



# 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.*

*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**

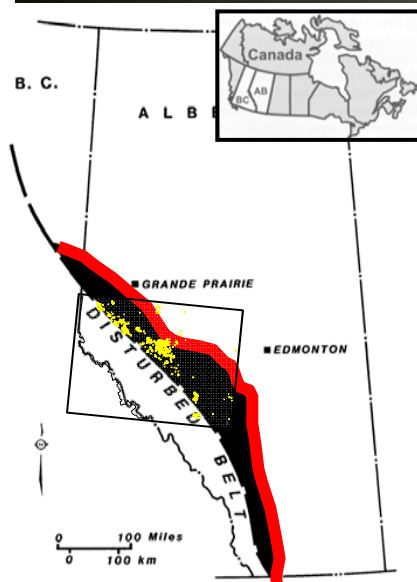
*Original gas in place includes both discovered and undiscovered resources, and there is no certainty that any portion of the undiscovered resources will be discovered and, if discovered, that any volumes will be economically viable or technically feasible to recover or produce. Original gas in place 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.*

# PEY.TO

Who We Are



- ☀ 5<sup>th</sup> Largest Natural Gas Producer in Canada
- ☀ Pure Play Alberta Deep Basin – 100-110,000 boe/d Gas & NGLs
- ☀ Returns Focused Strategy – Avg ROCE 16%, ROE 30% over last 19 yrs, among highest in industry
- ☀ Long Reserve Life Asset - 7 yrs PDP, 18 yrs 2P, sweet gas, no mobile water
- ☀ Lowest Cost Producer - \$0.83/mcfe (\$4.99/boe) 2017 total cash costs
- ☀ Own and Control - Operate 99% of production, Own/operate gas plants

Monthly Dividend:	\$0.06/share (CTD YE17 \$18.29/share)
Shares O/S:	164.9 million (3% insider ownership)
Q1/18 Long Term Debt:	\$620 million (senior unsecured notes, 3.7-4.9% CND) \$623 million (\$1.3B unsecured bank facility) \$1.243B (\$1.92B total capacity)
Enterprise Value:	\$3 billion (\$11/share)
Full Time Employees:	53

\*subsequent to Q3 on Jan 2, 2018 Peyto issued \$CND100MM of senior unsecured notes which increased total capacity to \$1.92B and reduced revolving debt to \$670MM.  
Cash costs are royalties, operating costs, transportation, G&A and interest  
BOE factor - 6 mcfe = 1 bbl of oil equivalent

# PEY.TO

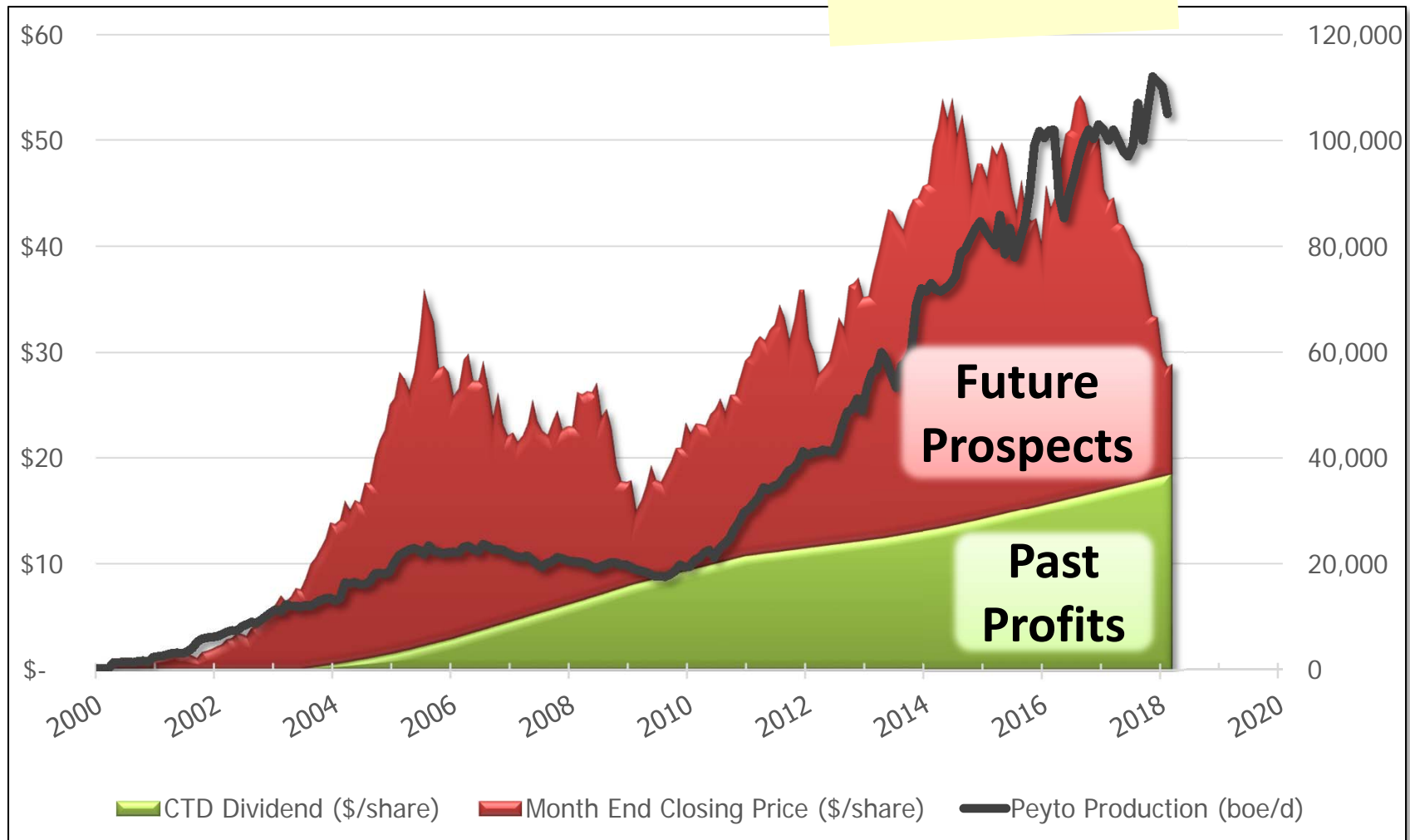
## Total Shareholder Return

"Over time, the Peyto model is designed to deliver a superior total return with growth in value, income and assets."

YTO



tion & Development Corp.



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



# The Peyto Strategy

## What We Believe

"We believe in the future of natural gas and in partnering with shareholders to make a profit, not by trying to make your money, our money."

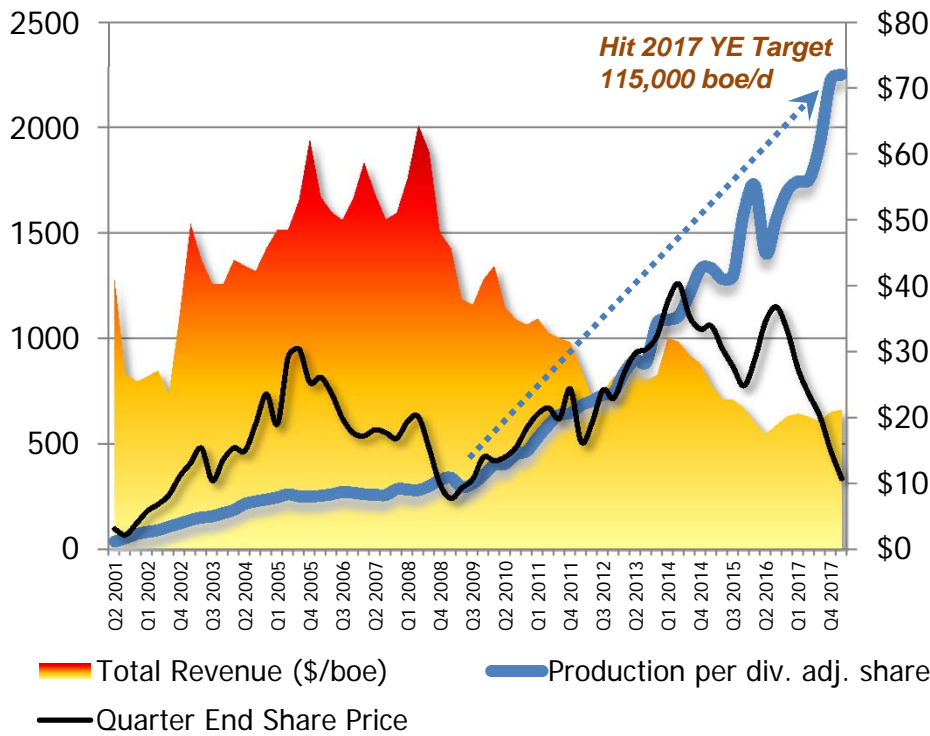
### *We believe that:*

- ✱ *“Nature’s gas is the fuel for the future.”*
- ✱ *“Our focus should be on maximizing the return on invested capital – your capital.”*
- ✱ *“By selectively and efficiently investing capital at periods in the cycle when costs are at their lowest will yield a superior return.”*
- ✱ *“By maintaining low cash costs over the entire production life it ensures returns are maximized regardless of commodity price volatility.”*

# 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."



# 25%

Growth rate in Prod/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  
 Dividend adjusted assumes dividends used to buy back shares at quarter end share price.  
 BOE factor - 6 mcf = 1 bbl of oil equivalent

# The Peyto Strategy

*Invest For Profit Not Growth*

"Peyto's track record of generating \$0.40 of earnings for every dollar of capital invested is the highest in the industry."

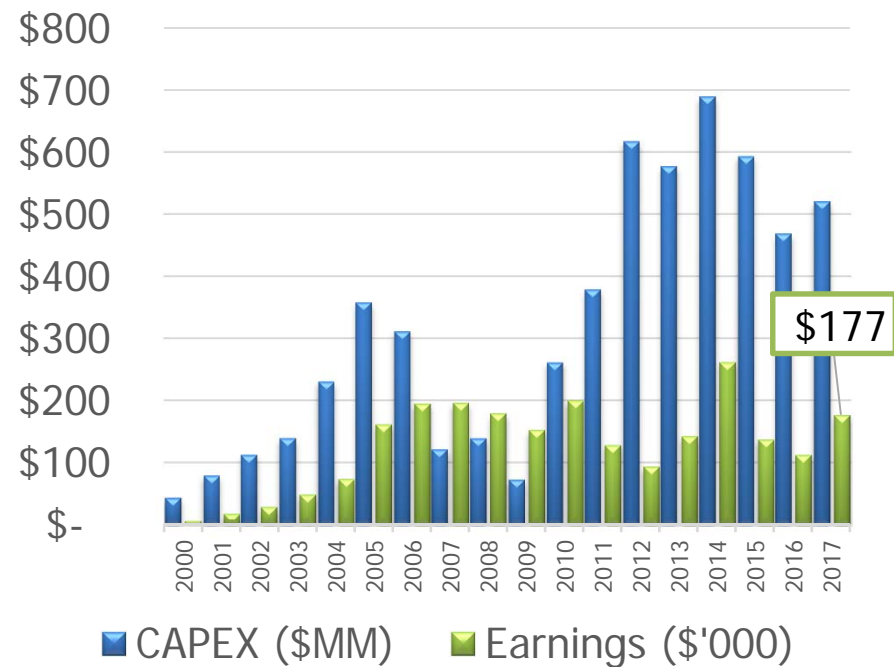


# \$2.3B

Peyto Earnings  
CTD Q4/17

# \$5.7B

Peyto Capital  
CTD Q4/17



# The Peyto Strategy

## Dividend Sustainability

"The best way to ensure sustainable dividends is to generate earnings. By definition dividends come from profits and that's where Peyto's come from."

PEYTO



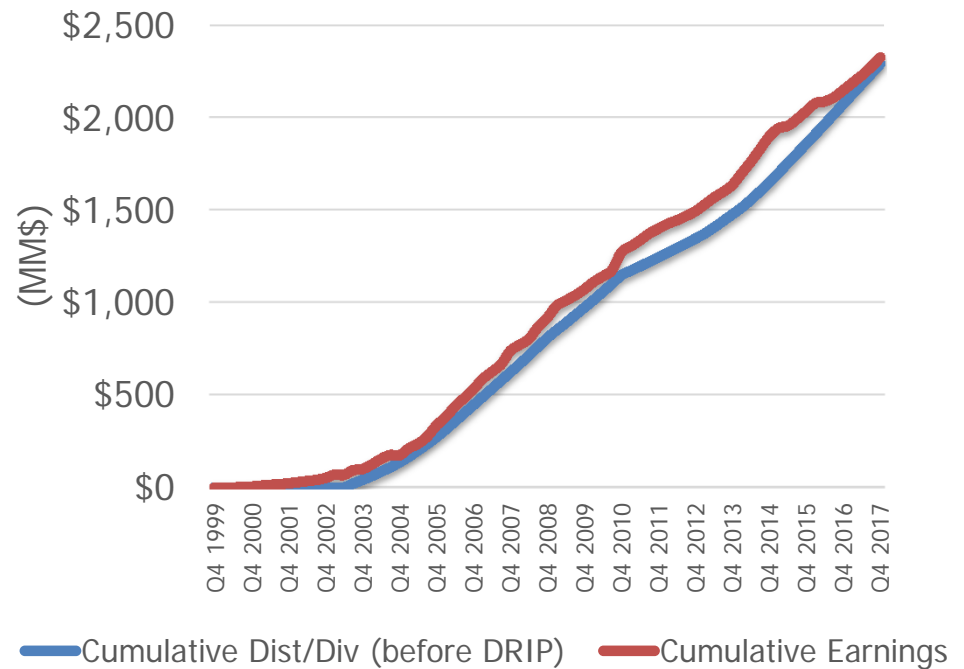
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**\$2.3B**

Peyto Ctd. Earnings  
Q4/17

**\$2.3B**

Peyto Ctd. Dist/Div.  
Q4/17



# Peyto's Profitable Business

"Build it for less than we sell it"

"Peyto has some of the lowest supply costs in North America which is why it consistently delivers some of the highest profit margins."

	<u>PEY 2014</u>	<u>PEY 2015</u>	<u>PEY 2016</u>	<u>PEY 2017</u>
PDP FD&A \$/mcf	(\$2.25)	(\$1.64)	(\$1.44)	(\$1.36)
Cash Costs \$/mcf	(\$1.08)	(\$0.81)	(\$0.76)	(\$0.83)
<b>Supply Cost</b>	<b>(\$3.26)</b>	<b>(\$2.45)</b>	<b>(\$2.20)</b>	<b>(\$2.19)</b>
Sales Price \$/mcf	<u>\$5.04</u>	<u>\$3.83</u>	<u>\$3.18</u>	<u>\$3.38</u>
Profit \$/mcf	\$1.71	\$1.38	\$0.98	\$1.19
Dividend \$/mcf	34% \$1.05	36% \$1.11	31% \$1.01	35% \$0.97

2017  
Land/Acq/Disp  
Seismic  
Drilling  
Compl.  
Wellsite  
Facilities  
**\$521MM**  
ΔPDP (383 BCFe)

2017 FD&A  
\$1.36/mcfe

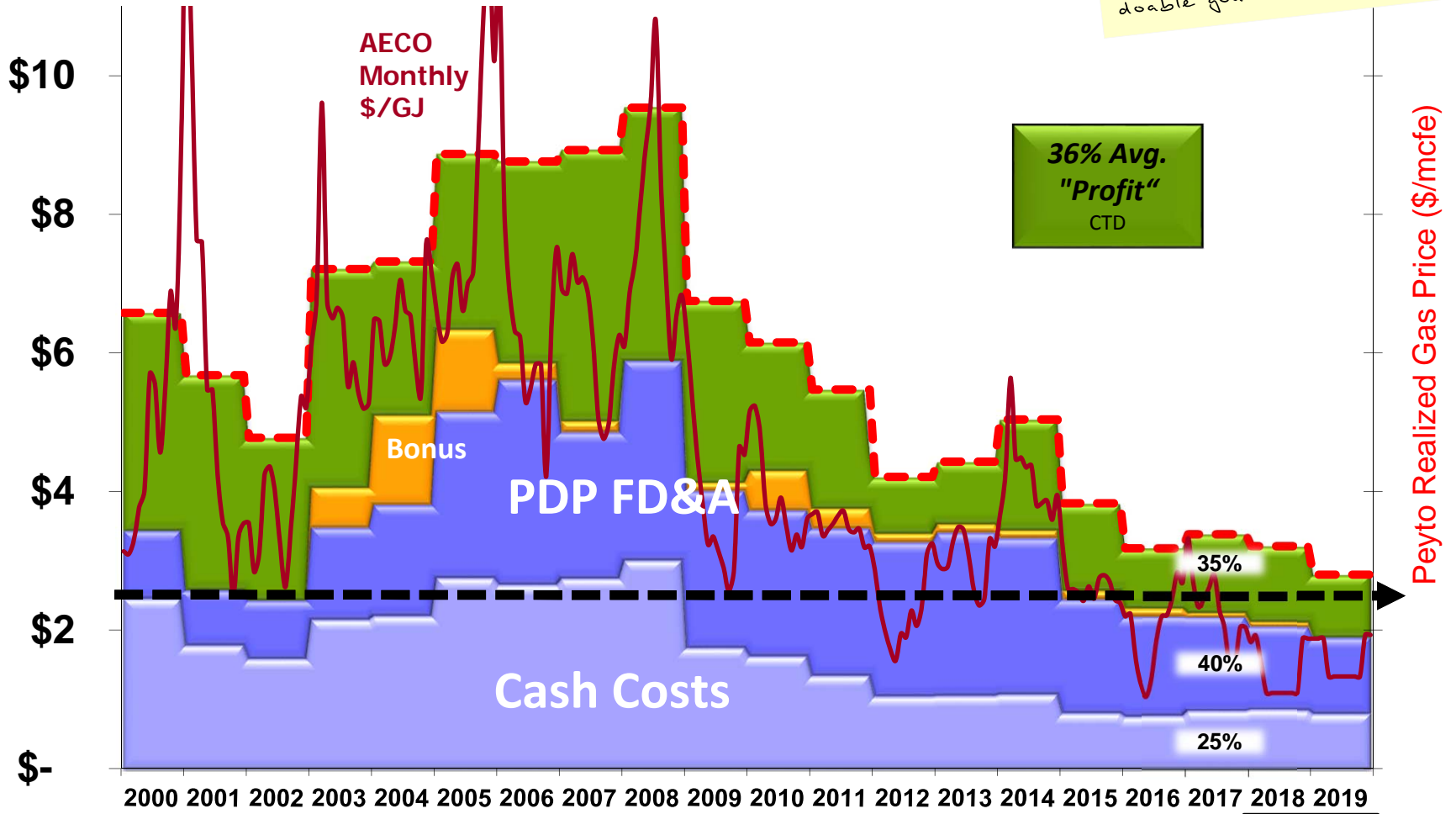
Royalties	(\$0.15)
Opex	(\$0.27)
Transport	(\$0.16)
G&A	(\$0.04)
Interest	(\$0.21)
<b>Total Costs</b>	<b>(\$0.83)</b>

\$2.30/GJ AECO  
daily/monthly  
X 145% (heat content+LPG)  
\$3.13/mcfe  
\$0.25/mcfe hedging  
\$3.38/mcfe Realized

# Peyto's Profitable Business

*The Price Bar Is Now Very Low, We Must Be Lower*

"At \$1.50/GJ AECO Peyto generates around \$2.50/mcfe unhedged revenue (at current liquid yield) so we need to reduce costs by 20% by 2019 to preserve our 30% profit margin. A very doable goal."



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



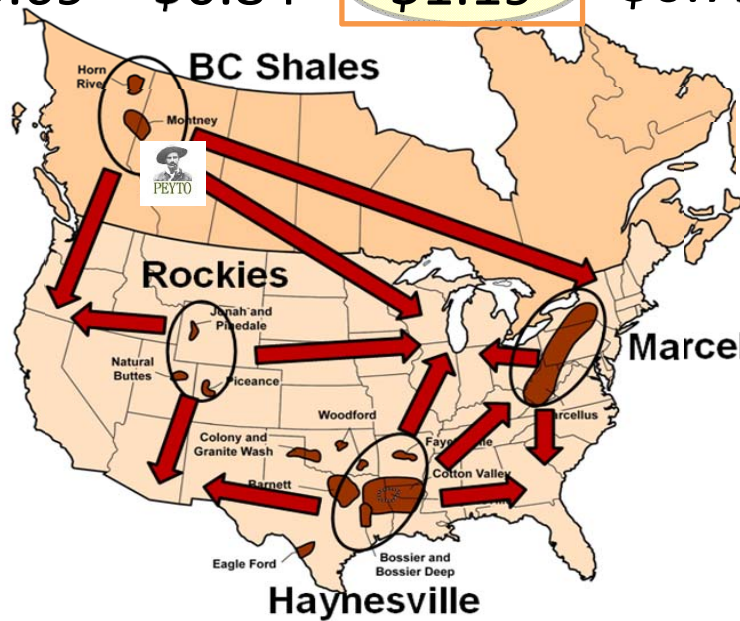
# Peyto's Profitable Business

## Competitive In The North American Marketplace

PI  
Exp

"2017 was a good year for most, Peyto included, but can the industry generate repeatable profit every year? Peyto has for 18 years straight."

	<u>100% Montney VII 2017*</u>	<u>65% DB/35% Mont. TOU 2017*</u>	<u>100% Deep Basin PEY 2017</u>	<u>100% Montney AAV 2017*</u>	<u>10% DB/90% Mont. ARX 2017*</u>		<u>Marcellus/Utica RRC 2017*</u>	<u>Marcellus/Utica AR 2017*</u>
<i>PDP FD&amp;A \$/mcf</i>	(\$2.53)	(\$1.38)	(\$1.36)	(\$1.32)	(\$2.51)			
<i>Cash Costs \$/mcf</i>	(\$2.58)	(\$1.33)	(\$0.83)	(\$0.90)	(\$2.30)			
<i>Supply Cost</i>	(\$5.11)	(\$2.71)	(\$2.19)	(\$2.22)	(\$4.81)			
<i>Sales Price \$/mcf</i>	\$5.80	\$3.55	\$3.38	\$3.02	\$5.07			
<i>Profit/(Loss)</i>	\$0.69	\$0.84	\$1.19	\$0.79	\$0.27			
	<u>Permian PXD 2017*</u>	<u>Permian FANG 2017*</u>				<u>Marcellus Cabot 2017</u>		
	(\$1.29)	(\$4.63)				(\$0.53)	(\$0.49)	(\$0.64)
	(\$2.37)	(\$1.60)				(\$1.10)	(\$1.82)	(\$1.07)
	(\$3.66)	(\$6.23)				(\$1.63)	(\$2.31)	(\$1.71)
	\$6.26	\$6.88				\$2.51	\$2.99	\$3.61
	\$2.61	\$0.66				\$0.88	\$0.67	\$1.90



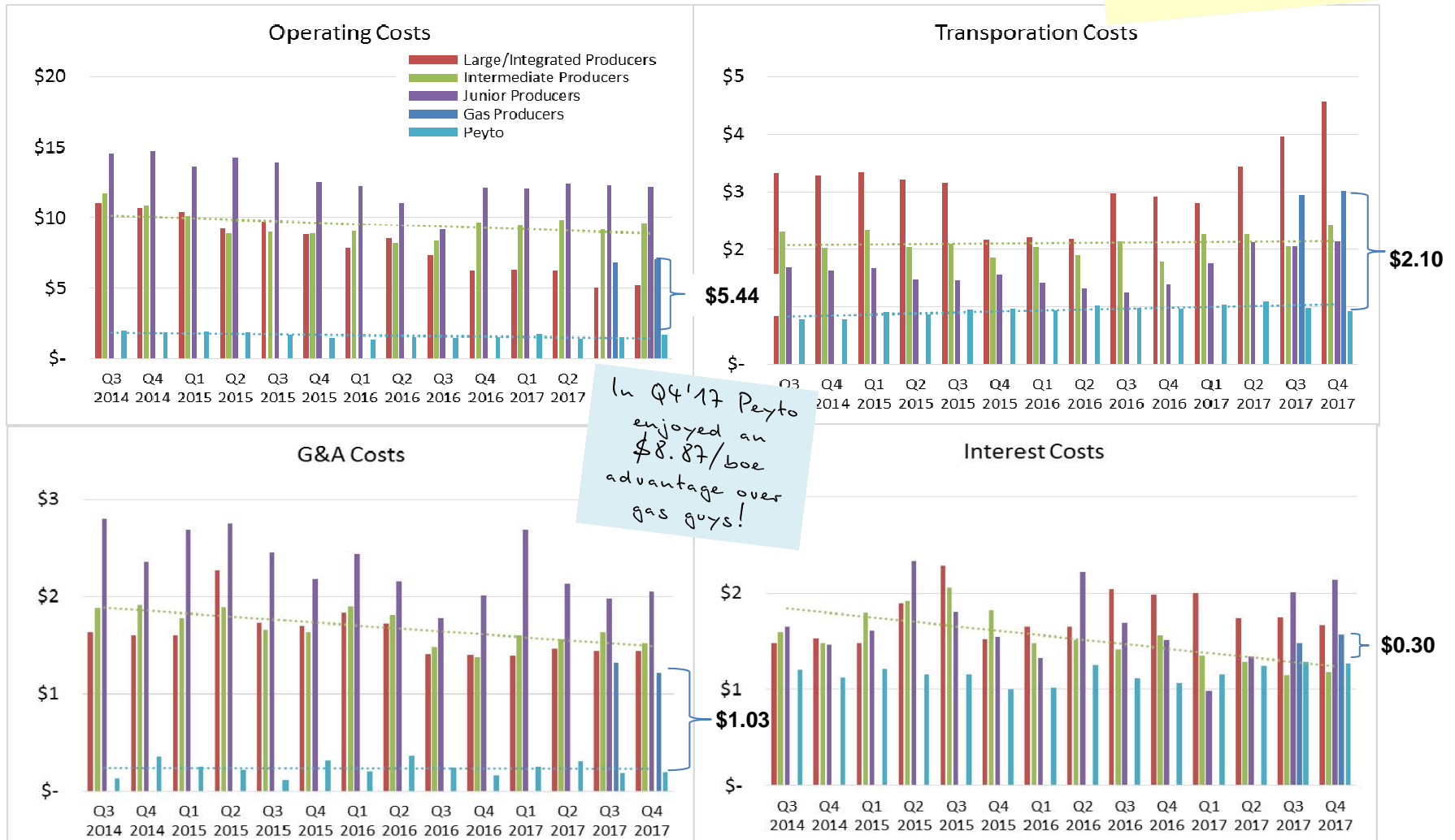
Source: IHS CERA

\*Data from Peter's & Co.  
Costs and revenues left in US\$ or CAD\$ as applicable to show relative margin

# Peyto's Profitable Business

## Results in a Low Cost Advantage

"We have a huge head start over the rest of the industry, including other Canadian gas producers, from a cash cost perspective."



BOE factor - 6 mcf = 1 bbl of oil equivalent

Data from Peter's & Co.

Gas producers include: AAV,PNE,CKE,CQE,TOU,SRX,BIR,BXE,CR,ARX,BNP,POU,DEE,KEL,ECA,VII

# Peyto's Assets

*Geographically Focused Core Areas*

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

**PEYTO**



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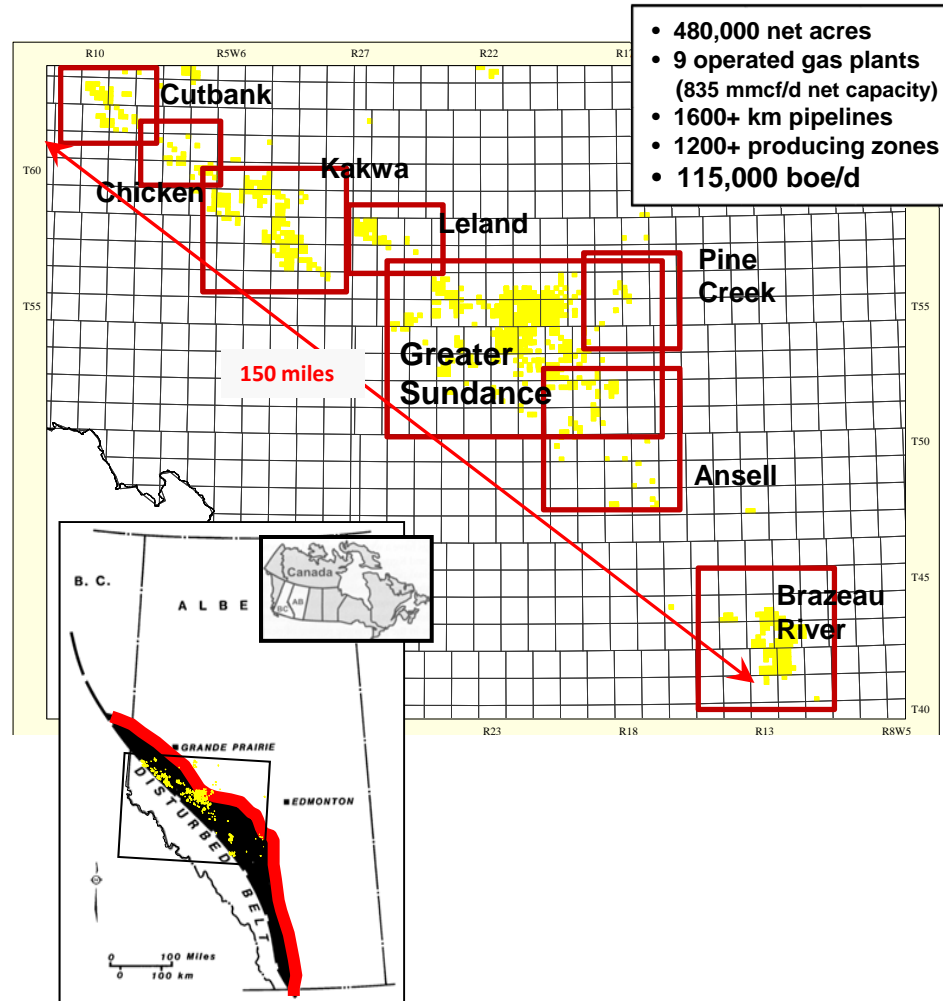
# 99%

Of Production:  
Processed by Peyto  
Operated by Peyto

# 99%

Working Interest in 9  
Processing Facilities

- 480,000 net acres
- 9 operated gas plants (835 mmcf/d net capacity)
- 1600+ km pipelines
- 1200+ producing zones
- 115,000 boe/d

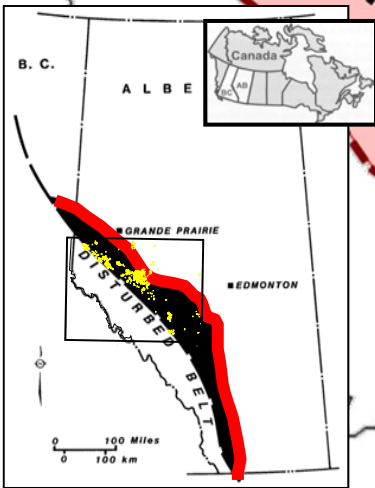
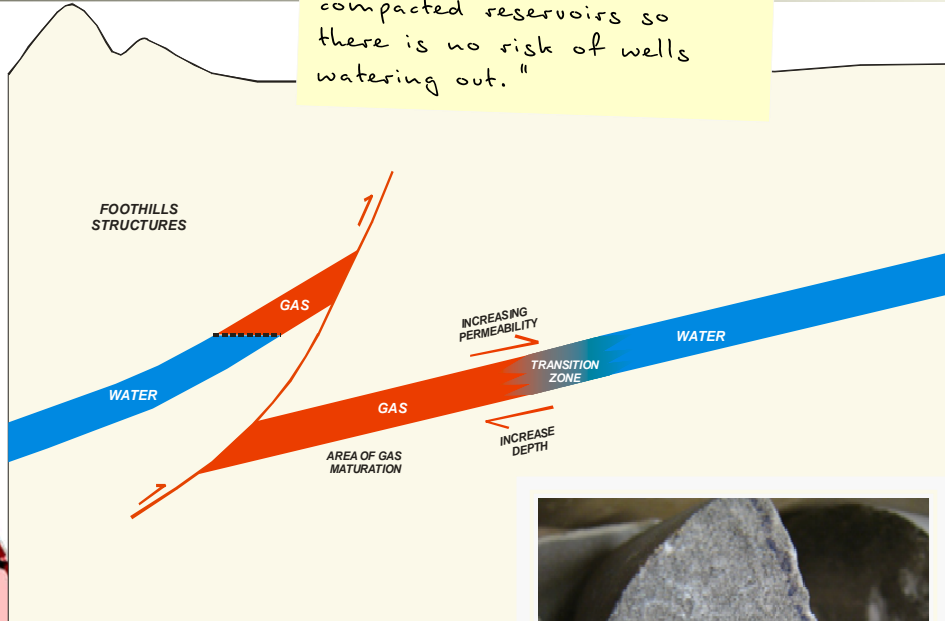
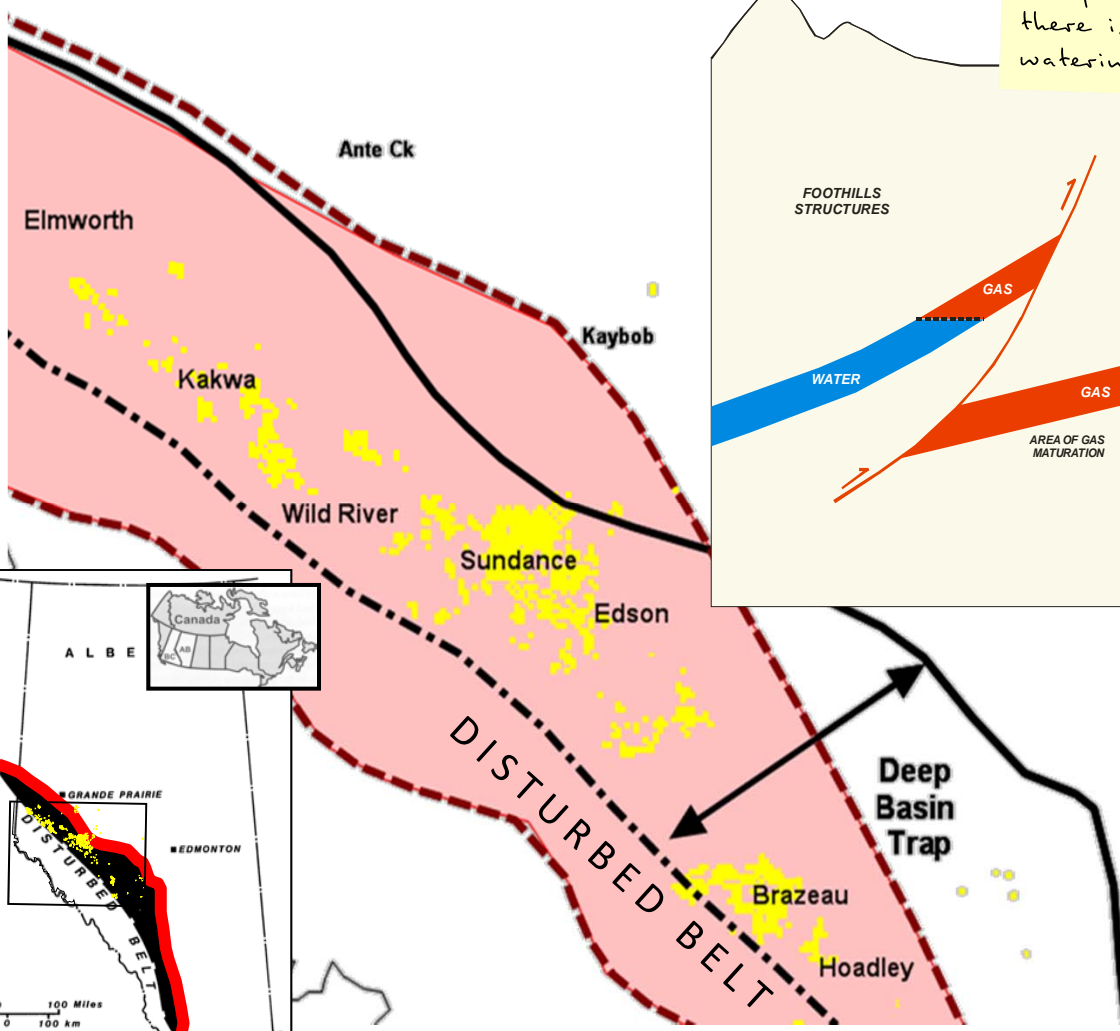


# Peyto's Assets

## Deep Basin Permeability Segregation



"The Deep Basin is a permeability trap, because the fluids in the updip position can't travel through these fine grained, tightly compacted reservoirs so there is no risk of wells watering out."

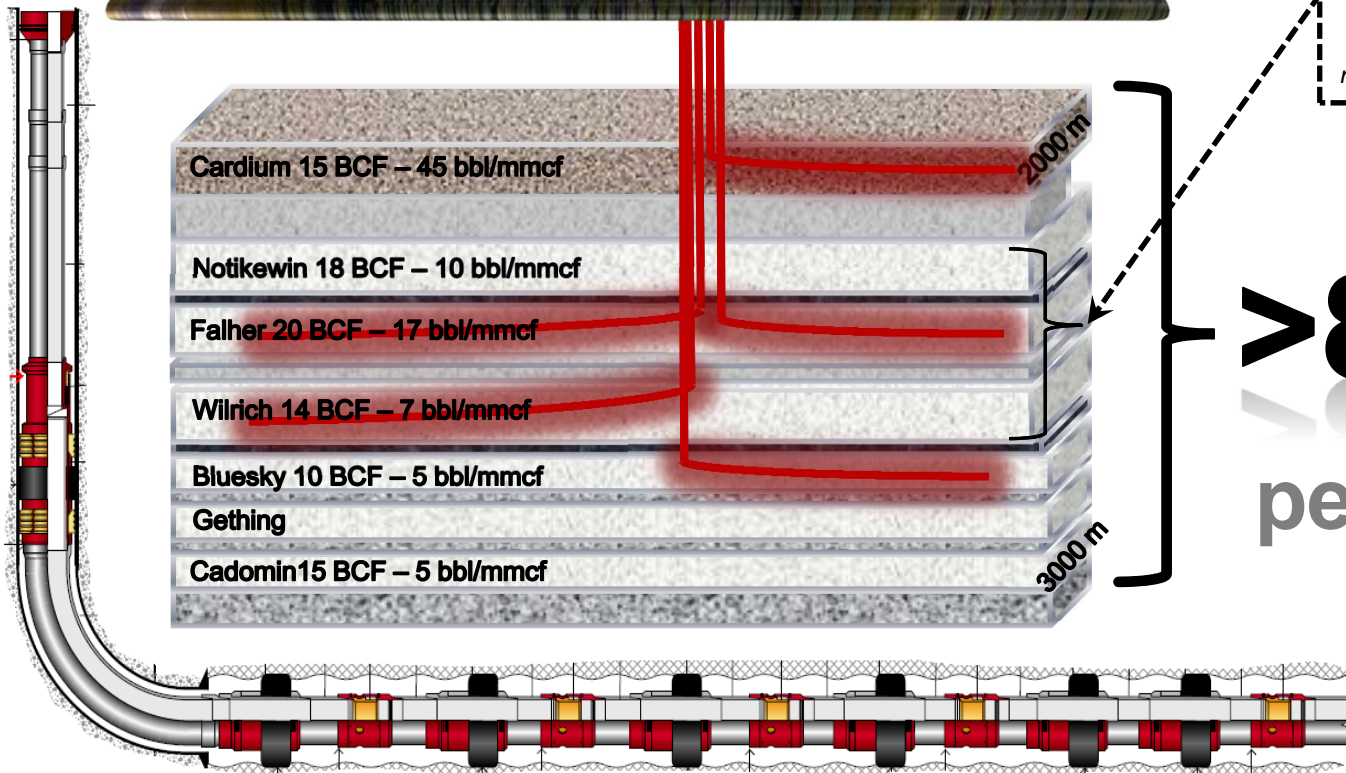
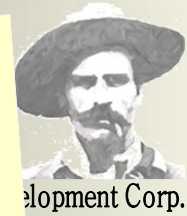




# Peyto's Assets

## 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

## Large Hz MSF Inventory

"Peyto has developed 3.5 TCFe using vertical and now horizontal wells. But there is a lot more to do. Almost 40 years worth of drilling inventory at current pace."

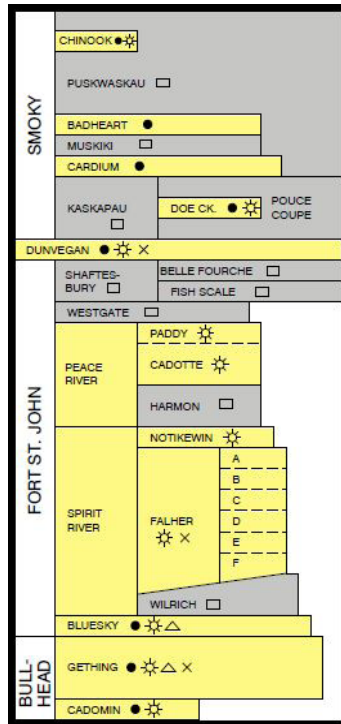
**PEYTO**



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Done<sup>1</sup>

To Do



	<u>Total Vertical Wells</u>	<u>Total Hz Wells</u>	<u>Total Hz(Vt) Locations Booked*</u>	<u>Total Hz Locations Unbooked</u>	
SMOKY	2	74	(2) (3) 174(13)	414	588 (13) *
DUNVEGAN	5	1	5	8	
FORT ST. JOHN	1	174	2(2)	20	229 (2)
	90	74	160(2)	69	
	7	111	40	8	
	14	381	162	319	550
	4	39	2	20	560
BULL-HEAD	12	2	378	182	560
	87	2	54	48	102
	662	858	16	206	<del>102</del>
			<u>993(22)</u> 1015	1294	>2000 locations

1. Drilling to Dec 31, 2017

\*As recognized in the IPC independent reserve report dated Dec. 31, 2017



# Peyto's Assets

*Deep Basin Lands Go A Long Way*

"We purchased 88 sections of new land in 2017. With less than 10% of our lands developed, the undeveloped acreage could potentially accommodate over 10,000 more locations."



# 751

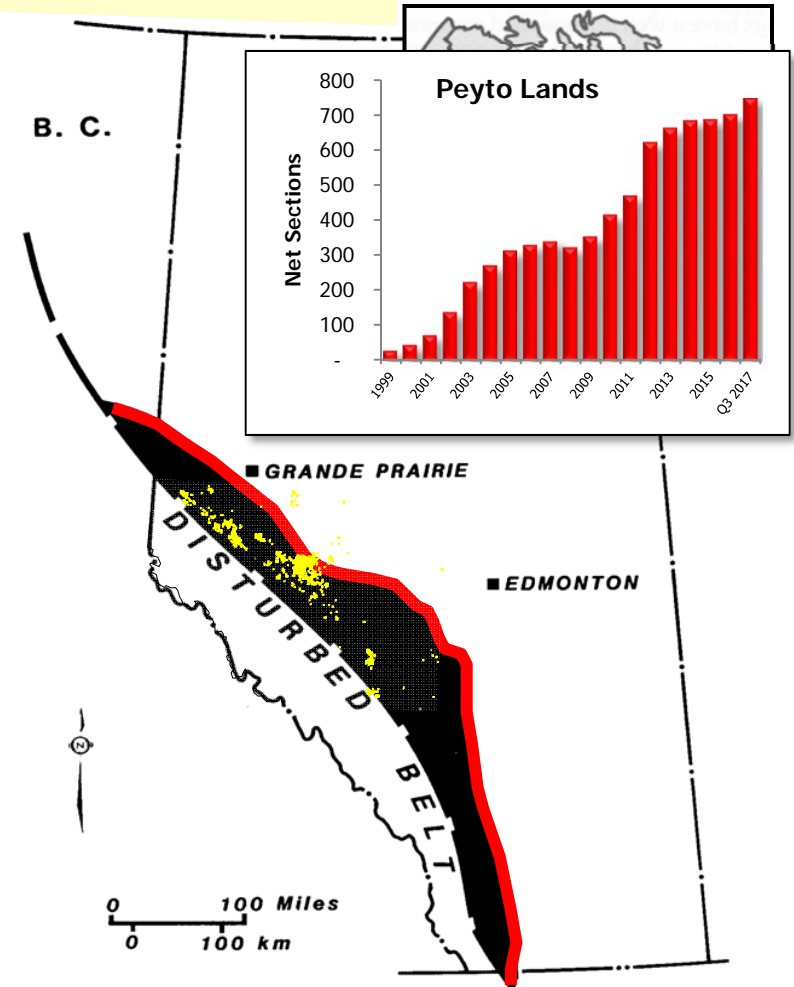
Net Peyto Sections

# 2,931

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

# 273

Net Sections – Developed Area of All Reserves Found and Developed Since Peyto Began (3.5 TCFe EUR)\*



TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable  
 \*Based on InSite Petroleum Consultants Dec 31, 2017 Reserve Report.  
 Lands at Dec 31, 2017

# Peyto's Assets

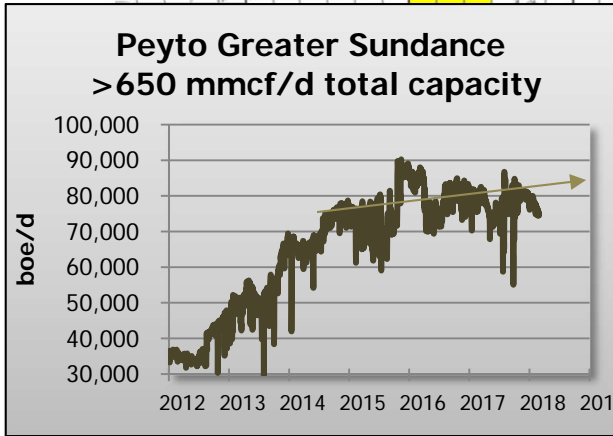
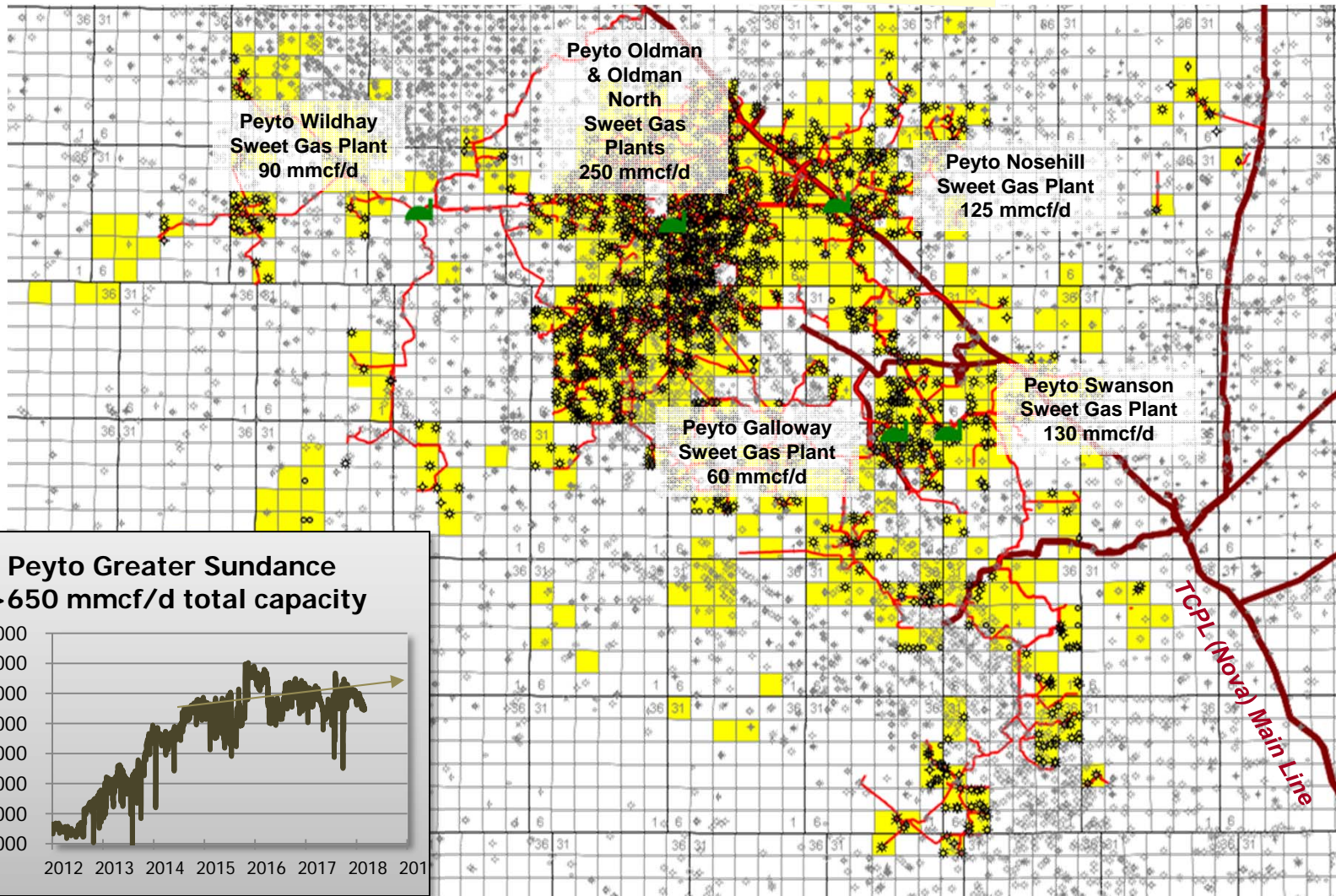
## Greater Sundance Area

"The Greater Sundance Area continues to grow, much like a city with new subdivisions and infrastructure, with renewed interest in the Cardium."

**PEYTO**



Exploration & Development Corp.





# Peyto's Assets

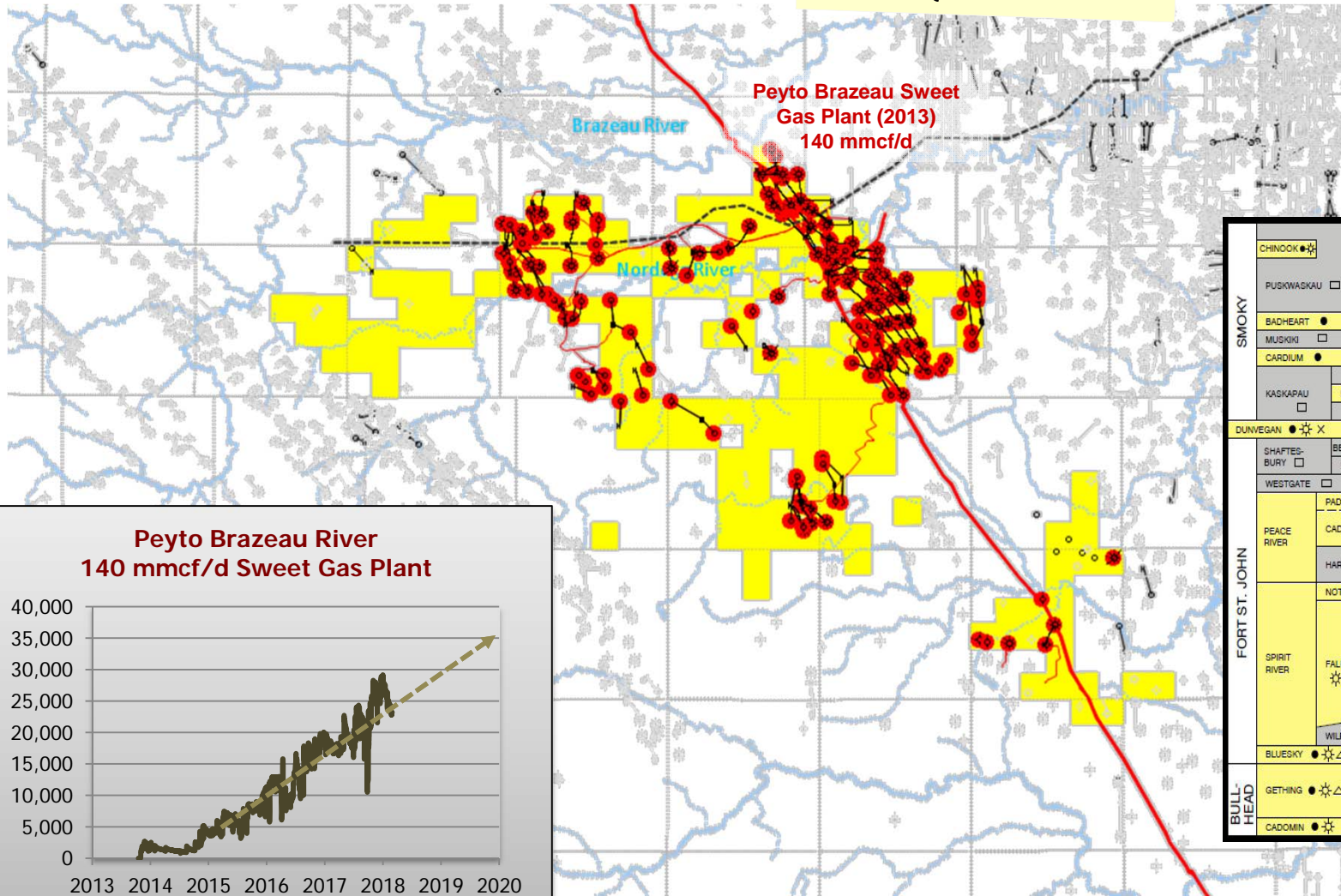
## The Greater Brazeau River Area?

"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 ready to continue expanding."

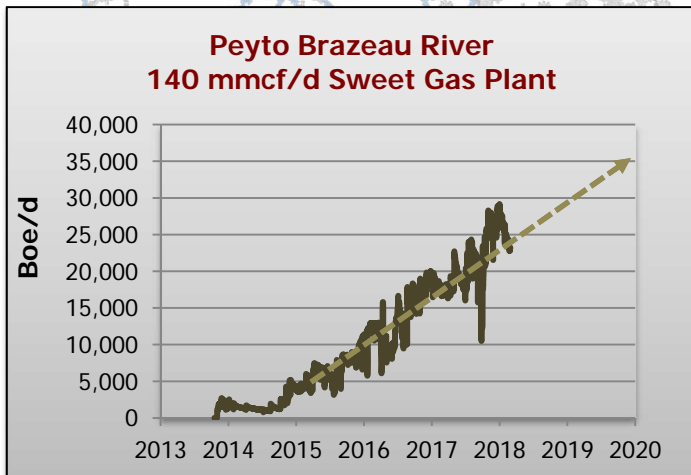
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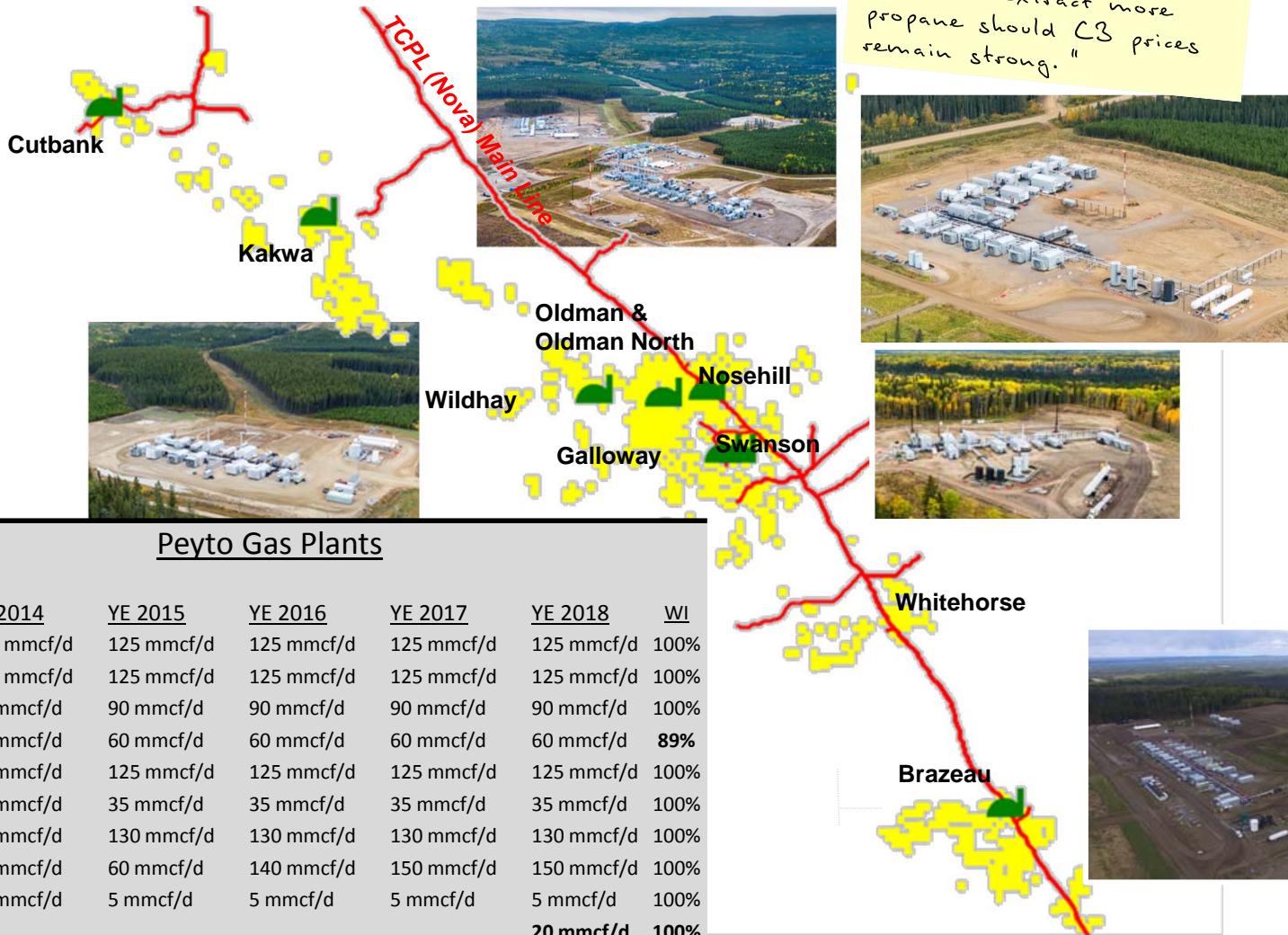
SMOKY	CHINOOK	<input checked="" type="checkbox"/>
	PUSKWASKAU	<input type="checkbox"/>
	BADHEART	<input checked="" type="checkbox"/>
	MUSKIKI	<input type="checkbox"/>
	CARDIUM	<input checked="" type="checkbox"/>
FORT ST. JOHN	KASKAPAU	<input type="checkbox"/>
	DOE CK	<input checked="" type="checkbox"/>
	POUCE COUPE	<input type="checkbox"/>
	DUNVEGAN	<input checked="" type="checkbox"/>
	SHAFTS-BURY	<input type="checkbox"/>
	BELLE FOURCHE	<input type="checkbox"/>
	FISH SCALE	<input type="checkbox"/>
	WESTGATE	<input type="checkbox"/>
	PADDY	<input checked="" type="checkbox"/>
	PEACE RIVER	<input type="checkbox"/>
CADOTTE	<input checked="" type="checkbox"/>	
HARMON	<input checked="" type="checkbox"/>	
NOTHERM	<input checked="" type="checkbox"/>	
BULL HEAD	SPIRIT RIVER	<input type="checkbox"/>
	FALHER	<input checked="" type="checkbox"/>
	WILRICH	<input checked="" type="checkbox"/>
	BLUESKY	<input type="checkbox"/>
	GETHING	<input type="checkbox"/>
CADOMIN	<input type="checkbox"/>	



# Peyto's Assets

## Facility Ownership And Control

"2018 budget includes a new 20 mmcf/d gas plant at Whitehorse. Peyto has the option to install deep cut facilities in at least 5 more of its gas plants to extract more propane should CB prices remain strong."



Peyto Gas Plants

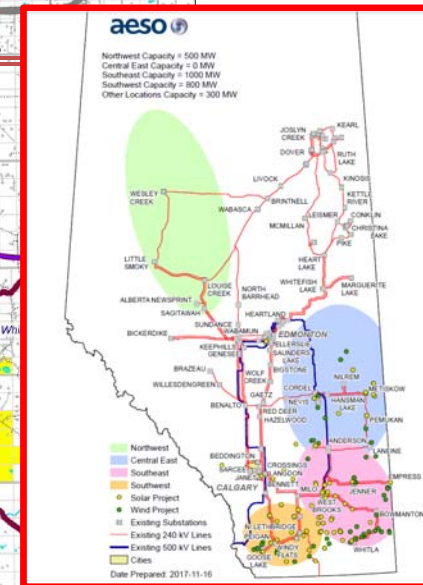
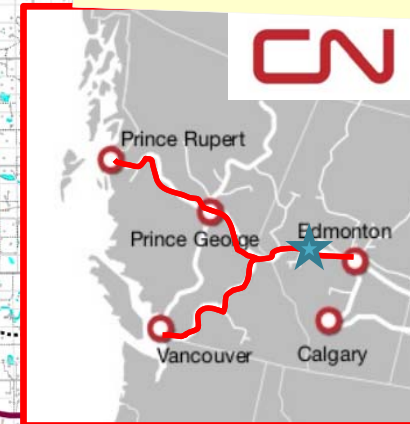
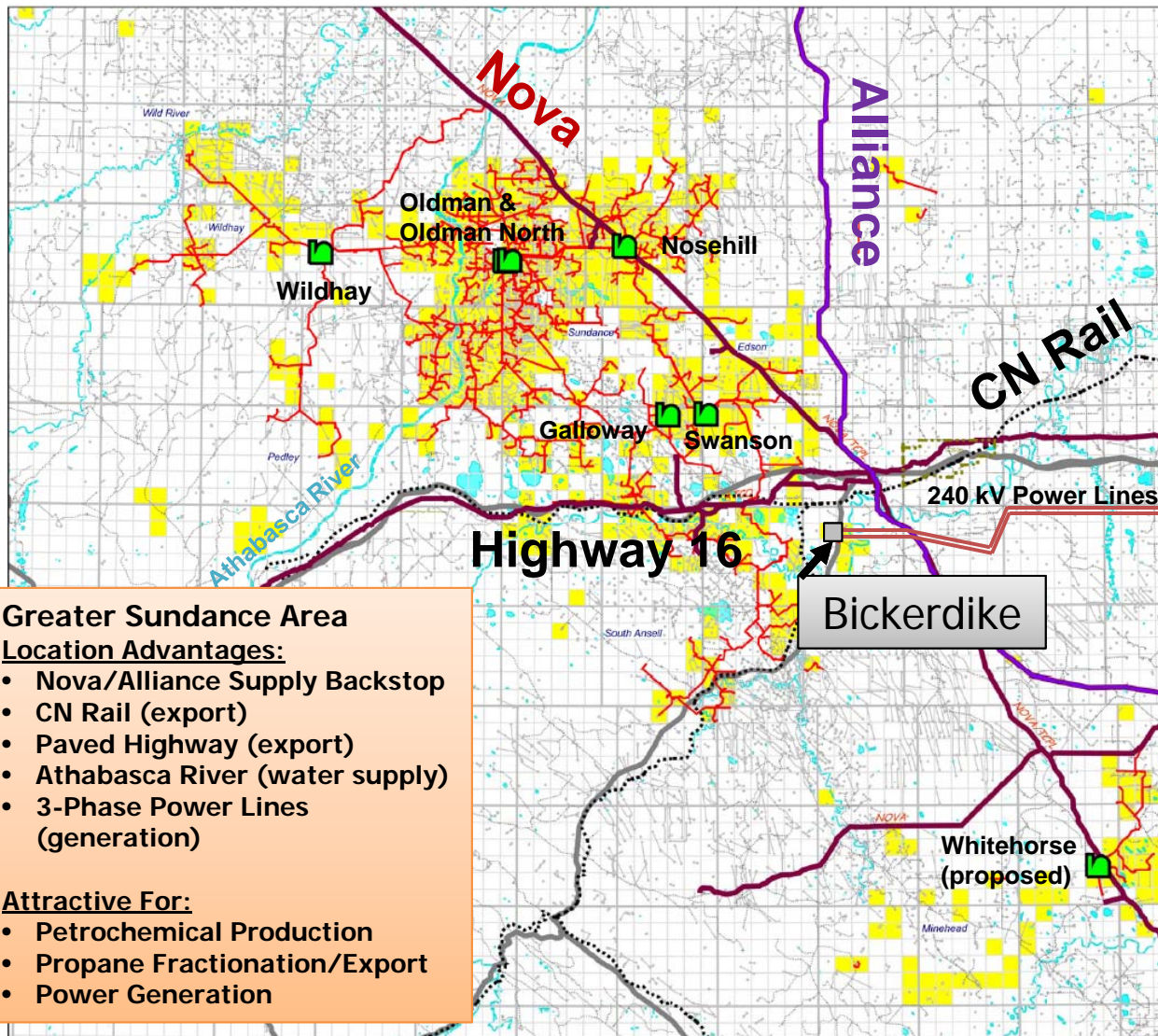
	<u>YE 2014</u>	<u>YE 2015</u>	<u>YE 2016</u>	<u>YE 2017</u>	<u>YE 2018</u>	<u>WI</u>
1 Oldman	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
2 Nosehill	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
3 Wildhay	90 mmcf/d	90 mmcf/d	90 mmcf/d	90 mmcf/d	90 mmcf/d	100%
4 Galloway	60 mmcf/d	60 mmcf/d	60 mmcf/d	60 mmcf/d	60 mmcf/d	89%
5 Oldman North	80 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
6 Kakwa	35 mmcf/d	35 mmcf/d	35 mmcf/d	35 mmcf/d	35 mmcf/d	100%
7 Swanson	65 mmcf/d	130 mmcf/d	130 mmcf/d	130 mmcf/d	130 mmcf/d	100%
8 Brazeau West	40 mmcf/d	60 mmcf/d	140 mmcf/d	150 mmcf/d	150 mmcf/d	100%
9 Cutbank	10 mmcf/d	5 mmcf/d	5 mmcf/d	5 mmcf/d	5 mmcf/d	100%
<b>10 Whitehorse</b>					<b>20 mmcf/d</b>	<b>100%</b>
<b>Total</b>	<b>630 mmcf/d</b>	<b>755 mmcf/d</b>	<b>835 mmcf/d</b>	<b>845 mmcf/d</b>	<b>865 mmcf/d</b>	<b>99%</b>



# Peyto's Assets

## Unique Infrastructure Location

"Peyto's Greater Sundance Area plant/gathering/resource sits on Nova, on divided highway, on rail, and on the 3 phase power grid making it perfectly situated for Petchem and power generation infrastructure investments."



### Greater Sundance Area Location Advantages:

- Nova/Alliance Supply Backstop
- CN Rail (export)
- Paved Highway (export)
- Athabasca River (water supply)
- 3-Phase Power Lines (generation)

### Attractive For:

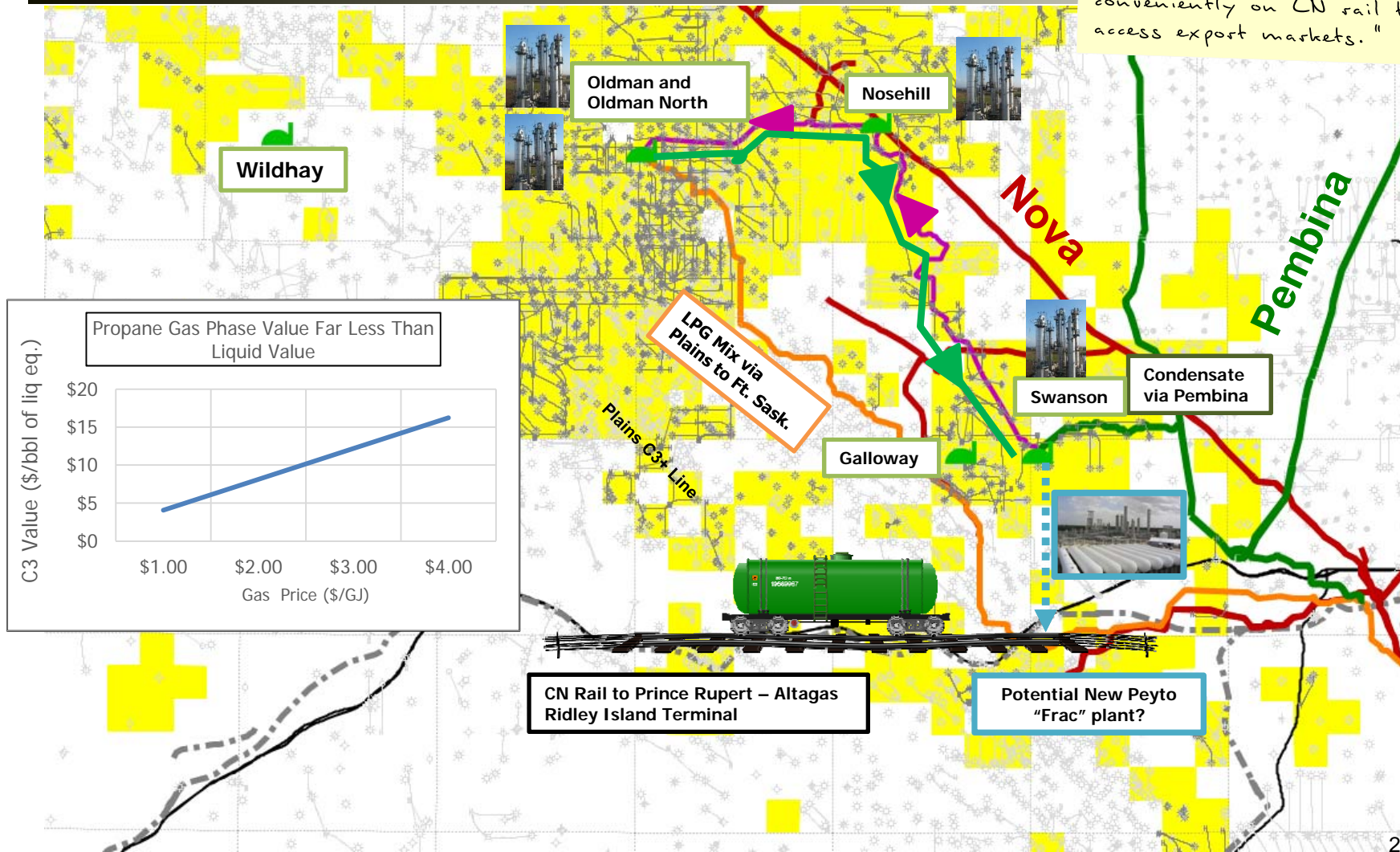
- Petrochemical Production
- Propane Fractionation/Export
- Power Generation



# Peyto's Assets

## Potential For Additional Liquids Extraction

"Peyto's plants are interconnected with liquids sales lines that would allow for deep cut installations and potential fractionation and marketing of pure products. We're also conveniently on CN rail to access export markets."

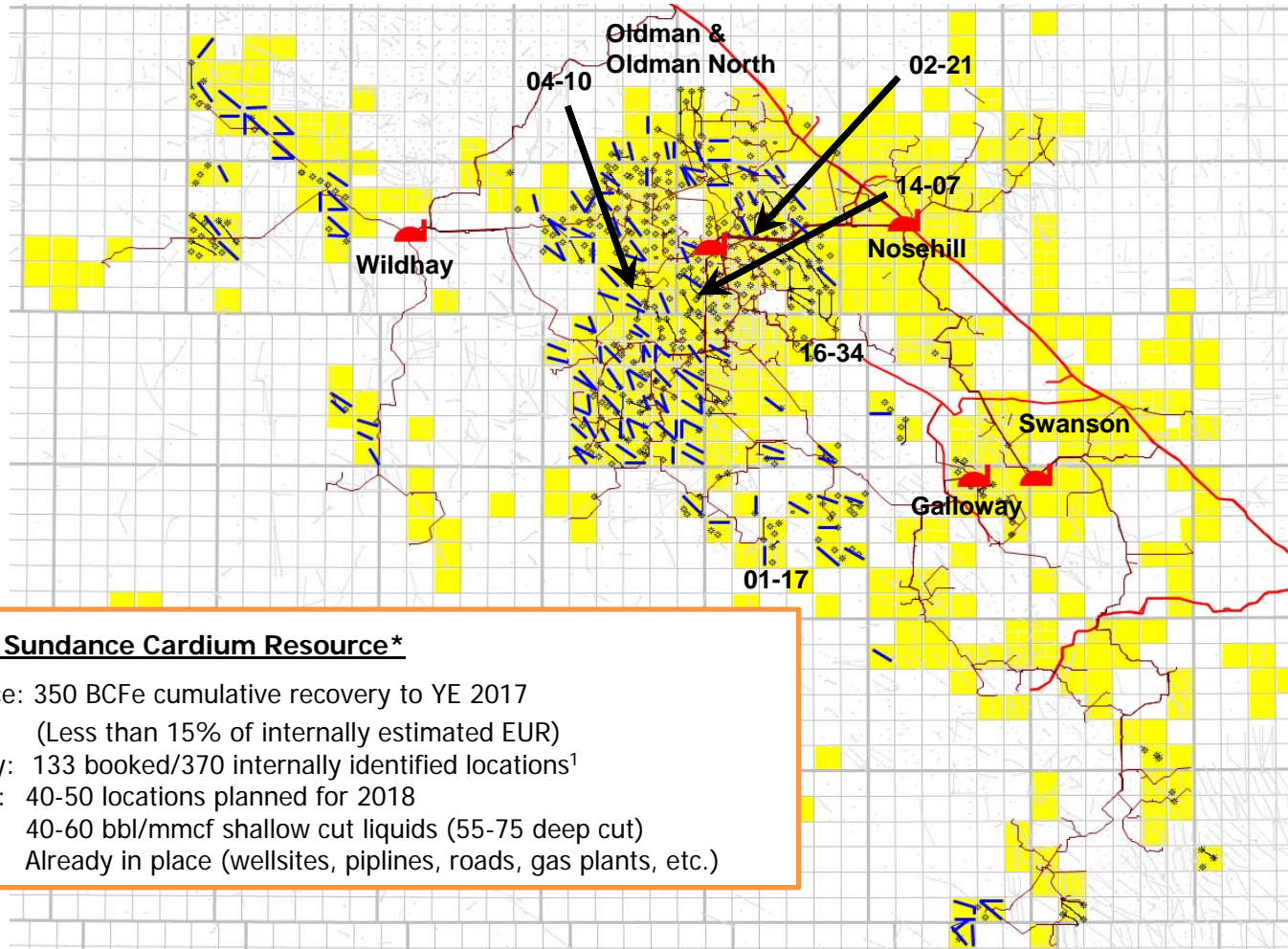




# Peyto's Assets

## The "New" Cardium Play – Abundant Opportunities

"The Cardium is a very proven resource. Now with more economic well design it can be efficiently developed using all the existing infrastructure."



**Total Greater Sundance Cardium Resource\***

Proven Resource: 350 BCFe cumulative recovery to YE 2017  
(Less than 15% of internally estimated EUR)

Large Inventory: 133 booked/370 internally identified locations<sup>1</sup>

Active Program: 40-50 locations planned for 2018

Liquids Rich: 40-60 bbl/mmcft shallow cut liquids (55-75 deep cut)

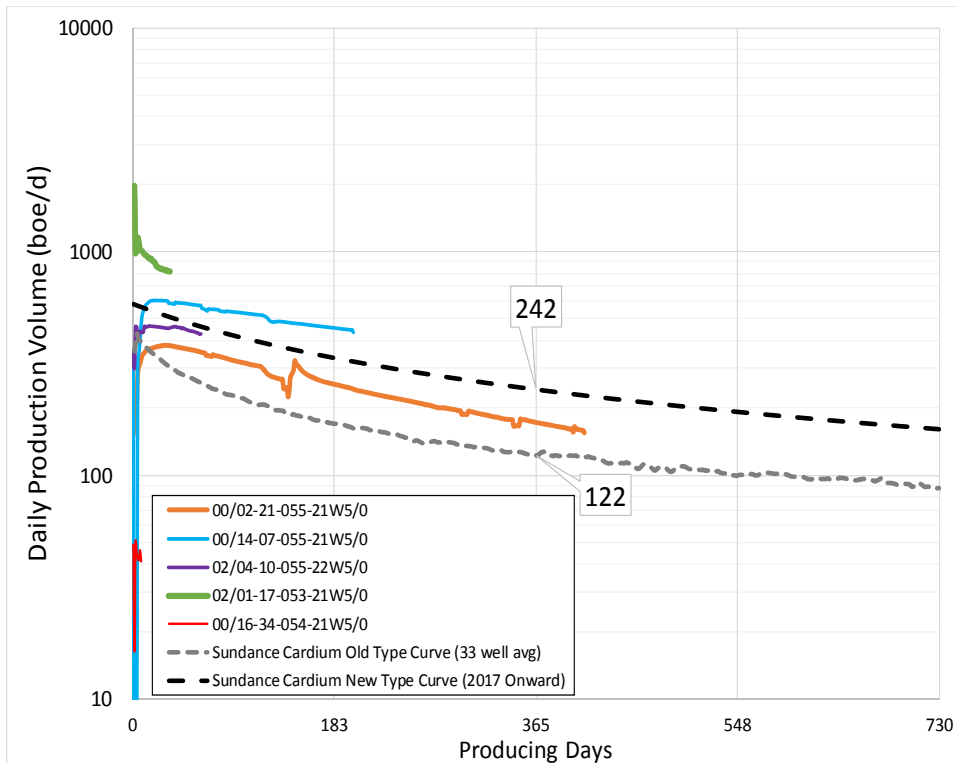
Infrastructure: Already in place (wellsites, pipelines, roads, gas plants, etc.)

• Cardium resource assessment is Peyto's internal estimate of ultimate recoverable under Peyto lands  
1. Both internal and booked locations are for the greater Sundance area only. Peyto has additional Cardium lands in it's northern areas

# Peyto's Assets

## The "New" Cardium Play – A Double

"New completion design has almost doubled the Cardium Hz type curve and increased the IRR to 44% at sub-\$2/GJ gas prices."



### Old Cardium Hz Well Design

EUR 2.75 BCFe  
 IP<sub>30</sub> 1.8 mmcf/d raw gas  
 C<sub>5</sub> 25 bbl/mmcf  
 C<sub>4</sub> 10 bbl/mmcf  
 C<sub>3</sub> 12.5 bbl/mmcf  
 Capex \$4.2MM (DCETFLS)  
 IRR 10% at Jan 4 strip

Jan 4 Strip (\$60 WTI)
2018 - \$1.32/GJ
2019 - \$1.53/GJ
2020 - \$1.68/GJ
2021 - \$1.93/GJ
2022 - \$2.11/GJ

### New Cardium Hz Well Design

EUR 3.75 BCFe  
 IP<sub>30</sub> 2.7 mmcf/d raw gas  
 C<sub>5</sub> 25 bbl/mmcf  
 C<sub>4</sub> 10 bbl/mmcf  
 C<sub>3</sub> 12.5 bbl/mmcf  
 Capex \$3.7MM (DCETFLS)  
**IRR 44% at Jan 4 strip**

- Full cycle capital includes drilling, completion, equip, tie-in, facilities, land and seismic

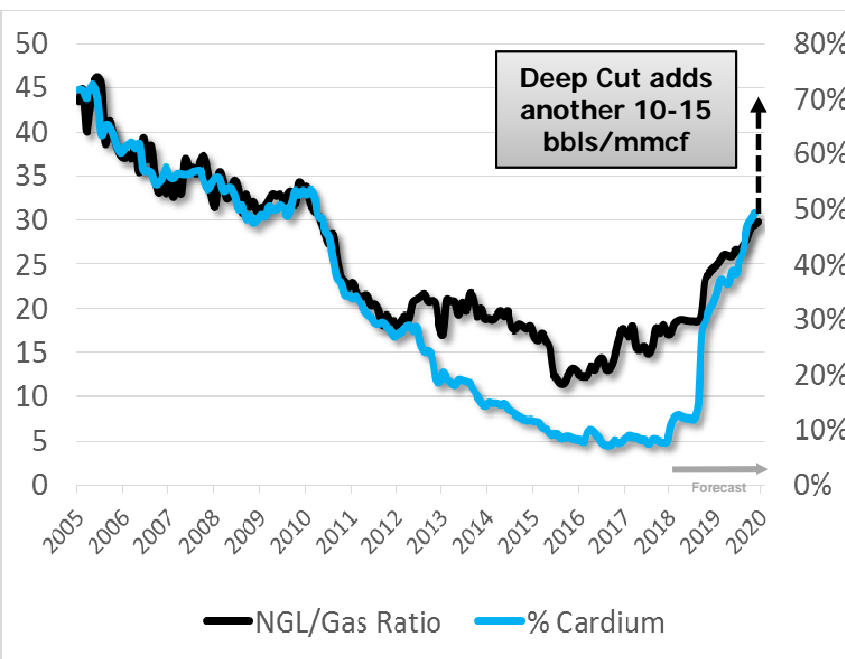
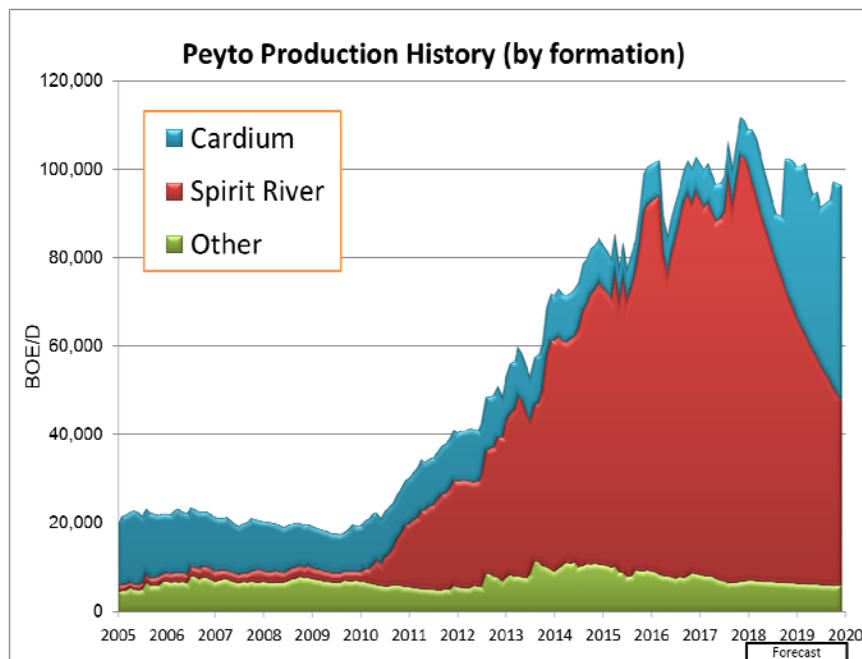
# Peyto's Assets

Strategies to Increase LGR to 40 bbls/mmcf

"By focusing on the Cardium going forward we can increase our proportion of total liquids production from 10% to 15%. Deep Cut could get us to 20%."



Development Corp.



## Q4 2017 NGL Split

Condensate (C <sub>5</sub> +) 6,489 bbls/d (62% of liq.)
Butane (C <sub>4</sub> ) 2,073 bbls/d (20% of liq.)
Propane (C <sub>3</sub> ) 1,917 bbls/d (18% of liq.)
<b>Total 10,479 bbls/d (10% of prod.)</b>
Gas 595.5 mmcf/d (99,250 boe/d)
NGL/Gas 17.6 bbls/mmcf

## YE 2019 forecast NGL Split

Condensate (C <sub>5</sub> +) 10,000 bbls/d (67% of liq.)
Butane (C <sub>4</sub> ) 2,700 bbls/d (18% of liq.)
Propane (C <sub>3</sub> ) 2,300 bbls/d (15% of liq.)
<b>Total 15,000 bbls/d (15% of prod.)</b>
Gas 500 mmcf/d (83,333 boe/d)
NGL/Gas 30 bbls/mmcf

\* 2018 and beyond provided for illustration only. Budgets and forecasts beyond 2018 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 liquid yields.

# Peyto's Returns

## Template Economics At Strip

"Even at the current AECO strip of \$1.32/GJ the economics are all positive but all improve significantly just by waiting a year. The Cardium with it's liquids is the best."

Species	IP MMcf	Avg. NGLs bbl/M M	EUR BCFE	D&C \$MM	IRR @ Jan 4 Strip	IRR @ Dec 7 Strip	IRR @ \$2.00 Flat	IRR @ \$2.50 Flat	IRR @ \$2.50 esc
Sundance Wilrich	5.3	10	2.6	2.8	4%	4%	6%	15%	18%
Nosehill Wilrich	5.5	10	3.3	3.0	8%	9%	11%	20%	23%
Ansell/Edson Wilrich	5.6	20	2.7	2.7	9%	10%	13%	23%	29%
Sundance Notikewin	5.5	12	3.4	2.6	14%	17%	22%	37%	40%
Ansell/Edson Notikewin	5.0	13	2.8	2.9	10%	13%	16%	29%	34%
Sundance Falher	5.2	15	3.0	2.7	8%	10%	12%	22%	28%
Sundance Cardium (new frac design)	2.7	47.5	3.8	3.1	44%	44%	53%	69%	89%
South Brazeau Wilrich	5.6	6	3.0	3.1	4%	7%	9%	21%	24%
Brazeau Notikewin (east and west combined)	7	19	3.9	3.2	12%	14%	17%	30%	37%
Whitehorse Wilrich	6	22	3.8	2.8	19%	22%	26%	40%	48%

\$500k is added to each well as a provision for 2018 Land, Seismic, Major Facilities and Pipelines, except for Sundance Cardium which include \$250k/well

Gas price fell, oil price rose. Same return.

Jan 4 Strip (\$60 WTI)  
 2018 - \$1.32/GJ  
 2019 - \$1.53/GJ  
 2020 - \$1.68/GJ  
 2021 - \$1.93/GJ  
 2022 - \$2.11/GJ

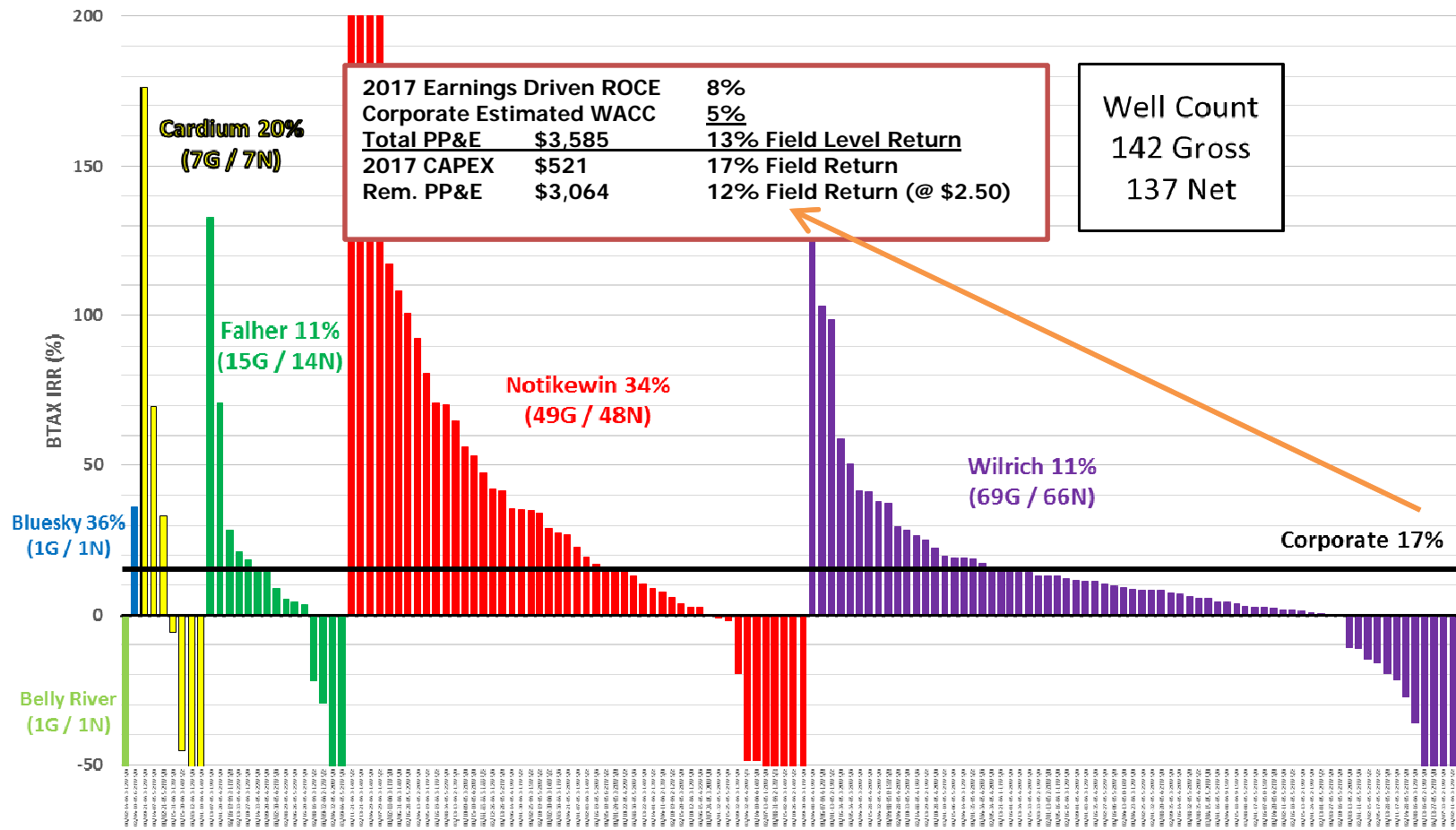
Dec 7 Strip (\$56 WTI)  
 2018 - \$1.52/GJ  
 2019 - \$1.75/GJ  
 2020 - \$1.98/GJ  
 2021 - \$2.19/GJ  
 2022 - \$2.31/GJ

# Peyto's Returns

## 2017 Full Cycle Returns By Formation

"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."

2017 Wells - Sorted By Species  
Price Deck: 2017 Actuals and \$2.50/GJ Forecast



IRRs evaluated at flat \$2.50/GJ price deck.

# Peyto's Returns

High Returns On Your Capital And Equity

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

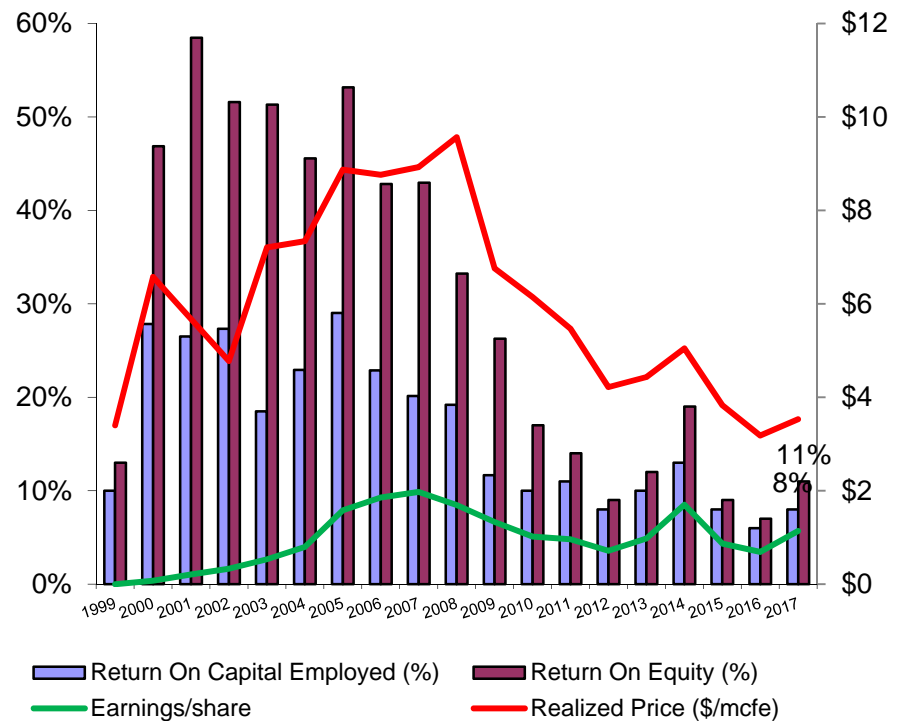


# 30%

19 yr Avg ROE to 2017

# 16%

19 yr Avg ROCE to 2017



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 (19 yrs 1999-2017)

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

## 2018 Outlook

"2018 will be a flexible year depending on the natural gas price outlook and seasonal dynamics regarding summer prices."

PEYTO



Exploration & Development Corp.

**\$200M-**  
**\$250M**

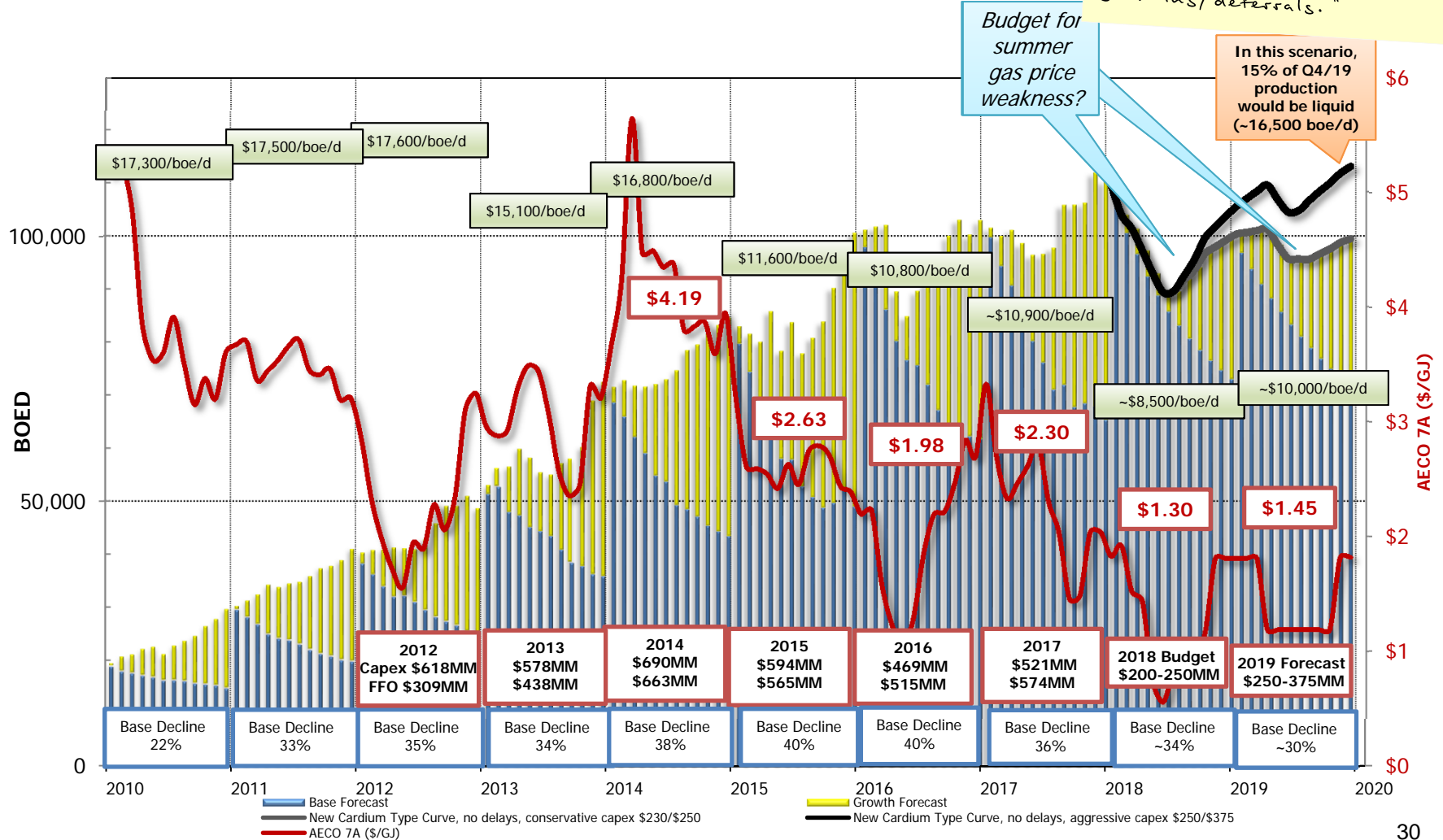
2018 Capital Program

- ✓ **Drill ~50-60Hz Wells**  
(Liquids Rich Natural Gas) vs 142 in 2017
- ✓ **Expand & Extract**  
Increase Processing Capacity & NGL Yield
- ✓ **Increase**  
Undeveloped Land Base
- ✓ **Shoot**  
Seismic
- ✓ **Acquire**  
Additional Opportunities and Partner Interests

# Peyto's Future

## Lower Supply Cost Before Returning to Growth

"The outlook for production and capital is very fluid, contingent on the futures curve for AECO gas prices which is changing rapidly. Peyto is nimble and can respond quickly with ramped up Cardium drilling or production shut-ins/deferrals."



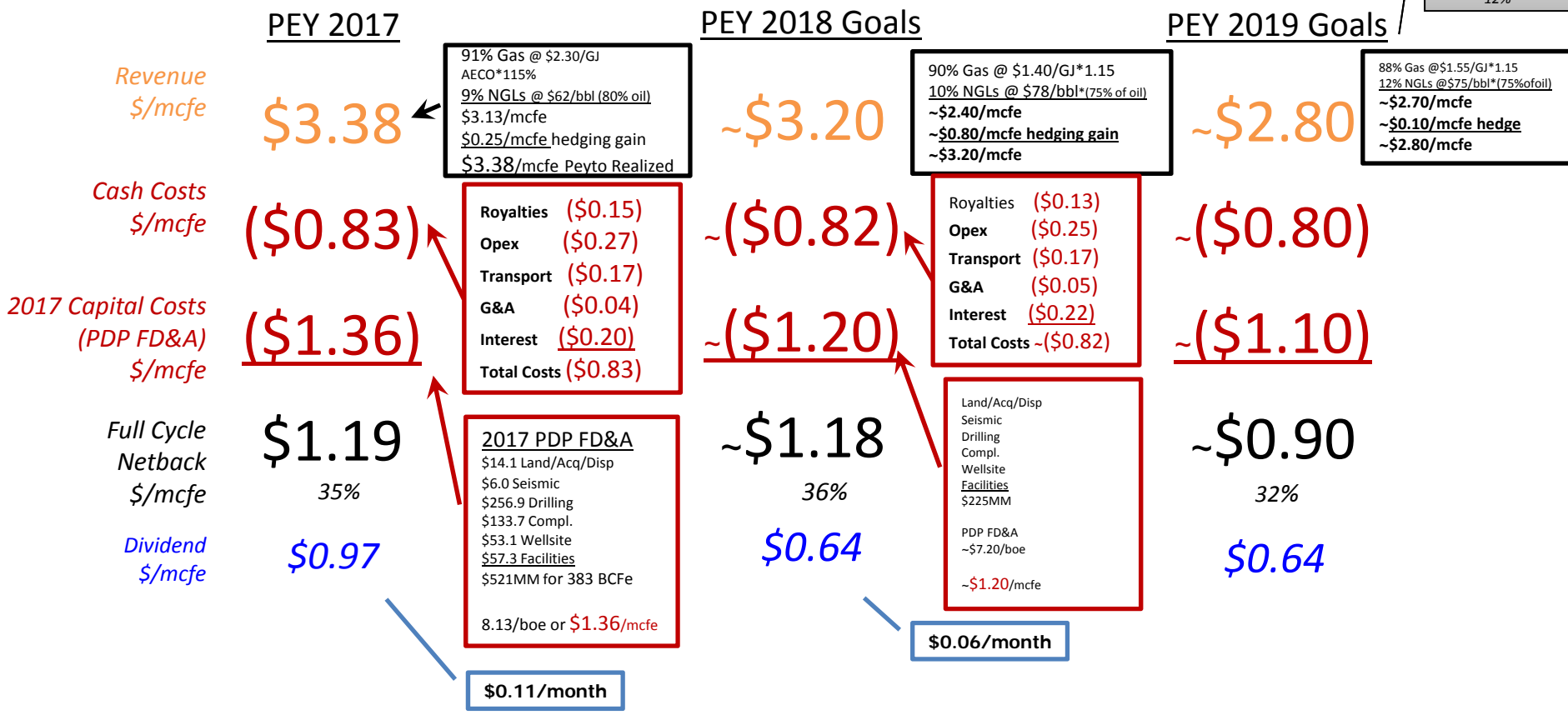
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# Peyto's Future

Lower Costs and Increase Liquids to Preserve Profit

"We HAVE to drive down our costs further to protect against a prolonged low gas price. There are no guarantees it will ever go higher. Hope is not a strategy but cost control is."

40 bbl/mmcft new adds in 2018/19 increases liq to 12%

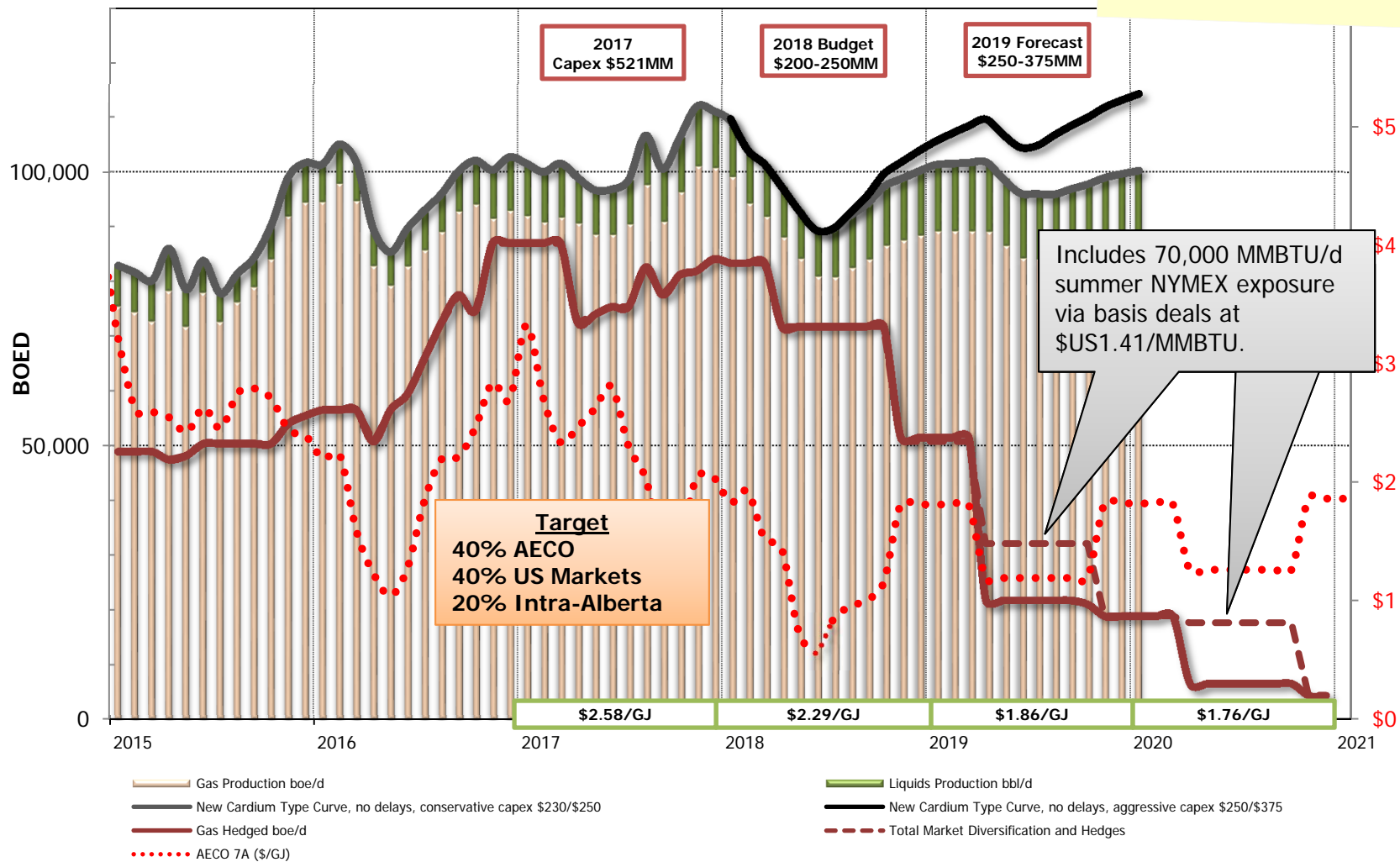


BOE factor - 6 mcfe = 1 bbl of oil equivalent

# Gas Marketing

## Future Market Diversification and Price Protection

"Between hedges and liquid revenue, almost 90% of Peyto's revenue in 2018 is detached from AECO spot prices."



For a real time summary of Peyto's future hedges see: <http://www.peyto.com/Files/Marketing/hedges.pdf>



# Gas Marketing

Fixed Price Swaps Settled Against AECO 7A

"Diversifying to other markets requires fixed transportation commitments with no guarantee that you'll offset it with a higher price. Basic AECO swaps keep transport costs low and fix the price, eliminating risk and cost."

## Hedges by year (average)

### GAS

Year	Vol. GJ/d	Price/GJ	Vol. mcf/d	Price/mcf
2015	344,644	3.48	299,690	4.00
2016	460,656	2.77	400,915	3.18
2017	554,904	2.58	482,821	2.97
2018	492,164	2.29	428,231	2.64
2019	198,438	1.86	172,661	2.14
2020	63,634	1.76	55,368	2.03
2021	5,397	1.64	4,696	1.89
2022				

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

# Appendix



- ☀ Quarterly Track Record
- ☀ Tax Pools
- ☀ Gas Marketing
- ☀ Leverage

# Quarterly Track Record



	2018	2017					2016					2015		
	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3
<b>Operations</b>														
<u>Production</u>														
Oil & NGLs (bbl/d)	10,043	9,337	10,479	8,958	8,319	9,586	7,457	8,938	7,247	6,621	7,008	6,643	6,943	5,352
Natural gas (mcf/d)	568,496	559,663	595,885	557,958	535,274	549,037	537,111	556,975	534,710	489,337	567,230	474,182	540,512	455,137
Barrels of oil equivalent (boe/d)	104,792	102,614	109,793	101,951	97,531	101,092	96,975	101,767	96,365	88,177	101,546	85,673	97,028	81,208
Year over Year % Growth	4%	6%	8%	6%	11%	0%	13%	5%	19%	7%	24%	12%	17%	5%
<u>Average Product Prices</u>														
Oil & NGLs (\$/bbl)	59.67	50.02	56.52	45.92	48.33	48.14	40.30	45.09	39.76	41.46	33.60	40.40	39.88	41.69
Natural gas (\$/mcf)	2.86	2.89	2.87	2.81	2.92	2.96	2.89	2.98	2.88	2.60	3.06	3.58	3.34	3.57
Op+Tansp expenses (\$/mcf)	0.42	0.43	0.44	0.43	0.42	0.46	0.41	0.42	0.41	0.43	0.39	0.45	0.41	0.44
Field Netback (\$/mcf)	2.95	2.80	2.91	2.72	2.77	2.79	2.64	2.78	2.63	2.39	2.72	3.24	3.04	3.21
<b>Financial (\$000)</b>														
Revenue (net of royalties)	192,854	726,852	202,567	177,061	169,911	177,214	650,058	179,862	161,813	136,017	172,366	690,817	184,943	163,727
Funds from Operations <sup>1</sup>	148,986	573,721	161,672	139,257	133,487	139,305	514,593	144,593	127,915	102,178	139,907	565,473	151,123	134,513
Net earnings (loss)	47,749	176,577	51,547	44,818	39,957	40,255	111,729	37,870	22,814	9,102	41,943	137,561	43,406	37,347
Capital expenditures	35,454	521,210	134,411	135,187	97,738	153,874	469,375	129,407	113,571	50,634	175,763	593,780	162,442	176,618
Net Debt <sup>2</sup>	1,243,291	1,327,440	1,327,440	1,286,268	1,218,879	1,203,988	1,132,302	1,132,302	1,060,355	1,018,796	1,181,963	1,104,602	1,104,602	1,021,105
Common shares outstanding (000)	164,874	164,874	164,874	164,849	164,874	164,874	164,777	164,777	164,630	164,630	159,240	159,107	159,107	158,958
Weighted average shares	164,874	164,856	164,874	164,874	164,874	164,801	162,574	164,630	164,630	161,846	159,143	157,492	158,958	158,958
<b>Per share data (\$/share)</b>														
Funds from operations	0.90	3.48	0.98	0.85	0.81	0.85	3.17	0.88	0.78	0.63	0.88	3.59	0.95	0.85
Earnings (loss)	0.29	1.07	0.31	0.27	0.24	0.24	0.69	0.23	0.14	0.06	0.26	0.87	0.27	0.23
Dividends (Distributions)	0.18	1.32	0.33	0.33	0.33	0.33	1.32	0.33	0.33	0.33	0.33	1.32	0.33	0.33

<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.

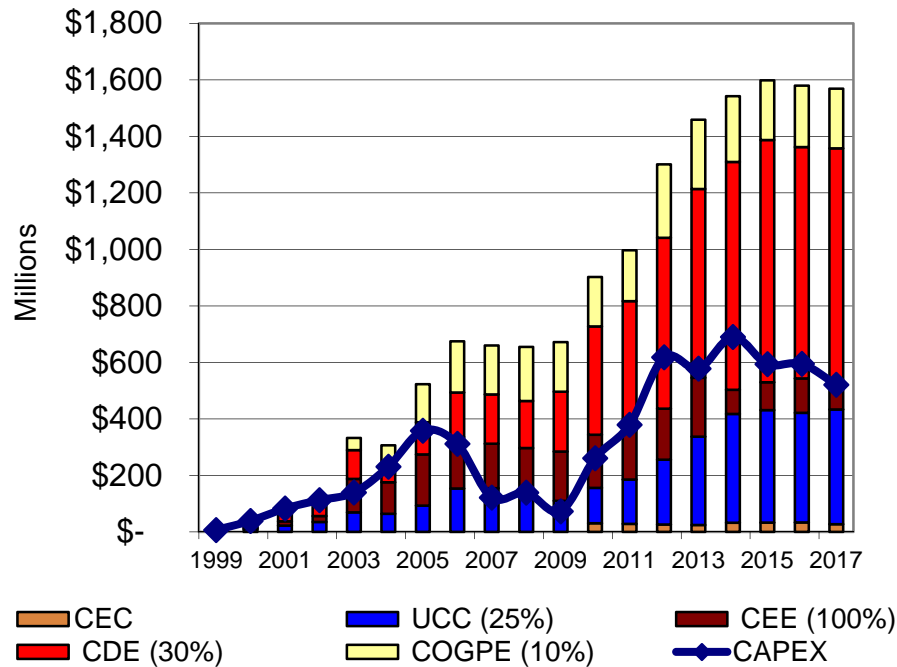
# Organic Business Model

## Peyto's Tax Pools

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



Development Corp.



# \$1.6B

Federal Tax Pools  
Q4/17

# \$5.7B

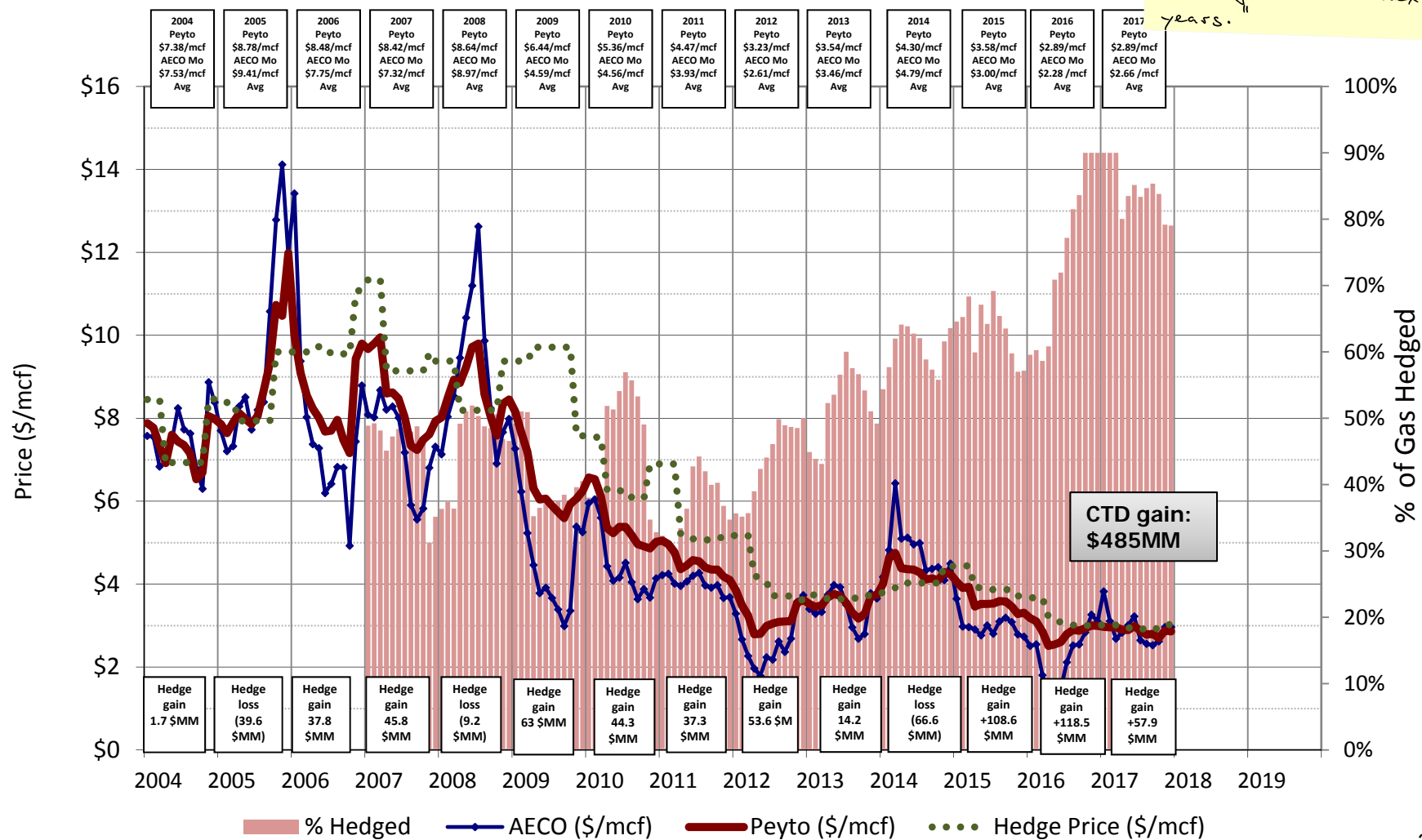
Peyto CTD. CapEx  
Q4/17



# Gas Marketing

## Successful Hedging Strategy Smooths Volatility

"The "dollar cost averaging" approach to our forward sales is to smooth out the volatility and avoid speculation. We target a progressive stepping-down schedule of coverage over the next 3 years."



CTD gain: \$485MM

# Peyto's Debt

Careful Use Of Debt For Leveraged Returns

"Peyto has always been conservative with leverage, only recently using a bit more because long term debt is cheap." Corp.

**50%**  
Debt/PDP NPV<sub>10</sub>

Peyto Net Debt/PDP NPV<sub>10</sub>

