



# 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 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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### **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
- ✦ Shares Outstanding: 159 million, 4% insiders (as of Feb. 5/14)
- ✦ Monthly Dividend: \$0.11/share (incr. from \$0.10 effective Nov/14)
- ✦ Current Production: 0.54 BCFe/d (90,000 boe/d)
- ✦ YE 2014 2P Reserves: 3.2 TCFe (531 mmboes)
- ✦ Net Debt: \$0.42 billion (senior unsecured notes, 7-10 yr, 3.79-4.88% CAD)  
\$0.48 billion (revolving bank debt, \$1.0B unsecured facility)  
\*(Q1 2015 adj for Apr/15 equity & note issue) **\$0.90 billion\***
- ✦ Bank Lines: \$1.42B total capacity
- ✦ Enterprise Value: \$5.8 billion (\$31/share)
- ✦ Full Time Employees: 46

# The Peyto Strategy

## What We Believe

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

PEYTO

Exploration & Development Corp.



- ✱ *“We believe nature’s gas is the fuel for the future.”*
- ✱ *“We believe we can make a real 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."

PEYTO



Exploration & Development Corp.

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

# The Peyto Strategy

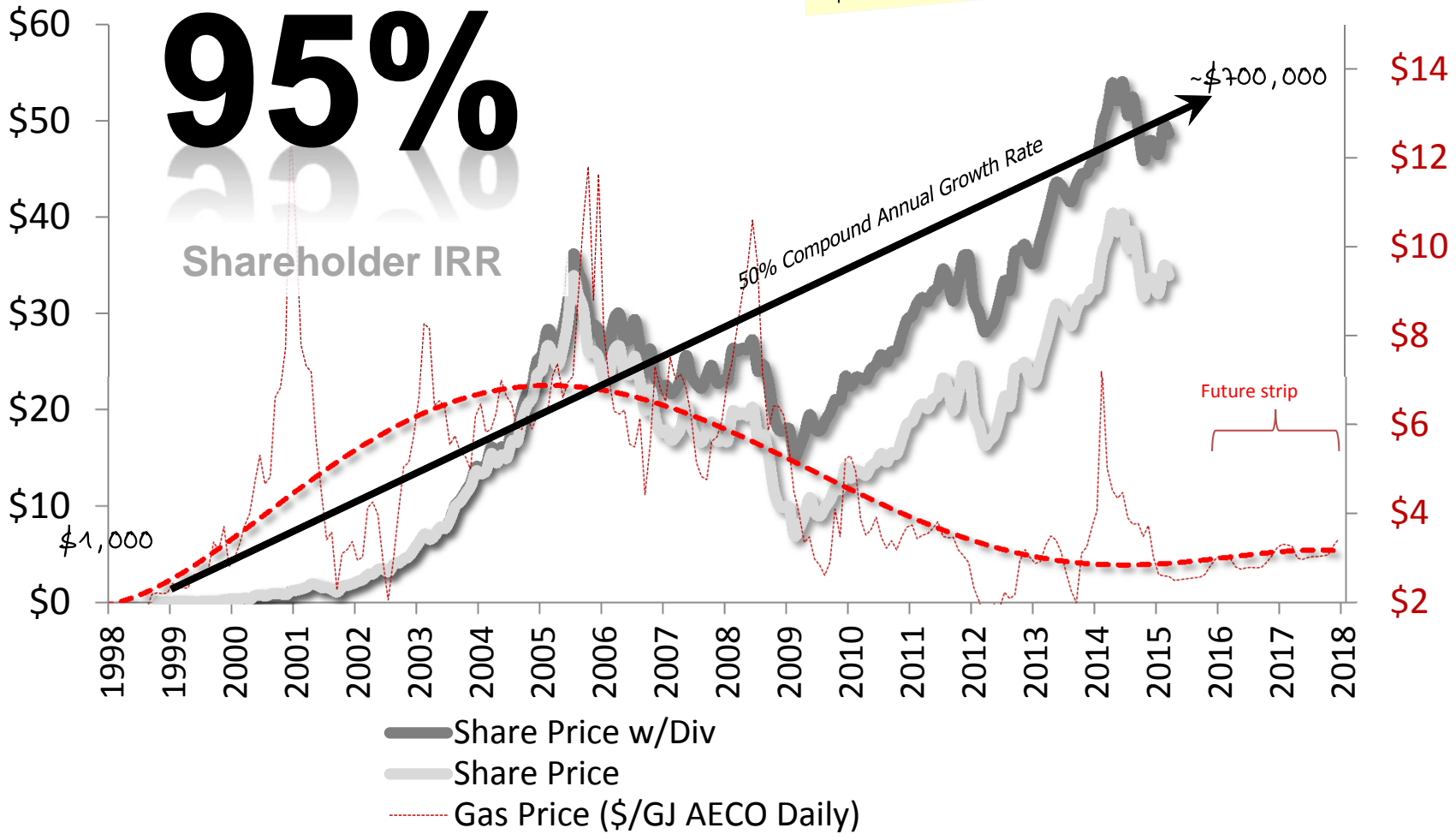
## Superior Shareholder Returns

"In simple terms, \$1k invested into Peyto 16 yrs ago, would be worth approx. \$700k today! That's a shareholder IRR of 95% and not surprisingly, done counter-cyclical to the gas price."

**PEYTO**



Corporation & Development Corp.



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 31/14 price of \$33.47/share, Cum Dist./Div. to Dec 31/2013 \$14.33



# 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."

	<u>PEY 2015 Q1</u>	<u>PEY 2014</u>
PDP FD&A \$/mcfe	(~\$1.80)*	(\$2.25)
Cash Costs \$/mcfe	(\$0.89)	(\$1.08)
Sales Price \$/mcfe	<u>\$4.17</u>	<u>\$5.04</u>
Profit \$/mcfe	\$1.48	\$1.71
Dividend \$/mcfe	\$1.13	\$1.05

Land/Acq	\$13MM
Seismic	\$8MM
Drilling	\$312MM
Compl.	\$183MM
Wellsite	\$54MM
Facilities	<u>\$120MM</u>
	\$690MM
ΔPDP Reserves (before Prod.) 51.0 mmoes	
PDP FD&A	\$13.52/boe
	<b>\$2.25/mcfe</b>

Royalties	(\$0.37)
Opex	(\$0.34)
Transport	(\$0.13)
G&A	(\$0.03)
Interest	(\$0.21)
<b>Total Costs</b>	<b>(\$1.08/mcfe)</b>

\$4.27/GJ AECO daily
X 127% <sup>1</sup>
\$5.44/mcfe
(\$0.40)/mcfe hedging
<b>\$5.04/mcfe Peyto Realized</b>

BOE factor - 6 mcfe = 1 bbl of oil equivalent

<sup>1</sup> 2014 uplift for NGLs and heat content from average Alberta daily natural gas price (\$/GJ)

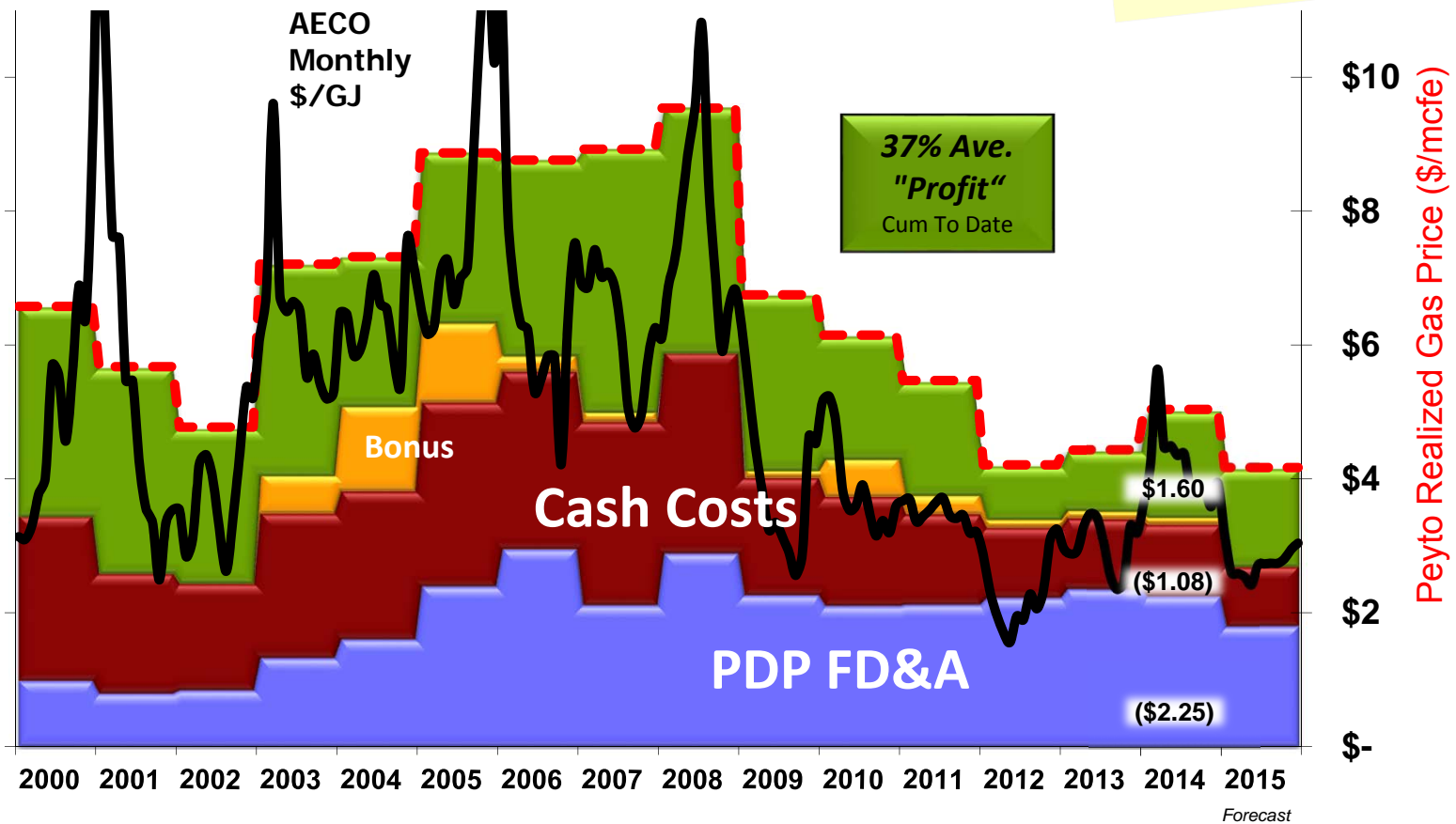
\* 2015 PDP FD&A is estimated using 2014 less 20% cost reduction



# 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

# 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 nine owned and operated gas plants. Concentration and control are how you achieve low costs."

**PEYTO**

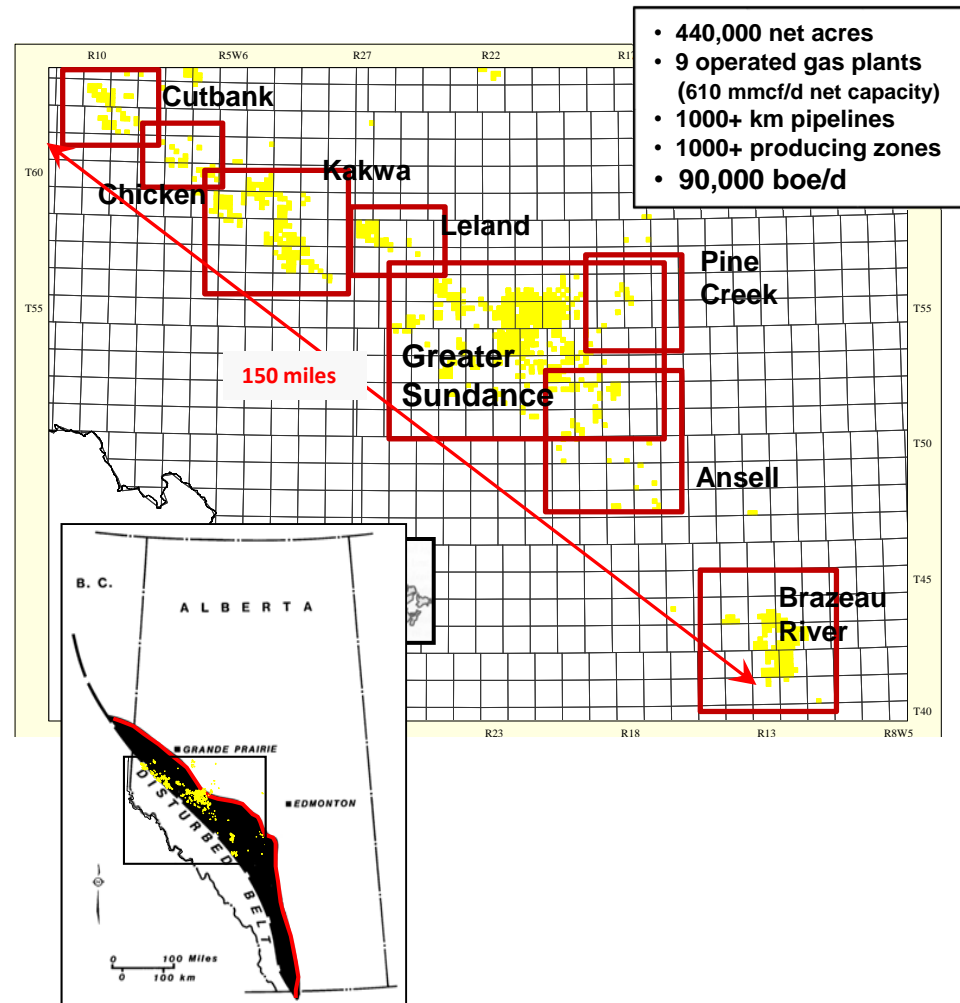


Corporation & Development Corp.

**97%**  
Processed by Peyto

**99%**  
Operated by Peyto

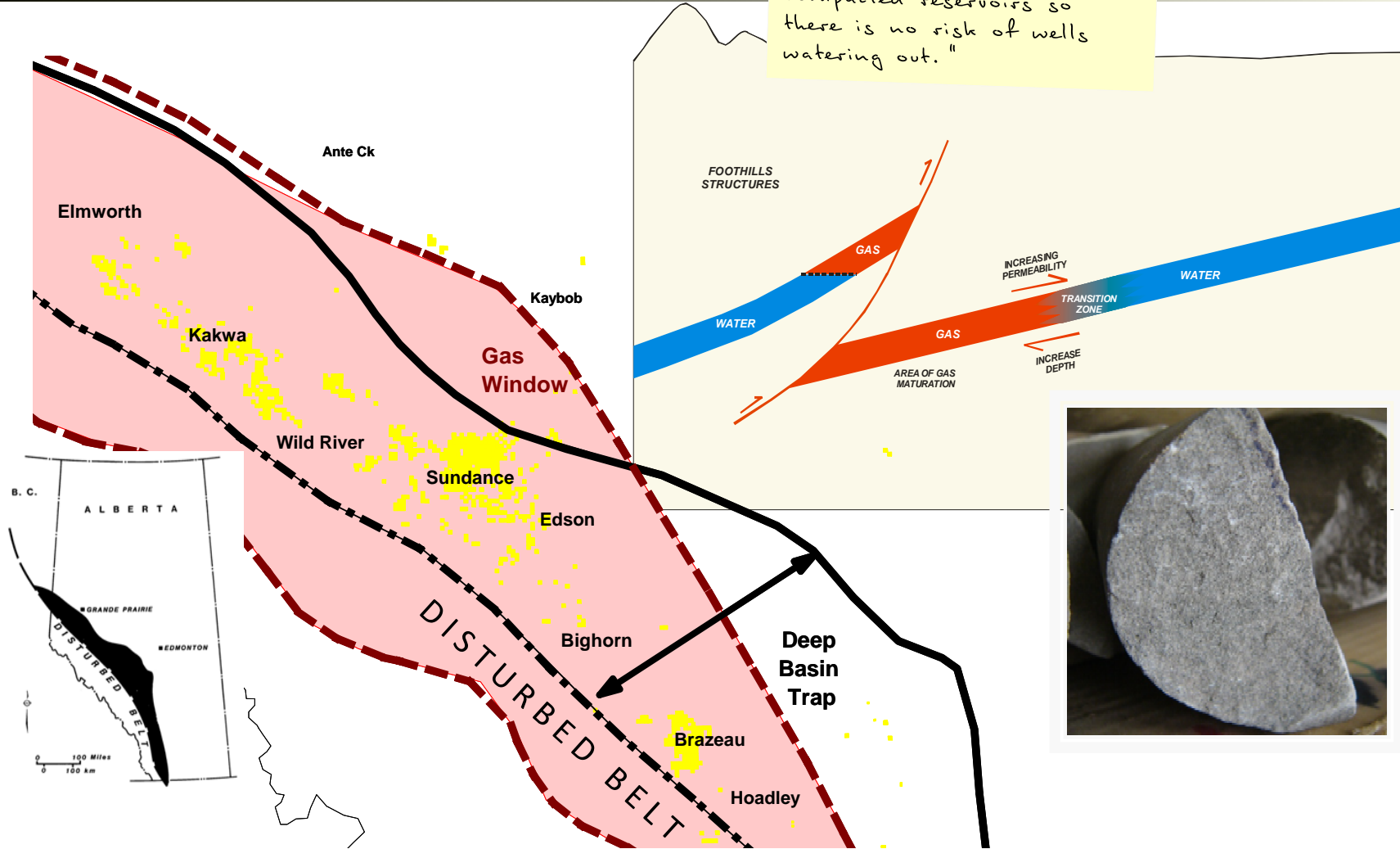
**97%**  
Interest in 9 Processing Facilities



# 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."

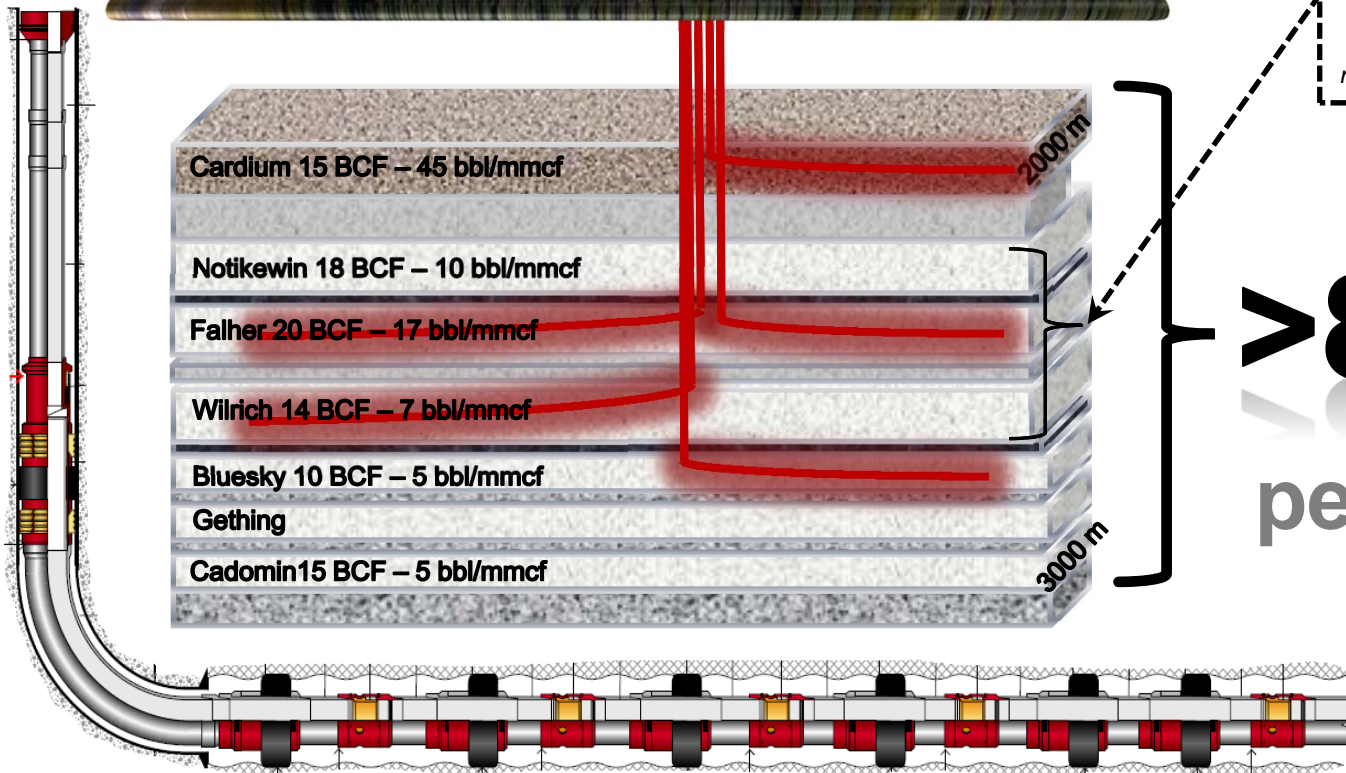
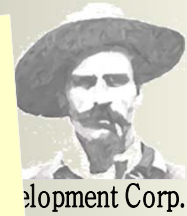




# Peyto's Assets

## 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

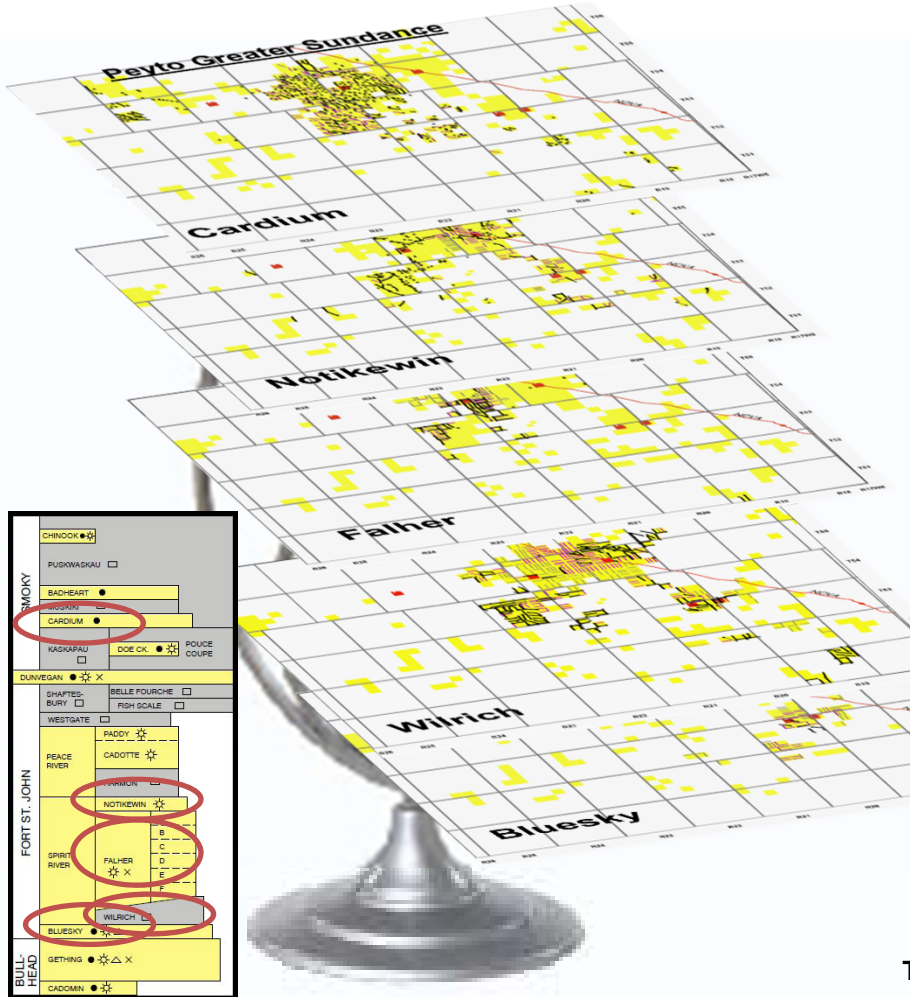
Up to **> 80 BCF** per section\*

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

# Peyto's Assets

## 3-Dimensional Land Base Holds Large Potential

"Over 87% of Peyto's land base remains unbooked and undeveloped and that's even after the next 747 locations are drilled. We are really just scratching the surface of our potential."



**Cardium (357,618 net acres)**  
 9.5% of land developed in 466 Vt/HZ producers (70 acres/well)  
 4.4% of land booked in 176 Hz locations (90 acres/well)  
 86% of land remains potential (307,859 net acres)

**Notikewin (244,435 net acres)**  
 7.2% of land developed in 189 Vt/HZ producers (95 acres/well)  
 5.1% of land booked in 118 Hz locations (100 acres/well)  
 88% of land remains potential (214,361 net acres)

**Upper Falher (240,933 net acres)**  
 2.2% of land developed in 49 Vt/HZ producers (100 acres/well)  
 1.6% of land booked in 41 Hz locations (90 acres/well)  
 96% of land remains potential (231,739 net acres)

**Middle Falher (240,933 net acres)**  
 1.7% of land developed in 53 Hz producers (80 acres/well)  
 2.8% of land booked to 90 Hz locations (75 acres/well)  
 96% of land remains potential (230,300 net acres)

**Wilrich (239,973 net acres)**  
 13.3% of land developed in 194 Hz producers (165 acres/well)  
 16.9% of land booked in 256 Hz locations (160 acres/well)  
 70.0% of land remain potential (167,282 net acres)

**Bluesky (184,078 net acres)**  
 4.6% of land developed in 47 Vt/HZ producers (180 acres/well)  
 4.6% of land booked to 45 Hz locations (190 acres/well)  
 91% of land remains potential (167,160 net acres)

**Total of 6 zones: 1,507,970 net acres – 2,356 net sections**  
**(101,394) net acres developed (6.7%)**  
**(87,946) net acres booked as PU or PA (5.8%) 14**  
**1,318,630 net acres remaining (87.5%)**

\*Based on InSite Petroleum Consultants Dec 31, 2014 Reserve Report.  
 Total Peyto Lands at December 31, 2014



# Peyto's Assets

## Large Hz MSF Inventory

"Peyto has developed 2.3 TCFe using vertical and now horizontal wells. But there is a lot more to do. More than 15 years worth of drilling inventory."



	<u>Done<sup>1</sup></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 ●✱				
POLICE COUPE				
<b>DUNVEGAN ●✱ X</b>	5	1	5	13
SHAPTES-BURY □				
BELLE FOURCHE □				
FISH SCALE □				
WESTGATE □				
PADDY ✱	1			20
CADOTTE ✱				14
HARMON □				
PEACE RIVER				
NOTIKEWIN ✱	90	71	118	62
A	7	39	41	20
B				
C				
D				
E				
F				
SPIRIT RIVER			90	292
FALHER ✱ X				16
WILRICH □	14	183	256	155
BLUESKY ●✱△	4	28	45	58
<b>BULL-HEAD</b>				
GETHING ●✱△ X	12	2		
CADOMIN ●✱	87	2	16	216
<b>TOTAL</b>	<b>652</b>	<b>449</b>	<b>747</b>	<b>1,237</b>

1. Drilling to Dec 31, 2014

\*As recognized in the IPC independent reserve report dated Dec. 31, 2014

**Over 1,984 locations**

# Peyto's Assets

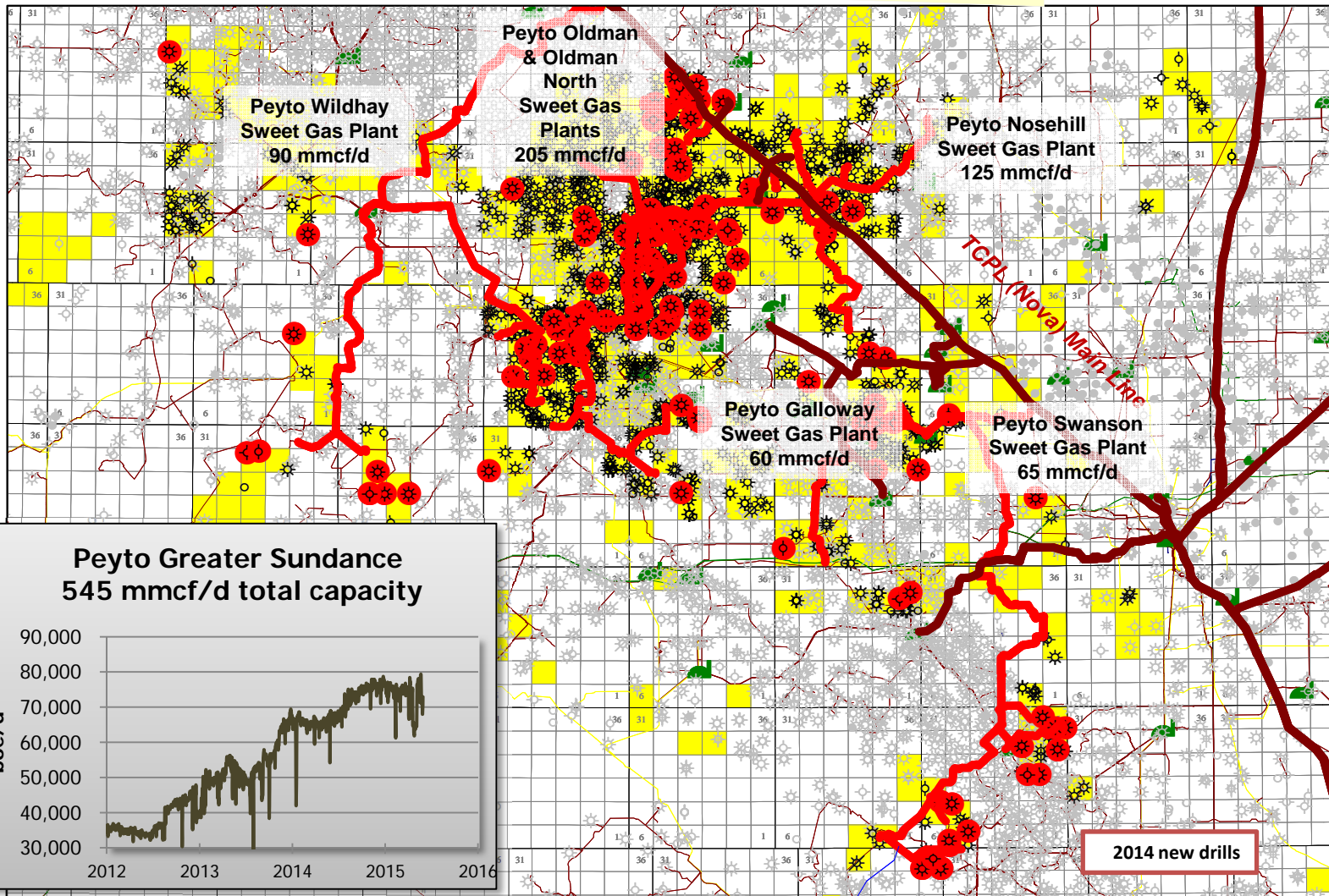
## Greater Sundance Area

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

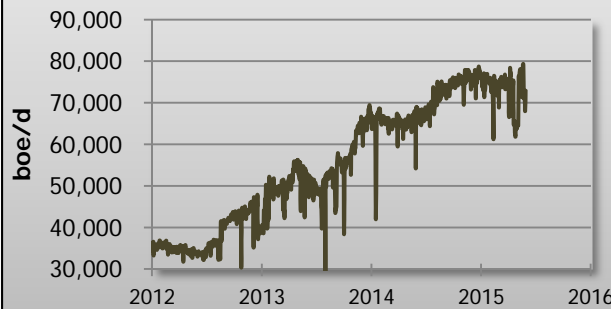
**PEYTO**



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**Peyto Greater Sundance**  
545 mmcf/d total capacity



# Peyto's Assets

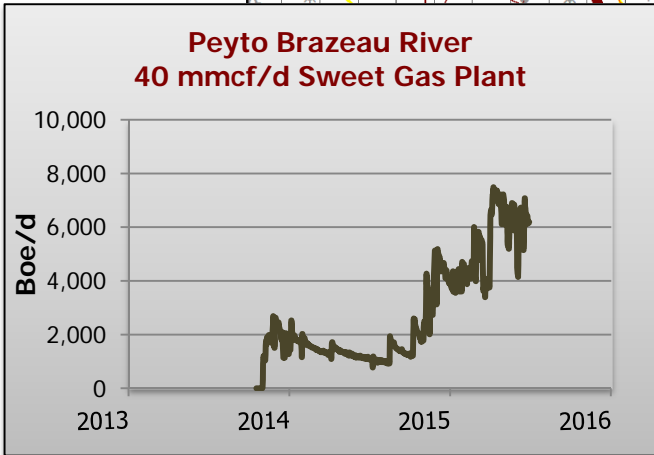
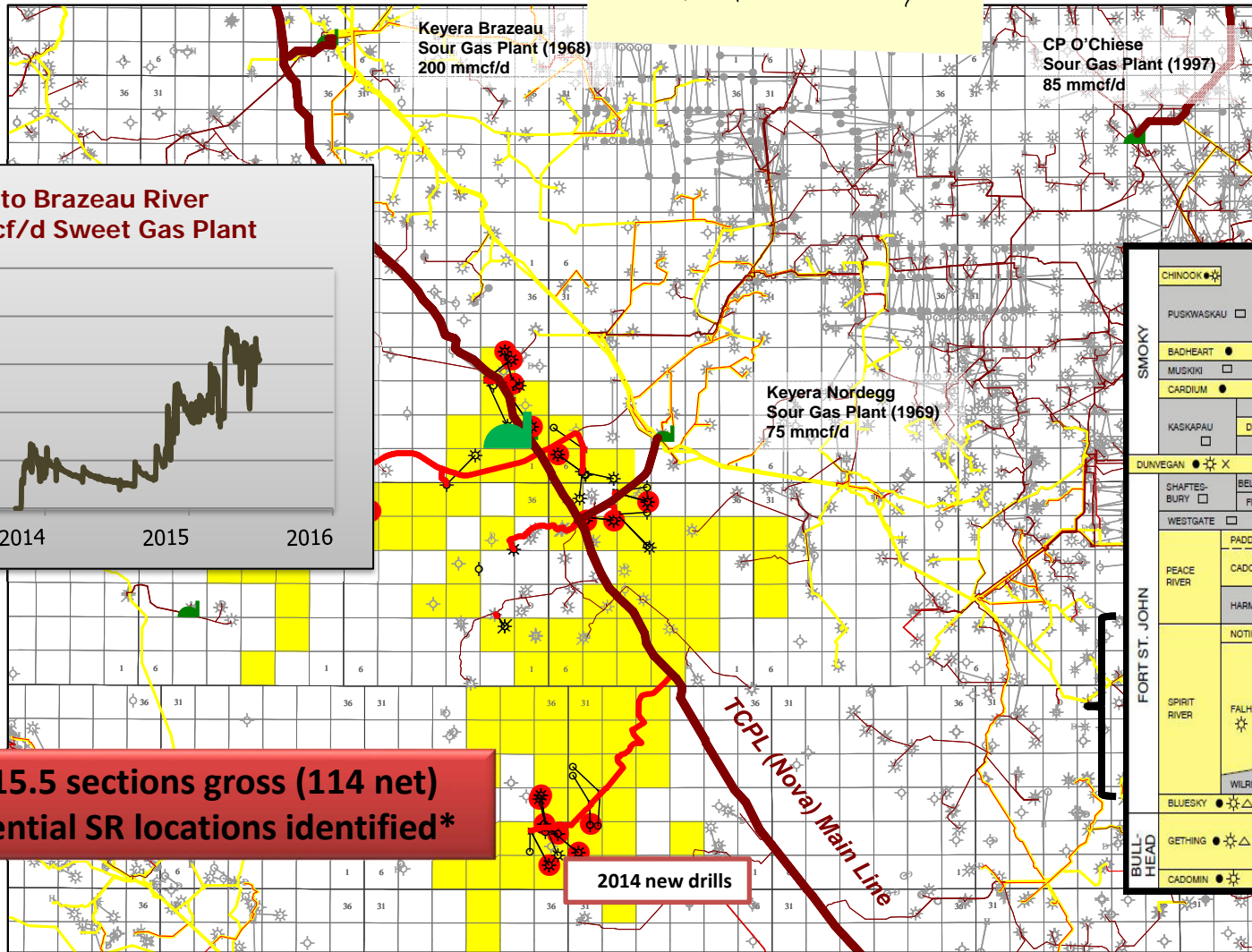
## Brazeau River Area

"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."

**PEYTO**



Exploration & Development Corp.



**Land: 115.5 sections gross (114 net)  
>275 potential SR locations identified\***

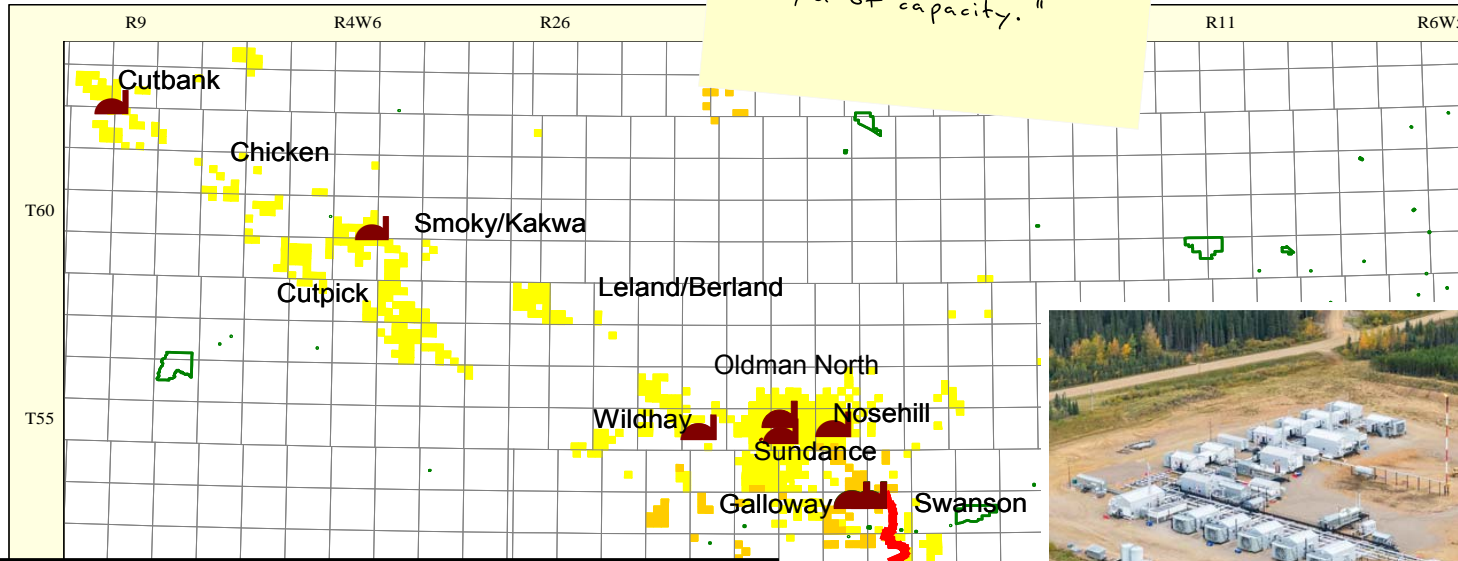
2014 new drills

\* Locations are internally identified from Peyto's geological /geophysical mapping

# Peyto's Assets

## Facility Ownership and Control

"2015 budget includes expansion work at 3 of Peyto's gas plants. In total, that will be 9 plants with over 0.75 BCF/d of capacity."



Peyto Nosehill Gas Plant: 125 MMCF/d throughput

### Peyto Gas Plants

	<u>YE 2013</u>	<u>YE 2014</u>	<u>YE 2015</u>	<u>WI</u>
1 Oldman	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
2 Nosehill	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
3 <b>Wildhay</b>	70 mmcf/d	90 mmcf/d	<b>110 mmcf/d</b>	<b>100%</b>
4 Galloway	60 mmcf/d	60 mmcf/d	60 mmcf/d	69%
5 <b>Oldman North</b>	30 mmcf/d	80 mmcf/d	<b>100 mmcf/d</b>	<b>100%</b>
6 Kakwa	35 mmcf/d	35 mmcf/d	35 mmcf/d	100%
7 <b>Swanson</b>	50 mmcf/d	65 mmcf/d	<b>105 mmcf/d</b>	<b>100%</b>
8 <b>Brazeau</b>	20 mmcf/d	40 mmcf/d	<b>80 mmcf/d</b>	<b>100%</b>
9 <b>Cutbank</b>	<u>10 mmcf/d</u>	<u>10 mmcf/d</u>	<u>10 mmcf/d</u>	<u>100%</u>
<b>Total</b>	525 mmcf/d	630 mmcf/d	<b>750 mmcf/d</b>	<b>98%</b>



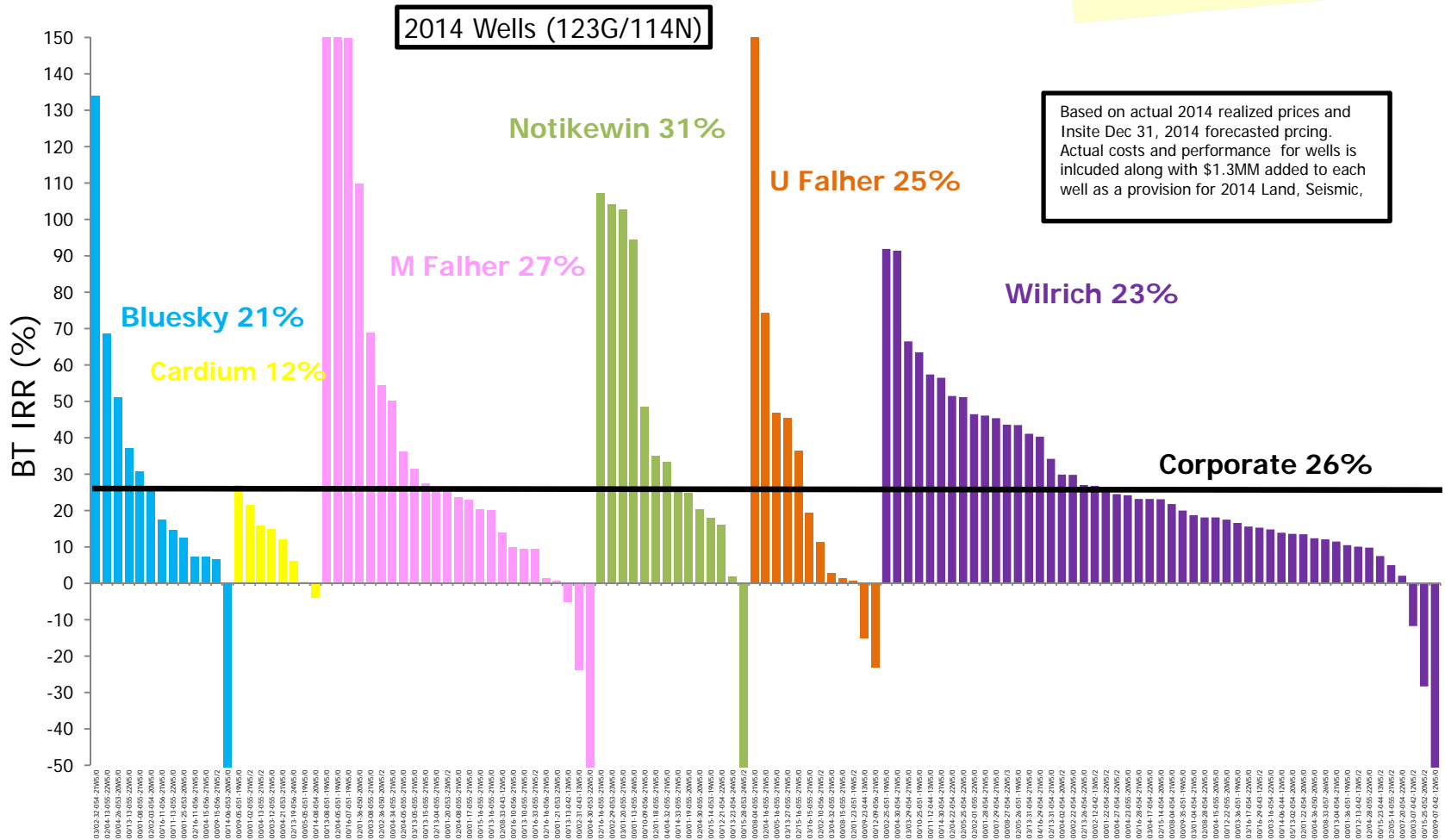
# Peyto's Incredible Returns



# Peyto's Returns

## 2014 Full Cycle Real Returns (NOT Hypothetical)

"Peyto reports the actual capital spent, full cycle, and actual result achieved, including the ones that don't work out, so investors understand the real returns we are delivering."



Includes provision of \$1.3MM per well for Facilities, Land and Seismic  
 Peyto's internal Full Cycle actual IRR on 123 Wells by Species using Insite Dec 31/14 Prices



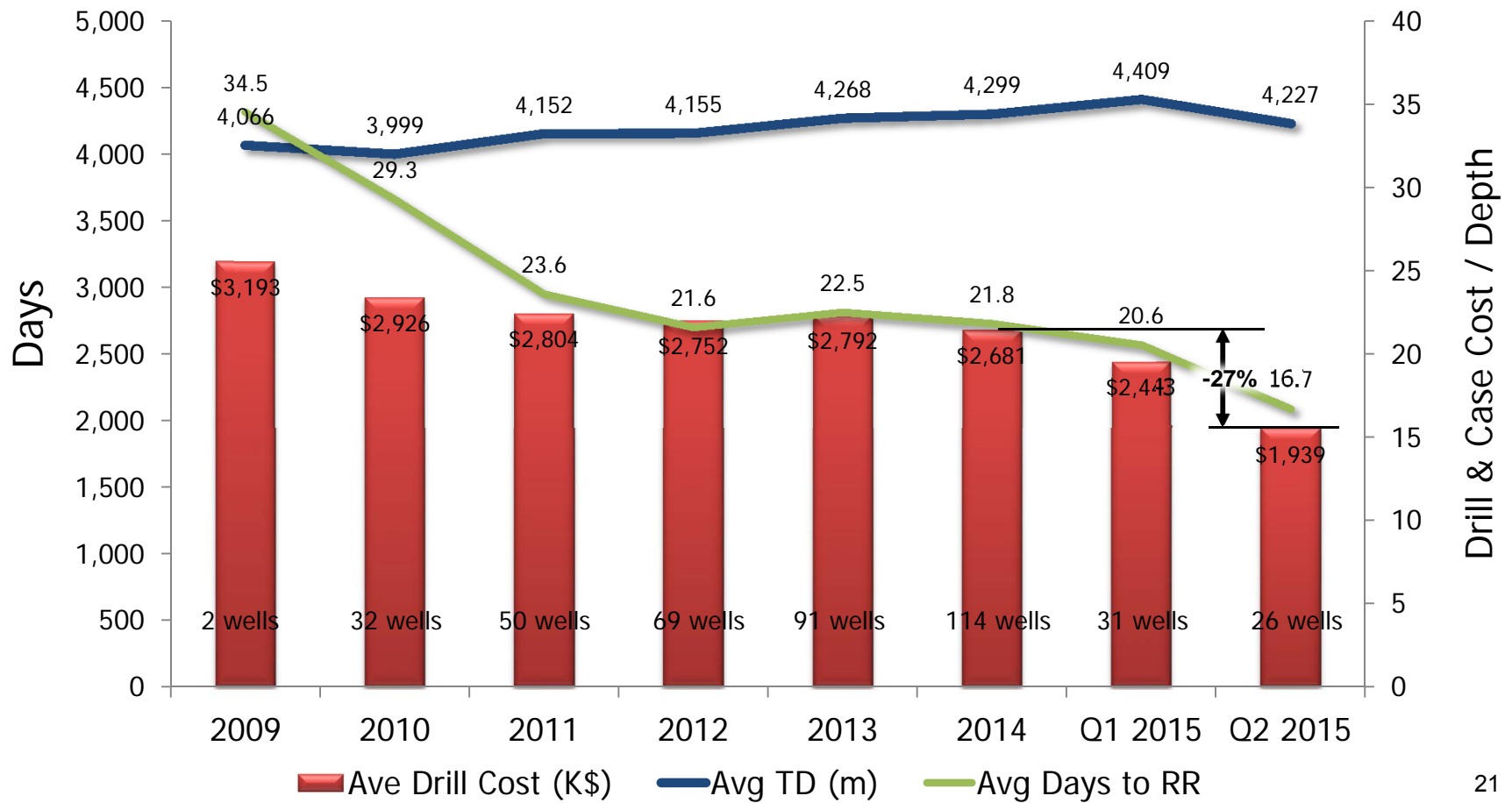
# Peyto's Returns

## Drilling Cost Performance

"Looking specifically at a the Sundance SR wells, the avg. drilling costs reduction of 27% is mostly due to service rates and pad drilling with some additional improvement in execution."



### Greater Sundance Hz Spirit River



# Peyto's Returns

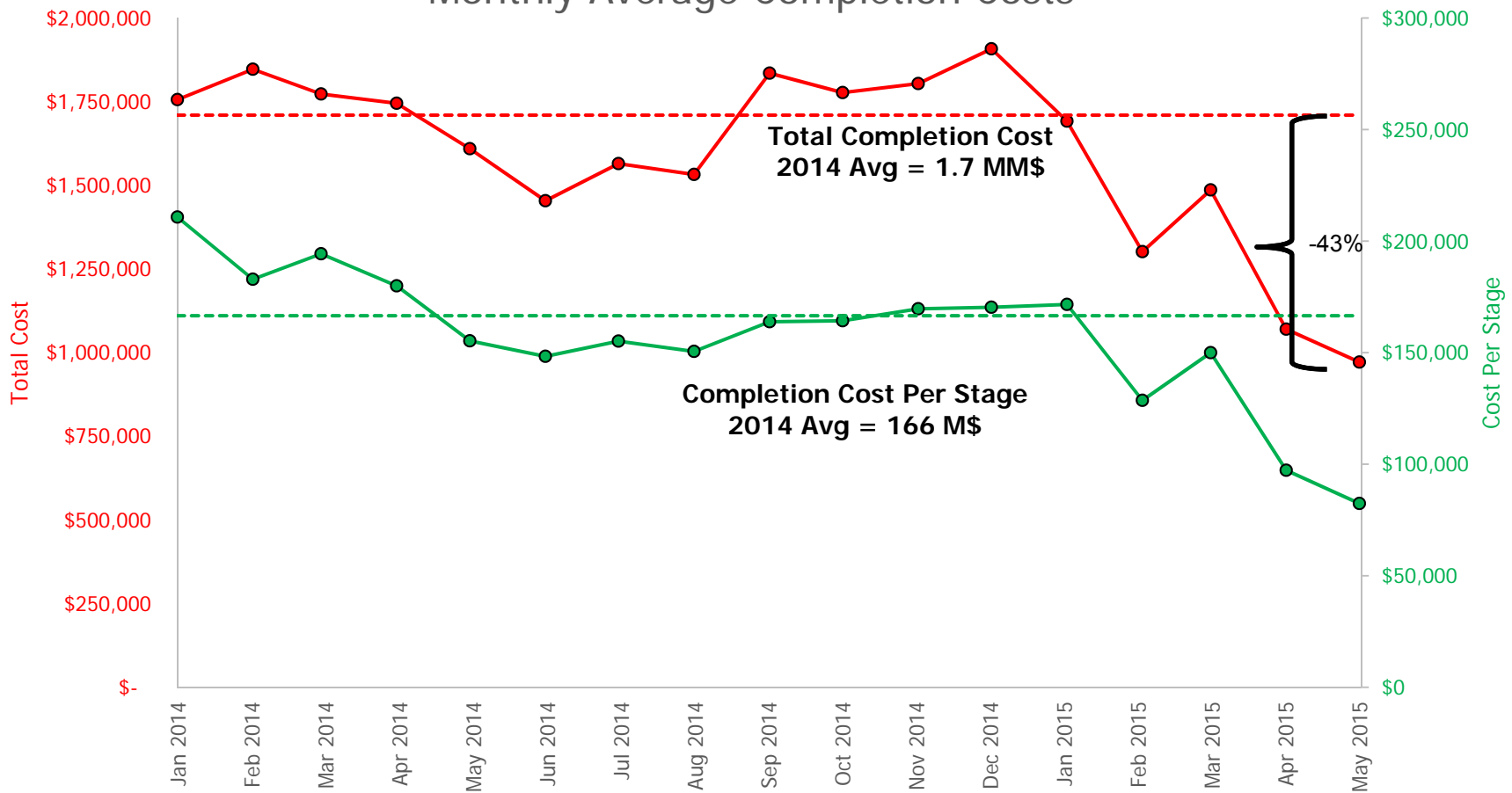
## Completion Cost Performance

"Completion costs are down this year even more than drilling. 33% due to service cost reductions, and another 10% due to changes in design, including cheaper sand."



ment Corp.

### Monthly Average Completion Costs



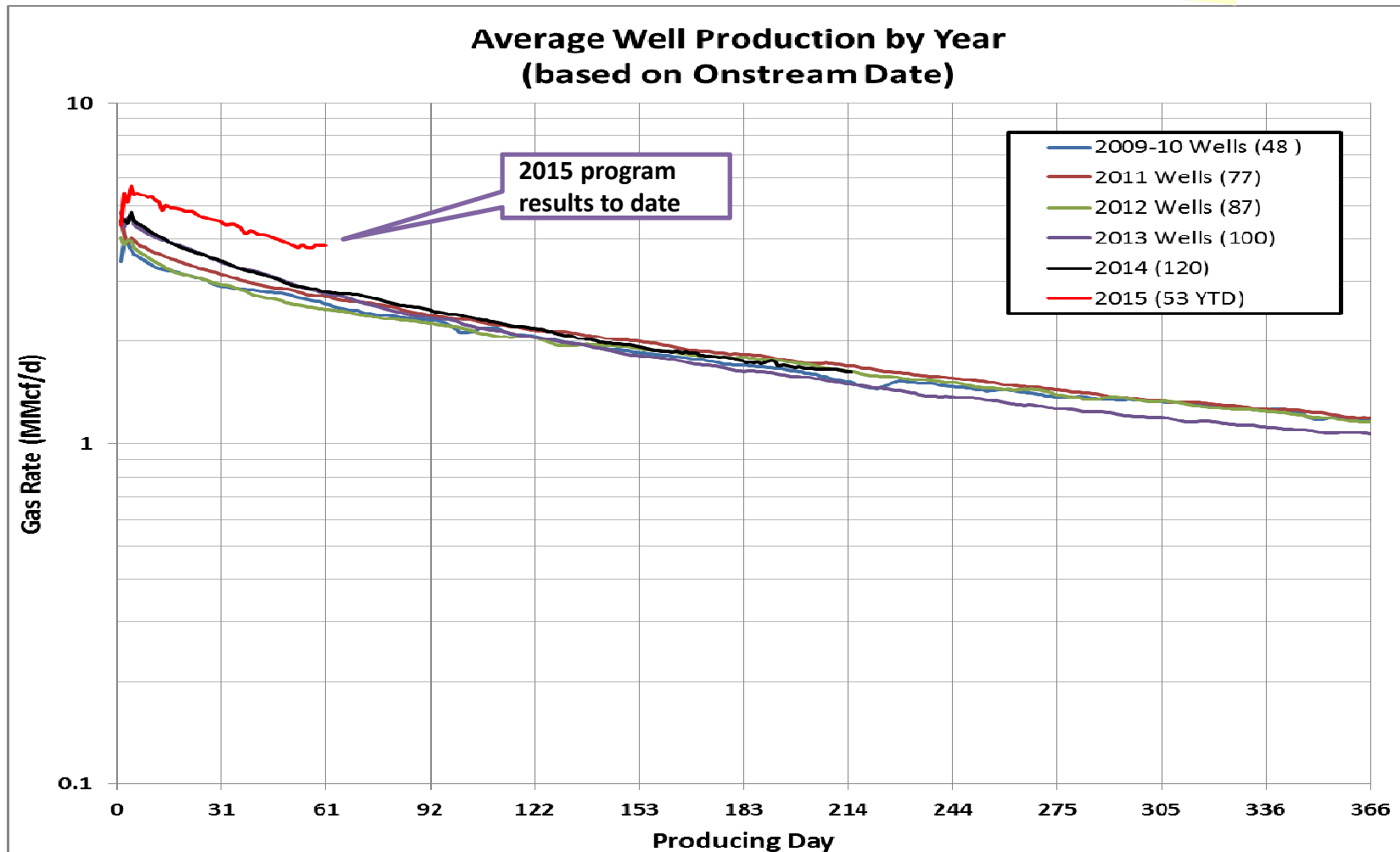
# Peyto's Assets

2015 - A Good Start

"Costs are down and well results are up. A great start so far to 2015."



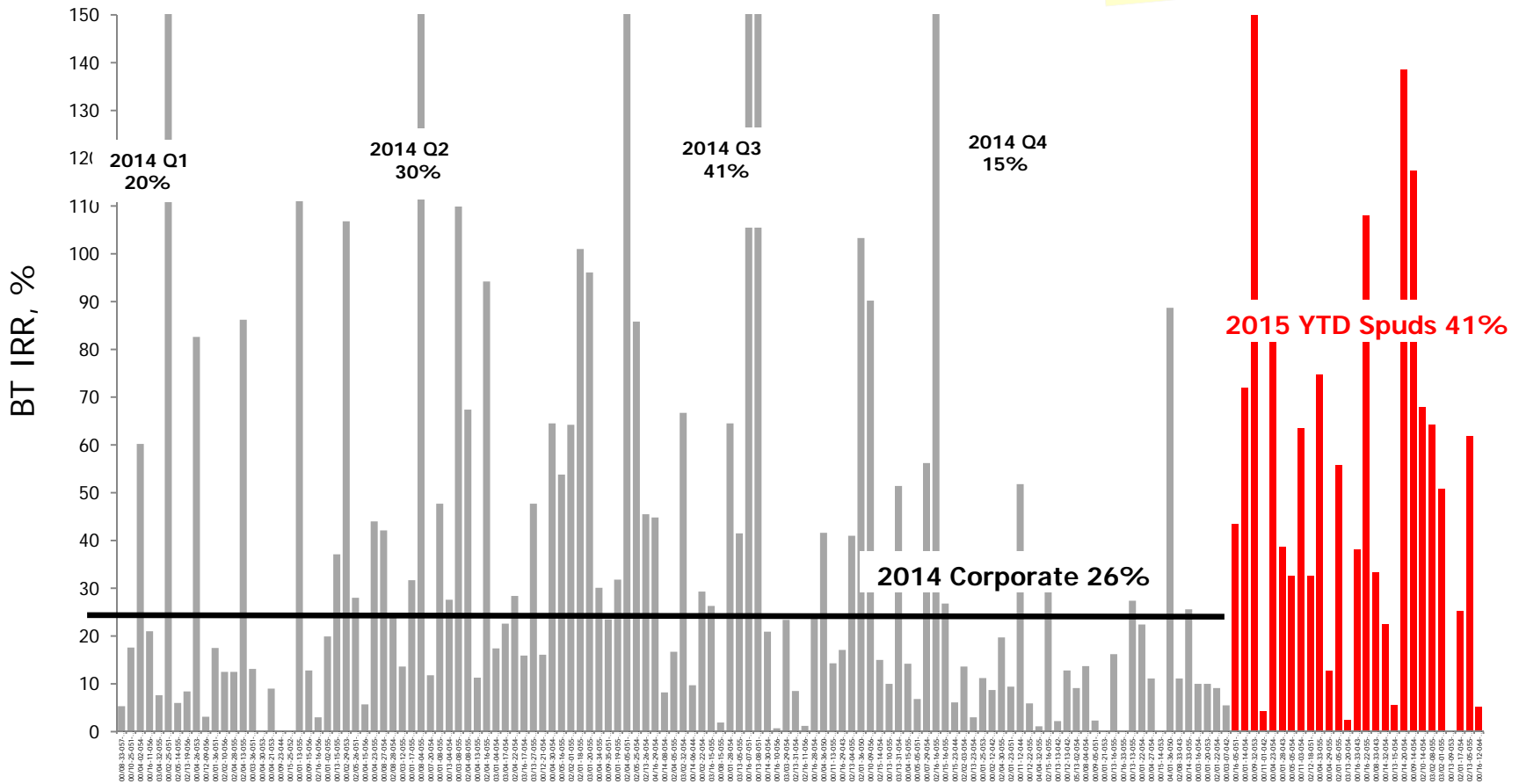
Development Corp.



# Peyto's Returns

## YTD2015 Full Cycle Real Returns

"So far, 2015 returns are looking good but so did Q3 of 2014. We have to keep executing and picking the best opportunities."



Based on actual 2014 realized prices and Insite Dec 31, 2014 forecasted pricing. Actual costs and Peyto internal view of reserves for wells. A \$1.3MM is added to each well as a provision for 2014 Land, Seismic, Major Facilities and Pipelines

# Peyto's Returns

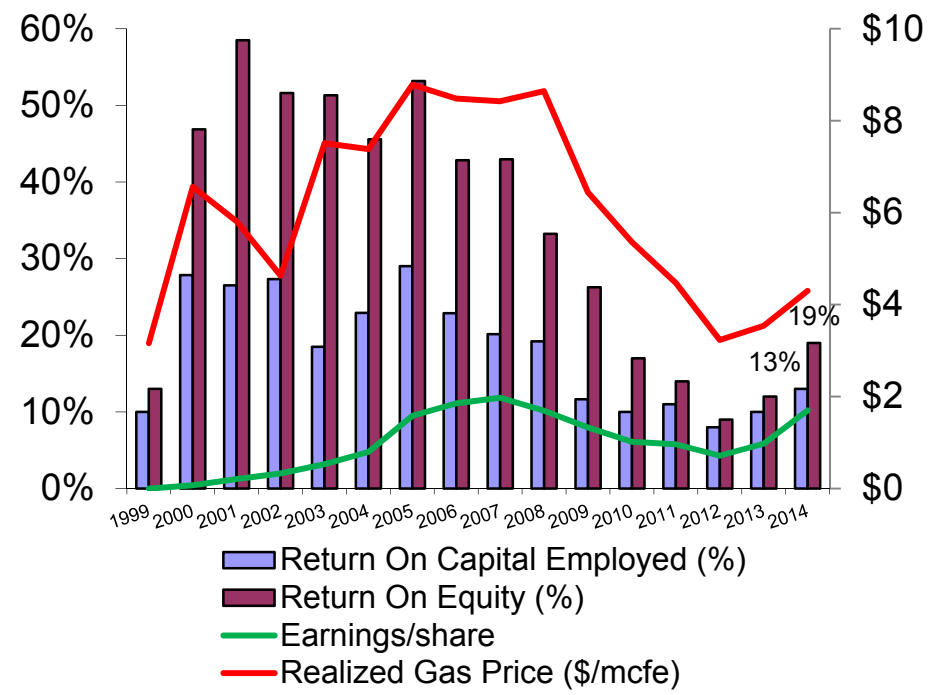
High Returns On Your Capital And Equity

"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."



**34%**  
16 yr Average ROE

**18%**  
16 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





# 2015 Outlook

*More for less*

"We expect to do a record amount of activity in 2015 but now with low oil prices driving lower service costs, expect we can accomplish it for up to 20% less than previous years."

**PEYTO**

Exploration & Development Corp.



**\$575M-**  
**\$625M**

2015 Capital Program

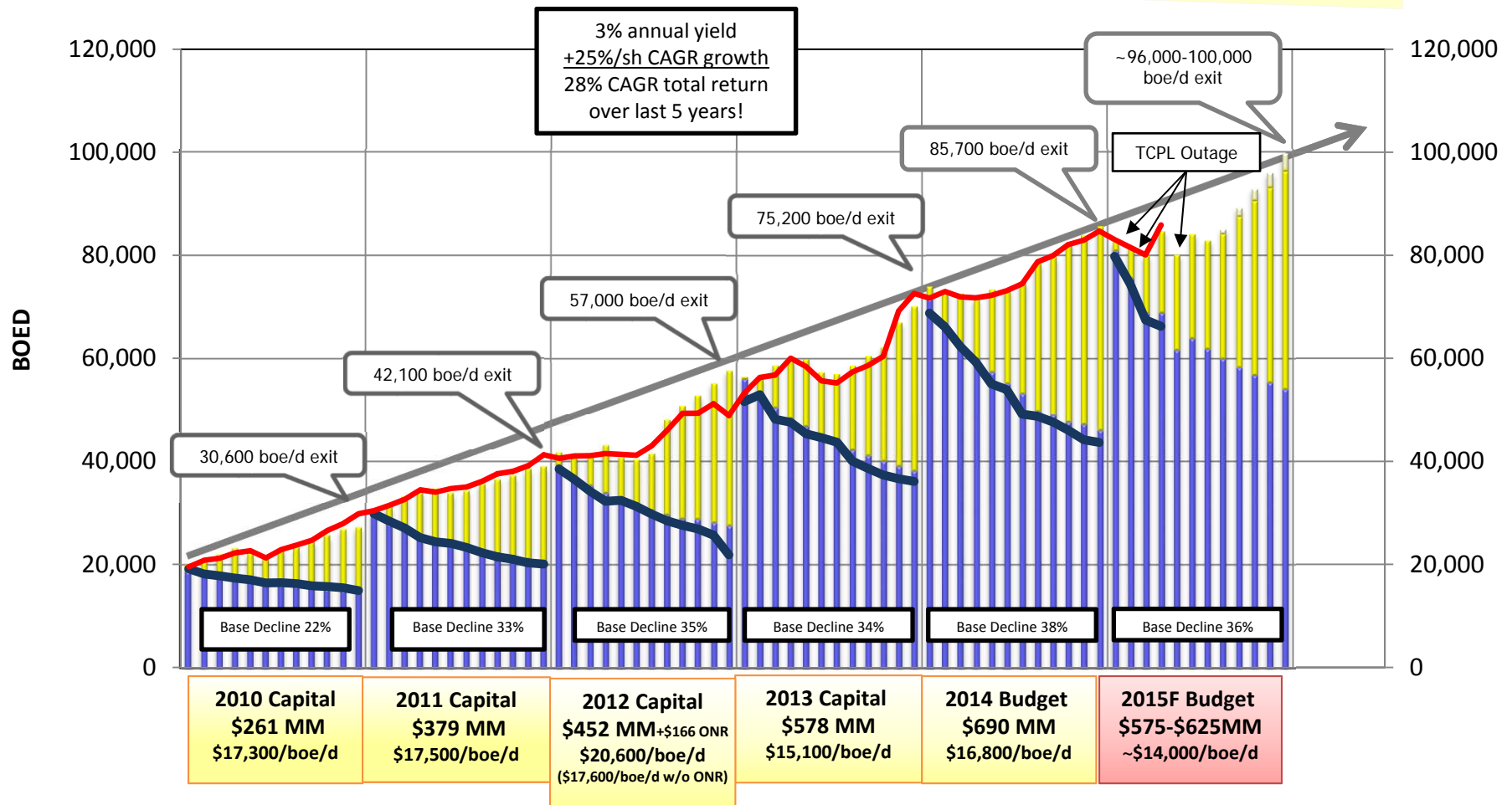
- ✓ **Drill ~130 Gross Hz Wells**  
(100% Hz-MSF, Liquids Rich Natural Gas)
- ✓ **Expand & Extract**  
Increase Processing Capacity & NGL Yield  
~120 mmcf/d
- ✓ **Increase**  
Undeveloped Land Base
- ✓ **Shoot**  
Seismic
- ✓ **Acquire**  
Additional Opportunities and Partner Interests

# 2015 Outlook

Drill Our Way To 100,000 BOE/D!

"Our 2015 budget is the largest so far and assumes we will drill 130 gross (125 net) wells that add ~45,000 boe/d of new production."

Corp.



# 2015 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."

## 2015 Goals\*

PDP FD&A  
\$/mcfe

~(\$1.80) -

Cash Costs  
\$/mcfe

~(\$0.85)

Sales Price  
\$/mcfe

\$4.10

35% Profit

~\$1.45

Dividend  
\$/mcfe

\$1.10

- 20% service cost reduction
- Drilling off season
- Longer laterals, more stages
- Continuous operations
- Natural gas heated water
- Slow down facility pre-builds

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

- Optimize liquids extraction
- Hedging
- AECO \$3/GJ & \$60/bbl CND

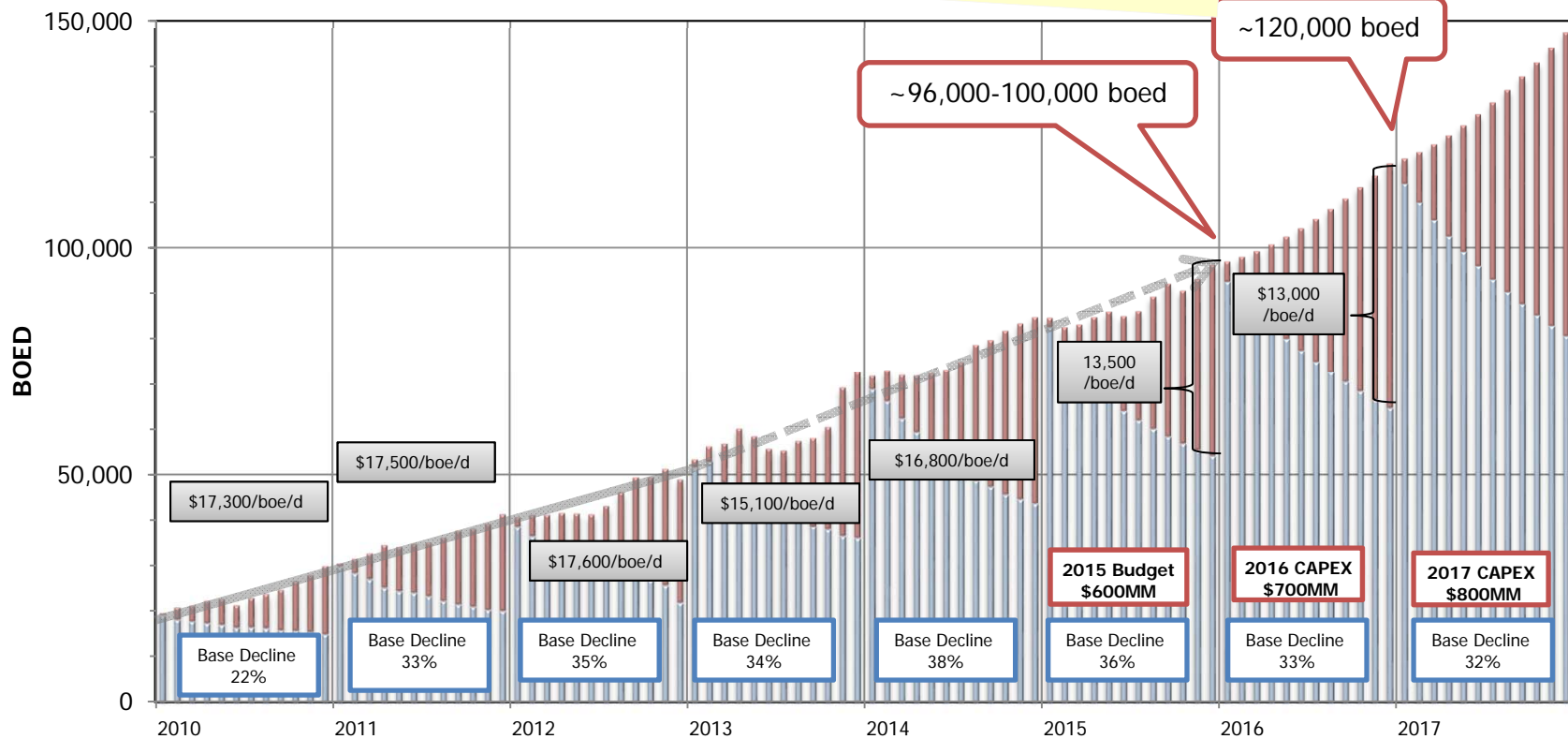
BOE factor - 6 mcfe = 1 bbl of oil equivalent

\* 2015 goals are not budgeted expectations

# Peyto's Future

## Where to from here?

"It's rather astonishing to think that a company of ~50 employees could drill their way from 20,000 to 150,000 boes/d, deploying over \$5B!"



@\$20/boe netback using \$3/GJ AECO, \$50/bbl CND

Year	Annual Prod.	FFO	CAPEX	Dividend	Net Debt	Debt to FFO	# locations
2014	76,372	\$ 663	\$ 690	\$ 175	\$ 1,009	1.5	123
2015	87,744	\$ 641	\$ 600	\$ 207	\$ 1,011	1.6	130
2016	106,199	\$ 775	\$ 700	\$ 207	\$ 1,143	1.5	140
2017	131,643	\$ 961	\$ 800	\$ 207	\$ 1,189	1.2	160
		\$ 3,040	\$ 2,790	\$ 797			553 *Out of 1,984 currently

\* 2015 and beyond provided for illustration only. Budgets and forecasts beyond 2016 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.

# Appendix



- ☀ Quarterly Track Record
- ☀ Tax Pools
- ☀ Payout
- ☀ Hedging Strategy
- ☀ Gas Marketing
- ☀ FAQ

# Quarterly Track Record



	2015	2014					2013					2012				
	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Operations</b>																
<u>Production</u>																
Oil & NGLs (bbl/d)	7,456	7,632	8,077	7,502	7,568	7,375	6,376	6,984	6,295	6,374	5,840	4,778	5,286	5,236	4,480	4,101
Natural gas (mcf/d)	444,794	412,441	451,044	420,538	388,407	389,002	317,622	361,870	300,286	310,621	297,191	238,490	266,808	244,794	221,176	220,811
Barrels of oil equivalent (boe/d)	81,588	76,372	83,251	77,592	72,302	72,209	59,313	67,296	56,343	58,144	55,372	44,526	49,754	46,035	41,343	40,903
Year over Year % Growth	13%	29%	24%	38%	24%	30%	33%	35%	22%	41%	35%	26%	26%	27%	20%	30%
<u>Average Product Prices</u>																
Oil & NGLs (\$/bbl)	37.03	70.68	55.47	71.01	77.30	80.49	70.97	69.84	70.91	67.82	75.88	73.92	73.01	68.62	71.27	84.83
Natural gas (\$/mcf)	3.97	4.30	4.22	4.18	4.37	4.45	3.54	3.59	3.35	3.72	3.49	3.23	3.45	3.06	2.86	3.53
Operating expenses (\$/mcf)	0.47	0.48	0.44	0.46	0.49	0.52	0.47	0.48	0.49	0.47	0.43	0.44	0.42	0.46	0.41	0.45
Field Netback (\$/mcf)	3.52	4.19	4.02	4.12	4.32	4.39	3.65	3.67	3.49	3.77	3.67	3.46	3.62	3.29	3.16	3.75
<b>Financial (\$000)</b>																
Revenue (net of royalties)	175,820	780,773	205,125	196,062	189,830	191,457	535,394	154,167	123,851	134,765	122,612	380,646	111,105	95,410	80,471	93,661
Funds from Operations <sup>1</sup>	144,643	662,787	173,437	166,988	161,577	160,785	437,737	125,164	99,736	109,987	102,612	308,865	90,078	76,918	64,732	77,645
Net earnings (loss)	44,513	261,778	68,597	68,893	62,159	62,129	142,627	37,989	30,461	37,773	36,405	93,951	25,823	23,058	18,201	26,868
Capital expenditures	138,077	690,389	179,697	180,024	151,290	179,378	578,003	154,295	180,801	73,809	169,099	617,985	156,847	317,089	45,924	98,632
Net Debt <sup>2</sup>	1,064,491	1,009,508	1,009,508	937,611	880,386	838,495	946,542	946,542	862,864	746,094	749,546	662,461	662,461	683,540	519,328	512,627
Common shares outstanding (000)	153,921	153,860	153,860	153,691	153,691	153,691	148,949	148,949	148,759	148,759	148,759	148,519	148,519	143,886	138,486	138,312
Weighted average shares	153,853	153,231	153,231	153,691	153,691	151,826	148,738	148,759	148,759	148,759	148,673	141,094	145,450	142,069	138,399	138,312
<b>Per share data (\$/share)</b>																
Funds from operations	0.94	4.33	1.13	1.09	1.05	1.06	2.94	0.84	0.67	0.74	0.69	2.19	0.62	0.54	0.47	0.56
Earnings (loss)	0.29	1.71	0.45	0.45	0.40	0.41	0.96	0.26	0.21	0.25	0.25	0.67	0.18	0.16	0.13	0.19
Dividends (Distributions)	0.33	1.14	0.33	0.30	0.28	0.24	0.88	0.24	0.24	0.22	0.18	0.72	0.18	0.18	0.18	0.18

<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.

BOE factor - 6 mcf = 1 bbl of oil equivalent



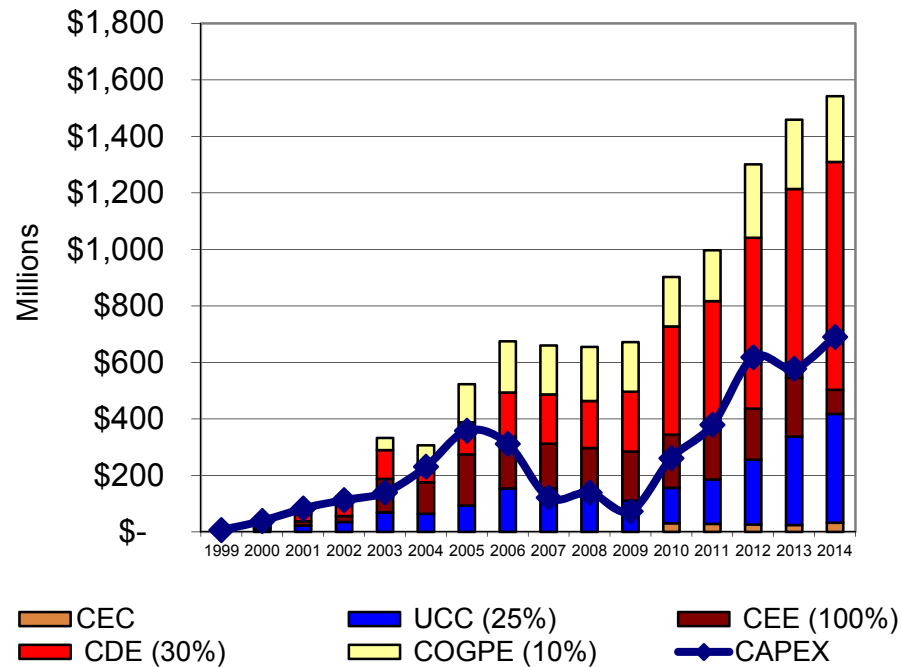
# Organic Business Model

## Peyto's Tax Pools

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



Development Corp.



**\$1.5B**

Federal Tax Pools  
Q4/14

**\$4.1B**

Peyto Cum. CapEx  
Q4/14

# 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."



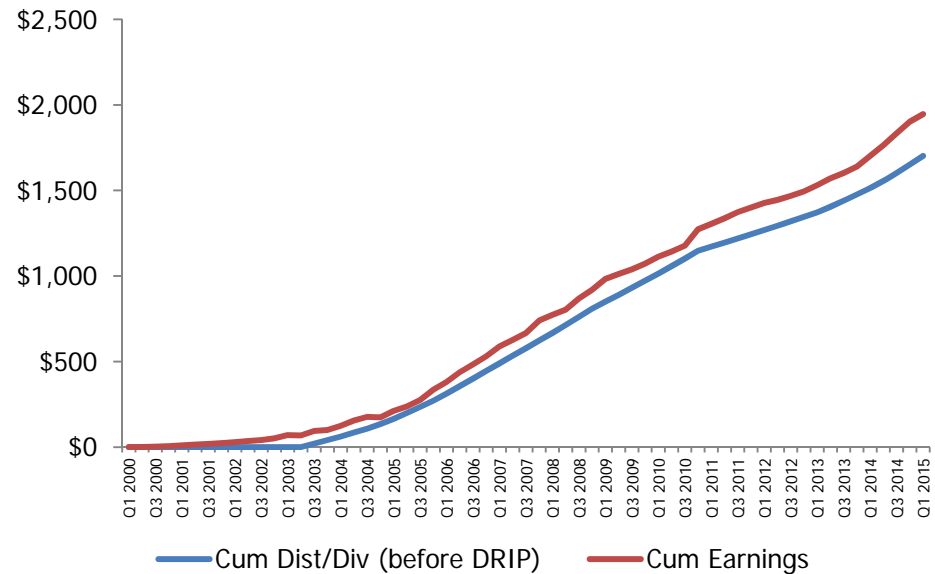
**\$1.9B**

Peyto Cum. Earnings  
Q1/15

**\$1.7B**

Peyto Cum. Dist/Div.  
Q1/15

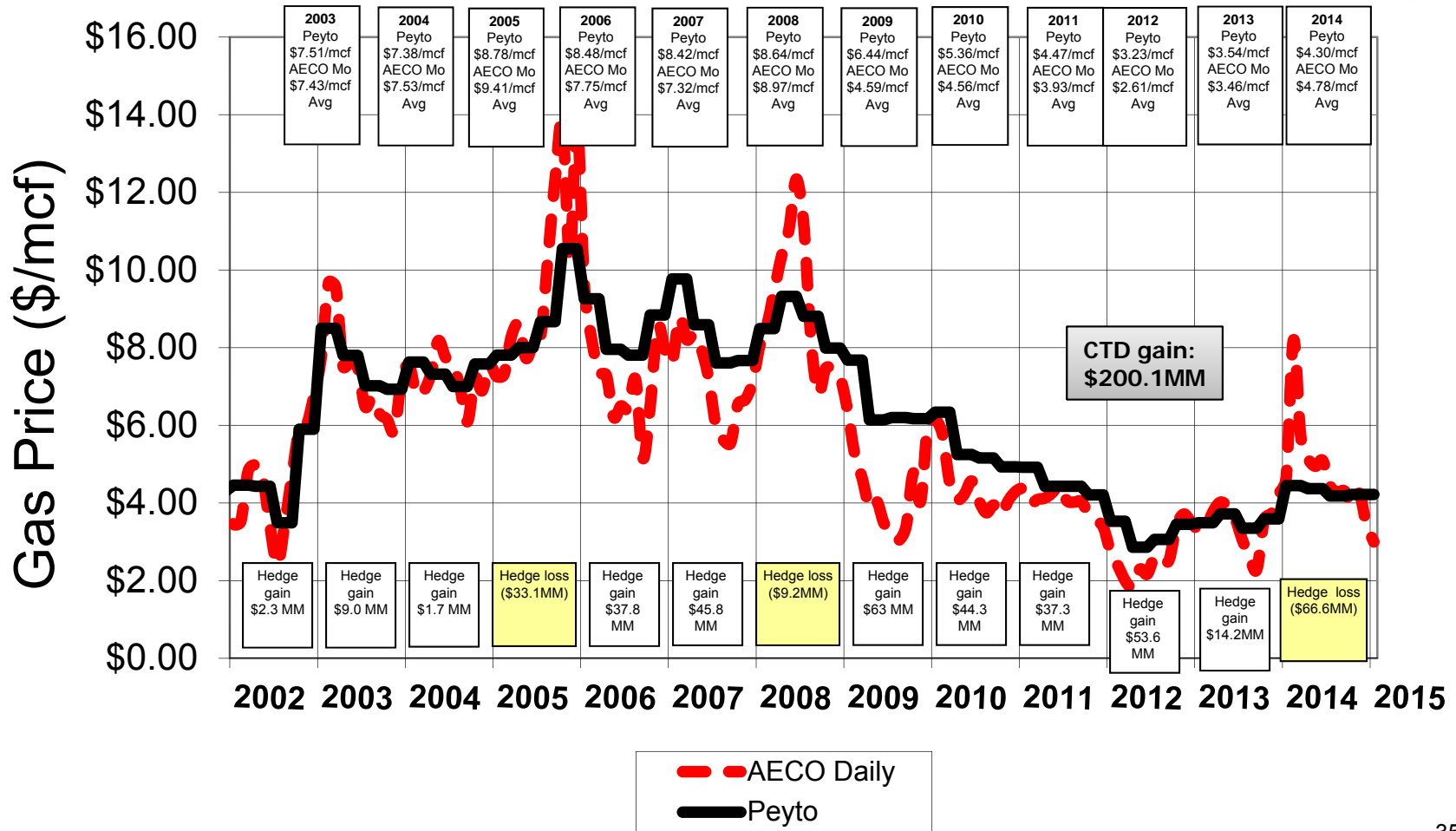
**Peyto Dividend Sustainability**



# 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."



# Gas Marketing

## Future Sales (1 of 3)

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

# PEYTO



Exploration & Development Corp.

Financial Hedges - Gas			2013		2014					2015					2016												
Date contracted	GJ/d	Pricing (\$/GJ)	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	
17-Feb-12	5000	\$3.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
23-Aug-12	5000	\$3.000	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
12-Sep-12	5000	\$3.020	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
12-Sep-12	5000	\$3.050	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
24-Sep-12	5000	\$3.020	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
03-Oct-12	5000	\$3.500	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
29-Oct-12	5000	\$3.530	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
06-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	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
15-Mar-13	5000	\$3.550	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
21-Mar-13	5000	\$3.710	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
05-Apr-13	5000	\$3.760	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
05-Apr-13	5000	\$3.605	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
26-Oct-13	5000	\$3.500	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
04-Nov-13	5000	\$3.100	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
12-Nov-13	5000	\$3.250	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
12-Nov-13	5000	\$3.250	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
16-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	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.

**Hedges by year (averaged)**

Year	Vol. GJ/d	Price/GJ	Vol. mcf/d	Price/mcf
2014	283,041	3.56	246,123	4.10
2015	330,836	3.51	287,683	4.04
2016	178,948	3.13	155,607	3.60
2017	27,123	2.93	23,585	3.37

•Assuming an Average Heating Value of 1.15 GJ/mcf for Peyto's gas





# FAQ

## Frequently Asked Questions



### **1. Peyto has had some spectacular growth over the last five 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 16 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.