



# 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](http://www.sedar.com)). The forward-looking statements and information contained in this presentation are made as of the date hereof and Peyto undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

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

### **Reserves**

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

### **Barrels of Oil Equivalent**

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

### **Original Gas in Place**

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

### **Prices**

*All dollar values are quoted in Canadian currency.*

# Peyto Profile



N	TSX Listing:	PEY
N	Shares Outstanding:	164.6 million, 3% insiders (as of May 18/16)
N	Monthly Dividend:	\$0.11/share
N	Current Production:	0.57 BCFe/d (~95,000 boe/d) - restricted
N	YE 2015 2P Reserves:	3.5 TCFe (590 mmboes)
N	Q1 2016 Net Debt:	\$0.42 billion (senior unsecured notes, 7-10 yr, 3.79-4.88% CAD) (after May/'16 equity)
		<u>\$0.60 billion</u> (revolving bank debt, \$1.0B unsecured facility + \$0.3B Acc.)
		\$1.02 billion
N	Bank Lines:	\$1.42B total capacity
N	Enterprise Value:	\$7.1 billion (\$37/share)
N	Full Time Employees:	51

# 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.



- N** ***“We believe nature’s gas is the fuel for the future.”***
- N** ***“We believe we can make a real profit by being the lowest cost, most efficient producer in the industry.”***
- N** ***“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

## Results in a Low Cost Advantage

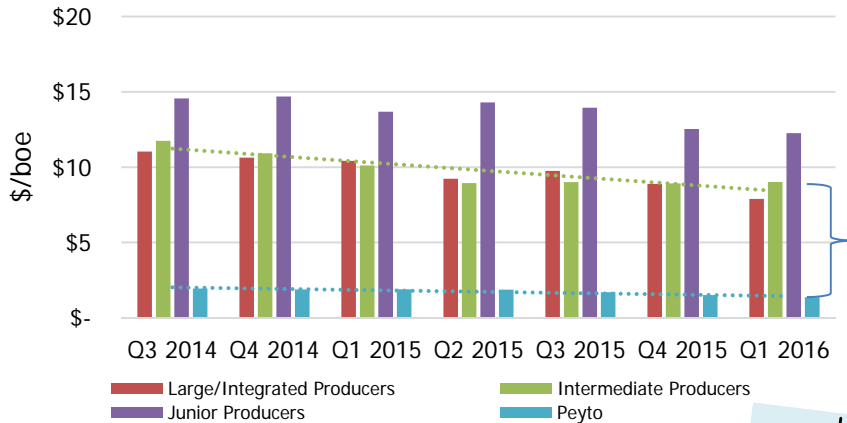
"The Peyto strategy results in a low cost advantage over rest of the industry in all aspects of the business."

**PEYTO**

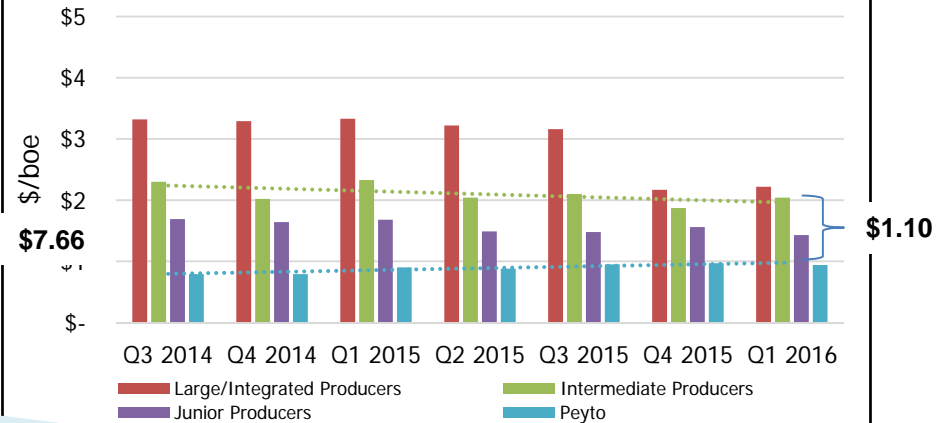


Exploration & Development Corp.

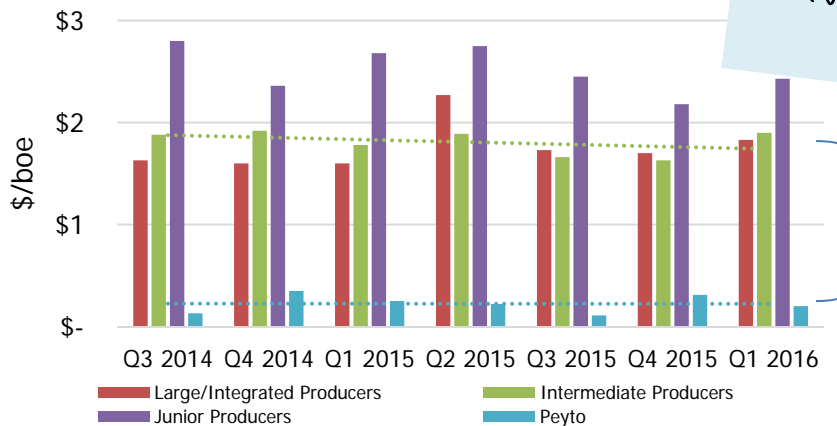
### Operating Costs



### Transportation Costs

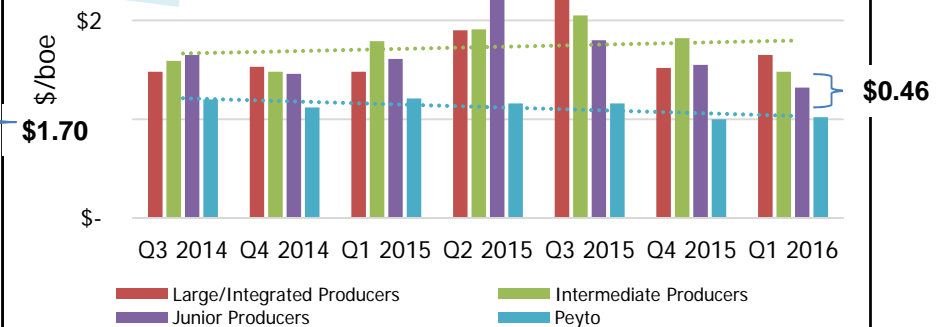


### G&A Costs



≈ \$11/boe advantage!

### Interest Costs



# The Peyto Strategy

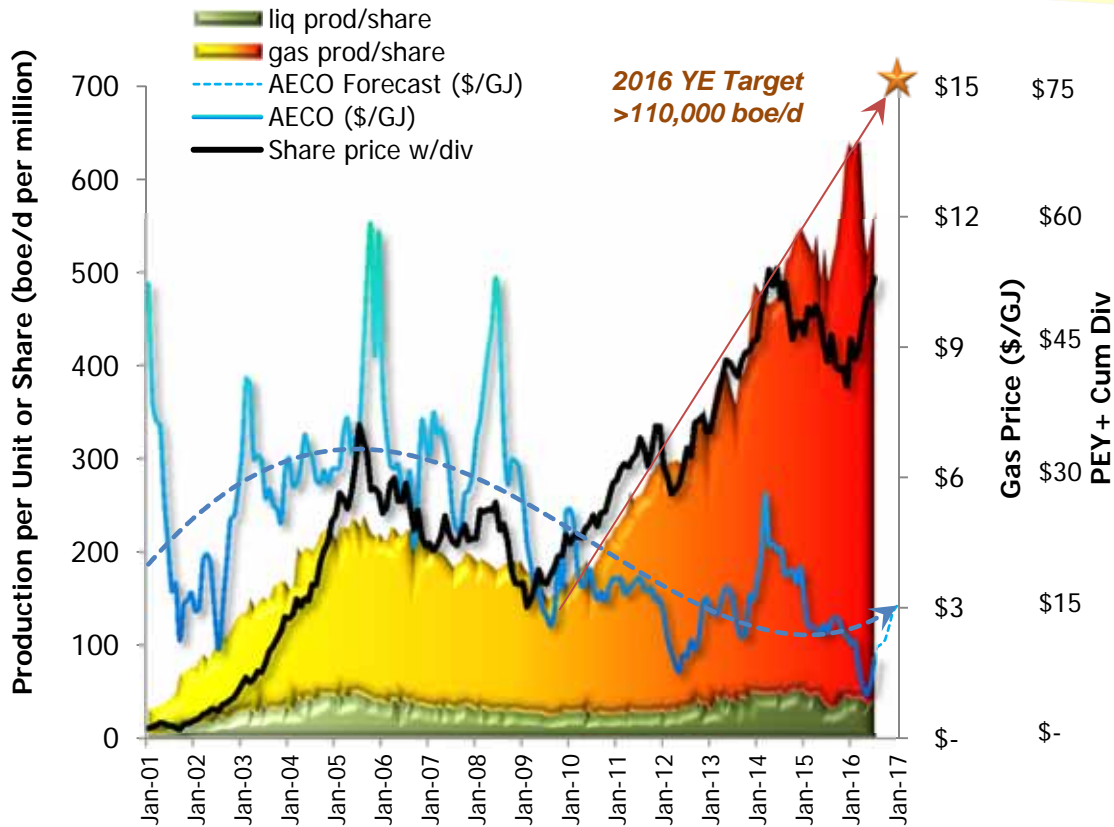
## Counter Cyclical Growth Per Share

"Peyto invests aggressively when industry activity is slow and the costs are low (usually when the commodity prices are also low) to deliver superior returns. The result is more profitable growth."

**PEYTO**



Energy Services Corporation & Development Corp.



**25%**

6 Yr Prod/share growth rate

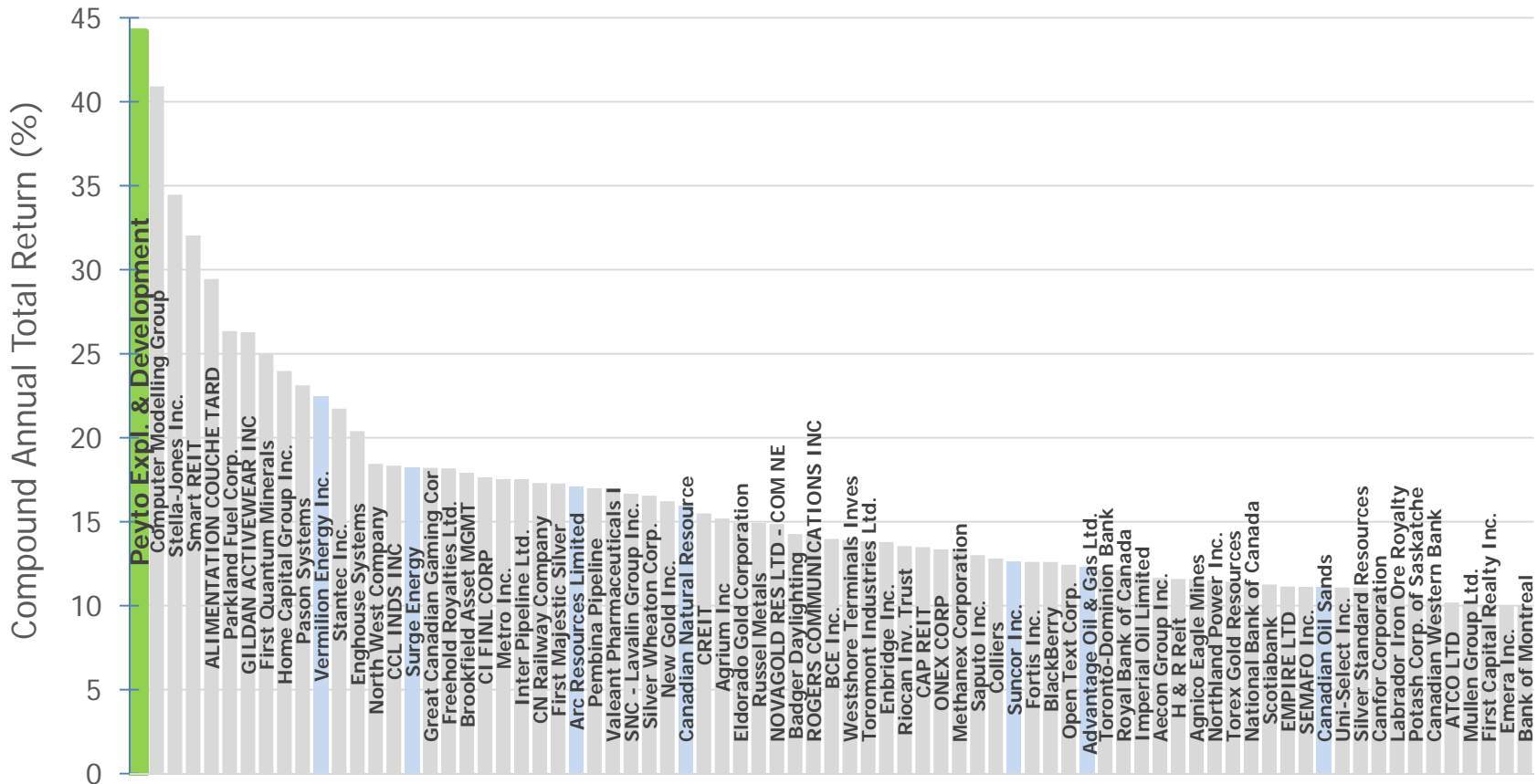
Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split  
BOE factor - 6 mcf = 1 bbl of oil equivalent

# The Peyto Strategy

## Highest Total Return On TSX

"The Peyto strategy has not only delivered the highest total return of any E&P over the last 17 years, it was the highest of any company, in any industry!"

### TSX Total Return December 1998 - 2015



Source: BMO, Total return includes dividends



# 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 2014</u>	<u>PEY 2015</u>
PDP FD&A \$/mcfe	(\$2.25)	(\$1.64)
Cash Costs \$/mcfe	(\$1.08)	(\$0.81)
Sales Price \$/mcfe	<u>\$5.04</u>	<u>\$3.83</u>
Profit \$/mcfe	\$1.71	\$1.38
Dividend \$/mcfe	34% \$1.05	36% \$1.11

Land/Acq/Disp	\$2MM
Seismic	\$7MM
Drilling	\$288MM
Compl.	\$173MM
Wellsite	\$49MM
Facilities	<u>\$74MM</u>
	\$594MM
ΔPDP Reserves (before Prod.) 60.4 mmoes	
PDP FD&A	\$9.84/boe
	<b>\$1.64/mcfe</b>

Royalties	(\$0.14)
Opex	(\$0.29)
Transport	(\$0.15)
G&A	(\$0.04)
Interest	(\$0.19)
<b>Total Costs</b>	<b>(\$0.81/mcfe)</b>

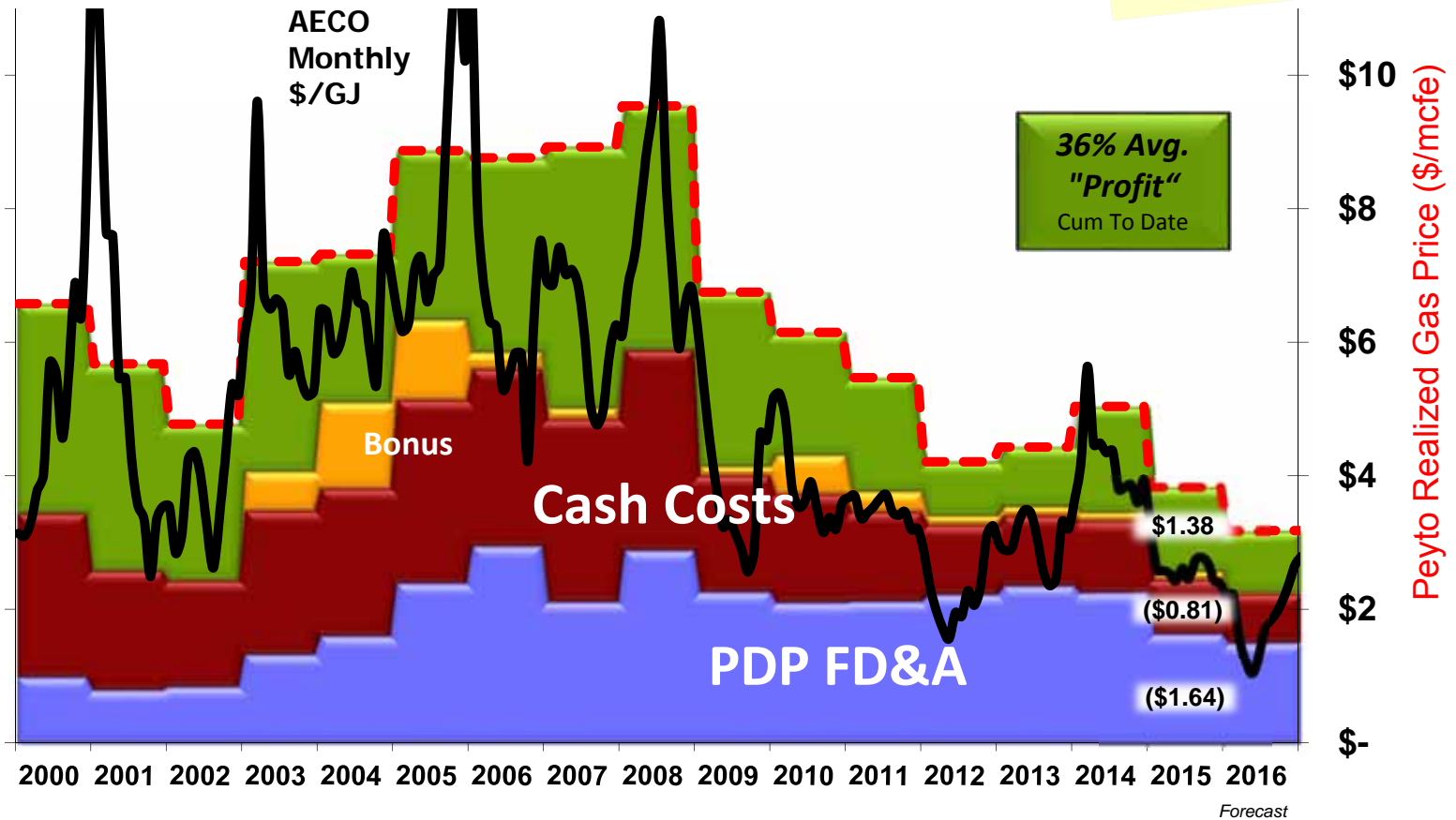
\$2.56/GJ AECO daily
X 127% (heat content+LPG)
\$3.25/mcfe
<u>\$0.58/mcfe</u> hedging
<b>\$3.83/mcfe Peyto Realized</b>

BOE factor - 6 mcfe = 1 bbl of oil equivalent

# 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

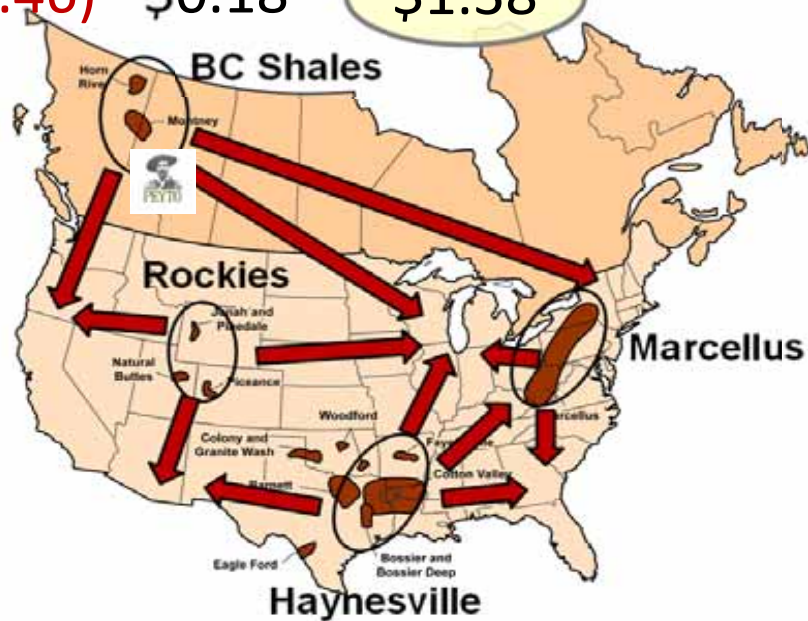
# Peyto's Profitable Business

## Competitive In The North American Marketplace

"We have to be competitive not only in Canada but across North America. Peyto's margins clearly stand above the rest."

	<u>100% Montney</u> VII 2015	<u>65% DB/35% Mont.</u> TOU 2015	<u>100% Deep Basin</u> PEY 2015
PDP FD&A \$/mcf	(\$3.56)	(\$2.29)	(\$1.64)
Cash Costs \$/mcf	<u>(\$2.57)</u>	<u>(\$1.40)</u>	<u>(\$0.81)</u>
<b>Supply Cost</b>	<b>(\$6.13)</b>	<b>(\$3.69)</b>	<b>(\$2.45)</b>
Sales Price \$/mcf	<u>\$5.67</u>	<u>\$3.87</u>	<u>\$3.83</u>
Profit/(Loss)	(\$0.46)	\$0.18	<b>\$1.38</b>

<u>100% Rockies</u> Ultra 2015
(\$1.42)
<u>(\$1.89)</u>
<b>(\$3.31)</b>
<u>\$3.40</u>
\$0.09



<u>80% Marcellus</u> Cabot 2015	<u>Cabot 2014</u>
(\$0.86)	(\$0.97)
<u>(\$1.28)</u>	<u>(\$1.27)</u>
<b>(\$2.14)</b>	<b>(\$2.24)</b>
<u>\$2.46</u>	<u>\$3.51</u>
\$0.32	\$1.27

Source: IHS CERA

Average Revenue, PD FD&A or PDP FD&A and cash costs (LOE, Transp., gathering, processing, Royalty or Ad Valorem, G&A and interest) per mcf from 10k and annual reports.  
Costs and revenues left in US\$ or CAD\$ as applicable to show relative margin

# Peyto's Profitable Business

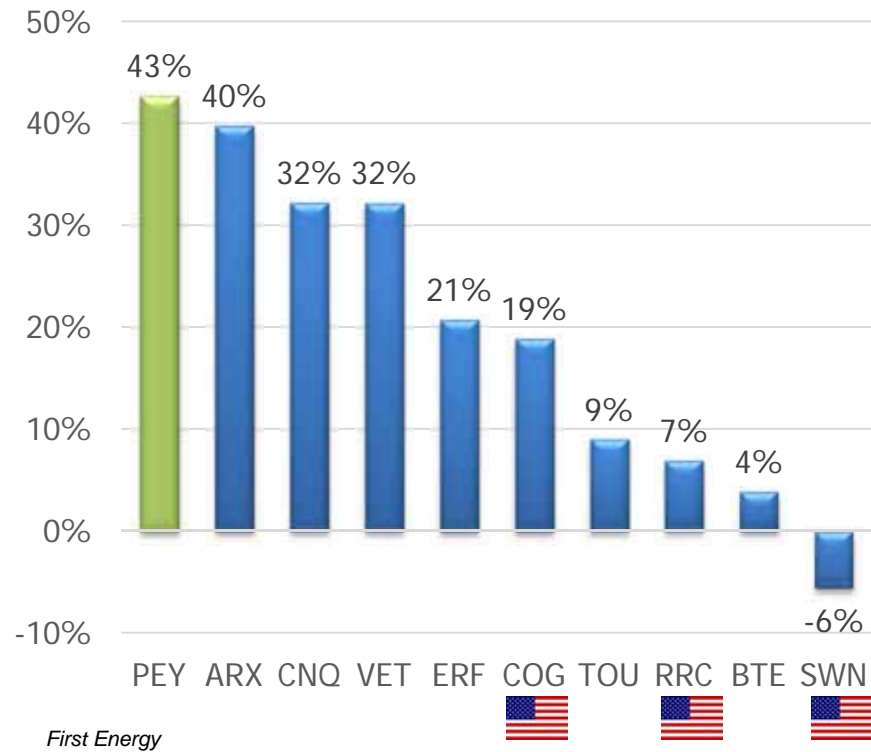
*More Profit Per Dollar Of Capital*

"Peyto has delivered the most profit per dollar of capital invested over the last 15 years."



# 43%

CTD Earnings/Capital  
2000-2015



# Peyto's Unique Assets



# Peyto's Assets

*Geographically Focused Core Areas*

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

**PEYTO**



Corporation & Development Corp.

# 98%

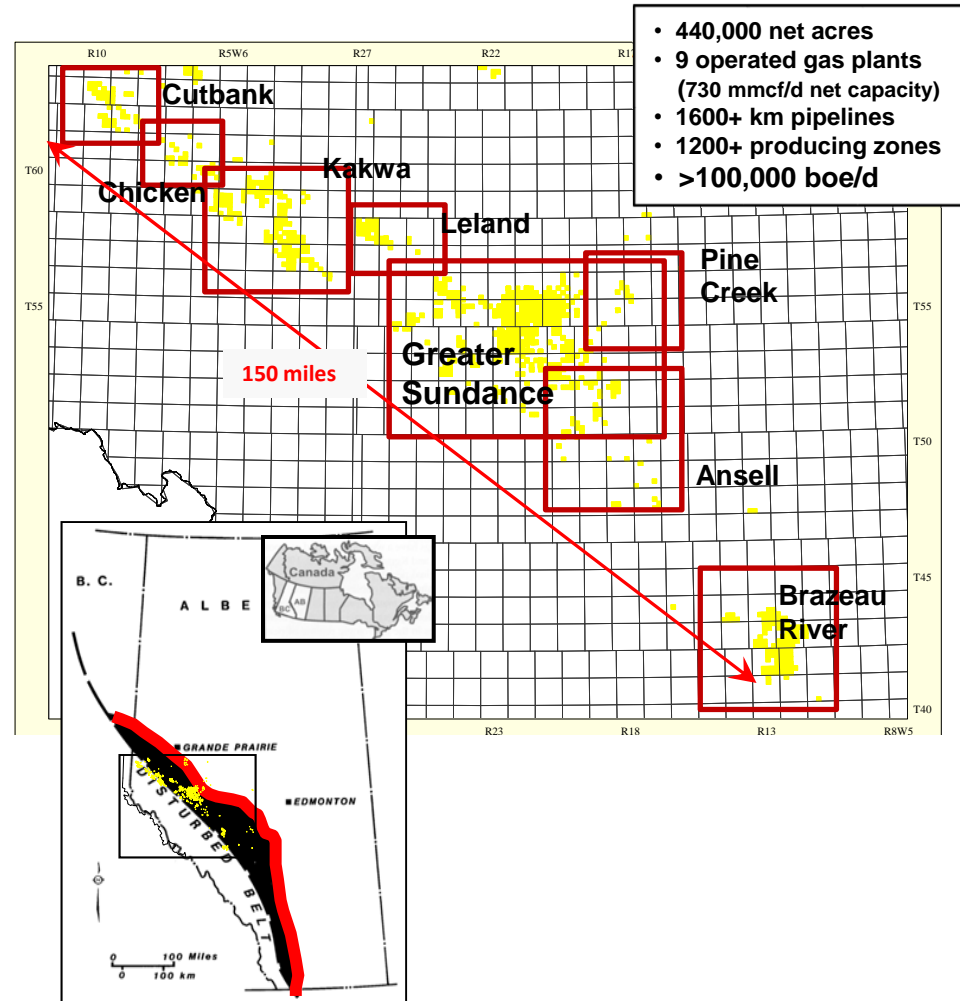
Processed by Peyto

# 99%

Operated by Peyto

# 98%

Interest in 9 Processing Facilities



# Peyto's Assets

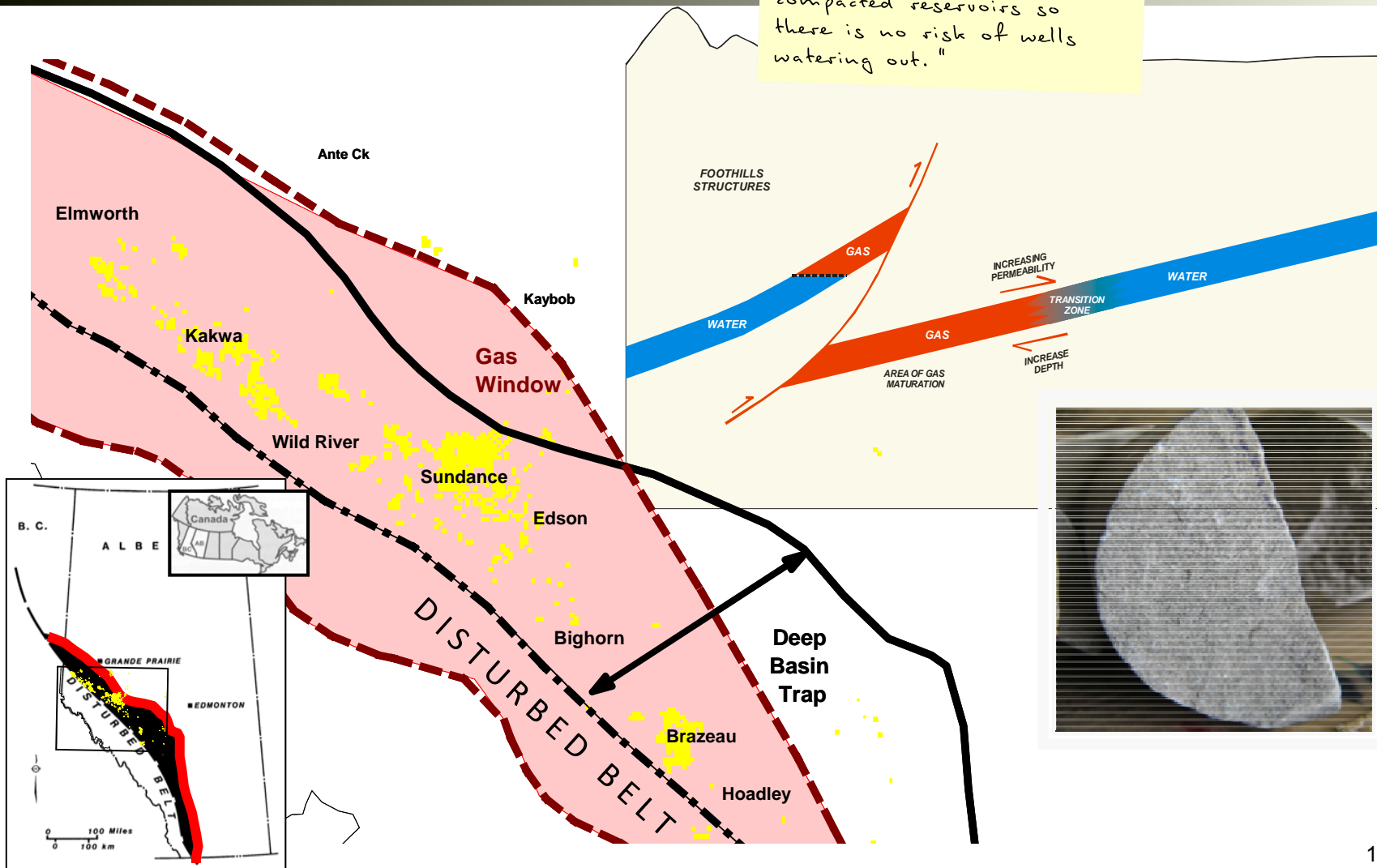
## Deep Basin Permeability Segregation

"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



Energy Services & Development Corp.





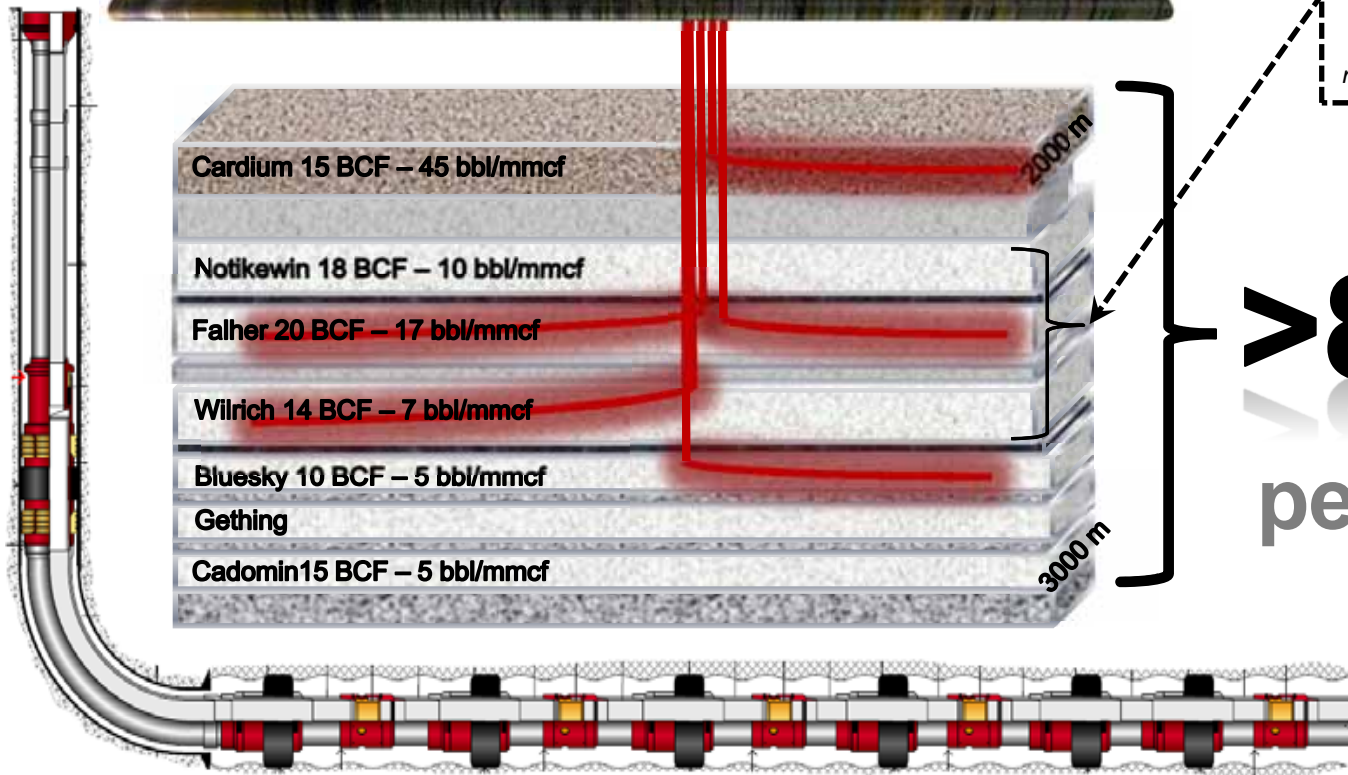
# Peyto's Assets

## 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."



Development Corp.



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

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

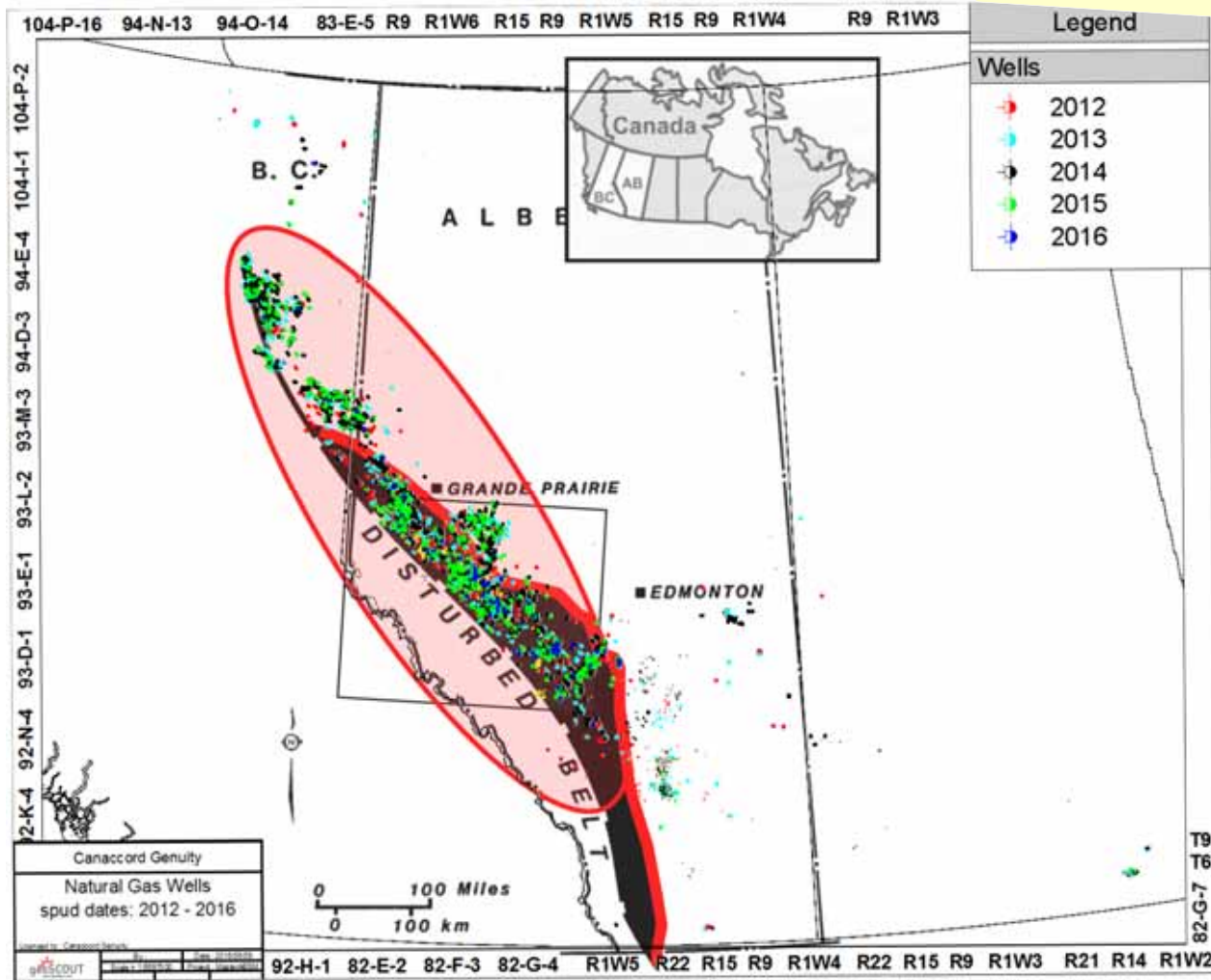
\*NGL recoveries can increase by 15+ bbl/mmmcf with deeper cutting processing facilities  
Reserves are 2P recoverable in a section at 85% RF

# Peyto's Assets

The Most Profitable Part Of The Basin

"The natural gas drilling in the basin has all been concentrated in the same area over the last few years. Evidence this is the lowest cost, most profitable gas in the WCSB."

Corp.



# Peyto's Assets

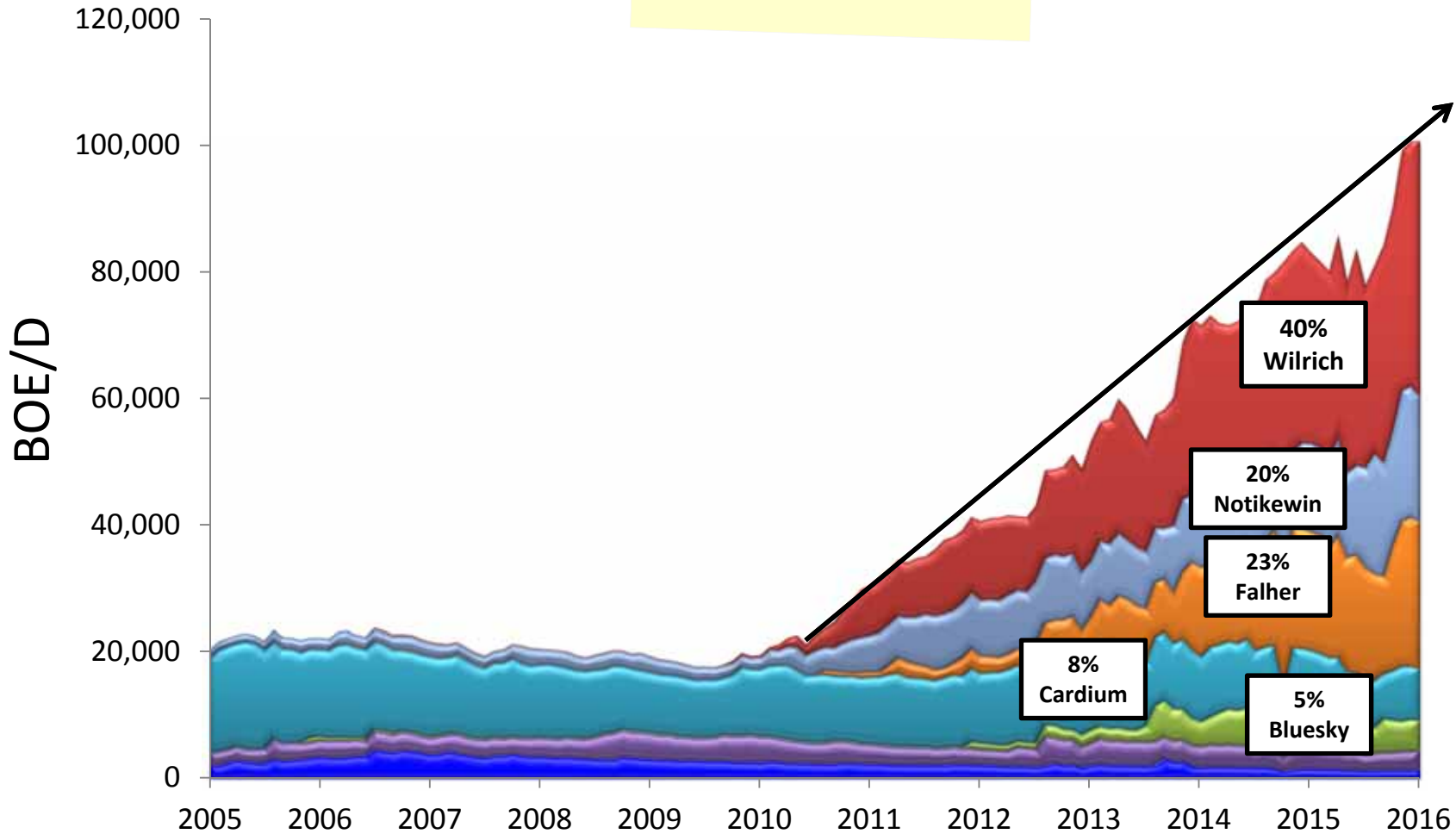
## Production By Formation

"The Wilrich, Notikewin and Falher sands of the Spirit River Group have provided the majority of our growth since the implementation of horizontal MSF wells."

**PEYTO**



Exploration & Development Corp.



# 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. We add to that land each year through crown land sales."



# 688

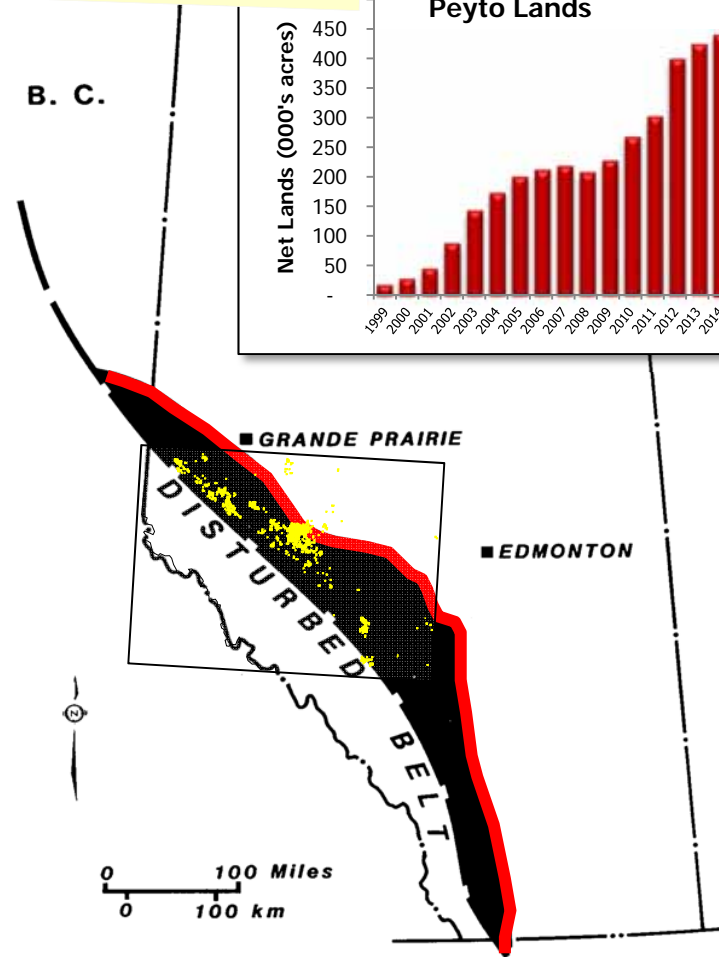
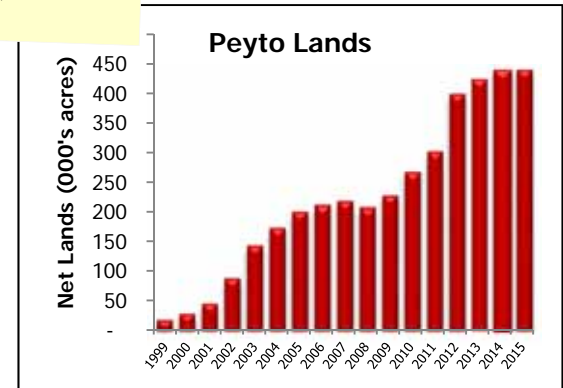
Net Peyto Sections

# 2,728

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

# 231

Net Sections for 2.8 TCFe of PD EUR\*  
(8.5% of rights developed)



TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable  
\*Based on InSite Petroleum Consultants Dec 31, 2015 Reserve Report.  
Lands at Dec 31, 2015

# Peyto's Assets

## Large Hz MSF Inventory

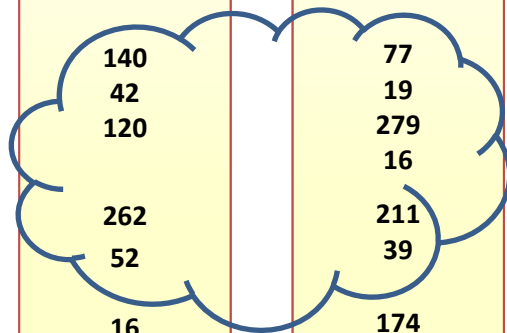
"Peyto has developed 2.8 TCFe using vertical and now horizontal wells. But there is a lot more to do. More than 15 years worth of drilling inventory."

**PEYTO**



Exploration & Development Corp.

	<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 ●✱				
PUSKAWASKAU □				
BADHEART ●				
MUSKIKI □				
CARDIUM ●				
KASKAPAU □				
DOE CK ●✱				
POLICE COUPE				
<b>DUNVEGAN ●✱ X</b>				
SHAPTES-BURY □				
BELLE FOURCHE □				
FISH SCALE □				
WESTGATE □				
PADDY ✱				
CADOTTE ✱				
HARMON □				
<b>FORT ST. JOHN</b>				
PEACE RIVER				
NOTIKWIN ✱				
A				
B				
C				
D				
E				
F				
SPIRIT RIVER				
FALHER ✱ X				
WILRICH □				
BLUESKY ●✱△				
<b>BULL-HEAD</b>				
GETHING ●✱△ X				
CADOMIN ●✱				
<b>TOTAL</b>	<b>432</b>	<b>72</b>	<b>176</b>	<b>391</b>
	<b>5</b>	<b>1</b>	<b>5</b>	<b>11</b>
	<b>1</b>		<b>2</b>	<b>22</b>
	<b>90</b>	<b>94</b>	<b>140</b>	<b>77</b>
	<b>7</b>	<b>53</b>	<b>42</b>	<b>19</b>
		<b>81</b>	<b>120</b>	<b>279</b>
	<b>14</b>	<b>258</b>	<b>262</b>	<b>16</b>
	<b>4</b>	<b>35</b>	<b>52</b>	<b>39</b>
	<b>12</b>	<b>2</b>		
	<b>87</b>	<b>2</b>	<b>16</b>	<b>174</b>
<b>TOTAL</b>	<b>652</b>	<b>598</b>	<b>815</b>	<b>1,267</b>



Over 10 years of inventory in SR+BLSK alone (1,257 locations)

**Over 2,000 locations**

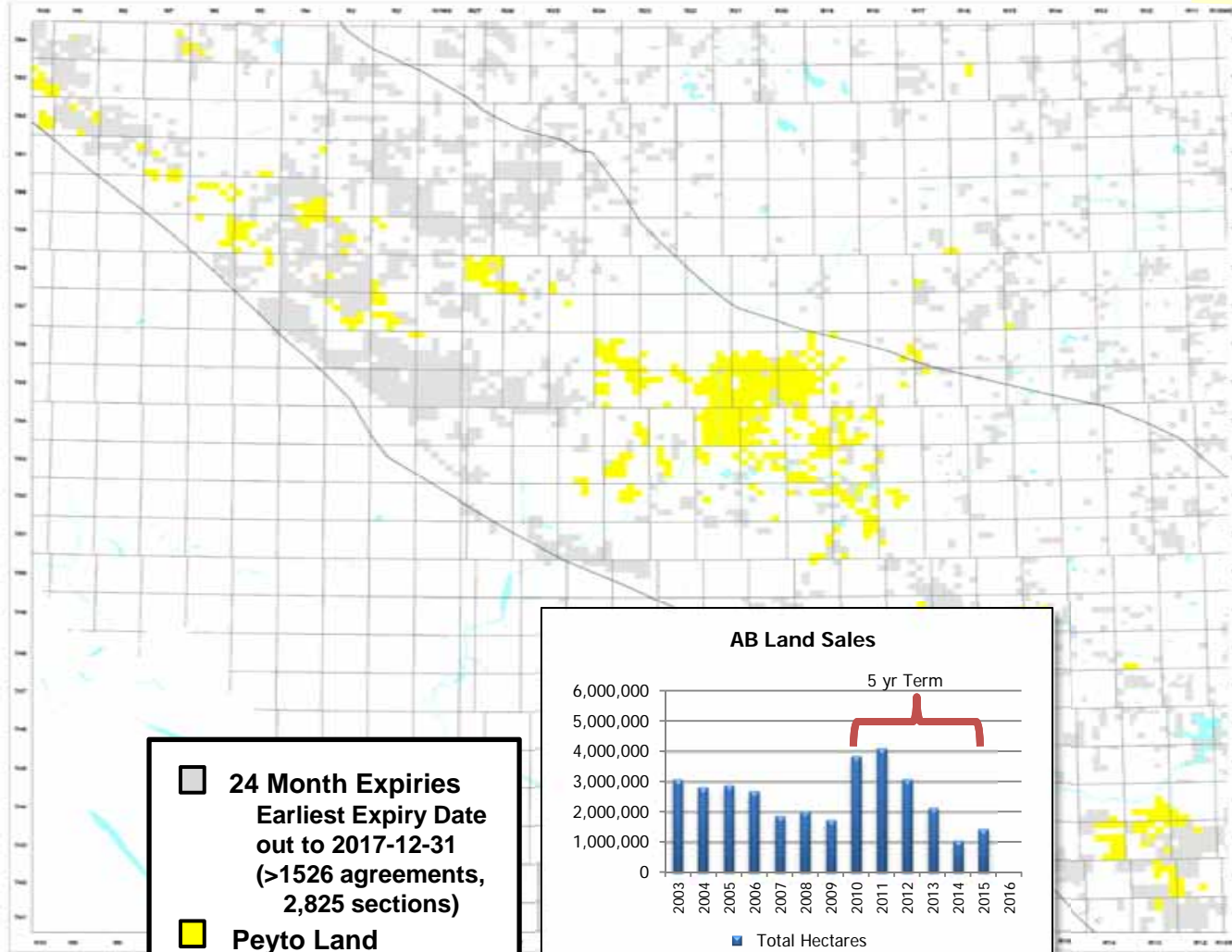
1. Drilling to Dec 31, 2015

\*As recognized in the IPC independent reserve report dated Dec. 31, 2015

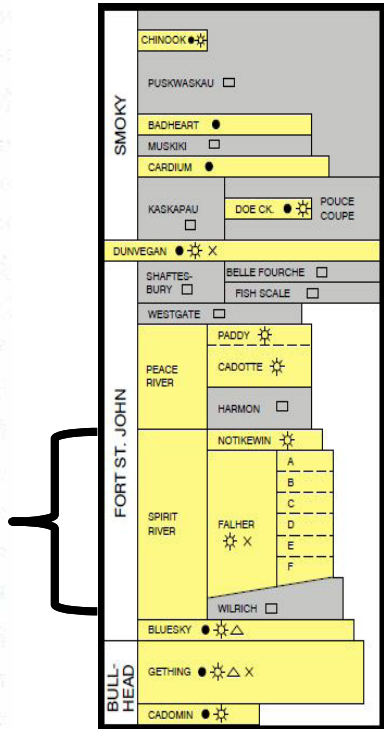
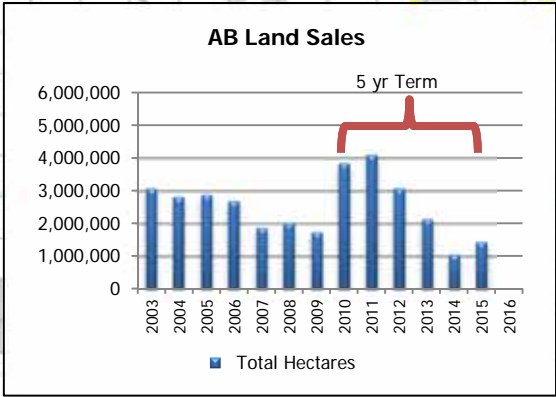
# Peyto's Assets

## Spirit River Group Potential Land Expiries

"2010/11 were big land sale years in Alberta. Now, 5 yrs later those lands are potentially coming up for expiry. That translates into opportunity for Peyto."



24 Month Expiries  
 Earliest Expiry Date  
 out to 2017-12-31  
 (>1526 agreements,  
 2,825 sections)  
 Peyto Land



# Peyto's Assets

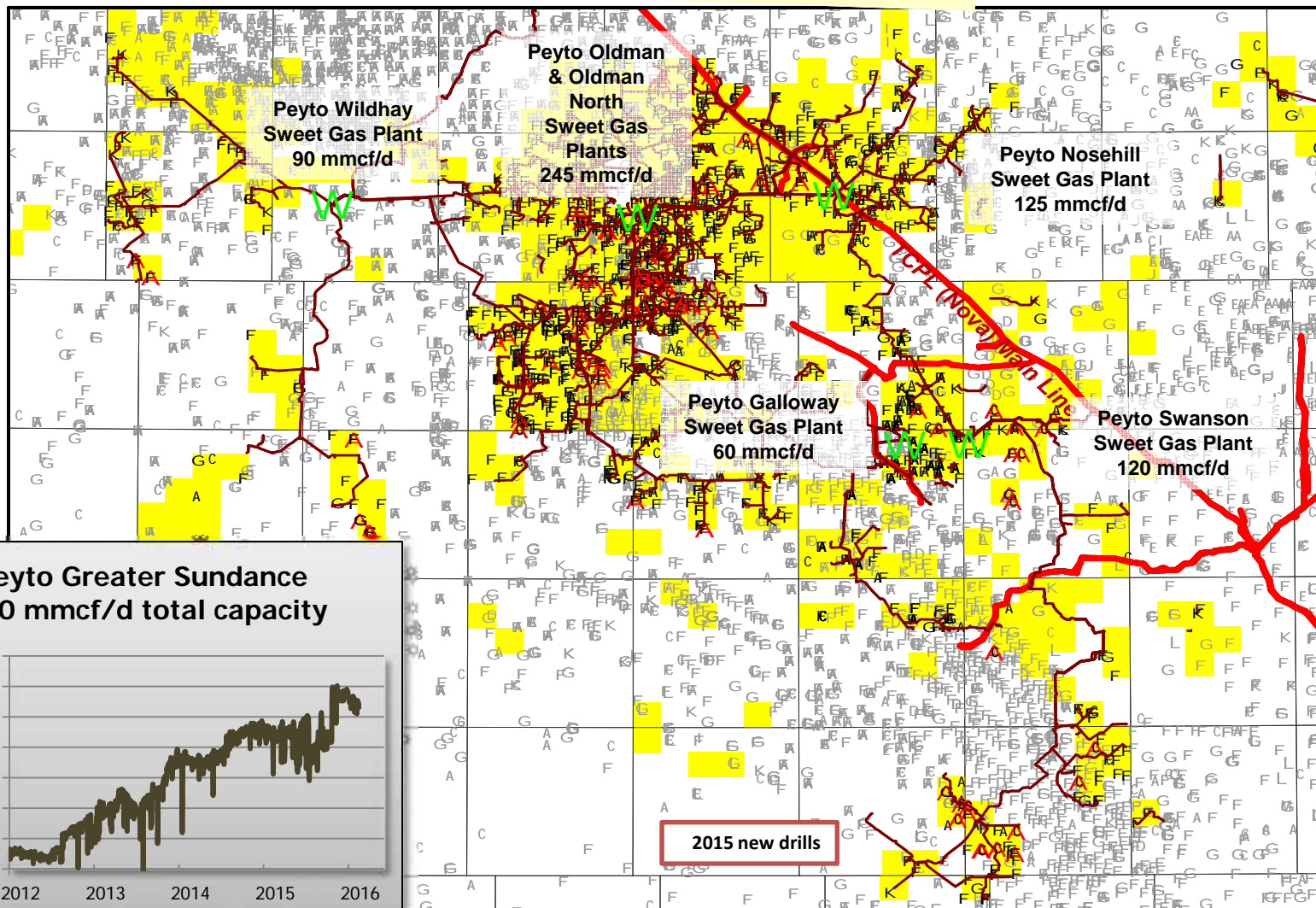
## Greater Sundance Area

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

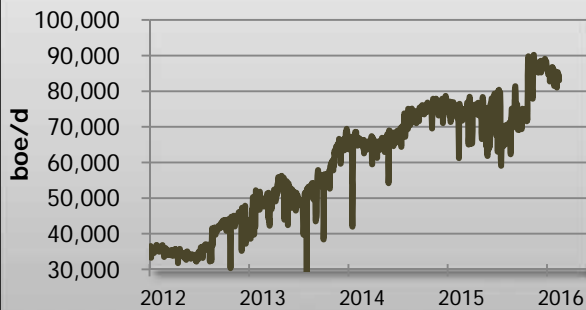
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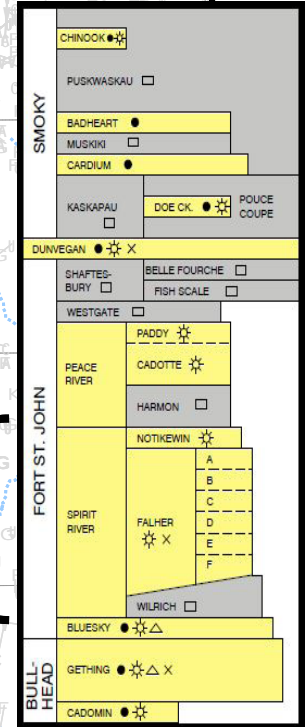
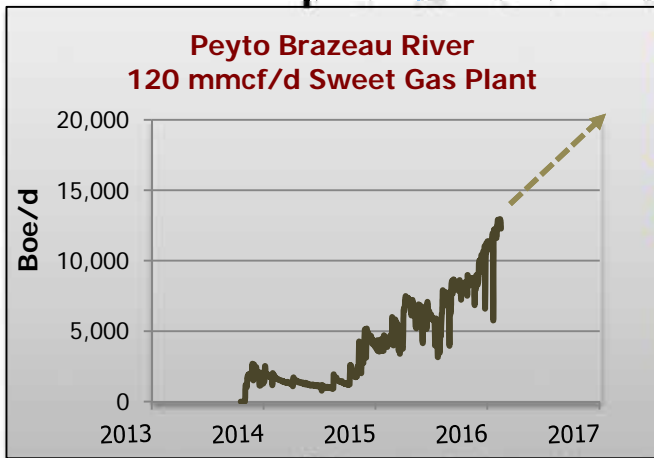
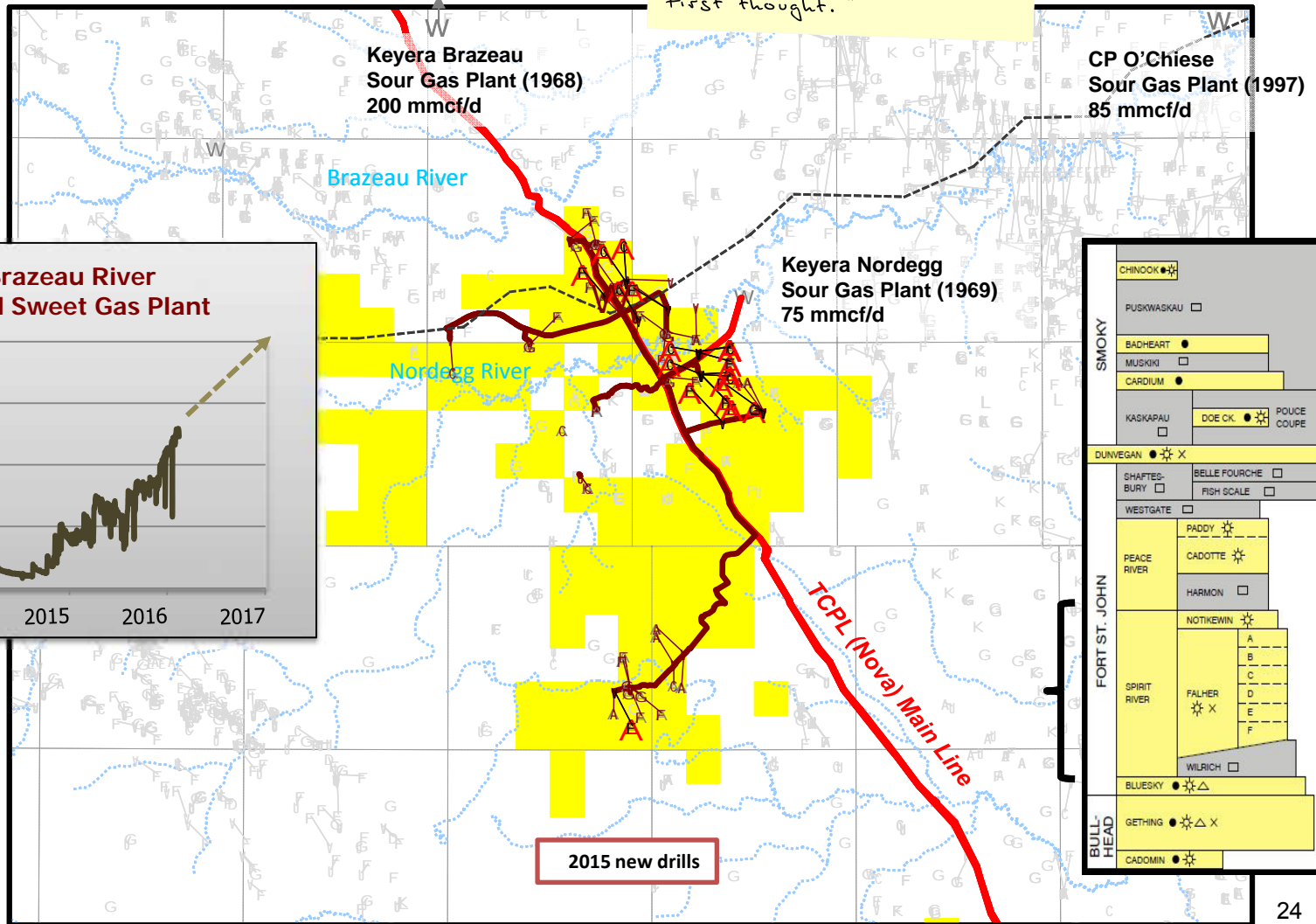
**Peyto Greater Sundance**  
640 mmcf/d total capacity



# Peyto's Assets

## Brazeau River Area

"The new Brazeau area had some of the best returns last year. Our plant has been expanded and a 3D seismic shoot from last winter shows much more inventory than first thought."

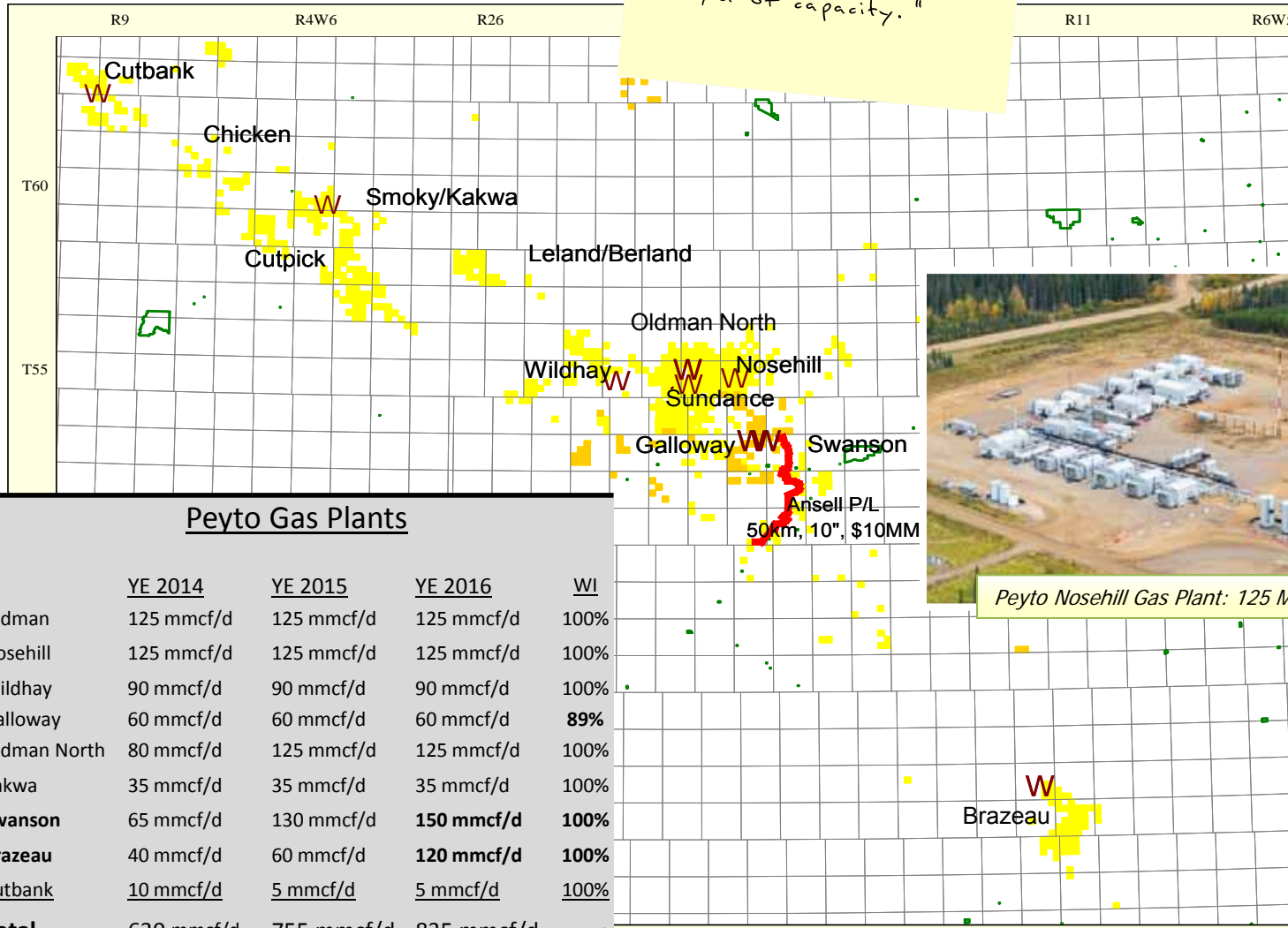




# Peyto's Assets

## Facility Ownership And Control

"2016 budget includes expansion work at 2 of Peyto's gas plants. In total, that will be 9 plants with over 0.8 BCF/d of capacity."



Peyto Nosehill Gas Plant: 125 MMCF/d throughput

### Peyto Gas Plants

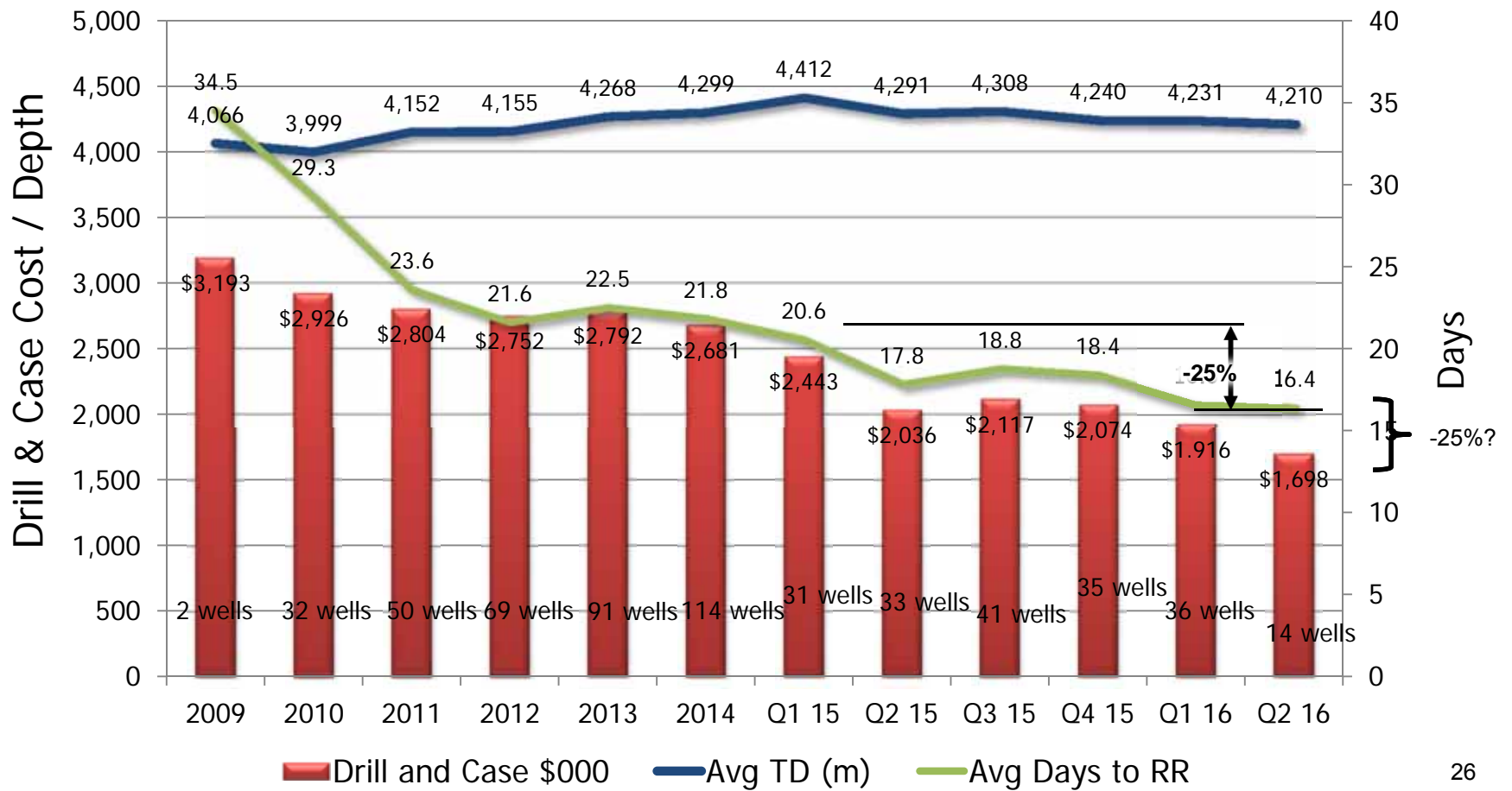
	<u>YE 2014</u>	<u>YE 2015</u>	<u>YE 2016</u>	<u>WI</u>
1 Oldman	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
2 Nosehill	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
3 Wildhay	90 mmcf/d	90 mmcf/d	90 mmcf/d	100%
4 Galloway	60 mmcf/d	60 mmcf/d	60 mmcf/d	89%
5 Oldman North	80 mmcf/d	125 mmcf/d	125 mmcf/d	100%
6 Kakwa	35 mmcf/d	35 mmcf/d	35 mmcf/d	100%
7 Swanson	65 mmcf/d	130 mmcf/d	150 mmcf/d	100%
8 Brazeau	40 mmcf/d	60 mmcf/d	120 mmcf/d	100%
9 Cutbank	10 mmcf/d	5 mmcf/d	5 mmcf/d	100%
<b>Total</b>	<b>630 mmcf/d</b>	<b>755 mmcf/d</b>	<b>835 mmcf/d</b>	<b>98%</b>

# Peyto's Assets

## Drilling Cost Performance

"Looking specifically at the SR wells, the avg. drilling costs reduction of 25-30% in 2015, was mostly due to service rates and pad drilling with some additional improvement in execution. 2016 appears to be going lower by another 25%."


### Hz Spirit River



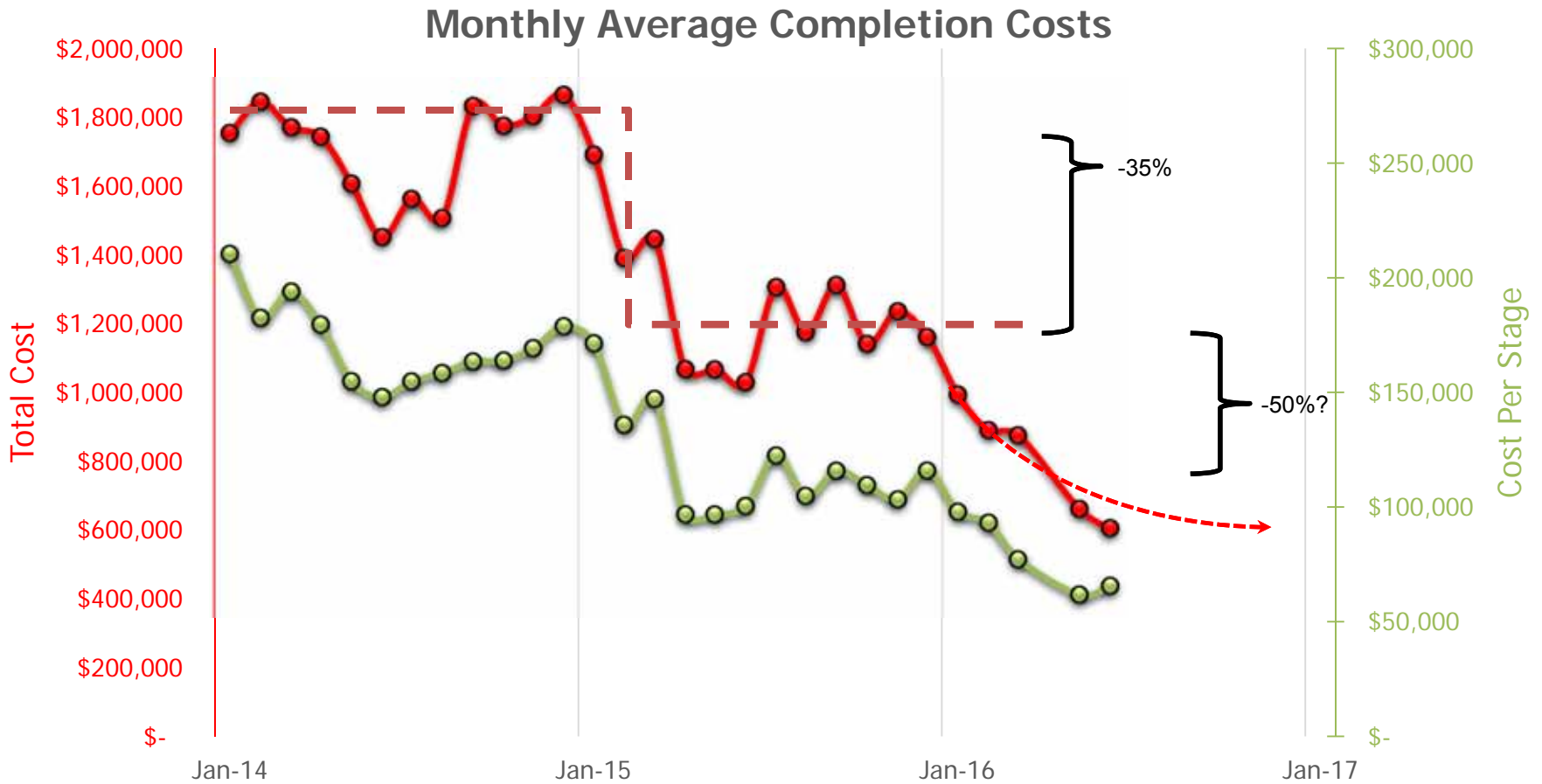
# Peyto's Assets

## Completion Cost Performance

"Completion costs are down this YoY even more than drilling. Service cost reductions and changes in design, including cheaper sand means 2016 will be lower than 2015."



ment Corp.



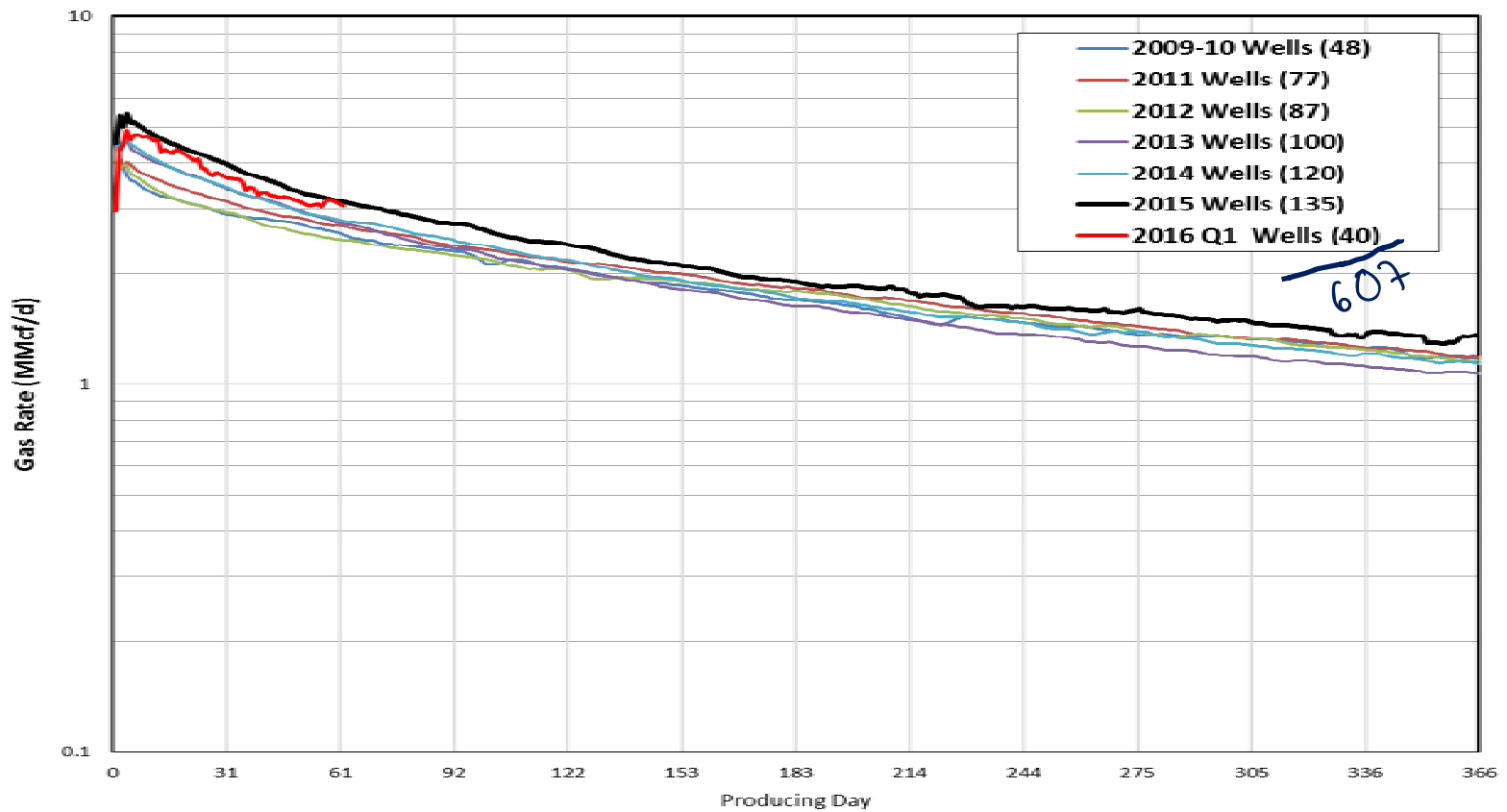
# Peyto's Assets

## 2015 - A Better Year

"We've now drilled over 600 hz wells. 2015 and 16's wells are some of the best and cheapest yet!"



Average Well Production by Year



# Peyto's Incredible Returns



7/22/2016

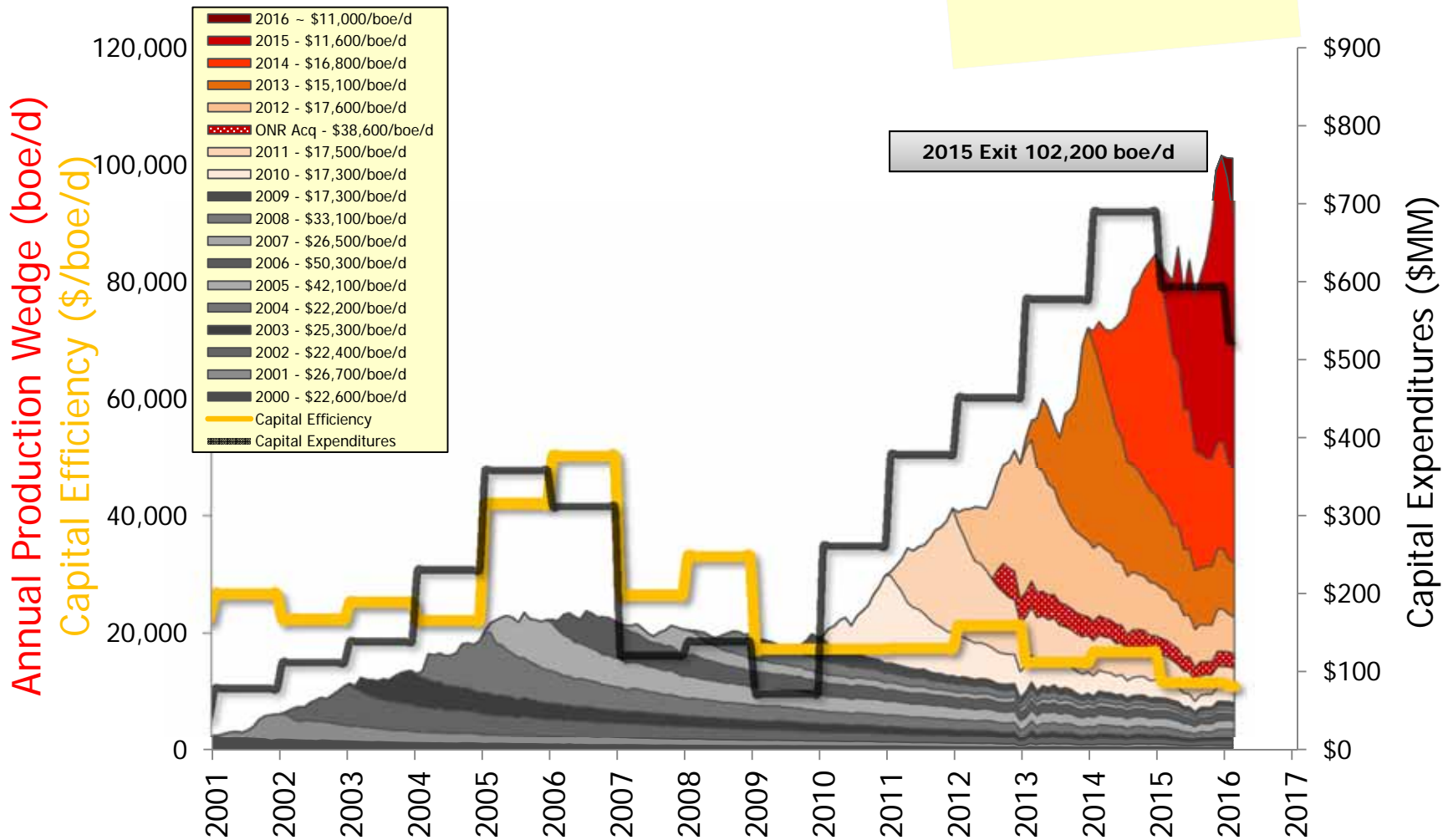
# Peyto's Returns

Focus On Returns Drives Capital Discipline

"Rapidly growing capital programs and total production is not unique. Doing it profitably, is what sets Peyto apart from the rest."



Development Corp.



\* 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.

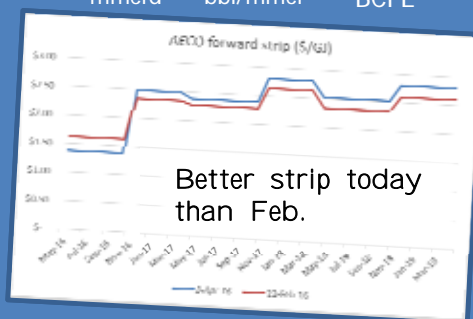
# Peyto's Returns

## Stress Testing Low Commodity Prices

"Considering the recent changes in the AECO future strip, it makes sense to take advantage of current low capital costs and delay production to the fall until gas prices recover."

Corp.

Species	IP mmcf	NGLs bbl/mmcf	EUR BCFE	D/C/E/T /L/S/F \$MM	IRR @ Feb 22/16 Strip	IRR @ Feb 22/16 Strip (10% less capex)	IRR @ Apr 1/16 Strip	IRR @ Apr 1/16 Strip (delay prod. to Nov 1/16)	IRR @ 2.50/GJ Flat	Number of 2016 Locations
Sundance Wilrich	5	6	3.1	4.1	12%	15%	13%	15%	15%	35
Edson Wilrich	4	28	2.6	3.6	27%	31%	29%	30%	37%	10
Brazeau Wilrich	7.5	4	4.7	4.7	28%	32%	30%	36%	38%	20
Sundance Notikewin	6	9	3.4	4.0	27%	31%	29%	33%	38%	20
Sundance U Falher	7	18	2.9	4.1	22%	28%	23%	28%	38%	12
Ansell Falher	7.5	15	3.5	4.2	26%	31%	27%	31%	37%	13
Sundance M Falher	5	20	2.8	4.2	14%	17%	15%	17%	18%	15
Sundance Bluesky	5	15	3.2	4.7	18%	21%	20%	23%	25%	5

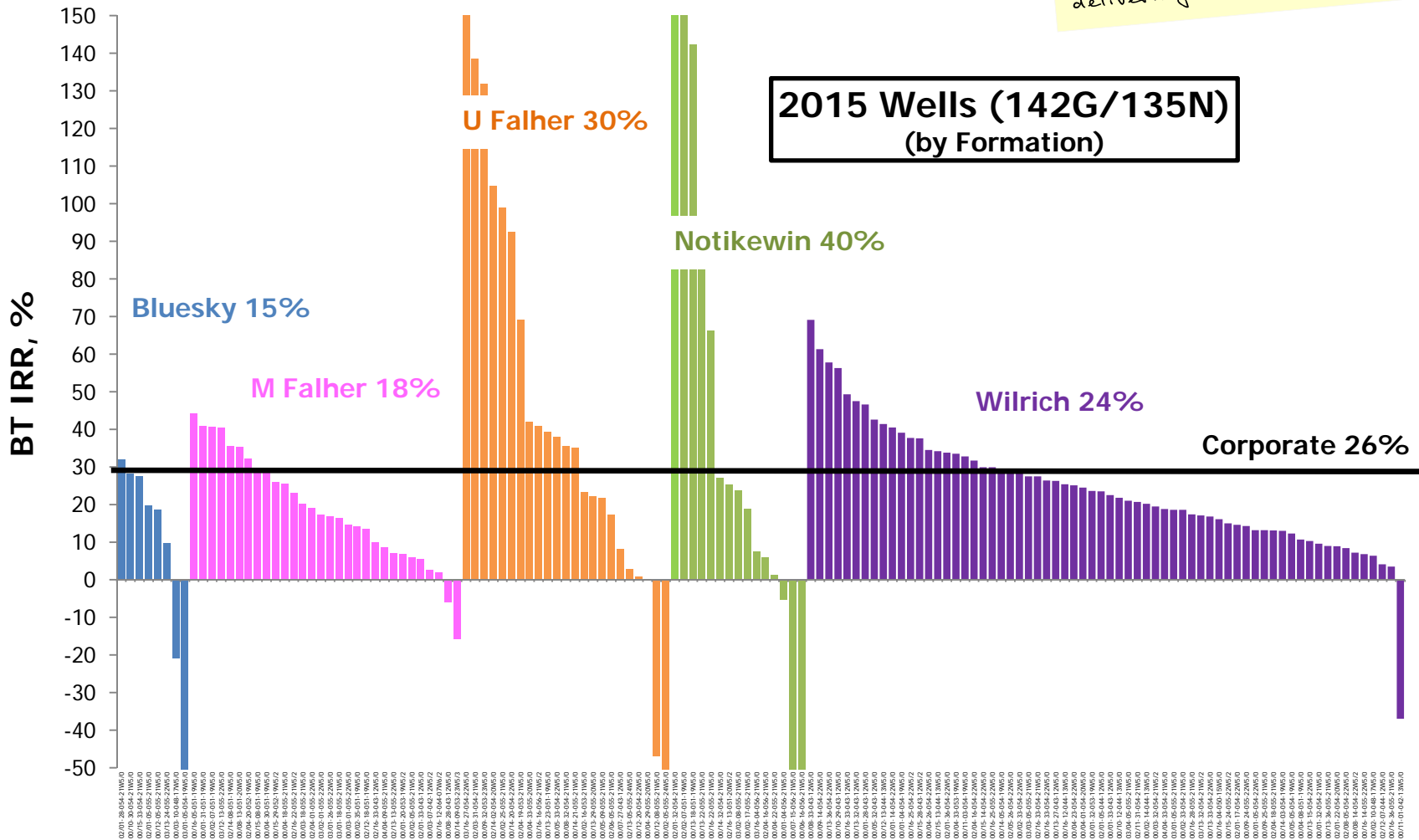


"Full Cycle Costs" include recent (2015) drilling, completion, wellsite equipment, tie-in, facilities, land, and seismic. For Peyto, that's an additional \$700,000/well added to the well specific capital.  
 Feb 22/16 strip: \$1.78/GJ, \$2.33/GJ, \$2.48/GJ in years 1,2,3, April 1/16 strip: \$1.73/GJ, \$2.48/GJ, \$2.64/GJ

# Peyto's Returns

2015 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 \$0.7MM per well for Facilities, Land and Seismic

Peyto's internal Full Cycle actual IRR on 142 Wells by Species using actual costs and prices realized in 2015 and Insite Dec 31/15 price forecast



# 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."

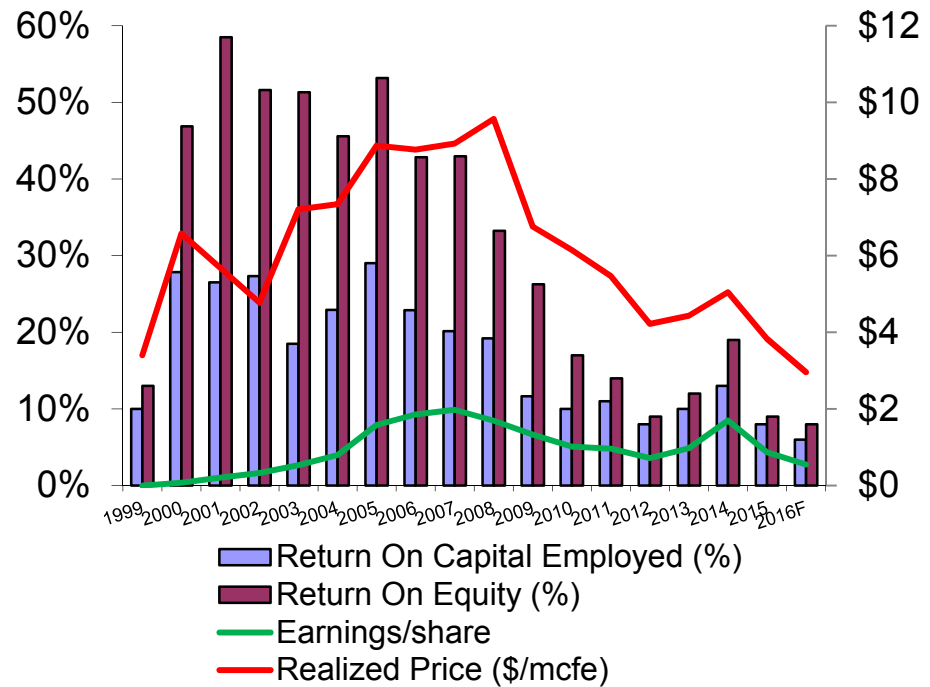


# 32%

17 yr Average ROE

# 17%

17 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 (17 yrs 1999-2015)

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



# 2016 Outlook

*More for less*

"2016 looks to be a repeat of 2015, all organic, only at even better efficiencies and similar returns using lower commodity prices."

**PEYTO**

Exploration & Development Corp.



**\$500M-**  
**\$550M**

2016 Capital Program

- ✓ **Drill ~125-135 Hz Wells**  
(100% Hz-MSF, Liquids Rich Natural Gas)
- ✓ **Expand & Extract**  
Increase Processing Capacity & NGL Yield  
~80 mmcf/d
- ✓ **Increase**  
Undeveloped Land Base
- ✓ **Shoot**  
Seismic
- ✓ **Acquire**  
Additional Opportunities and Partner Interests

# 2016 Outlook

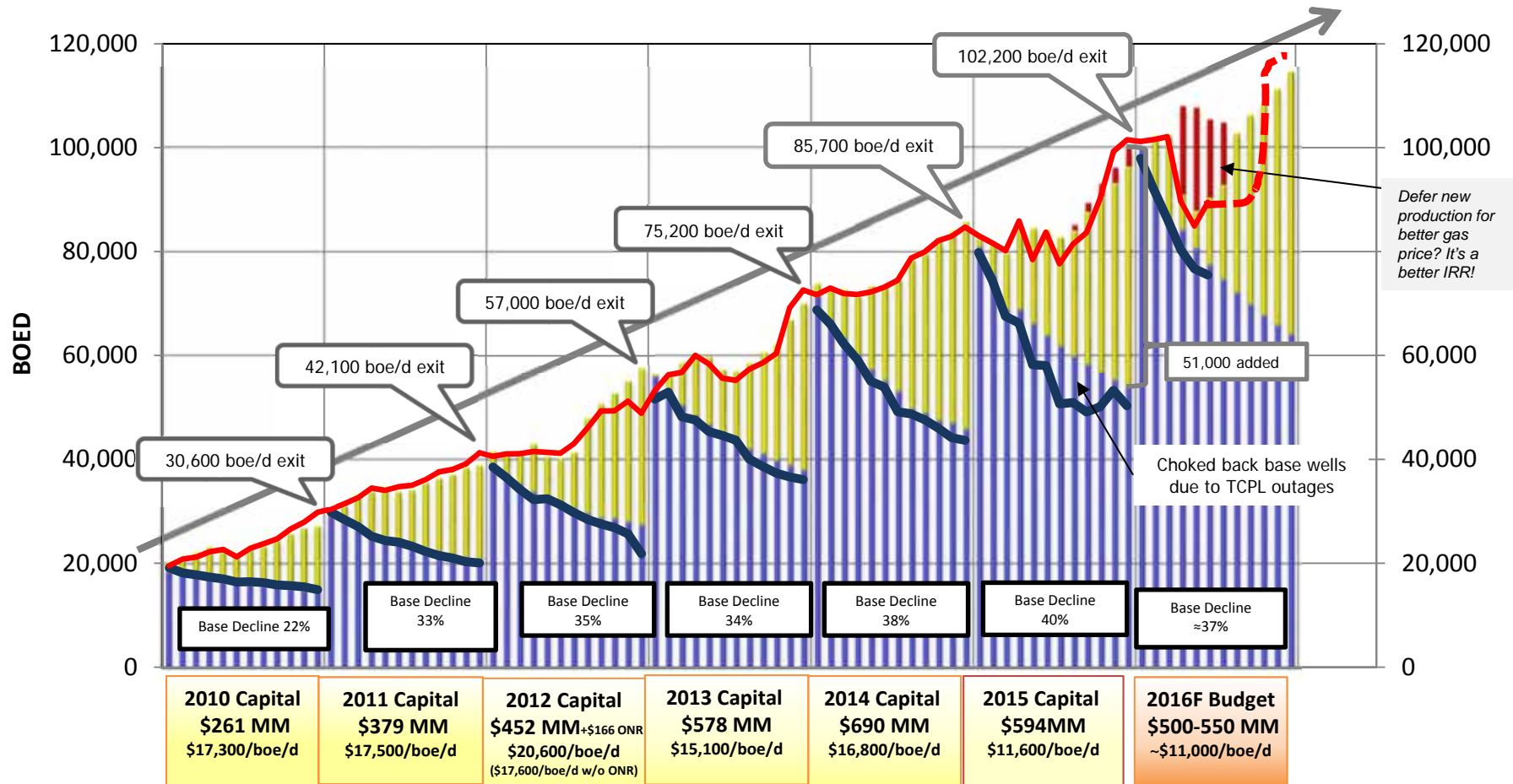
## Summer Production Strategy

"We are about 40% through our 2016 budget and with gas prices coming back, we're bringing all the deferred production on. We should be back at full capability by end of July."

**PEYTO**



Exploration & Development Corp.



# 2016 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."

## 2016 Goals\*

PDP FD&A  
\$/mcfe

~(\$1.50)

Cash Costs  
\$/mcfe

~(\$0.70)

Sales Price  
\$/mcfe

\$3.10

29% Profit

~\$0.90

Dividend  
\$/mcfe

~\$0.98

- 10% 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 \$1.70/GJ & \$40/bbl NGLs

BOE factor - 6 mcfe = 1 bbl of oil equivalent

\* 2016 goals are not budgeted expectations

# Peyto's Future

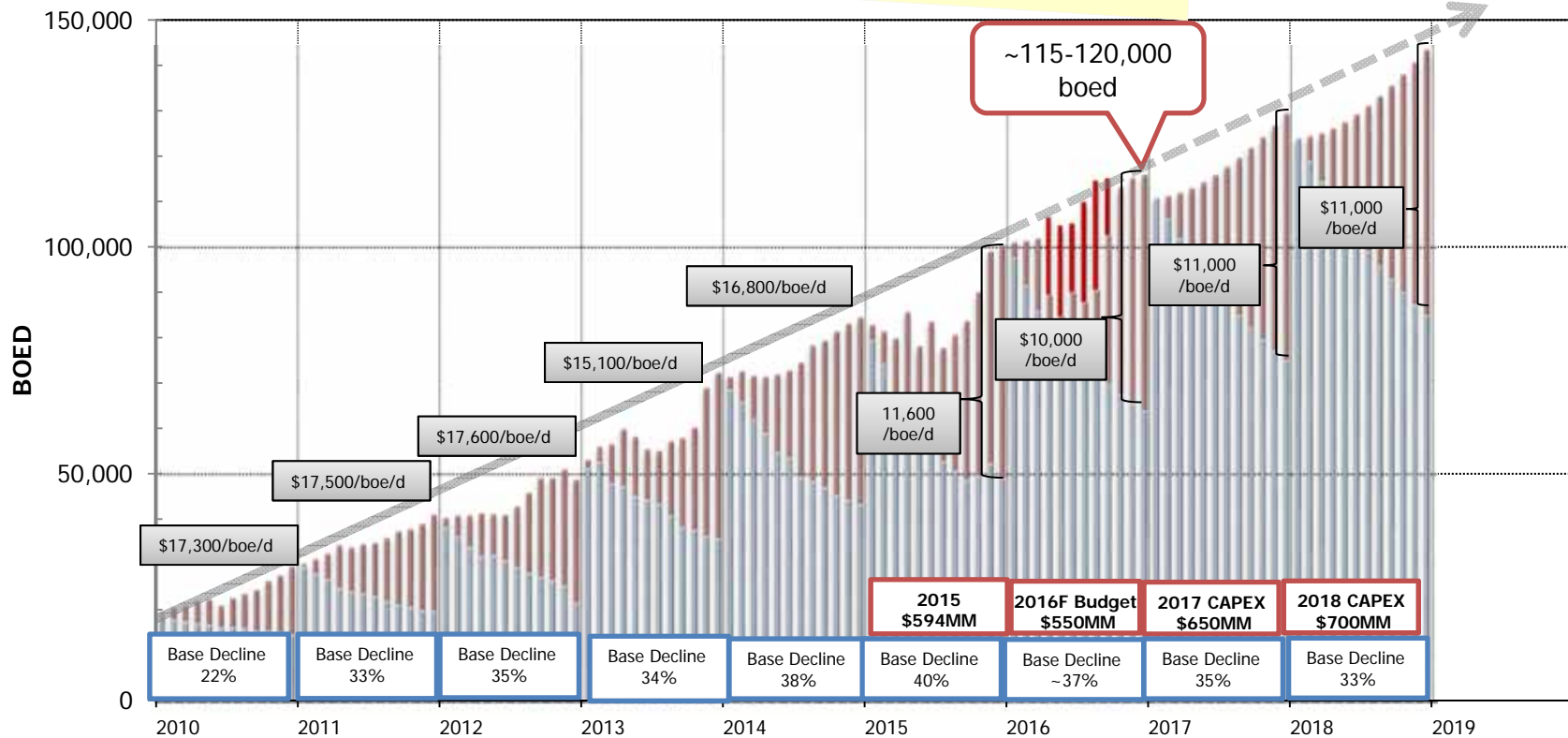
## Where To From Here?

"There's no reason that at today's commodity prices, Peyto can't continue to keep doing what it's been doing for the last 6 years - making money."

# PEYTO



Exploration & Development Corp.



@\$14.40/boe netback using \$1.75/GJ AECO, \$45/bbl CND blended liquid price

Year	Annual Prod.	Netback	FFO (\$MM)	CAPEX (\$MM)	DIV (\$MM)	YE Net Debt (\$B)	YE Debt to FFO	# locations
2014	76,372	\$ 24	\$ 663	\$ 690	\$ 175	\$ 1.0	1.5	123
2015	85,700	\$ 18	\$ 565	\$ 594	\$ 208	\$ 1.1	1.9	140
2016	100,000	\$ 14	\$ 526	\$ 550	\$ 215	\$ 1.1	2.2	135
2017	118,000	\$ 18	\$ 775	\$ 650	\$ 217	\$ 1.2	1.5	155
2018	132,000	\$ 18	\$ 867	\$ 700	\$ 217	\$ 1.2	1.4	167
			\$ 3,396	\$ 3,184	\$ 1,032			720

\* 2016 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



N Quarterly Track Record

N Tax Pools

N Payout

N Hedging Strategy

N Gas Marketing

N FAQ

# Quarterly Track Record

**PEYTO**



Exploration & Development Corp.

	2016	2015					2014					2013				
	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)	7,008	6,643	6,943	5,352	6,843	7,456	7,632	8,077	7,502	7,568	7,375	6,376	6,984	6,295	6,374	5,840
Natural gas (mcf/d)	567,230	474,182	540,512	455,137	455,443	444,794	412,441	451,044	420,538	388,407	389,002	317,622	361,870	300,286	310,621	297,191
Barrels of oil equivalent (boe/d)	101,546	85,673	97,028	81,208	82,750	81,588	76,372	83,251	77,592	72,302	72,209	59,313	67,296	56,343	58,144	55,372
Year over Year % Growth	24%	12%	17%	5%	14%	13%	29%	24%	38%	24%	30%	33%	35%	22%	41%	35%
<u>Average Product Prices</u>																
Oil & NGLs (\$/bbl)	33.60	40.40	39.88	41.69	43.54	37.03	70.68	55.47	71.01	77.30	80.49	70.97	69.84	70.91	67.82	75.88
Natural gas (\$/mcf)	3.06	3.58	3.34	3.57	3.50	3.97	4.30	4.22	4.18	4.37	4.45	3.54	3.59	3.35	3.72	3.49
Operating expenses (\$/mcf)	0.39	0.45	0.41	0.44	0.46	0.47	0.48	0.44	0.46	0.49	0.52	0.47	0.48	0.49	0.47	0.43
Field Netback (\$/mcf)	2.72	3.24	3.04	3.21	3.22	3.52	4.19	4.02	4.12	4.32	4.39	3.65	3.67	3.49	3.77	3.67
<b>Financial (\$000)</b>																
Revenue (net of royalties)	172,366	690,817	184,943	163,727	166,327	175,820	780,773	205,125	196,062	189,830	191,457	535,394	154,167	123,851	134,765	122,612
Funds from Operations <sup>1</sup>	139,907	565,473	151,123	134,513	135,195	144,643	662,787	173,437	166,988	161,577	160,785	437,737	125,164	99,736	109,987	102,612
Net earnings (loss)	41,943	137,561	43,406	37,347	12,295	44,513	261,778	68,597	68,893	62,159	62,129	142,627	37,989	30,461	37,773	36,405
Capital expenditures	175,763	593,780	162,442	176,618	116,643	138,077	690,389	179,697	180,024	151,290	179,378	578,003	154,295	180,801	73,809	169,099
Net Debt <sup>2</sup>	1,181,963	1,104,602	1,104,602	1,021,105	934,262	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
Common shares outstanding (000)	159,240	159,107	159,107	158,958	158,985	153,921	153,860	153,860	153,691	153,691	153,691	148,949	148,949	148,759	148,759	148,759
Weighted average shares	159,143	157,492	158,958	158,958	158,118	153,853	153,231	153,231	153,691	153,691	151,826	148,738	148,759	148,759	148,759	148,673
<b>Per share data (\$/share)</b>																
Funds from operations	0.88	3.59	0.95	0.85	0.86	0.94	4.33	1.13	1.09	1.05	1.06	2.94	0.84	0.67	0.74	0.69
Earnings (loss)	0.26	0.87	0.27	0.23	0.08	0.29	1.71	0.45	0.45	0.40	0.41	0.96	0.26	0.21	0.25	0.25
Dividends (Distributions)	0.33	1.32	0.33	0.33	0.33	0.33	1.14	0.33	0.30	0.28	0.24	0.88	0.24	0.24	0.22	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.



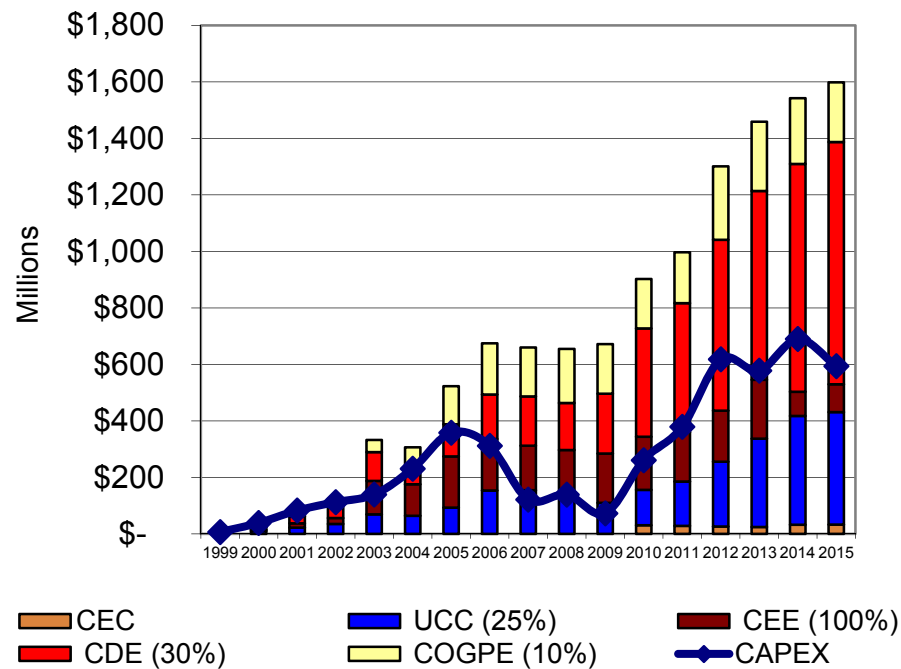
# Organic Business Model

## Peyto's Tax Pools

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



Peyto Development Corp.



**\$1.6B**

Federal Tax Pools  
Q1/16

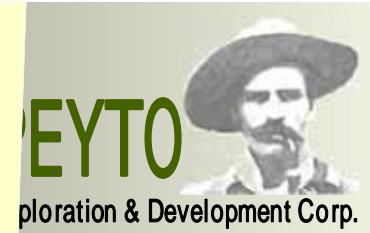
**\$4.9B**

Peyto Cum. CapEx  
Q1/16

# Peyto's Payout

## Dividend Sustainability

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



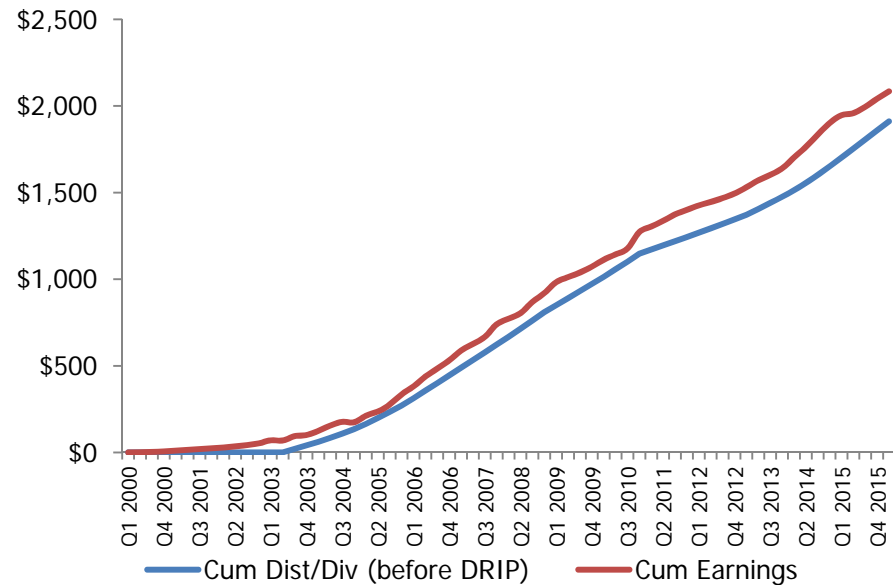
**\$2.1B**

Peyto Cum. Earnings  
Q1/16

**\$1.9B**

Peyto Cum. Dist/Div.  
Q1/16

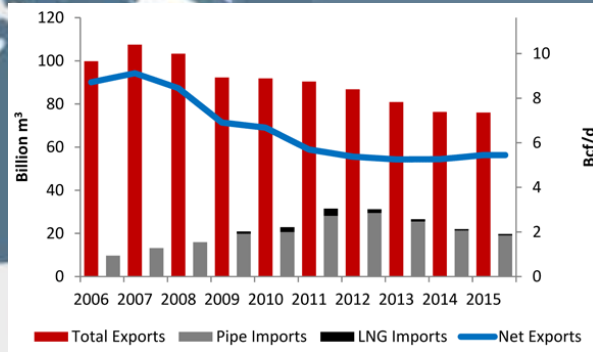
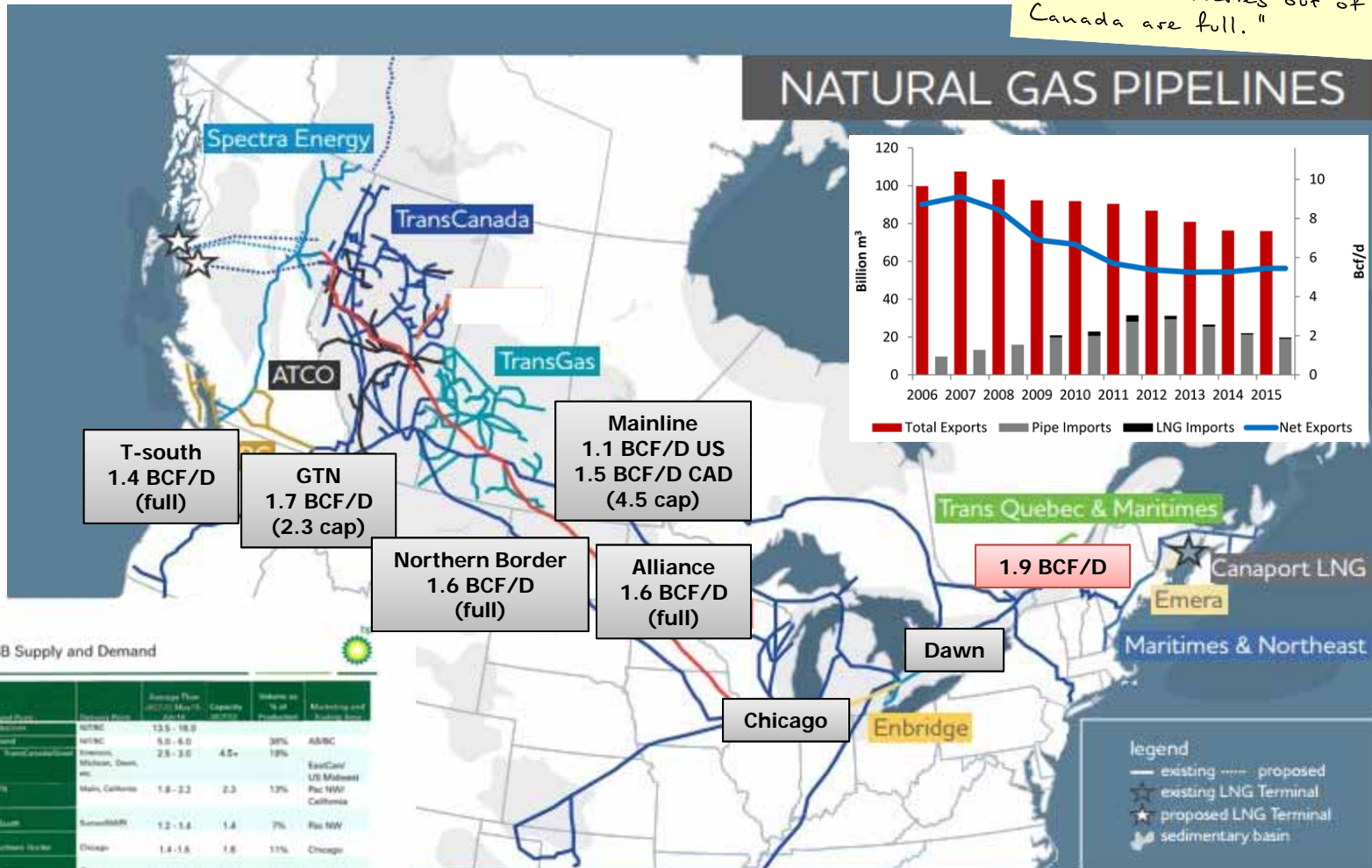
**Peyto Dividend Sustainability**



# AECO vs NYMEX

## Canada's Natural Gas Exports

"Canada exported 7.4 Bcf/d in 2015 and imported 1.9 Bcf/d for net exports of 5.5 Bcf/d (NEB). Exports have been holding for last couple years and most arteries out of W. Canada are full."



WCSB Supply and Demand

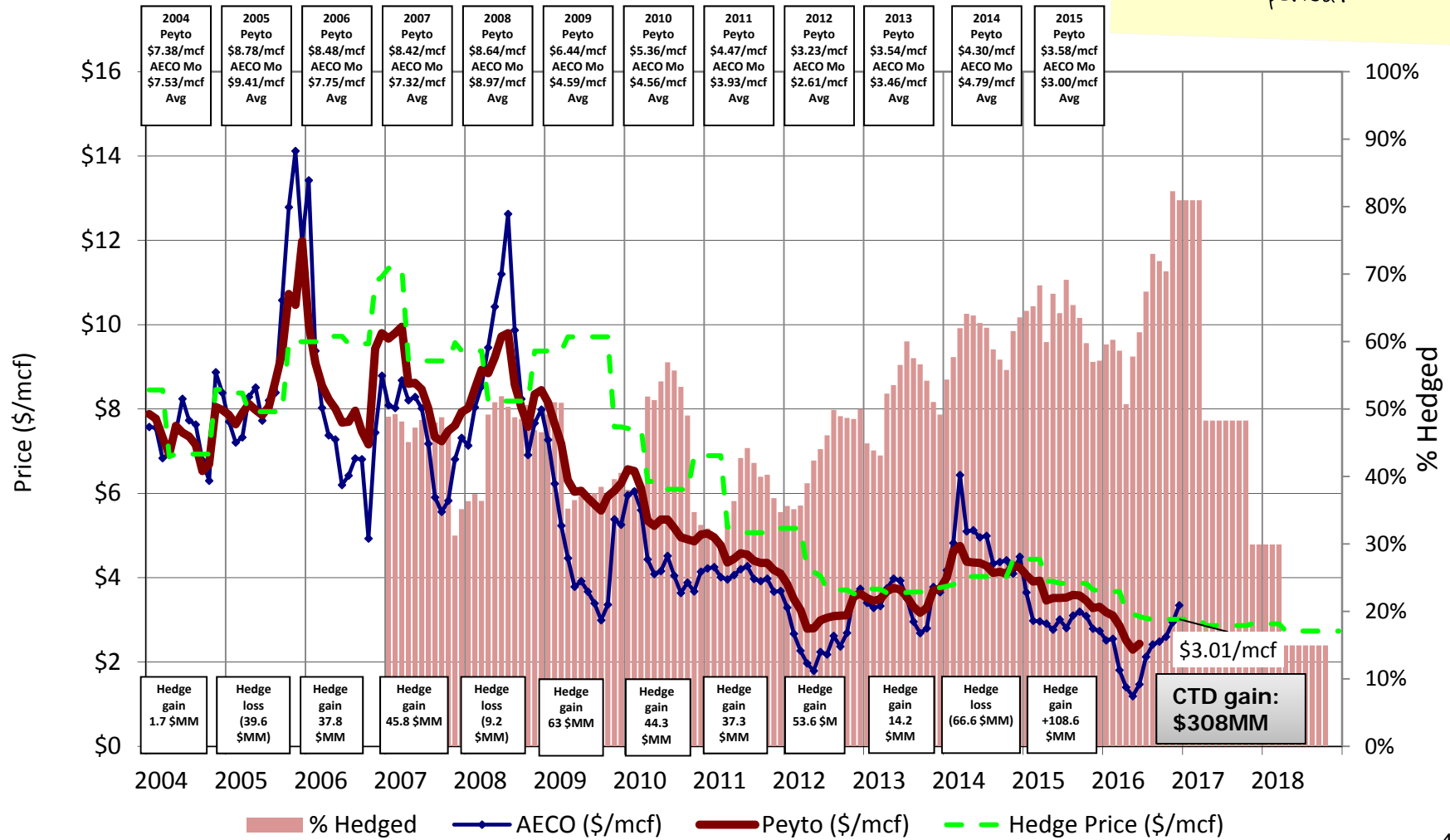
Export/Import Point	Existing Point	Average Flow (BCFD) Month	Capacity (BCFD)	Volume as % of Production	Marketing and Trading Area
Export - Westcoast	WTNC	12.5 - 16.0		38%	AB/CB
Export - US Midwest	WTNC	9.0 - 8.0		19%	EastCan/ US Midwest
Export - Westcoast/California	Enbridge, Midwest, Dawn, etc.	2.5 - 3.0	4.5+	13%	Pac NW/ California
Export - US	Main, California	1.8 - 2.2	2.3	7%	Pac NW
Export - US South	Sunoco/MAR	1.2 - 1.4	1.4	4%	Pac NW
Export - Northern Border	Chicago	1.4 - 1.8	1.8	5%	Chicago
Export - Alliance	Chicago	1.2 - 1.6	1.8	5%	Chicago

Source: ENR (2008 - 2015), Pipeline Information/Performance Information, ENR, TDN, NEB, WCA/NEB. The information contained herein is for informational purposes only and is not intended to be a substitute for professional advice. Forward prices and forward curves are indicative only and may vary. All prices are in US dollars unless otherwise specified. All prices are in US dollars unless otherwise specified. All prices are in US dollars unless otherwise specified. All prices are in US dollars unless otherwise specified.

# 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."









# FAQ

## Frequently Asked Questions

PEYTO

Exploration & Development Corp.



### **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. Every day 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.