



Advisory

Regarding Forward-Looking Statements



“I am going to tell you about my vision of Peyto’s future today. I will also tell you where I think commodity prices are going to go. These are called forward looking statements. I am being truthful and using everything I know about Peyto and the industry to predict the future but I will likely be wrong on both accounts, almost certainly the commodity price. Oil and gas exploration and production is a risky business. Do your homework before making any investment. Don’t blame me if it doesn’t work out.”

The Peyto Strategy

What We Believe

"We believe natural gas offers an opportunity to create real and lasting value for our shareholders."

PEYTO

Exploration & Development Corp.



“We are a gas company.”

“We are a real business.”

“We work for you.”



The Big Picture

We Remain Gas Bulls

PEYTO



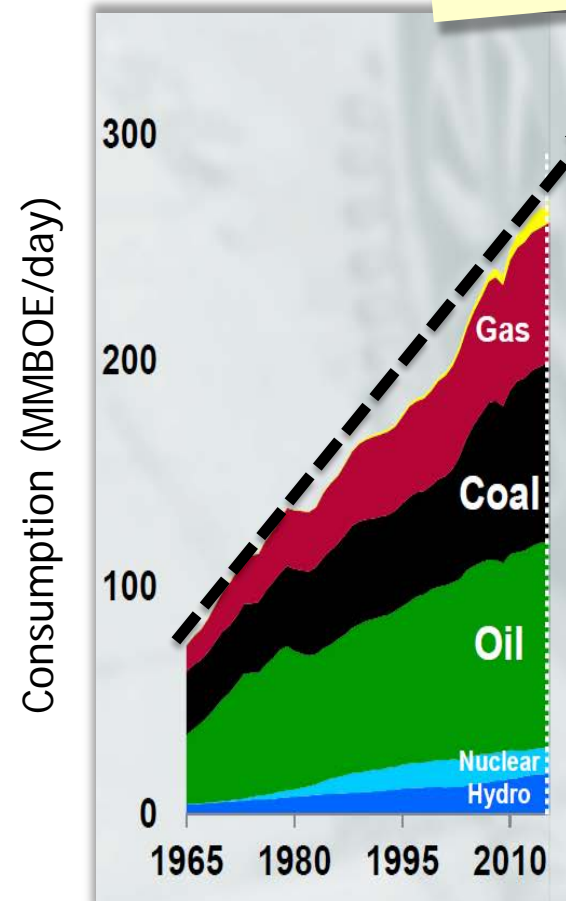
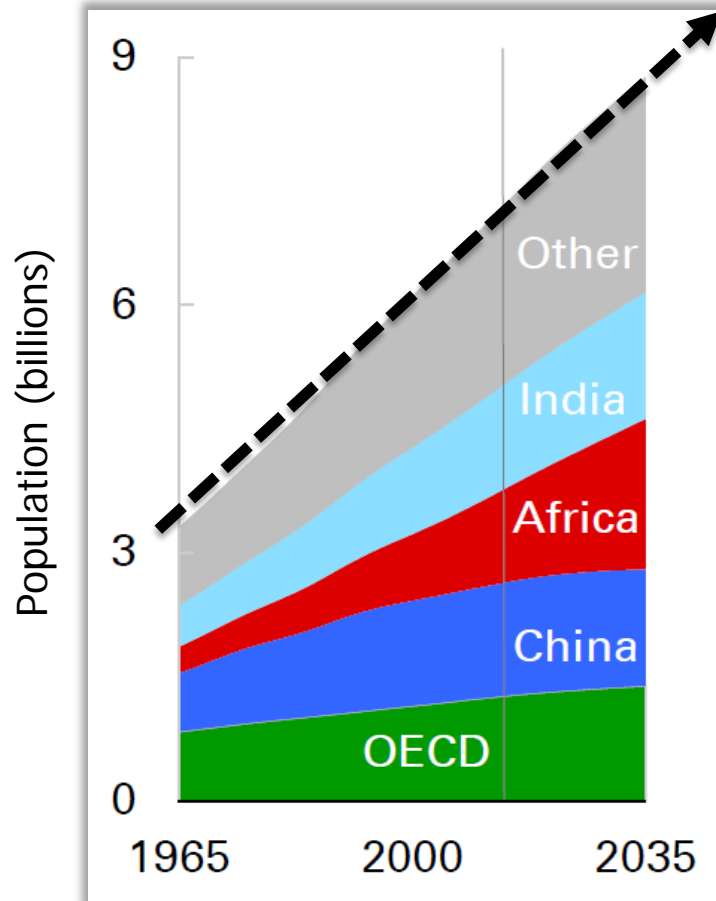
Exploration & Development Corp.



The Big Picture

World Consumption of Hydrocarbons Isn't Slowing

"As world population grows, so does energy consumption. That is not changing. The energy mix, however, is likely to change."



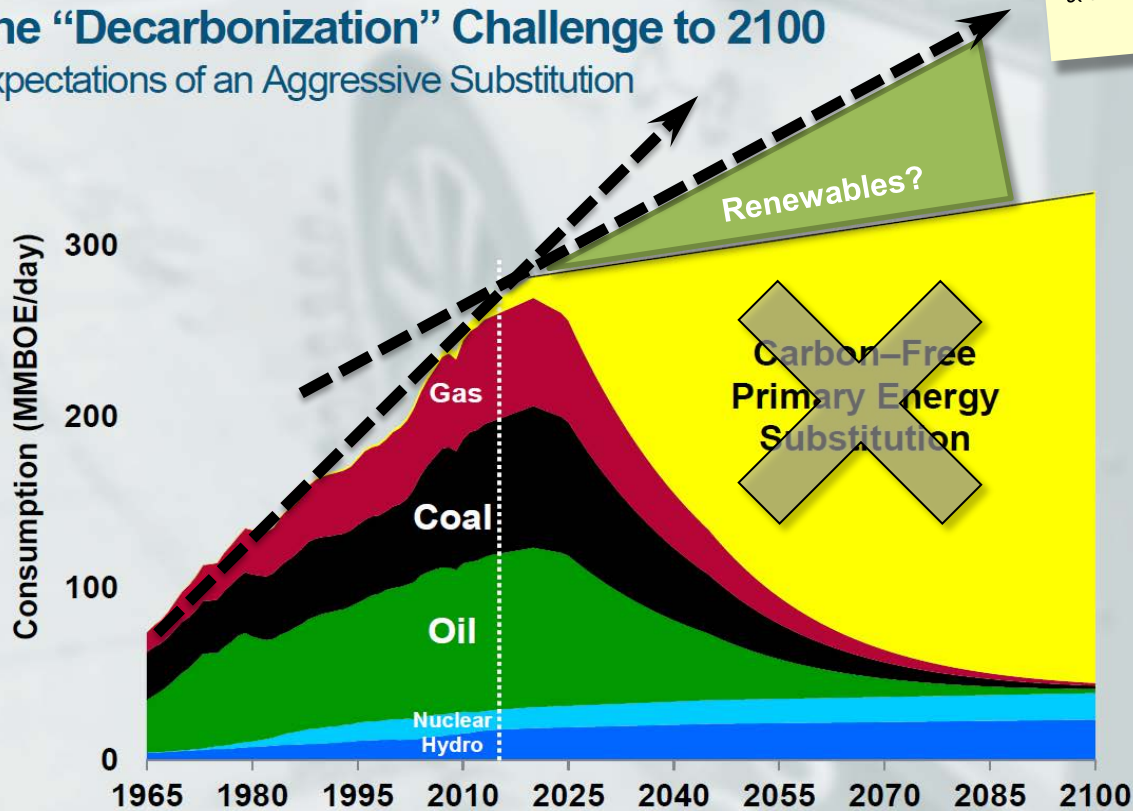
The Big Picture

Substitution Unlikely

"The concept of completely replacing our energy sources with Carbon-Free sources is practically impossible. The best we can likely do is improve the mix."

The "Decarbonization" Challenge to 2100

Expectations of an Aggressive Substitution

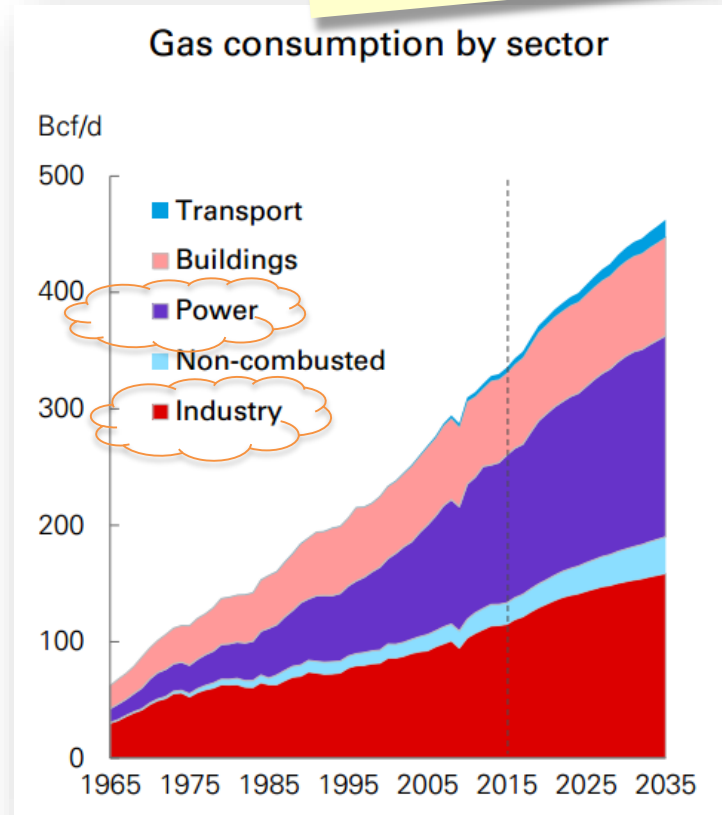
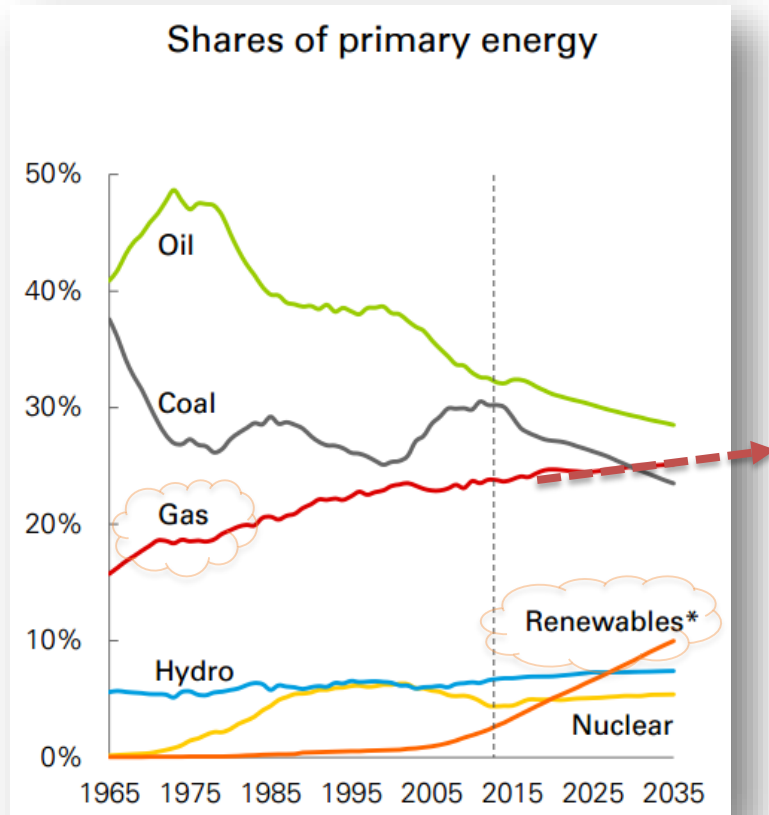


Source: BP Statistical Review, ARC Financial Corp.

The Big Picture

Gas Demand Is Growing

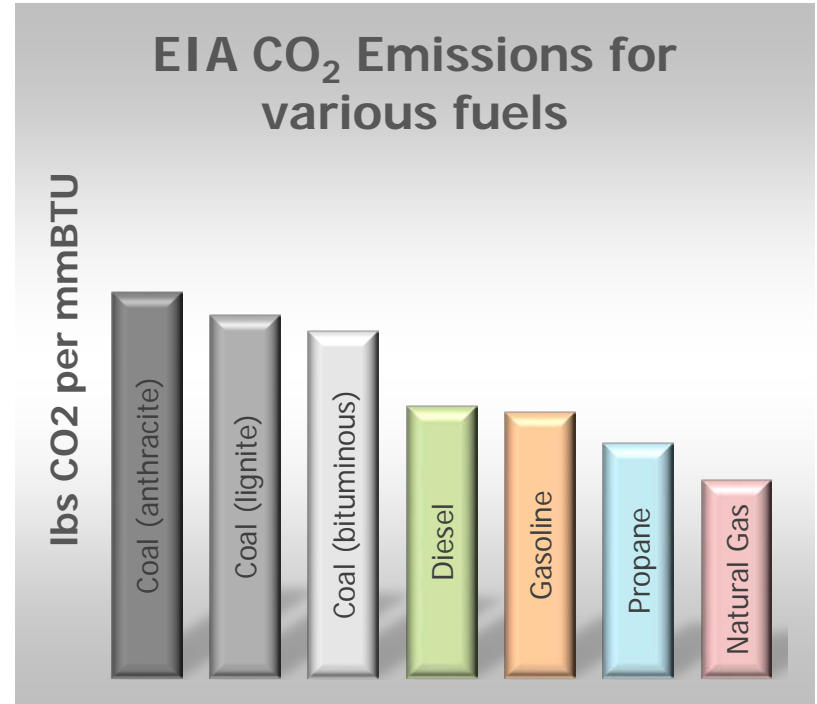
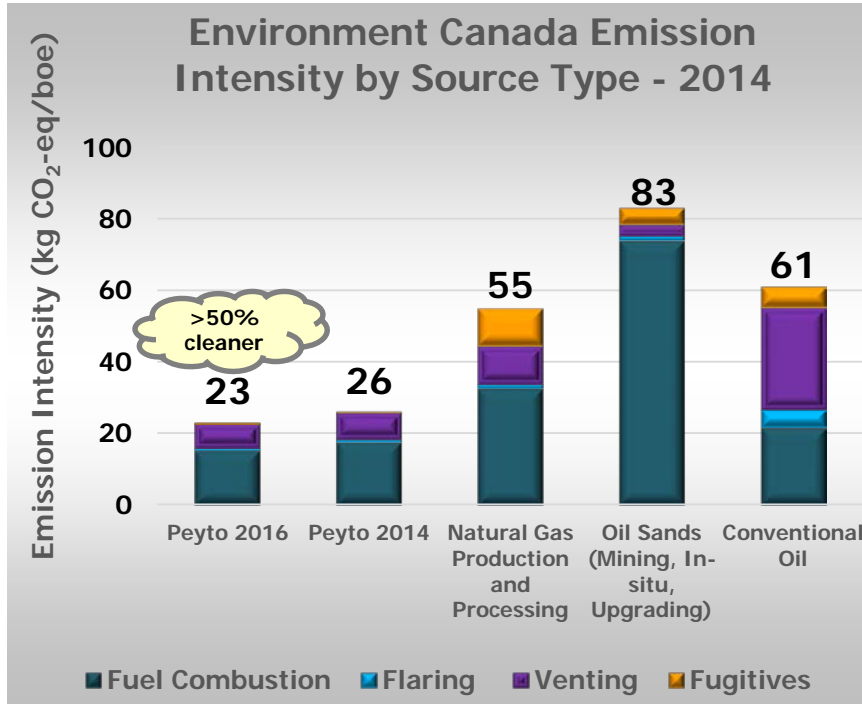
"The only hydrocarbon projected to have growing consumption is natural gas. It's cleaner, cheaper and abundant for use in industrial and power generation."



The Big Picture

Peyto's Natural Gas Is Cleanest

"Natural gas is twice as clean as coal when you burn it and Peyto emits half as much as the rest of the industry getting it to you."



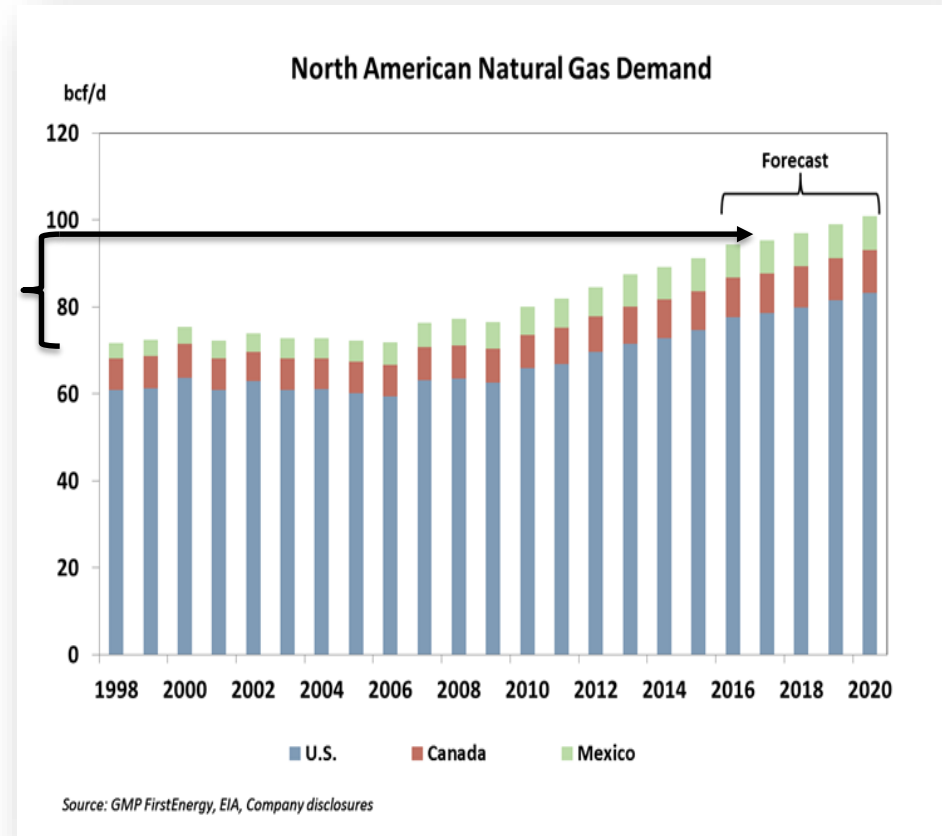
The Big Picture

North American Demand Is Growing

"Since Peyto began, North American gas demand has grown over 20 BCF/d. That's permanent demand that has to be met with continuously depleting supply."

25%

Demand Growth
since 1998



The Big Picture

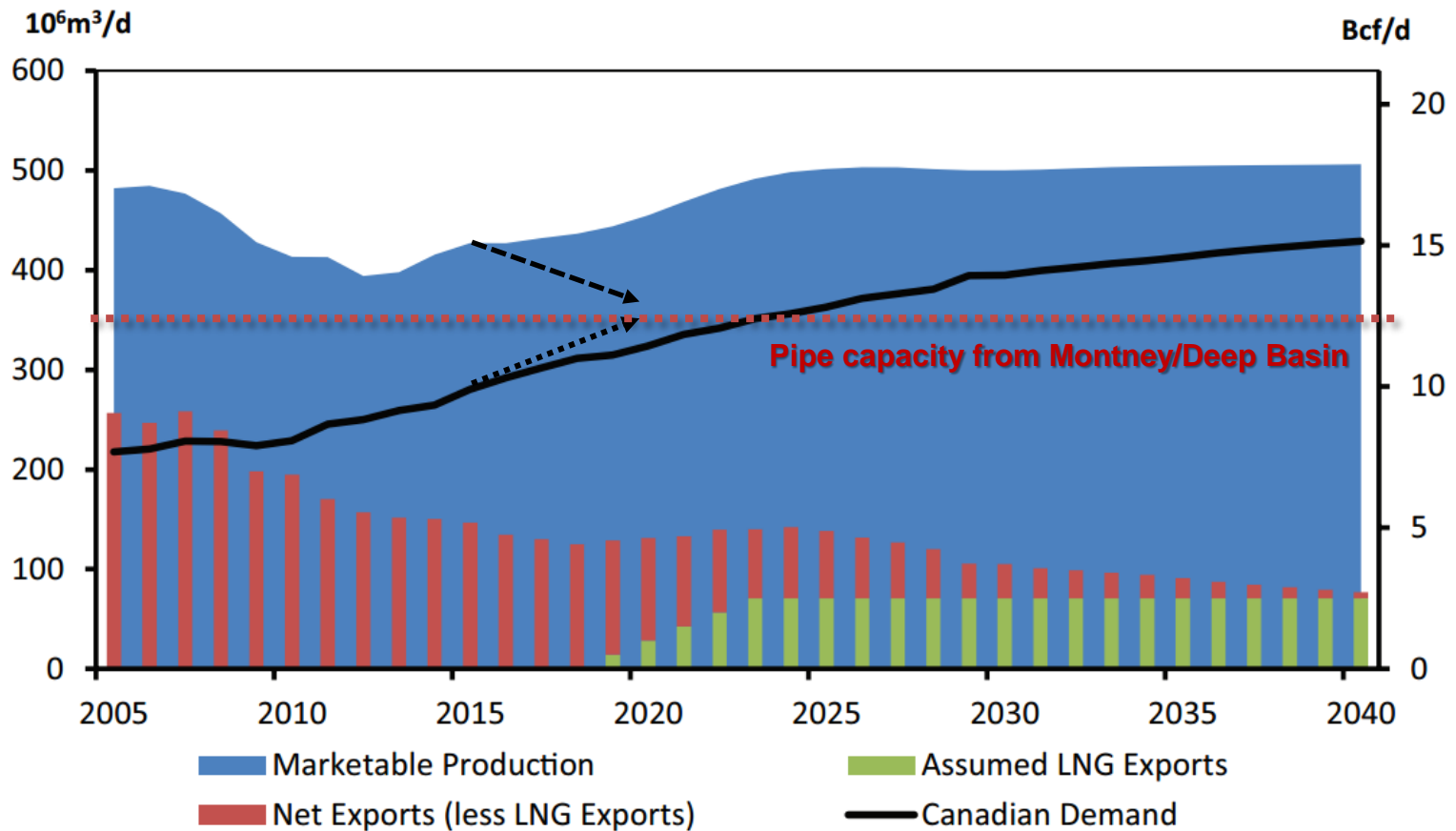
Canada Supply Demand Compressing

"More domestic consumption (coal-gas) and declining supplies (only Montney/Deep Basin commercial) means less exports to weigh on AECO price."



TO & Development Corp.

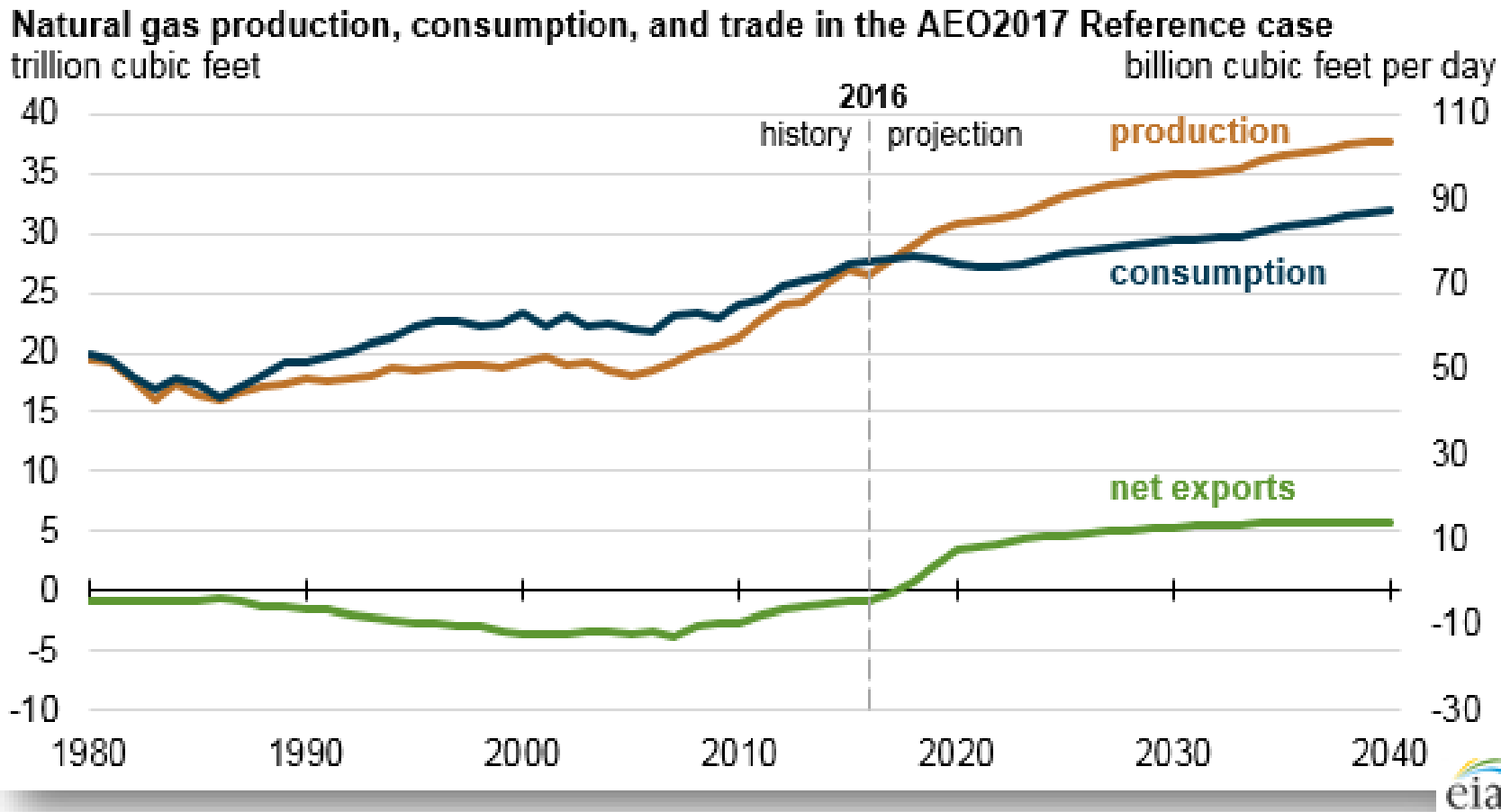
Supply and Demand Balance, Natural Gas, Reference Case



The Big Picture

U.S. Is Now Self Sufficient In Gas

"The US has become self sufficient in natural gas. They are basically re-exporting our imports via LNG and Mexico (minus a fee, of course)."



The Big Picture

North American U.S. LNG Exports

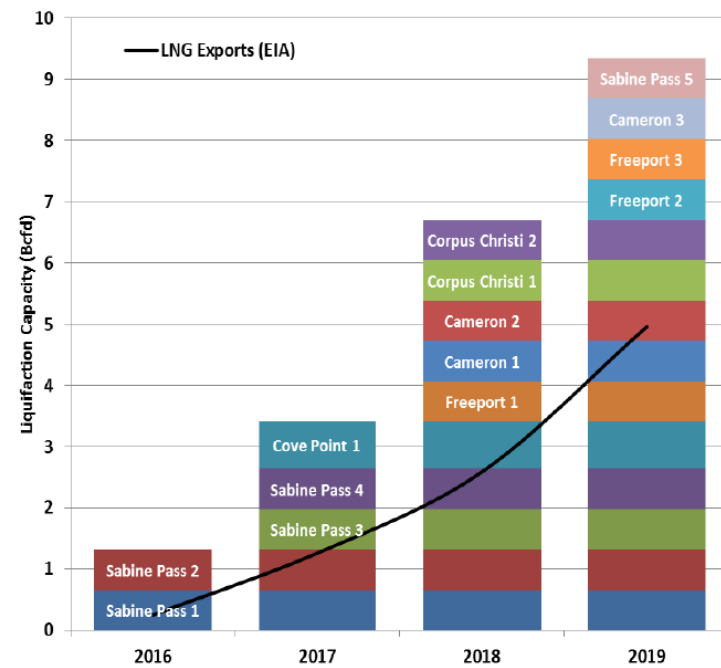
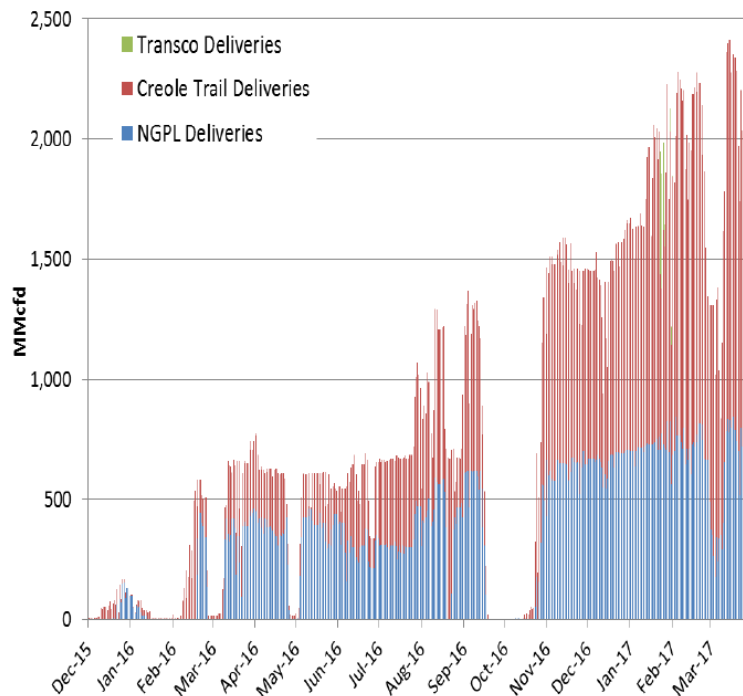
"Thankfully, the US LNG export capacity is expected to continue growing. That relieves the pressure of oversupply in North America."



U.S. LNG export capacity: What will be the impact to the global markets?



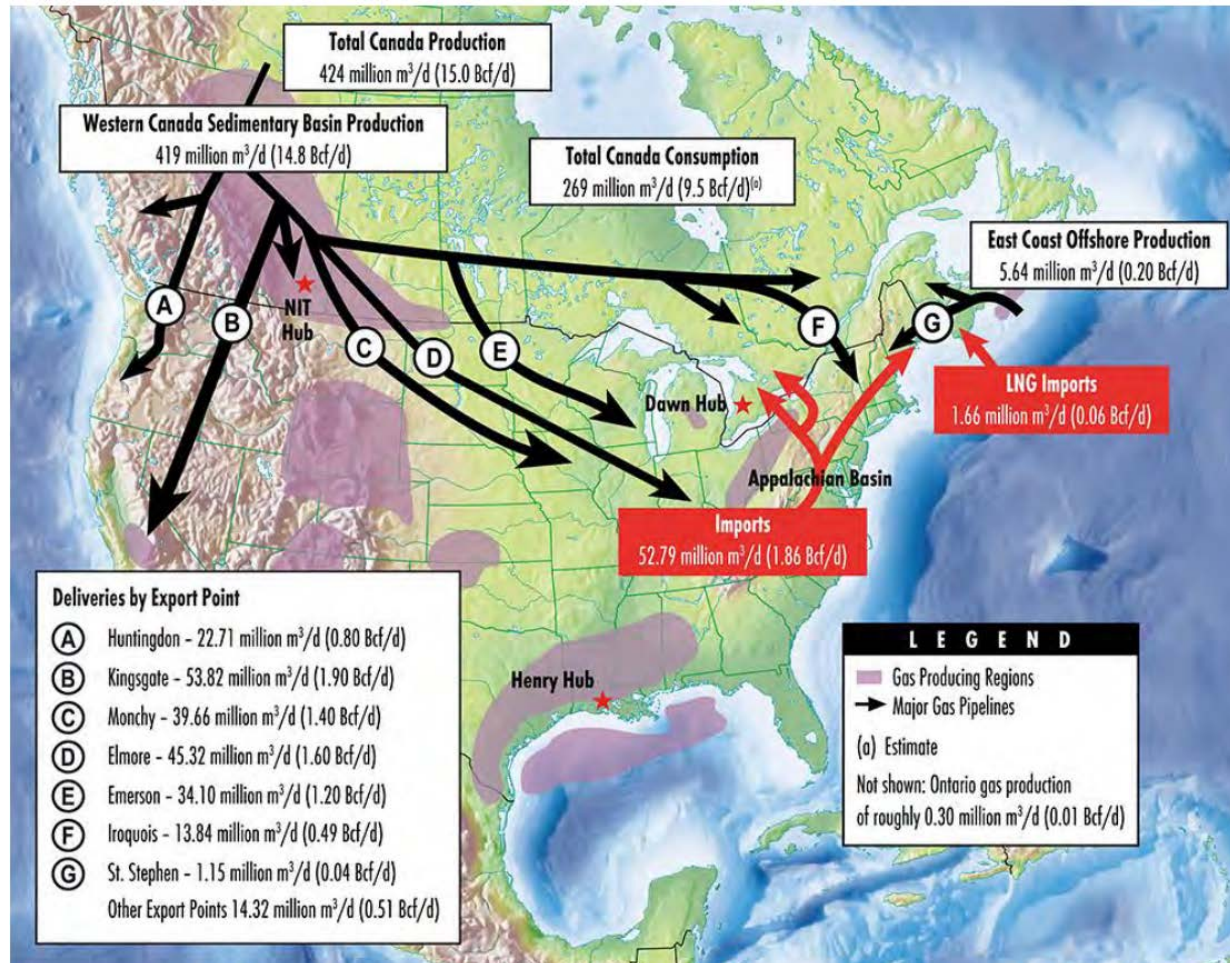
Sources: EIA, Department of Energy, FERC, various companies websites, Platts, Heren, 3/31/2017



The Big Picture

Major Gas Pipeline Network

"The WCSB is well connected to the US pipeline grid and ultimately, the gulf of Mexico LNG export facilities."



The Peyto Strategy

What We Believe

"Peyto is designed to make money for its owners (shareholders) by generating real profit and creating real value."

PEYTO

Exploration & Development Corp.



“We are a gas company.”

“We are a real business.”

“We work for you.”

The Peyto Strategy

Oil and Gas Corporate Strategies

"Investors have made money on all of these strategies, but the first three require an exit strategy and are not designed to last."



1. *Pump And Dump it (PAD it)*
2. *Growth At All Costs (GAAC)*
3. *The Chronic Acquirer*
(Busy BEES – Buying Everybody Else’s Stuff)
4. *Profit And Return (PAR)*



The Peyto Strategy

How Does Industry Measure Business Success?

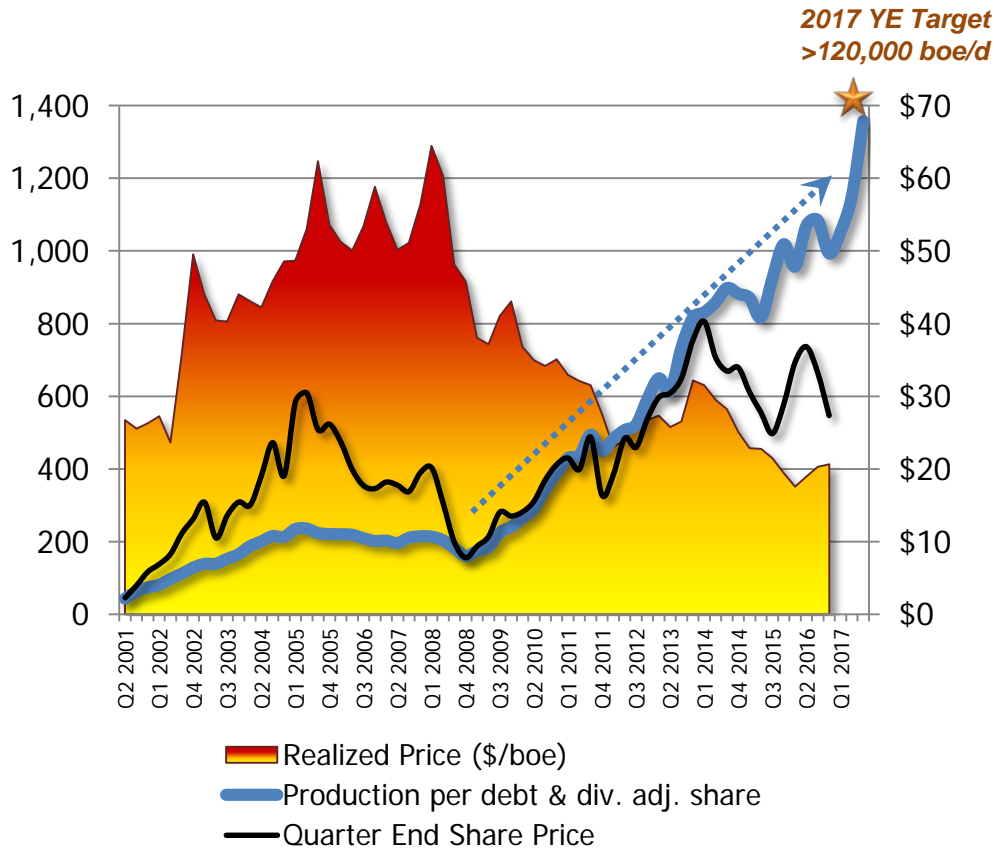
- ? Production Growth
- ? Land Capture
- ? Big Wells
- ? Capital Efficiency
- ? Earnings

The Peyto Strategy

Counter Cyclical Production Growth



"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."



25%

Growth rate in prod. /debt & div. adj. share (last 8 yrs)

Historical Per Unit (share) and Units (shares) Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
 Debt & dividend adjusted assumes shares issued to reduce debt and dividends used to buy back shares at quarter end share price.
 BOE factor - 6 mcf = 1 bbl of oil equivalent

The Peyto Strategy

Deep Basin Land Growth

"Peyto's land in the Deep Basin is more potent due to the stacked drilling islands which more than quadruples the drillable acreage. We add to our three dimensional land base each year."



703

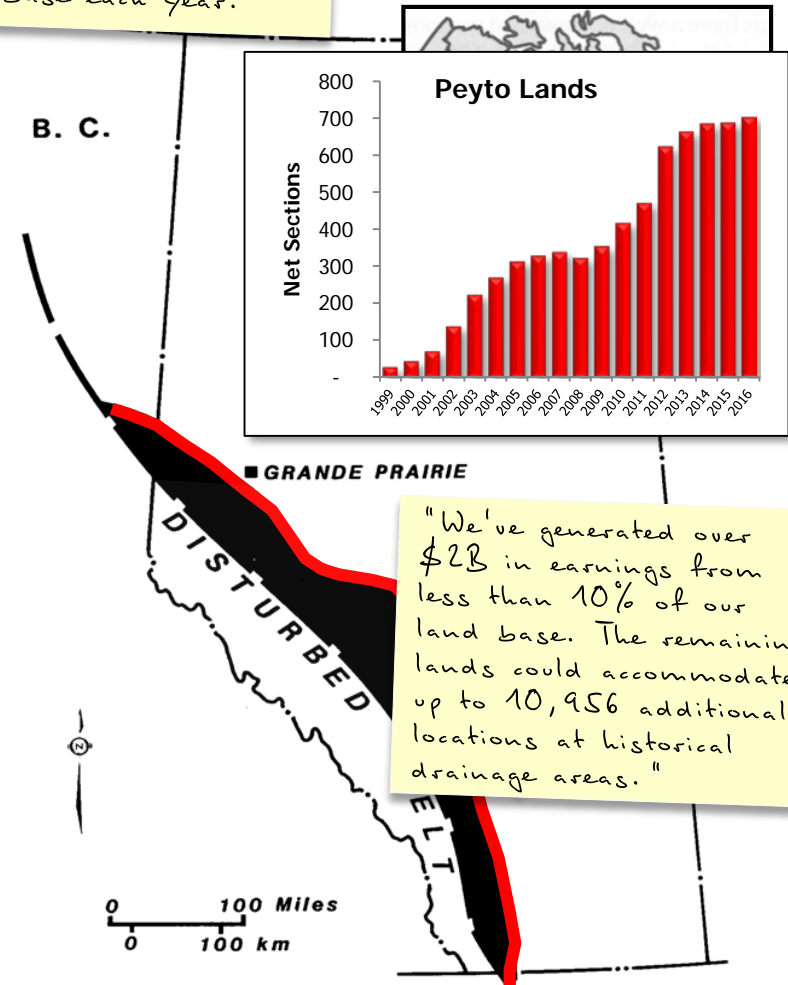
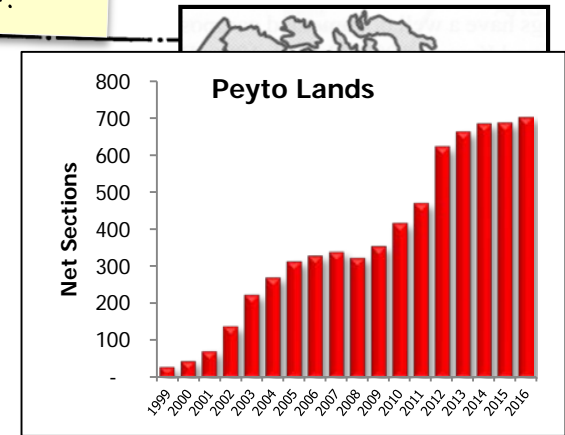
Net Peyto Sections

2,987

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

248

Net Sections – Developed Area of All Reserves Found and Developed Since Peyto Began (3.1 TCF_e EUR)*



"We've generated over \$2B in earnings from less than 10% of our land base. The remaining lands could accommodate up to 10,956 additional locations at historical drainage areas."

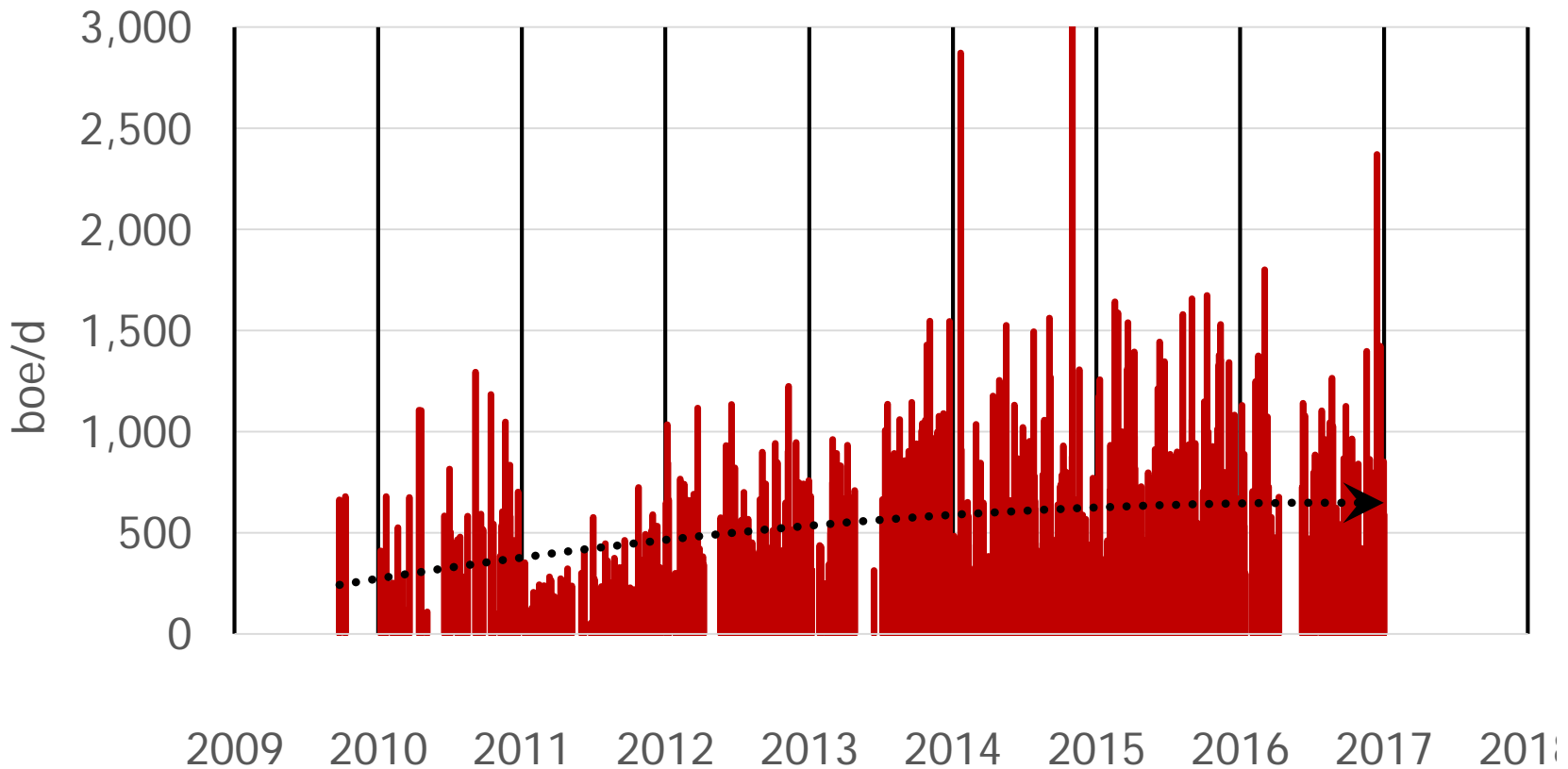
TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable
 *Based on InSite Petroleum Consultants Dec 31, 2016 Reserve Report.
 Lands at Dec 31, 2016

The Peyto Strategy

Big Wells? Peyto Has Them Too

"Technology is resulting in well productivity that keeps increasing. It doesn't necessarily mean they make money though."

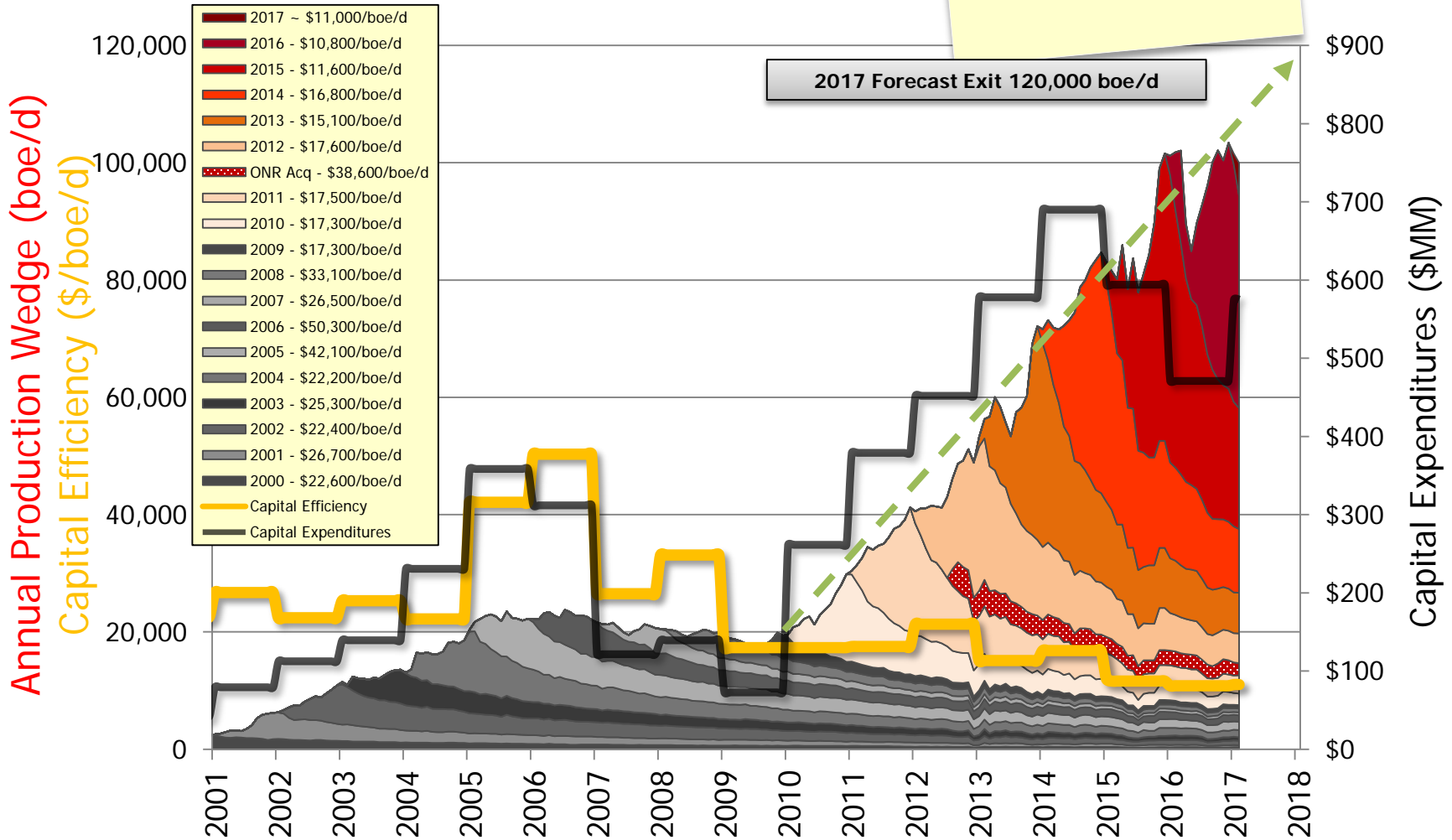
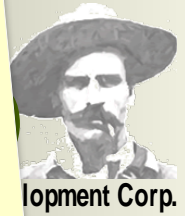
Peyto Hz Wells - IP30



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."



- 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.



The Peyto Strategy

How Do We Measure Business Success?



Profit

+ Returns

Value Creation

Peyto's Profitable Business

Consistent History of Earnings

"Peyto has generated earnings for the last 17 years, totaling \$2.1B, on cumulative capital investments of \$5.2B."

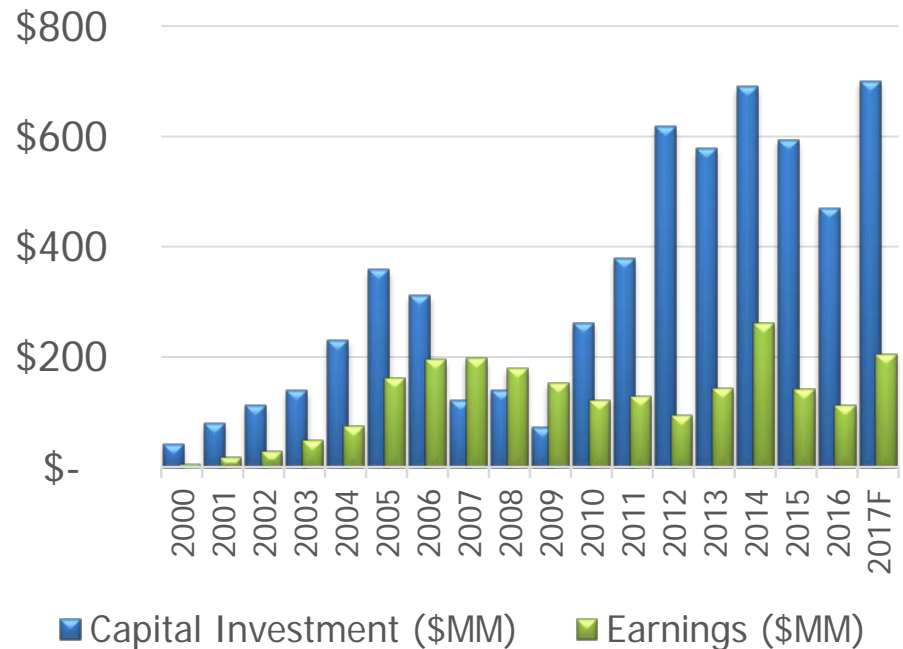
Corp.

\$2.1B

Peyto Cum. Earnings
Q4/16

\$5.2B

Peyto Cum. Capital
Q4/16



Peyto's Profitable Business

More Profit Per Dollar Of Capital

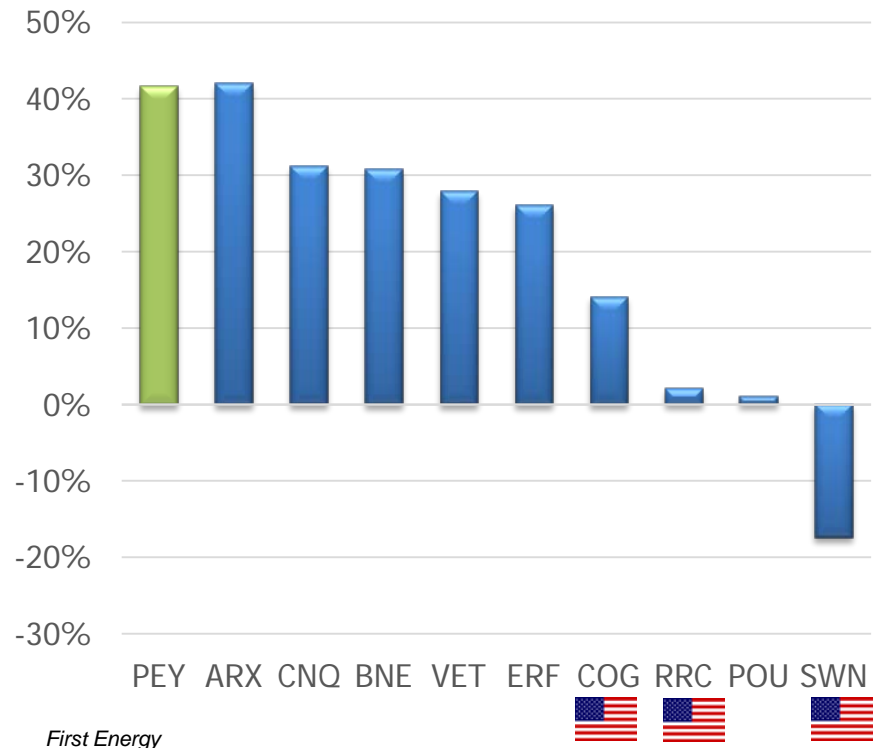
"Peyto has delivered the most profit per dollar of capital invested over the last 15 years."



42%

CTD Earnings/Capital
2001-2016

Earnings/Capital 2001-2016



Peyto's Profitable Business

Real versus Fuzzy Earnings

"When we are 'guessing' at future capital, future reserves and tax rates, real profit starts to get fuzzy."

Revenue

- Royalties
- Op. Costs
- Transportation
- G&A
- Interest

-(Cash Costs)

- Stock Based
- Cash Based
- Current
- Future

-(Compensation)

-(D, D&A)

- Depletion
- Depreciation
- Accretion

- PP&E (+FDC)
- Producing +
- Undeveloped
- Reserves

-Tax

- Current
- Future

Earnings

Peyto's Profitable Business

"Build it for less than we sell it"

"Peyto's full cycle supply costs are consistently low, ensuring new reserves are always generating a profit (earnings)."

	<u>PEY 2014</u>	<u>PEY 2015</u>	<u>PEY 2016</u>
<i>PDP FD&A</i> \$/mcfe	(\$2.25)	(\$1.64)	(\$1.44)
<i>Cash Costs</i> \$/mcfe	<u>(\$1.08)</u>	<u>(\$0.81)</u>	<u>(\$0.76)</u>
<i>Supply Cost</i>	(\$3.26)	(\$2.45)	(\$2.20)
<i>Sales Price</i> \$/mcfe	<u>\$5.04</u>	<u>\$3.83</u>	<u>\$3.18</u>
<i>Profit</i> \$/mcfe	\$1.71	\$1.38	\$0.98
<i>Dividend</i> \$/mcfe	34% \$1.05	36% \$1.11	31% \$1.01

\$34 Land/Acq/Disp	
\$8 Seismic	
\$220 Drilling	
\$105 Compl.	
\$41 Wellsite	
\$60 Facilities	
~\$469MM	
54.4 mmoes	
ΔPDP Reserves (before Prod.) – 121 net wells	
Royalties	(\$0.13)
Opex	(\$0.25)
Transport	(\$0.16)
G&A	(\$0.04)
Interest	(\$0.18)
Total Costs	(\$0.76/mcfe)

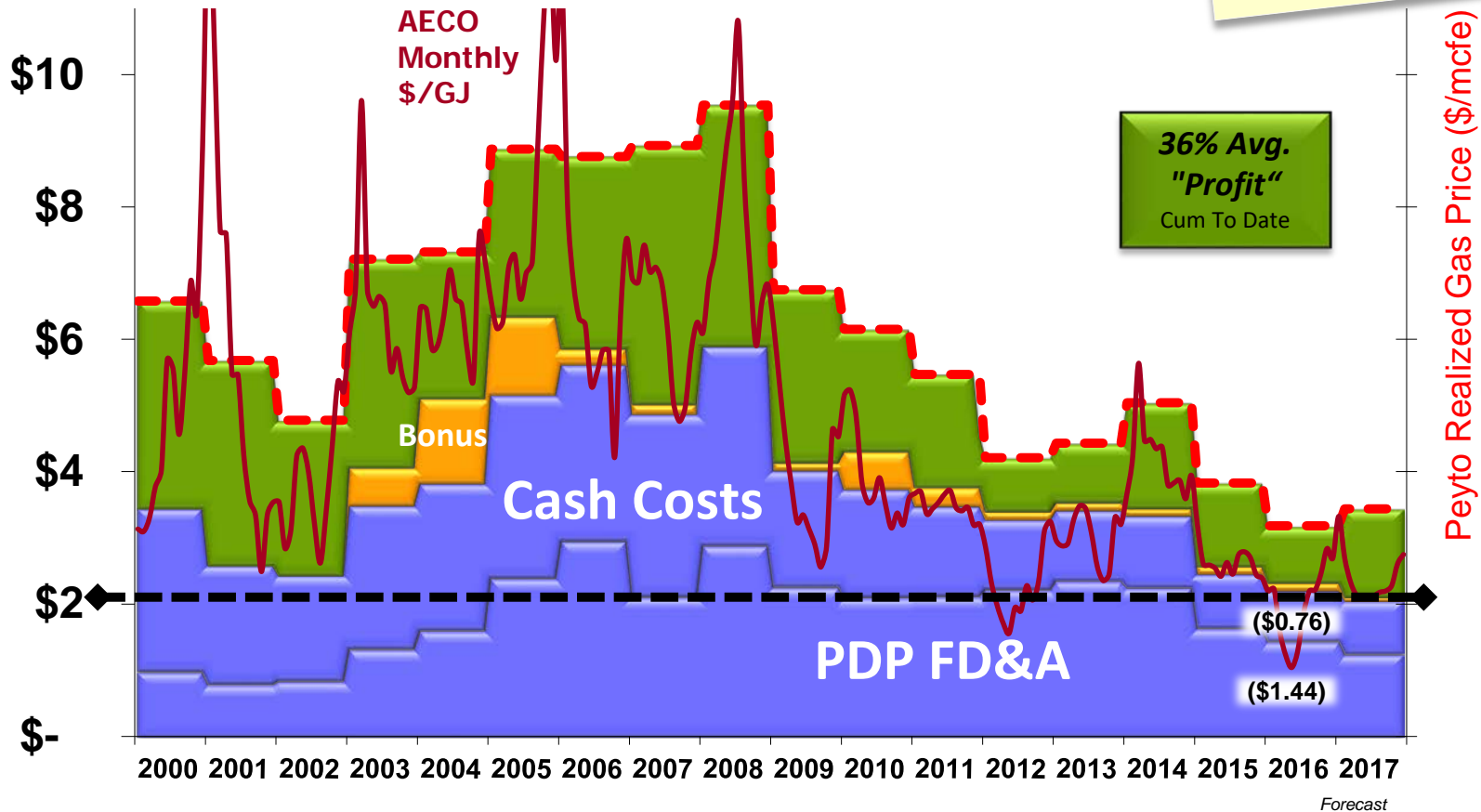
\$1.82/GJ AECO daily/monthly
X 144% (heat content+LPG)
\$2.62/mcfe
\$0.56/mcfe hedging
\$3.18/mcfe Realized

BOE factor - 6 mcfe = 1 bbl of oil equivalent

Peyto's Profitable Business

Profitable Even Through The Lows

"In 2016, Peyto achieved the lowest total supply cost (\$2.20/mcfe) in it's history. Good thing because we also experienced the lowest gas prices in our history."



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

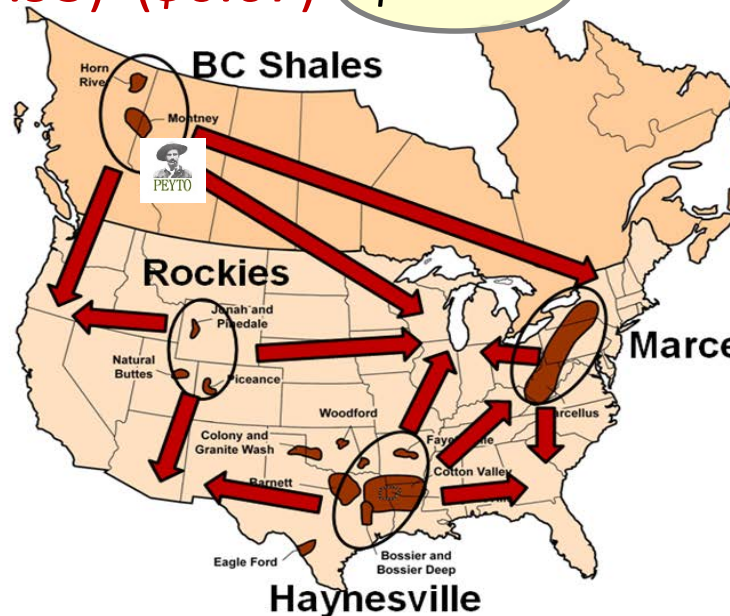
Peyto's Profitable Business

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 2016	<u>65% DB/35% Mont.</u> TOU 2016	<u>100% Deep Basin</u> PEY 2016
PDP FD&A \$/mcf	(\$3.75)	(\$2.45)	(\$1.44)
Cash Costs \$/mcf	(\$2.39)	(\$1.26)	(\$0.76)
Supply Cost	(\$6.14)	(\$3.71)	(\$2.20)
Sales Price \$/mcf	<u>\$5.18</u>	<u>\$3.04</u>	<u>\$3.18</u>
Profit/(Loss)	(\$0.95)	(\$0.67)	\$0.98

<u>Permian</u> PXD*	<u>Permian</u> FANG*
(\$3.02)	(\$5.06)
<u>(\$1.98)</u>	<u>(\$1.45)</u>
(\$5.00)	(\$6.50)
<u>\$6.11</u>	<u>\$5.55</u>
\$1.11	(\$0.95)



<u>Marcellus</u> Cabot 2016	<u>Marcellus/Utica</u> EQT 2016*	<u>Marcellus/Utica</u> AR 2016*
(\$0.28)	(\$1.72)	(\$1.21)
<u>(\$1.16)</u>	<u>(\$1.76)</u>	<u>(\$2.54)</u>
(\$1.44)	(\$3.48)	(\$3.75)
<u>\$1.88</u>	<u>\$2.18</u>	<u>\$4.10</u>
\$0.44	(\$1.30)	\$0.35

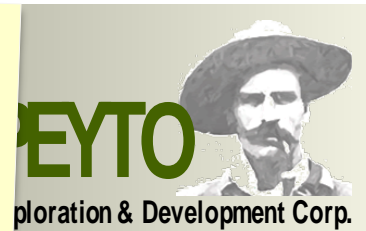
Source: IHS CERA

*Data from Peter's & Co.
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 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."



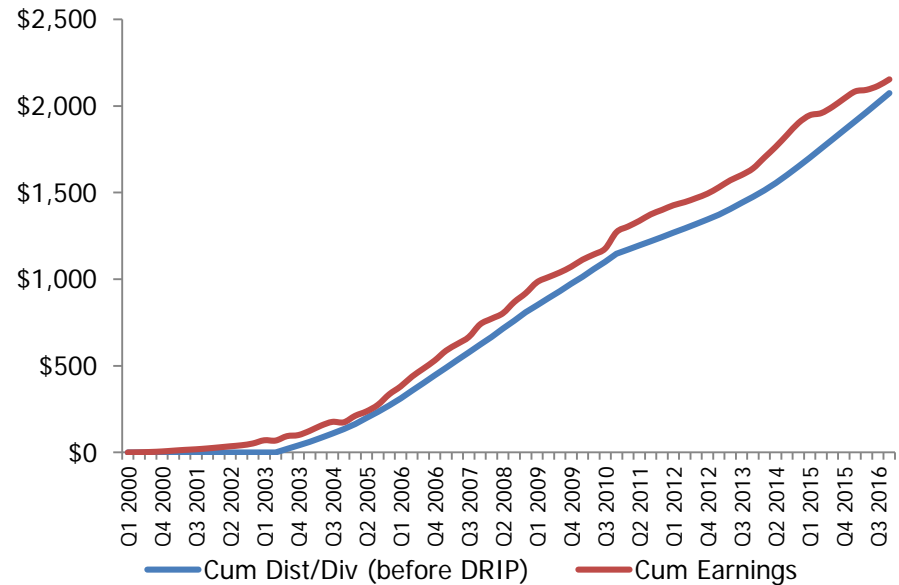
\$2.1B

Peyto Cum. Earnings
Q4/16

\$2.1B

Peyto Cum. Dist/Div.
Q4/16

Peyto Dividend Sustainability



The Peyto Strategy

How Do We Measure Business Success?



Profit

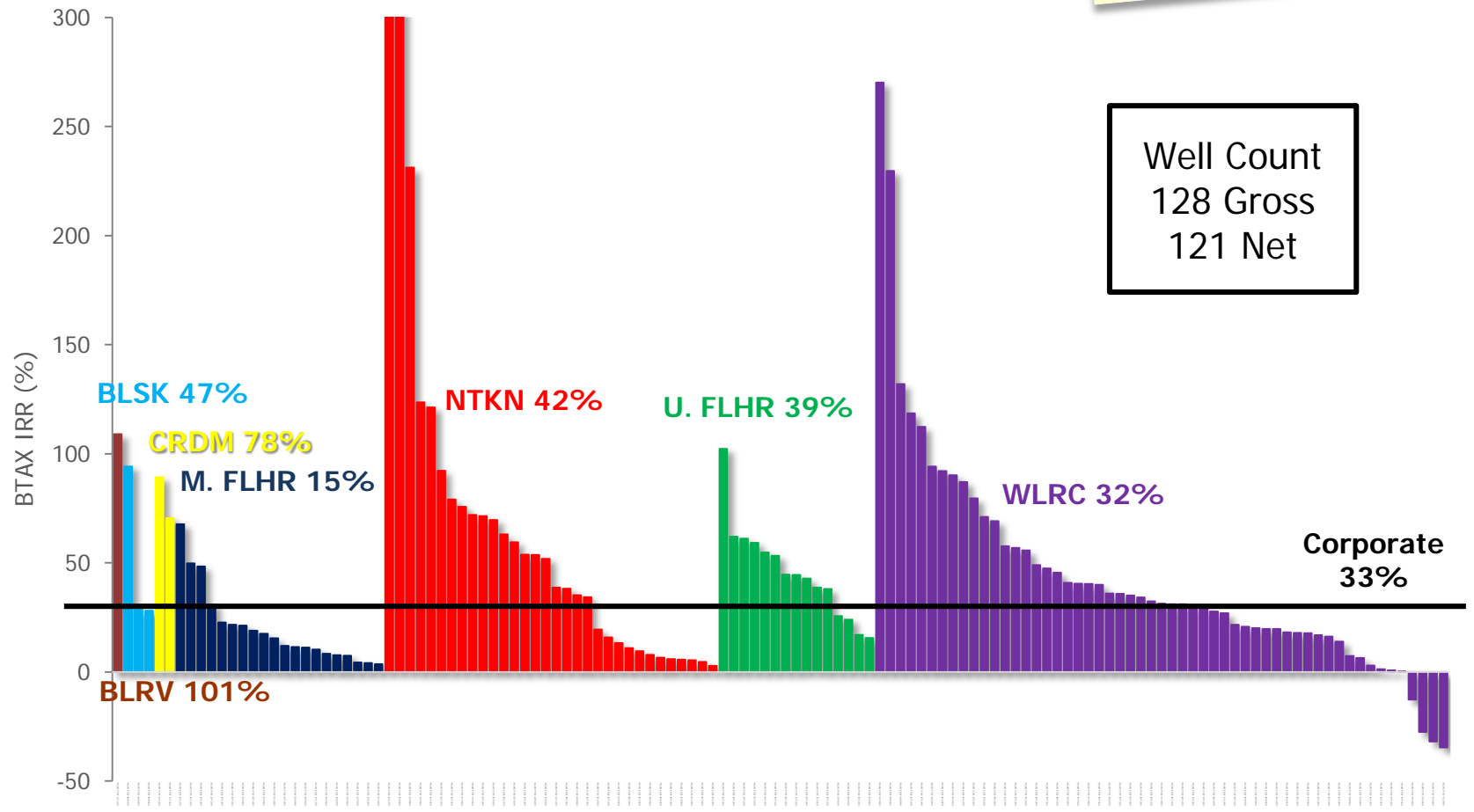
Returns

Value Creation

Peyto's Returns

2016 Full Cycle Real Returns

"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."



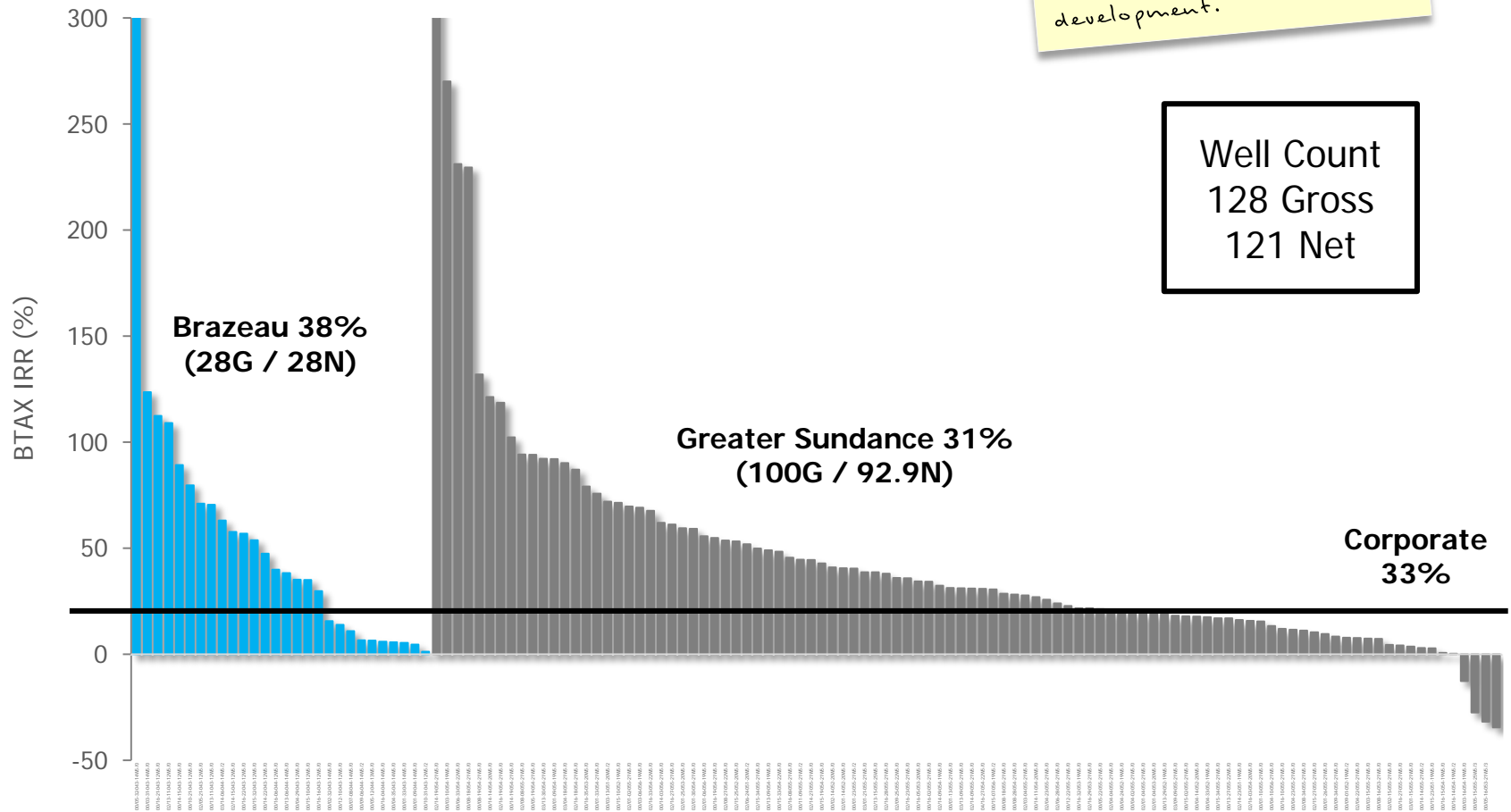
Peyto's Returns

2016 Full Cycle Real Returns

"The Brazeau area is yielding better returns with equivalent facility capital. In reality, facility costs per well are still higher here during this early stage of development."



ent Corp.



Includes provision of \$575k per well for Facilities, Land and Seismic
 Peyto's internal Full Cycle actual IRR on 128 Wells by Species using actual costs and prices realized in 2016 and Insite Dec 31/16 price forecast

Peyto's Returns

High Returns On Your Capital And Equity



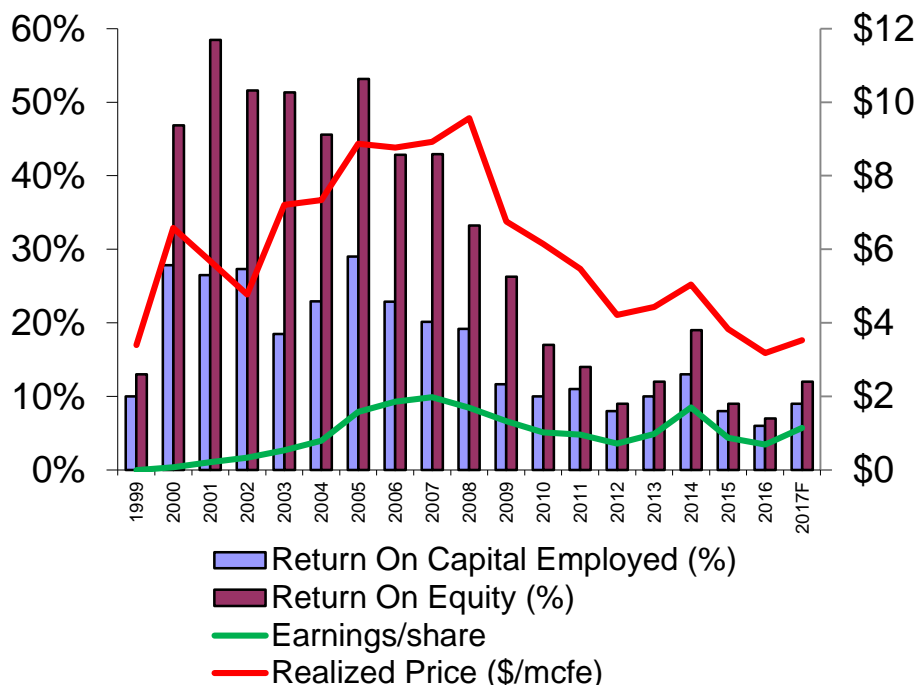
"Investors rarely get to participate in the wells themselves, making those economics somewhat meaningless. ROE and ROCE are the returns investors get, after deducting corporate costs."

31%

18 yr Avg ROE to 2016

17%

18 yr Avg ROCE to 2016



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 (18 yrs 1999-2016)

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



The Peyto Strategy

How Do We Measure Business Success?

Profit

Returns

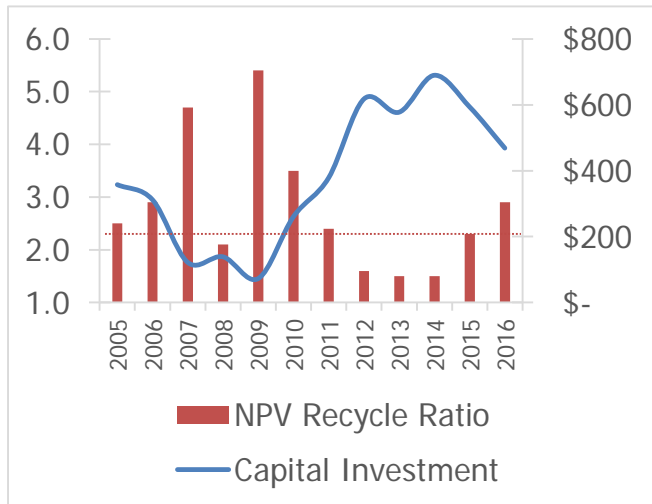
Value Creation

Peyto's Value Creation

Turning \$1 into \$2

"An effort to measure true value creation is rarely undertaken in our industry, yet that's the answer we're all seeking."

Based on Annual Independent Reserves Evaluation (B\$)



PDP NPV₀

YE 2015 @ Dec 31/15	\$ 4.813	
Δ in commodity price forecast	(\$0.228)	Bring last year's value forward to this year (same starting point)
NOI for 2016	(\$0.562)	
YE 2013 @ Dec 31/16	\$ 4.023	
YE 2015 @ Dec 31/16	\$ 4.023	Change in value year over year implies value creation/destruction
YE 2016 @ Dec 31/16	\$ 5.407	
Value Created in 2016	\$ 1.384	
change in net debt	(\$0.028)	Adjust for change in debt during the year
Net Value Created in 2016	\$ 1.356	
Net Value Created in 2016	\$ 1.356	
2016 Total Capital	\$ 0.469	
NPV Recycle Ratio	2.9	



The Peyto Strategy

How Do We Measure Business Success?

Profit

Returns

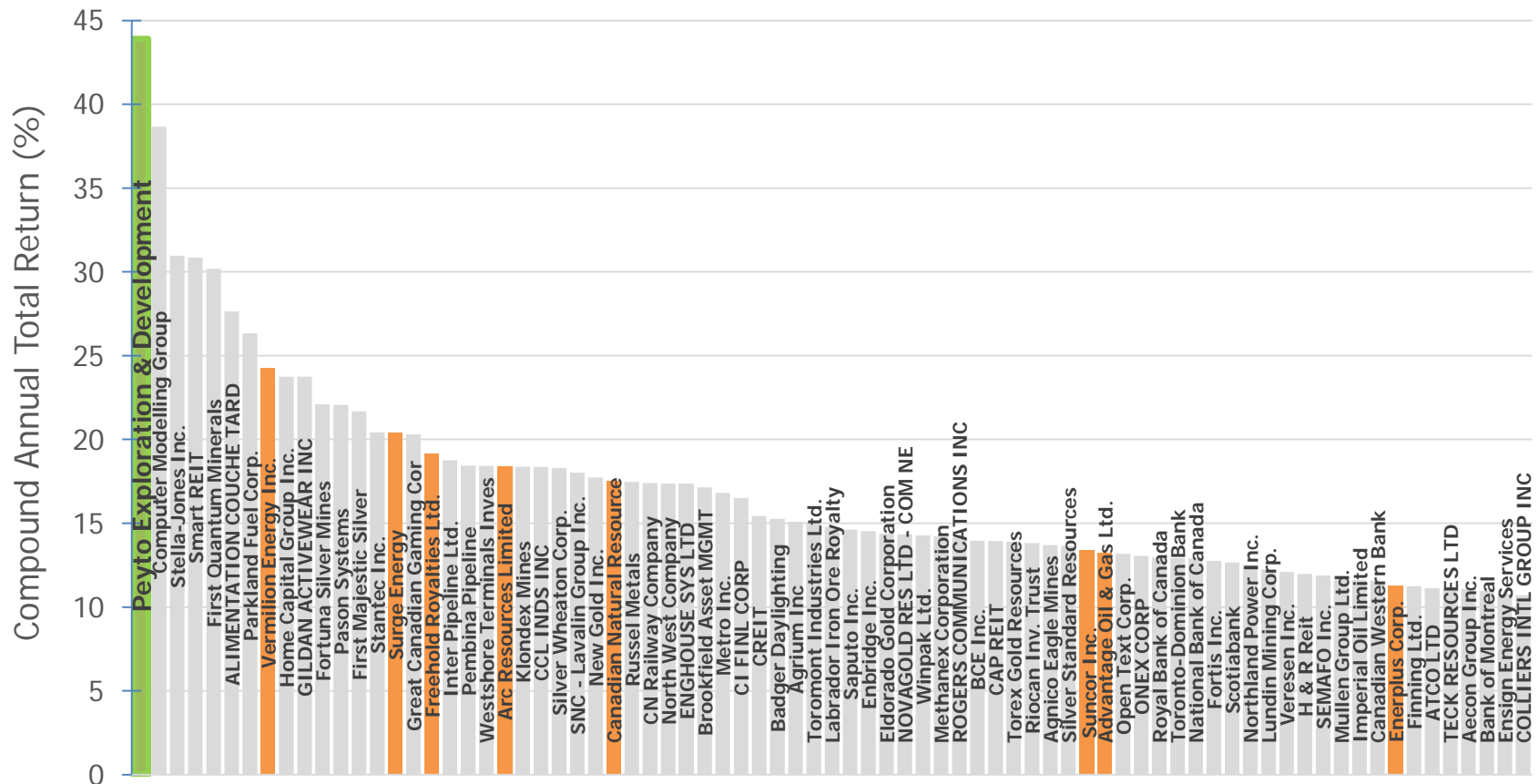
Value Creation

The Peyto Strategy

Highest Total Return On TSX

"The Peyto strategy has not only delivered the highest total return of any E&P on the TSX over the same 18 years, it was the highest of any company, in any industry!"

TSX Total Return December 1998 - 2016



Source: BMO, Total return includes dividends

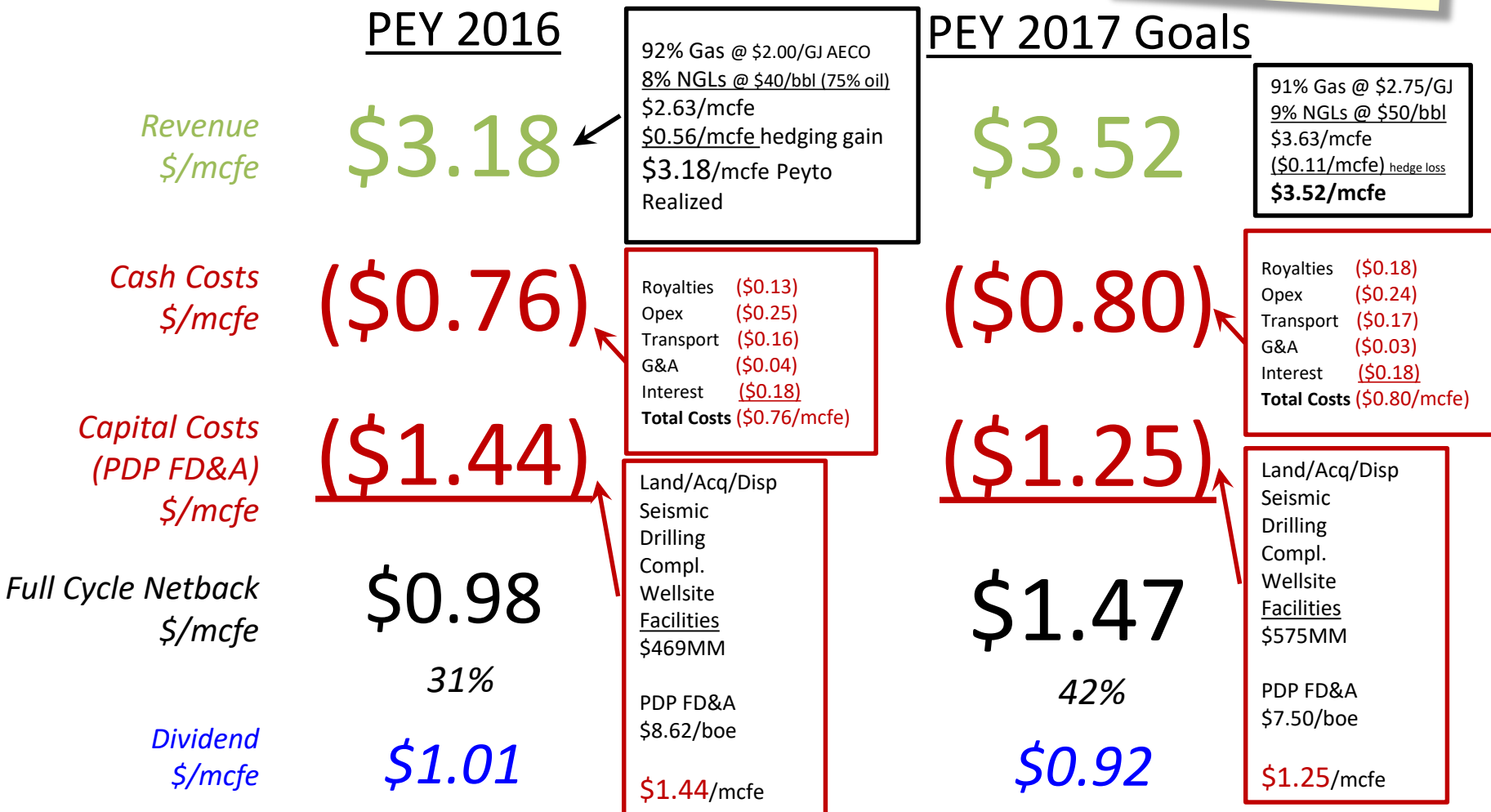
Peyto's Future



Peyto's Future

"Build it for less than we sell it"

"For 2017 our goal is to continue to build it and produce it for less than we sell it by grinding on the F&D costs."



BOE factor - 6 mcfe = 1 bbl of oil equivalent

Peyto's Future

Maintain a Low Cost Advantage

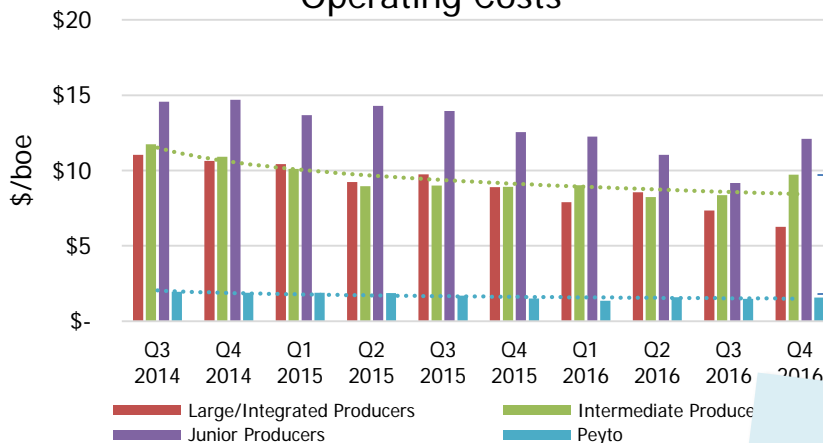
"The Peyto strategy results in a low cost advantage over the rest of the industry in all aspects of the business."

PEYTO

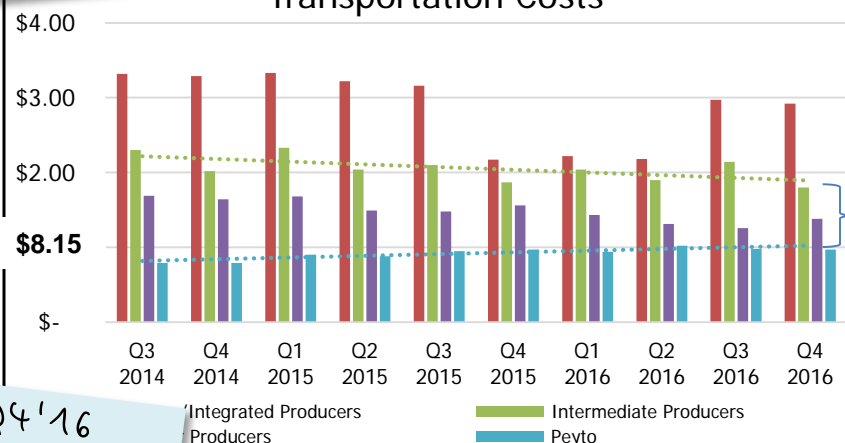


Exploration & Development Corp.

Operating Costs

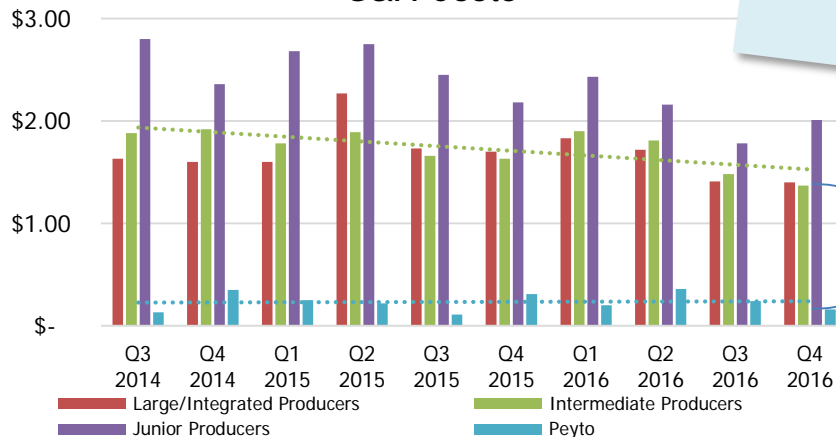


Transportation Costs



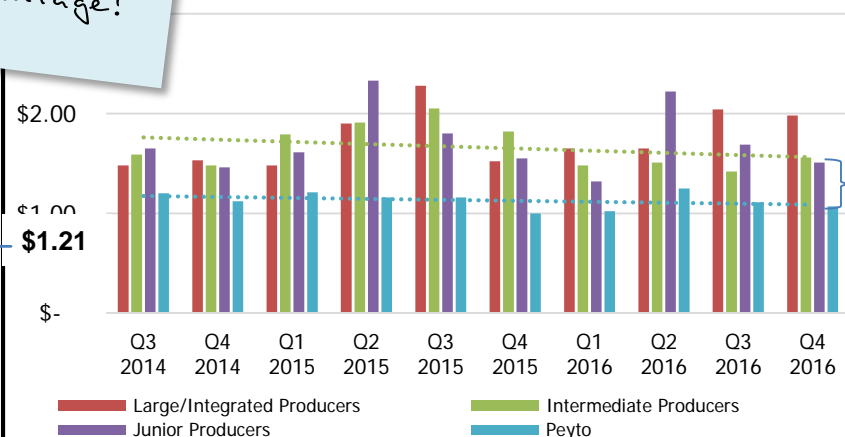
\$0.83

G&A Costs



Q4 '16 > \$10/boe advantage!

Interest Costs

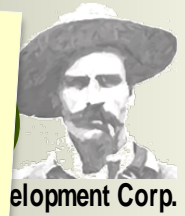


\$0.49

Peyto's Future

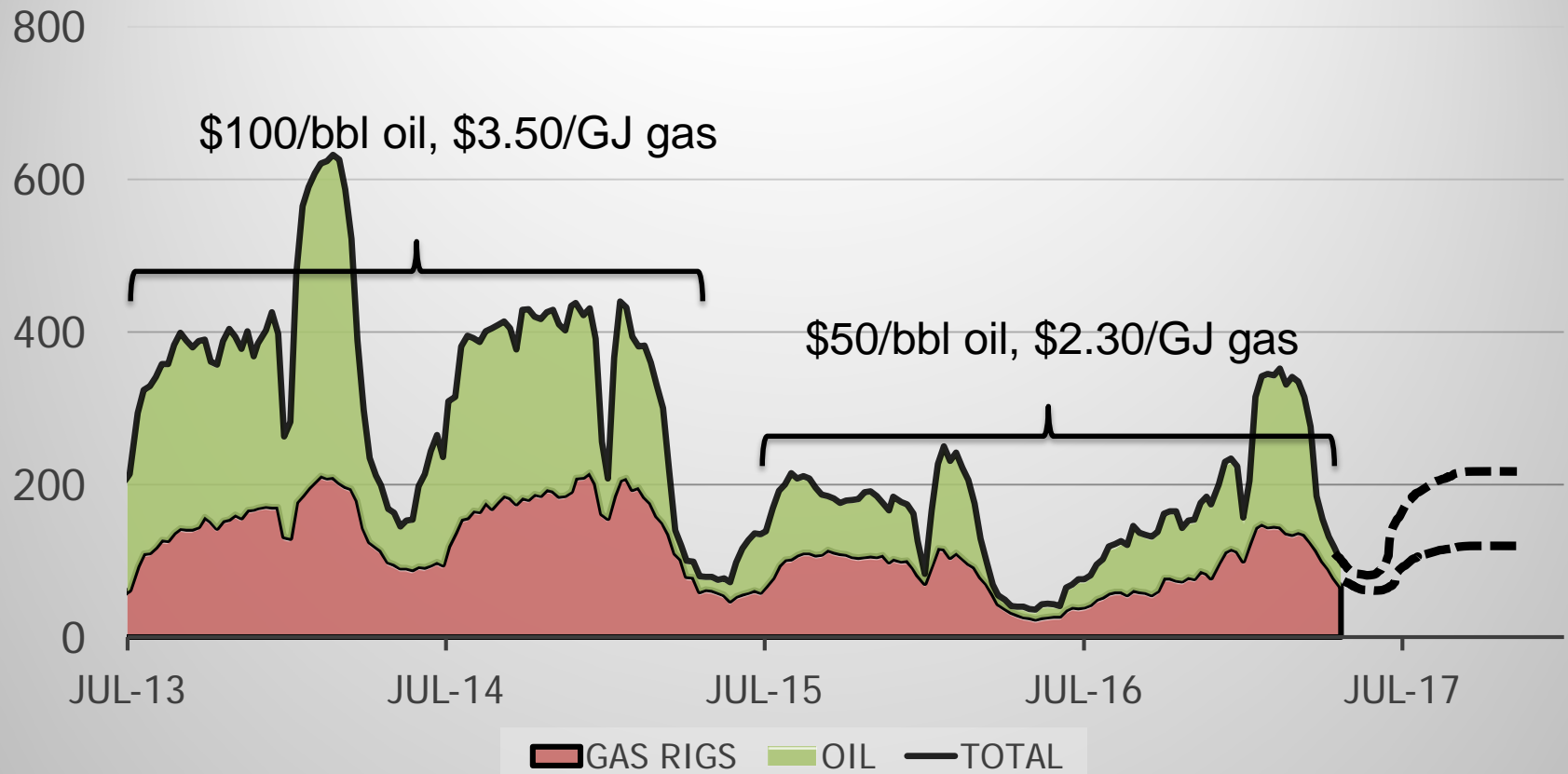
Industry Cost Inflation

"Peyto will not blindly pursue an aggressive capital program if costs are going up. We expect the rig count will come down to match commodity price levels"



Development Corp.

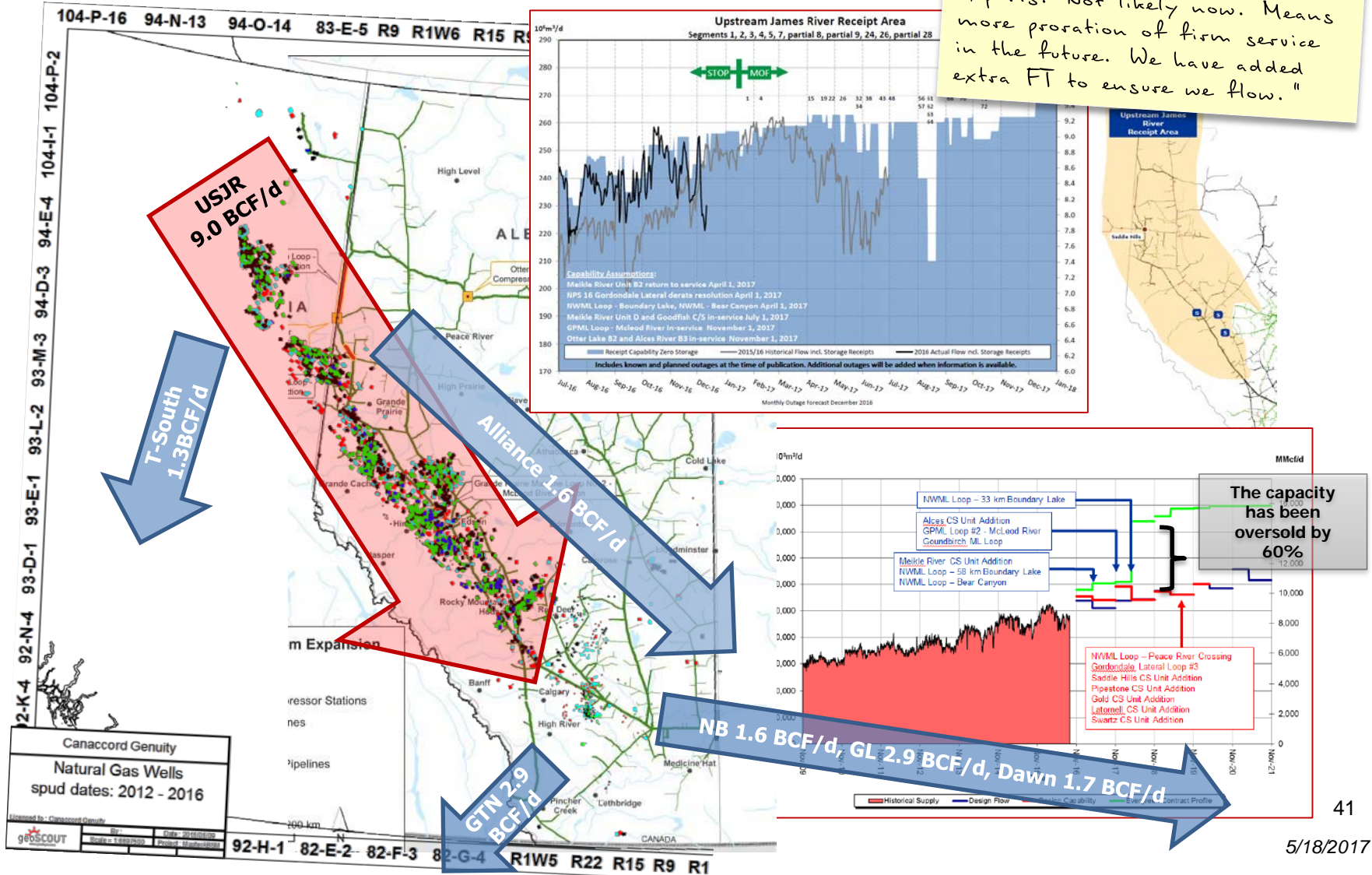
Active Canadian Drilling Rigs



Peyto's Future

Working Around The Takeaway Constraints

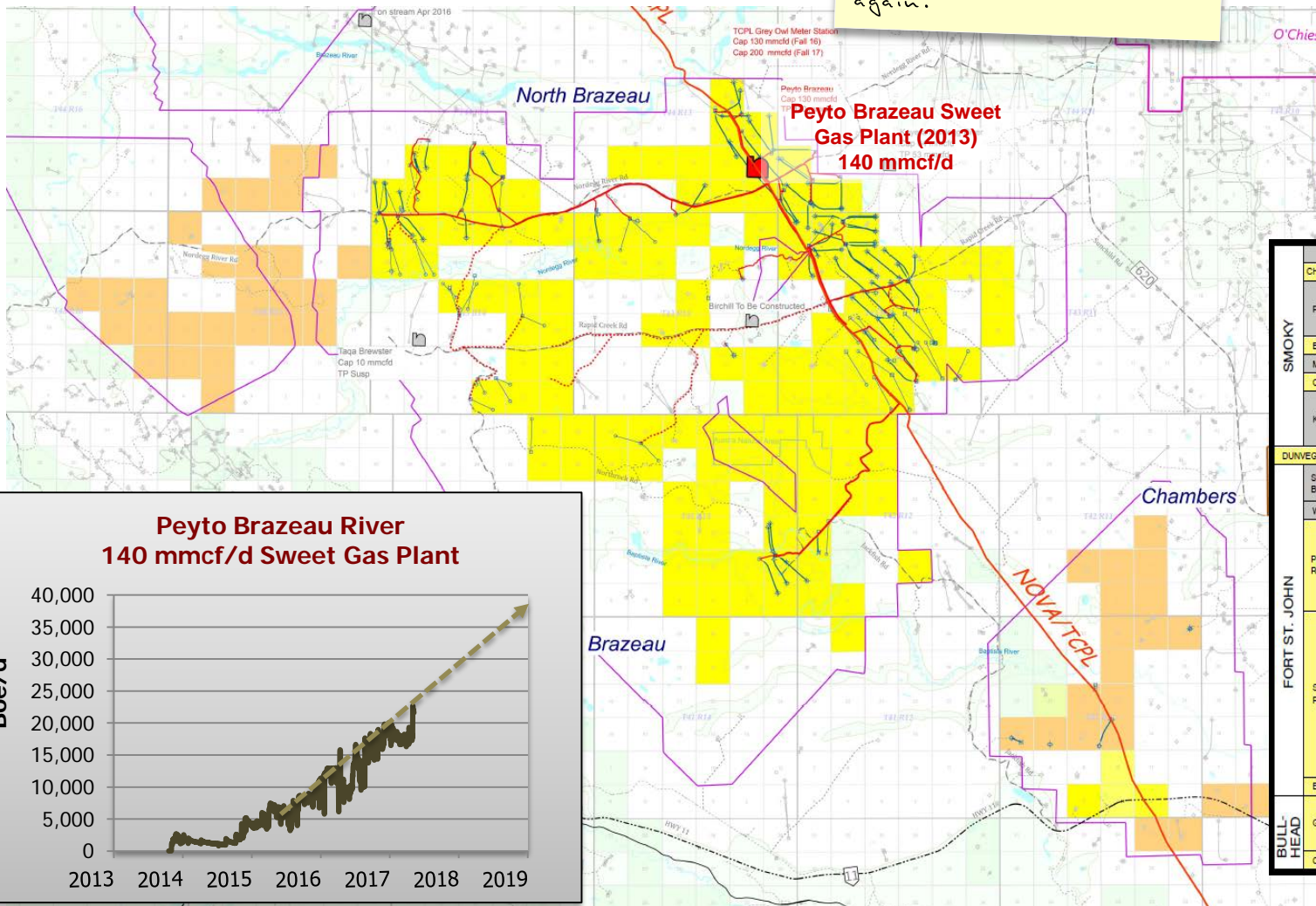
"The bottleneck is that TCPL is limited to 9-10 BCF/d in USJR. TCPL has no plans to expand even though industry has contracted 15 BCF/d. They had expected all the incremental volume to go west to LNG exports. Not likely now. Means more proration of firm service in the future. We have added extra FT to ensure we flow."



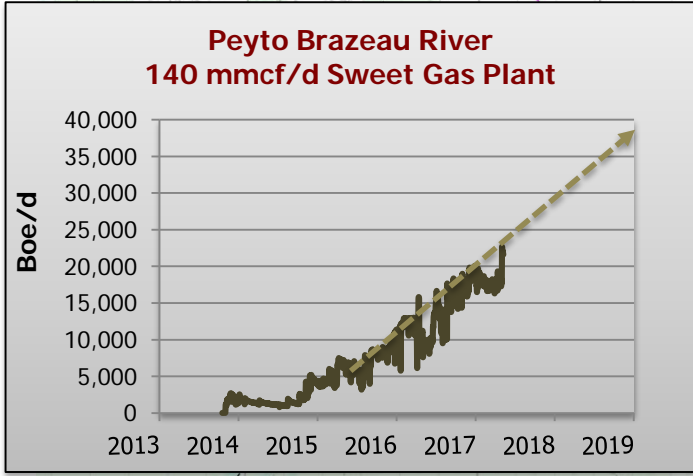
Peyto's Future

The Greater Brazeau River Area?

"The new Brazeau area had some of the best returns last year. We've added lands, shot a big 3D seismic program that shows more inventory and we're expanding our plant again."



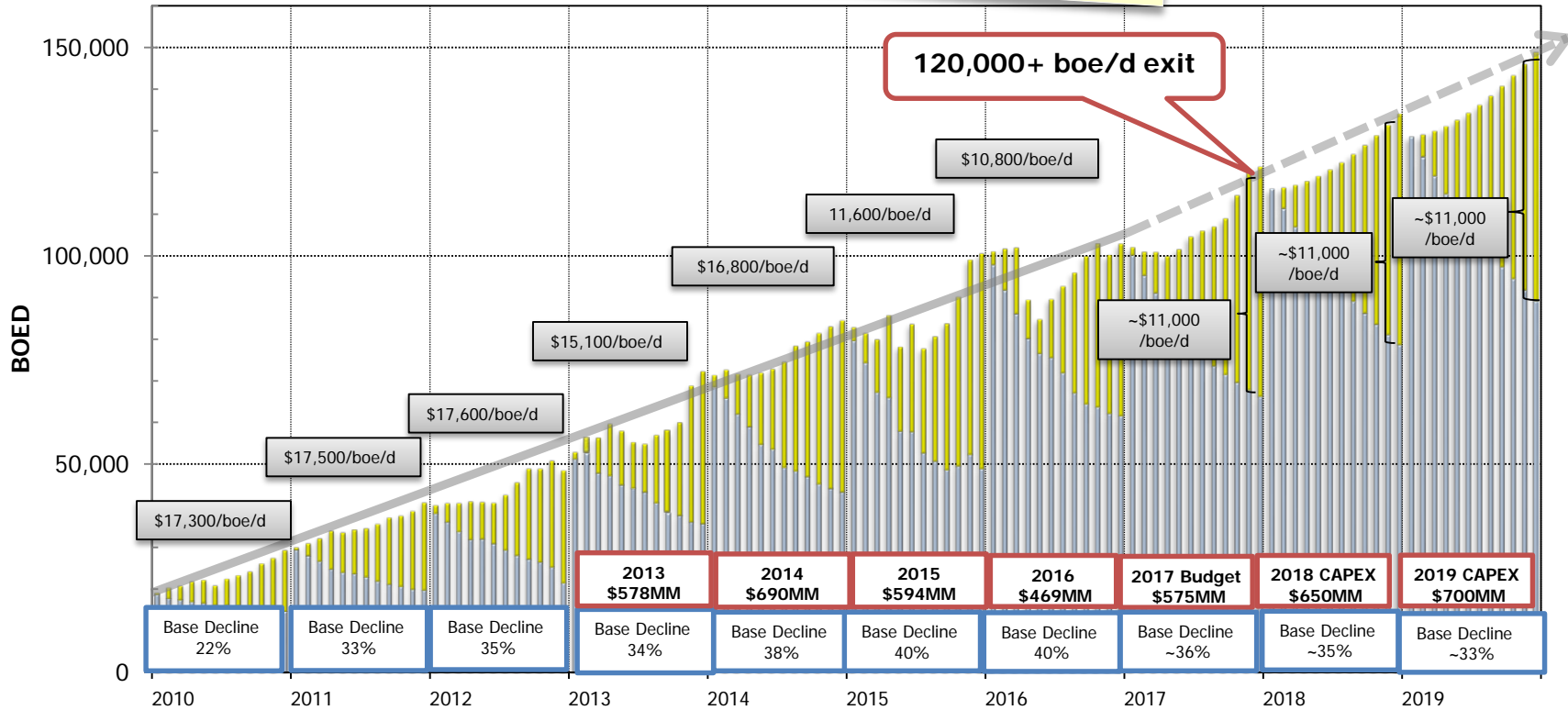
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	PUSKASKAU	<input type="checkbox"/>
	BADHEART	<input checked="" type="checkbox"/>
	MUSKIKI	<input type="checkbox"/>
DUNVEGAN	CARDIUM	<input checked="" type="checkbox"/>
	KASKAPAU	<input type="checkbox"/>
	DOE CK	<input checked="" type="checkbox"/>
	POUCE COUPE	<input type="checkbox"/>
FORT ST. JOHN	BELLE FOURCHE	<input type="checkbox"/>
	FISH SCALE	<input type="checkbox"/>
	WESTGATE	<input type="checkbox"/>
	PADDY	<input checked="" type="checkbox"/>
	CADOTTE	<input checked="" type="checkbox"/>
	HARMON	<input checked="" type="checkbox"/>
	NOTHMAN	<input checked="" type="checkbox"/>
	FALHER	<input checked="" type="checkbox"/>
	WILRICH	<input type="checkbox"/>
	BULL HEAD	BLUESKY
GETHING		<input type="checkbox"/>
CADOMIN		<input type="checkbox"/>



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."



\$18/boe netback using \$3.00/GJ AECD, \$50/bbl CND blended liquid price

Year	CAPEX (\$MM)	Annual Prod	Netback	FFO (\$MM)	Earnings (\$MM)	DIV (\$MM)	YE Net Debt (\$B)	YE Debt to FFO	# locations
2014	\$ 690	76,372	\$ 23.78	\$ 663	\$ 262	\$ 175	\$ 1.0	1.5	123
2015	\$ 594	85,700	\$ 18.08	\$ 565	\$ 138	\$ 208	\$ 1.1	2.0	140
2016	\$ 469	96,975	\$ 14.52	\$ 514	\$ 113	\$ 215	\$ 1.1	2.2	131
2017	\$ 575	108,000	\$ 16.00	\$ 631	\$ 210	\$ 217	\$ 1.3	2.0	150
2018	\$ 650	121,000	\$ 18.00	\$ 795	\$ 262	\$ 217	\$ 1.4	1.7	162
2019	\$ 700	136,000	\$ 18.00	\$ 894	\$ 295	\$ 217	\$ 1.4	1.5	175
	\$ 3,678			\$ 4,061	\$ 1,280	\$ 1,249			618

* 2017 and beyond provided for illustration only. Budgets and forecasts beyond 2017 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.

Thank You For Coming

Questions?



IT'S A TRADITION THAT
WHEN YOU HARANGUE
THE MULTITUDES, YOU
STAND ON A SOAP BOX.

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