avg $ per bbl							$37.74					$37.13							$34.11					$36.24							$41.82					$38.68

Financial Hedges - Crude

From	To	bbl/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
Term				2012									2013												2014		
1-Aug-12	31-Dec-12	200	$90.00					•	•	•	•	•															
			Avg (Crude)																								
			Avg bbl/d							86					81							0					0
			Avg $ per bbl							$90.00					$90.00							N.A.					N.A.

Financial Hedges - Iso-Butane

From	To	bbl/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
Term				2012									2013												2014		
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 bbl/d							42					165							0					0
			Avg $ per bbl							$67.25					$67.45							N.A.					N.A.

Financial Hedges - Butane

From	To	bbl/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
Term				2012									2013												2014		
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 bbl/d							85					330							0					0
			Avg $ per bbl							$64.96					$65.10							N.A.					N.A.

FAQ

Frequently Asked Questions

1. Peyto has had some spectacular growth over the last four 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 four 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 15 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.