



# 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**

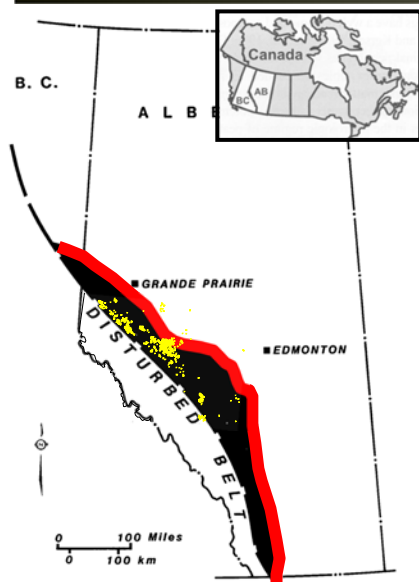
*Original gas in place includes both discovered and undiscovered resources, and there is no certainty that any portion of the undiscovered resources will be discovered and, if discovered, that any volumes will be economically viable or technically feasible to recover or produce. Original gas in place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

# PEY.TO

Who We Are



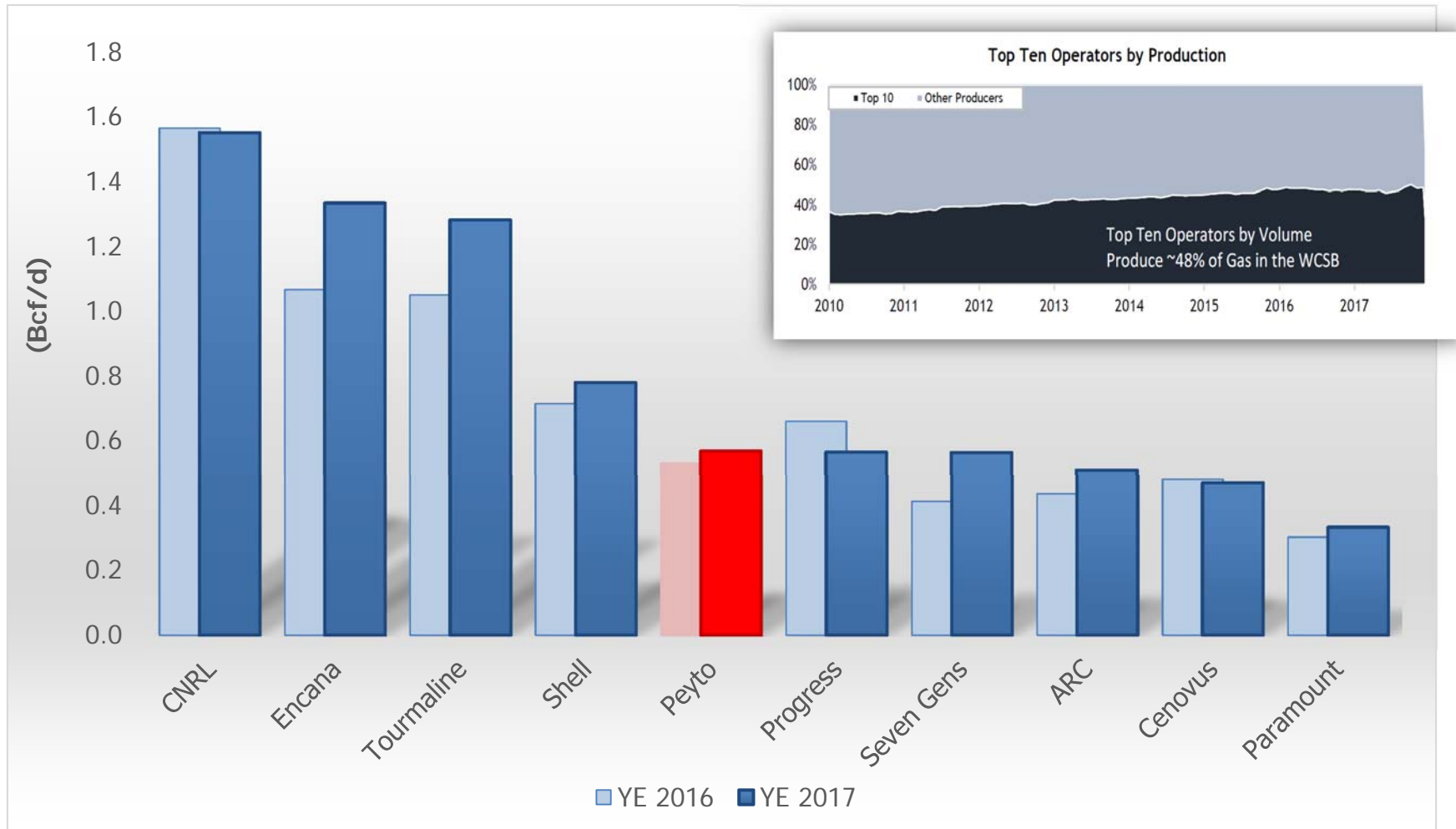
- ☀ 5<sup>th</sup> Largest Natural Gas Producer in Canada
- ☀ Pure Play Alberta Deep Basin – ~90,000 boe/d Gas & NGLs
- ☀ Returns Focused Strategy – Avg ROCE 16%, ROE 30% over last 19 yrs, among highest in industry
- ☀ Long Reserve Life Asset - 7 yrs PDP, 18 yrs 2P, sweet gas, no mobile water
- ☀ Lowest 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:	\$0.02/share (CTD YE18 \$18.96/share)
Shares O/S:	164.9 million (3% insider ownership)
Q3/18 Long Term Debt:	\$620 million (senior unsecured notes, 3.7-4.9% CND) \$547 million (\$1.3B unsecured bank facility) \$1.167B (\$1.92B total capacity)
Enterprise Value:	\$2.3 billion (\$7/share)
Full Time Employees:	53

\*Cash costs are royalties, operating costs, transportation, G&A and interest  
BOE factor - 6 mcfe = 1 bbl of oil equivalent

# PEY.TO

*Peyto Is The 5<sup>th</sup> Largest Gas Producer In Canada*



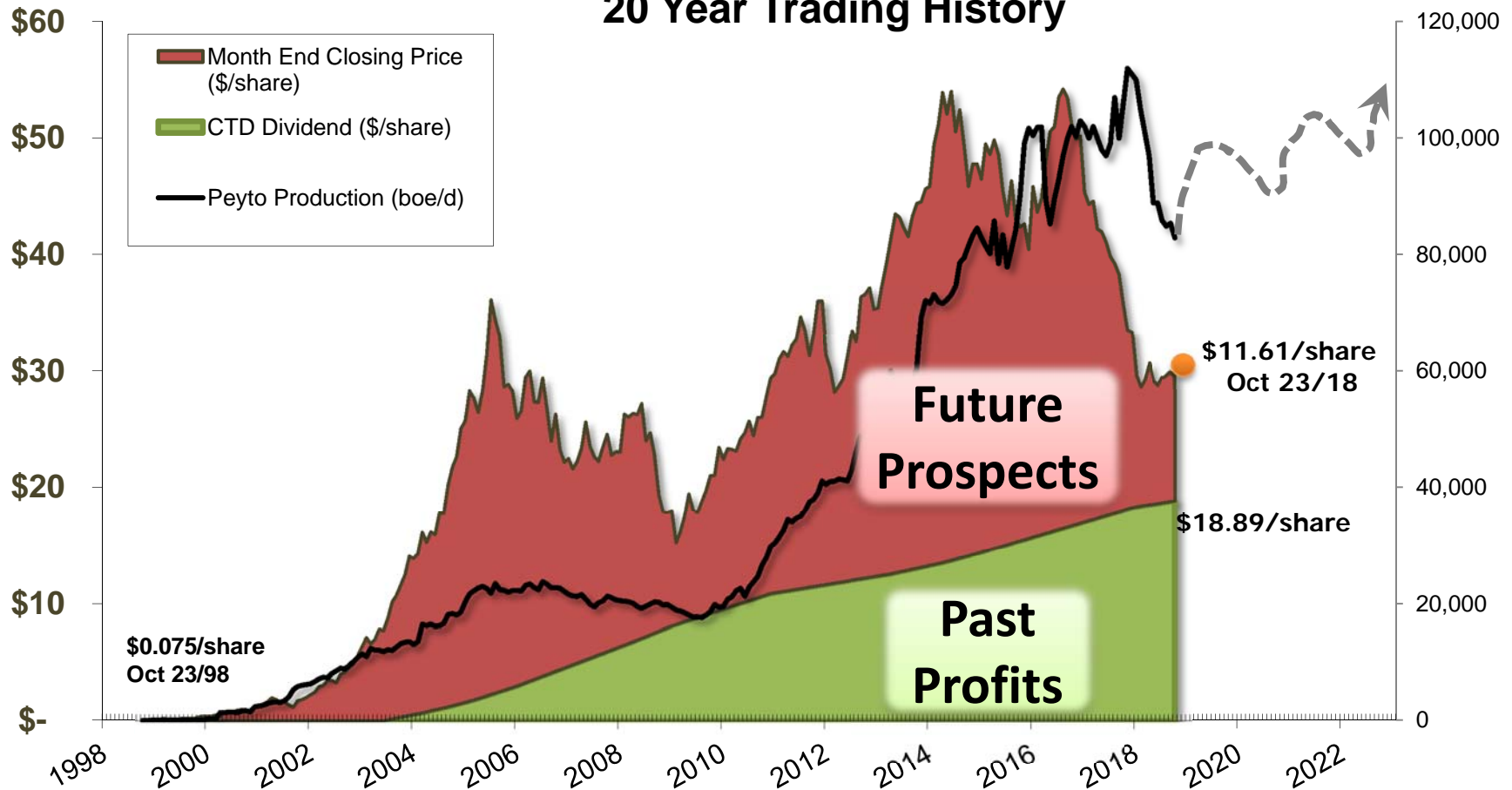
Source: NBF, geoSCOUT; assumes 15% gas shrink

# 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."

### Peyto Exploration and Development Corp. 20 Year Trading History



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

# The Peyto Strategy



# 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.”*

# Peyto's Strategy

*Fast Becoming an Integrated Energy Business*

**PEYTO**

Exploration & Development Corp.



## Exploration and Development

- 647 Lands Purchased (YE '18)
- 1,512 Wells Drilled (YE '18)
- 5.8 TCFe Reserves (YE '17) Discovered (2P+Produced)
- 60% Reserves Developed
- 1.6 TCFe Reserves Recovered (YE '17)

Average Development Cost  
\$1.63/Mcfe (YE '17)

Average Field Netback  
\$3.99/Mcfe (YE '17)

## Production and Processing

- 1,475 producing wells
- 9 gas plants/1 deep cut (-80C)
- 1800 km gathering pipelines
- 100% operated/99% ownership
- 845 mmcf/d processing capacity/80 mmcf/d deep cut

Production  
475 mmcf/d natural gas  
12,000 bbl/d NGL



Swanson 125 mmcf/d  
deep cut (-80C)

## Storage and Marketing

North American market  
diversification (40/40/20)

Member LNG Consortium



"Big Sunny"  
underground gas storage  
scheme

60-80 BCF working gas  
capacity

2-3 hztl producers/injectors

15-20 BCF, 150 mmcf/d initial  
target capability

## Midstream and Power Generation

300+ mmcf/d midstream 3<sup>rd</sup>  
party processing capacity

Industry leading cost

Low CO2 emissions

Proximal to NGTL & Alliance  
pipelines

60,000 GJ/d, 15 yr commitment  
tied to power gen. starts late  
2022

Option to participate in capital  
ownership?

**CTD: \$6.0B Capital Invested    \$2.5B Profits/Earnings Generated    \$2.4B Dividends Paid**

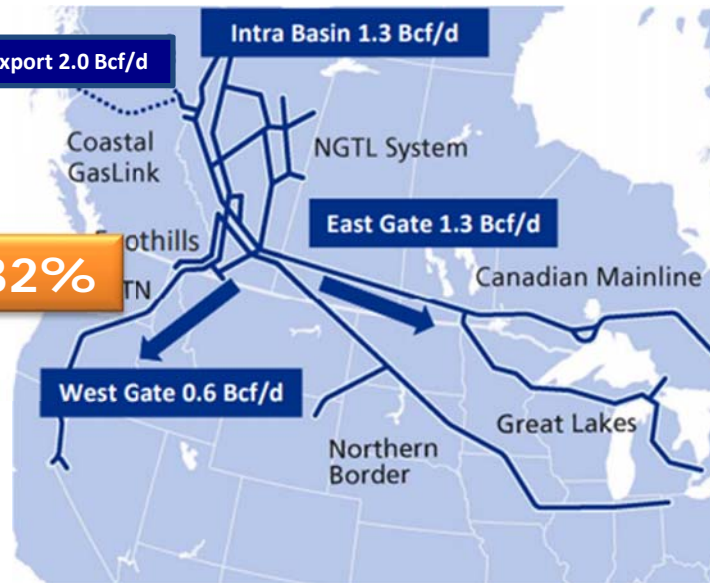
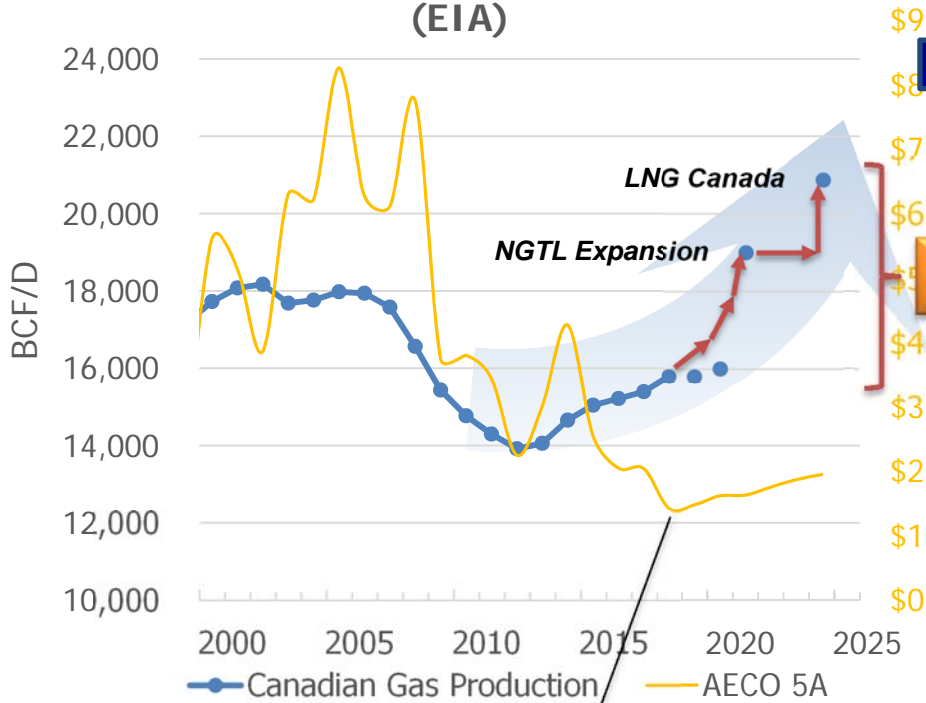


# Peyto's Strategy

## Long Term Natural Gas Runway

"Peyto's long term plan is to time our growth capital to match expanding market access over the next 5 years." Corp.

Dry Natural Gas Production - Canada (EIA)



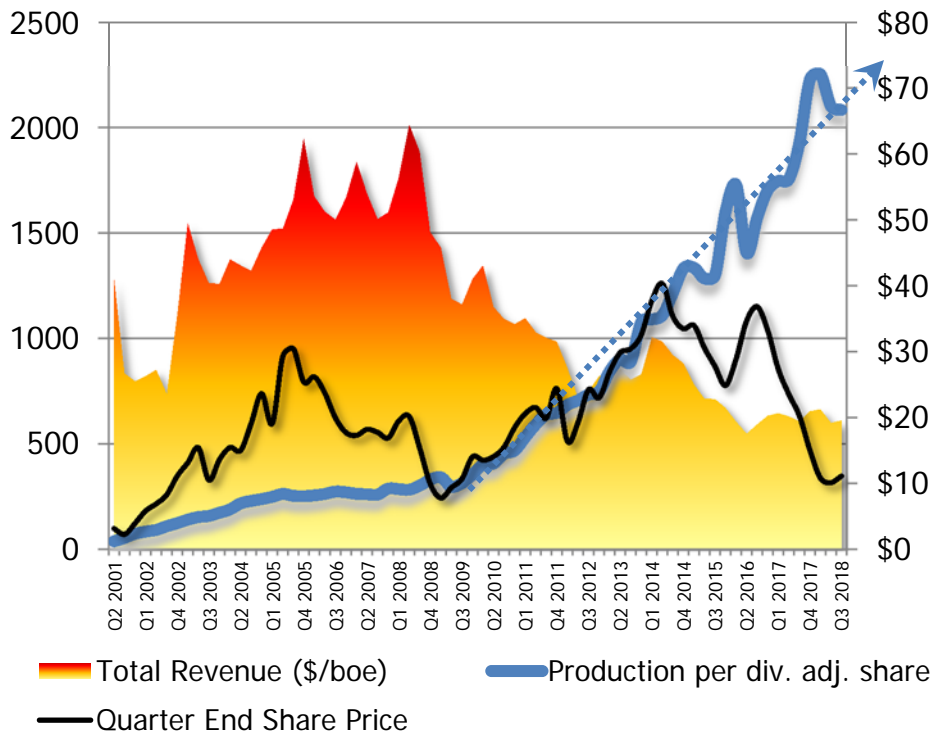
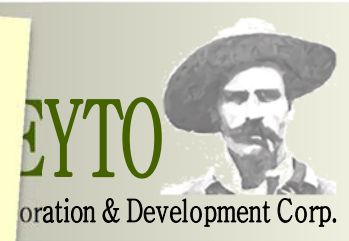
**3.2 Bcf/d NGTL Expansion – 2019 to 2021**  
**1.9 Bcf/d LNG Canada (trains 1&2) – 2024**  
**5.1 Bcf/d Additional Market Access**

Are forecast gas prices enough to encourage the 5.1 BCF/d of growth we'll need?

# 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."



# 23%

Growth rate in Prod/div. adj. share (last 9 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."

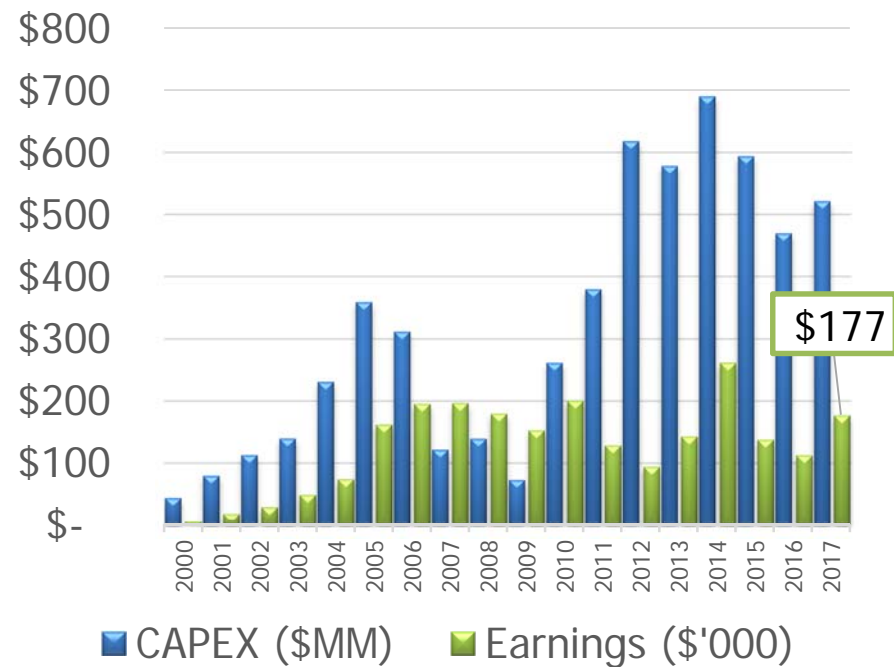
Corp.

# \$2.4B

Peyto Earnings  
CTD Q3/18

# \$5.9B

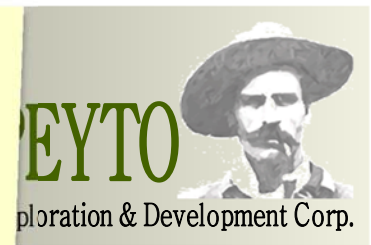
Peyto Capital  
CTD Q3/18



# The Peyto Strategy

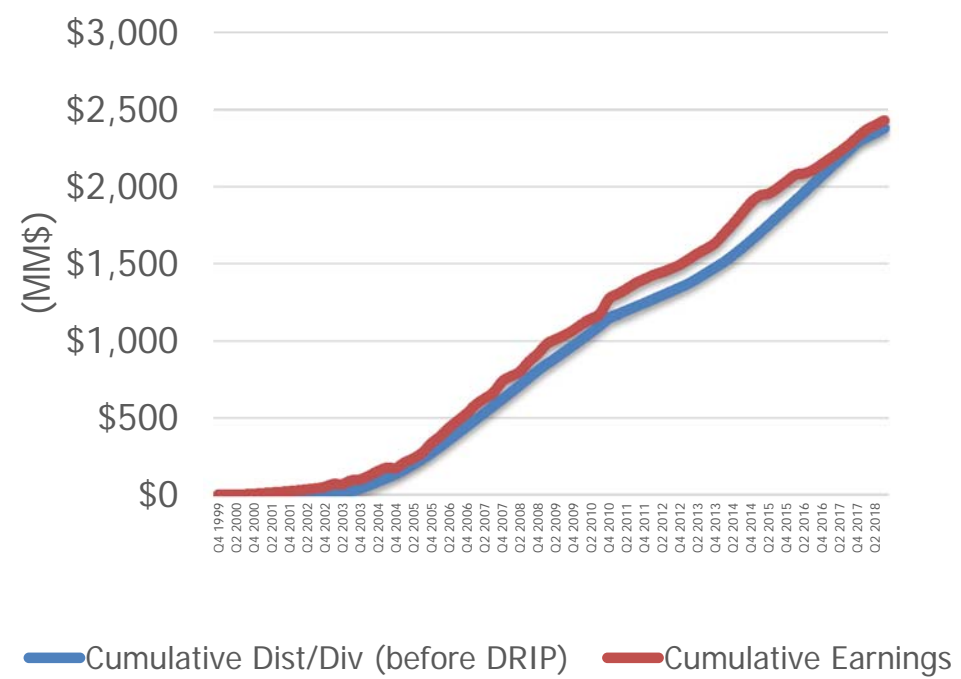
## Dividend Sustainability

"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."



**\$2.4B**  
Peyto Ctd. Earnings  
Q3/18

**\$2.4B**  
Peyto Ctd. Dist/Div.  
Q3/18



# Peyto's Profitable Business



# 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 \$/mcfe	(\$2.25)	(\$1.64)	(\$1.44)	(\$1.36)
Cash Costs \$/mcfe	(\$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 \$/mcfe	<u>\$5.04</u>	<u>\$3.83</u>	<u>\$3.18</u>	<u>\$3.38</u>
Profit \$/mcfe	\$1.71	\$1.38	\$0.98	\$1.19
Dividend \$/mcfe	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

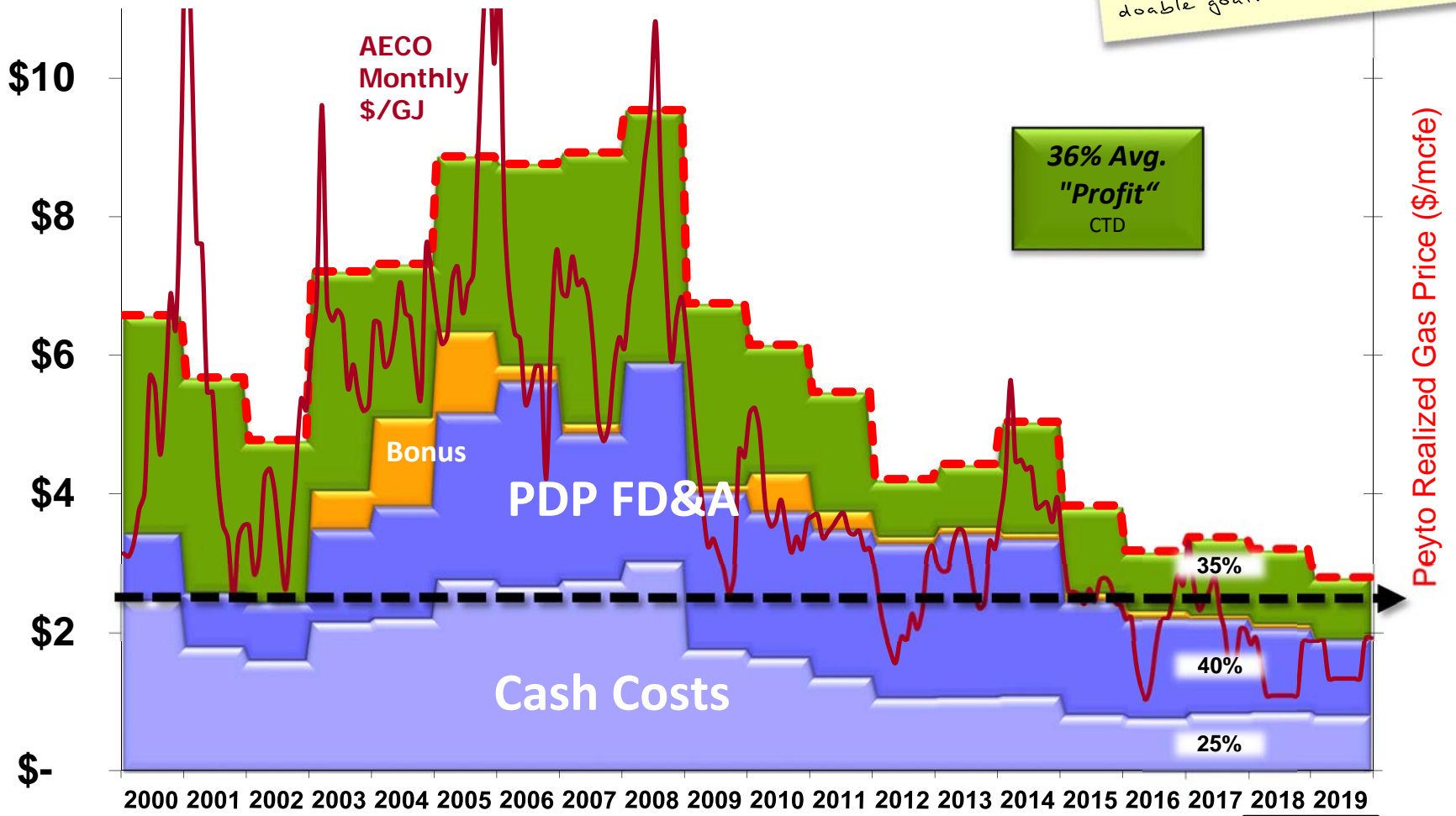
Royalties	(\$0.15)
Opex	(\$0.27)
Transport	(\$0.16)
G&A	(\$0.04)
Interest	(\$0.21)
<b>Total Costs</b>	<b>(\$0.83)</b>

\$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

Forecast

# Peyto's Profitable Business

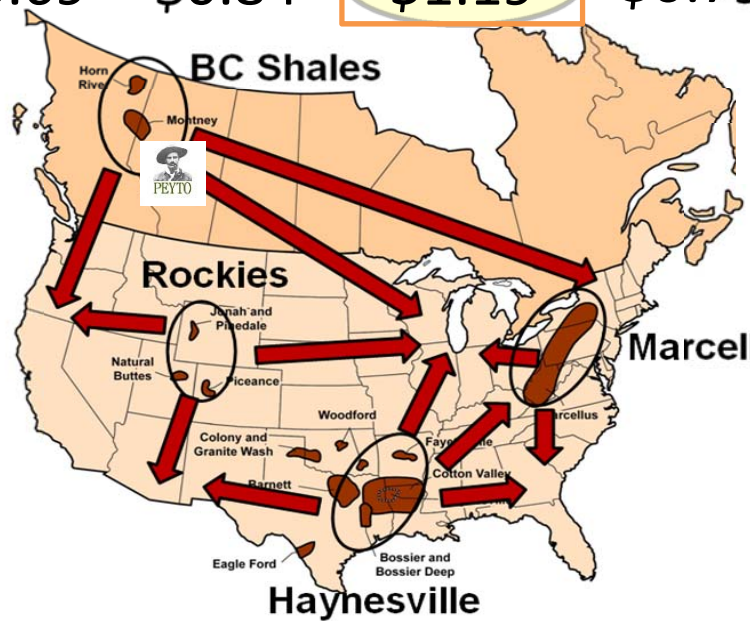
## Competitive In The North American Marketplace

"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>			
PDP FD&A \$/mcfe	(\$2.53)	(\$1.38)	(\$1.36)	(\$1.32)	(\$2.51)			
Cash Costs \$/mcfe	(\$2.58)	(\$1.33)	(\$0.83)	(\$0.90)	(\$2.30)			
<b>Supply Cost</b>	<b>(\$5.11)</b>	<b>(\$2.71)</b>	<b>(\$2.19)</b>	<b>(\$2.22)</b>	<b>(\$4.81)</b>			
Sales Price \$/mcfe	<u>\$5.80</u>	<u>\$3.55</u>	<u>\$3.38</u>	<u>\$3.02</u>	<u>\$5.07</u>			
Profit/(Loss)	\$0.69	\$0.84	<b>\$1.19</b>	\$0.79	\$0.27			

	<u>Permian PXD 2017*</u>	<u>Permian FANG 2017*</u>		<u>Marcellus Cabot 2017</u>	<u>Marcellus/Utica RRC 2017*</u>	<u>Marcellus/Utica AR 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)
	<u>\$6.26</u>	<u>\$6.88</u>		<u>\$2.51</u>	<u>\$2.99</u>	<u>\$3.61</u>
	\$2.61	\$0.66		\$0.88	\$0.67	\$1.90



Source: IHS CERA

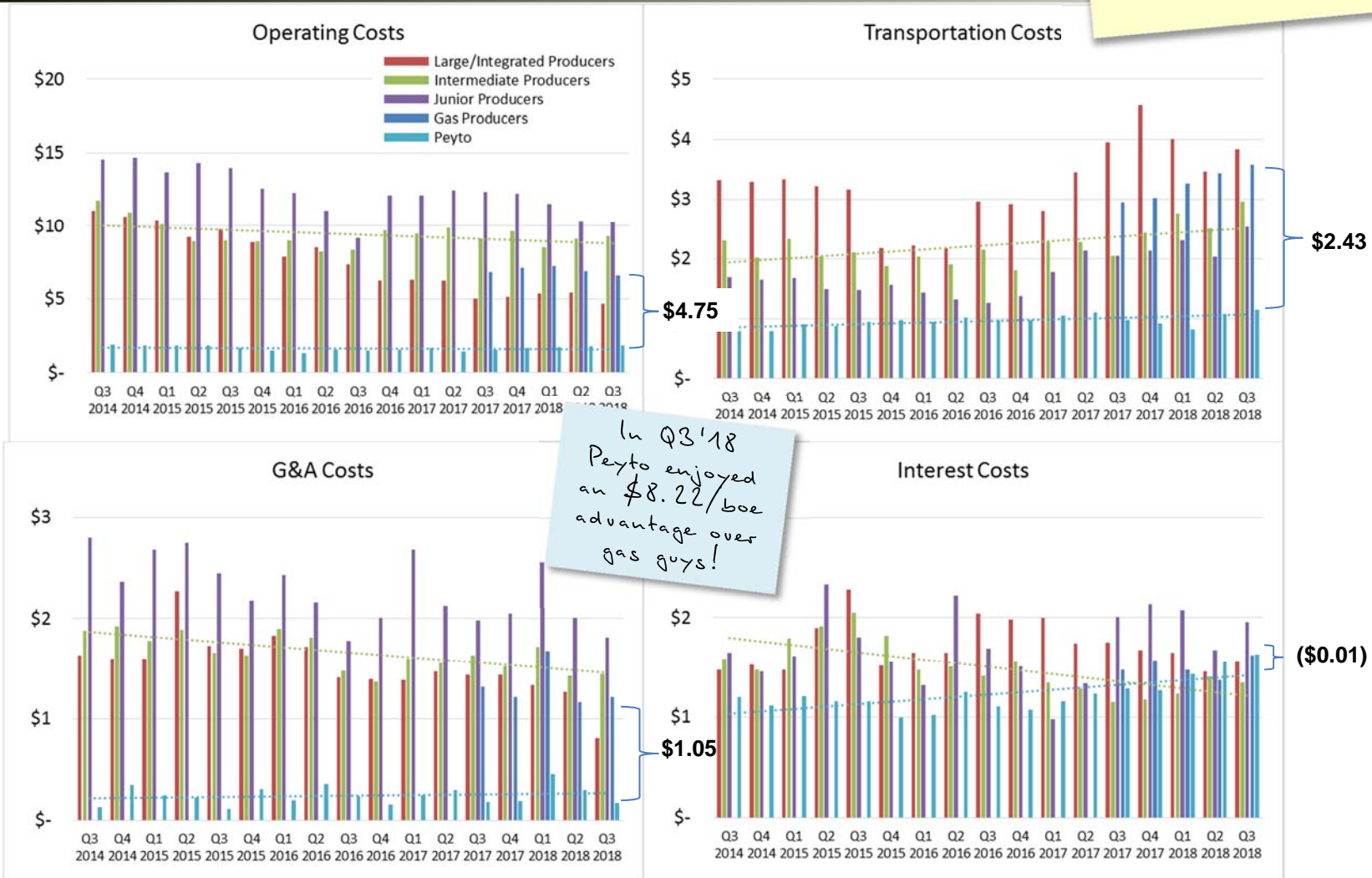
\*Data from Peter's & Co. Costs and revenues left in US\$ or CAD\$ as applicable to show relative margin



# 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 Unique Assets

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Exploration & Development Corp.



A.J. SIMMONS  
PHOTOGRAPHY  
ajsimmonsphoto.com

2/1/2019

# 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**



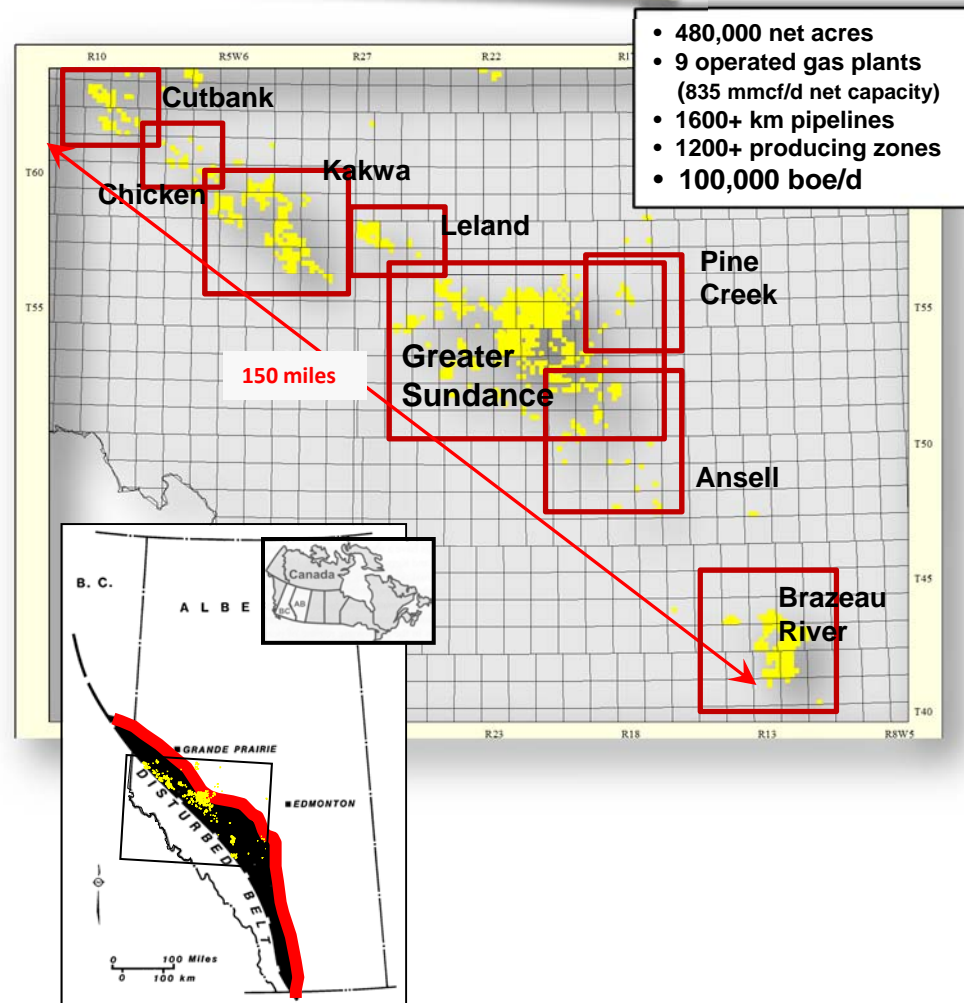
Corporation & Development Corp.

# 99%

Of Production:  
Processed by Peyto  
Operated by Peyto

# 99%

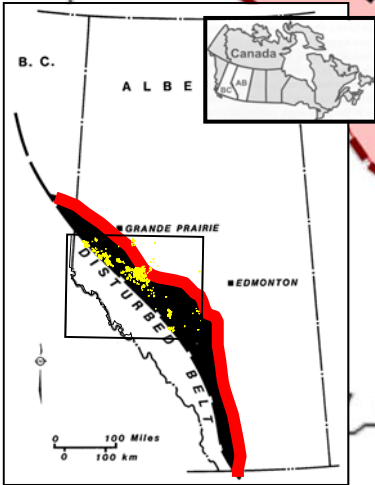
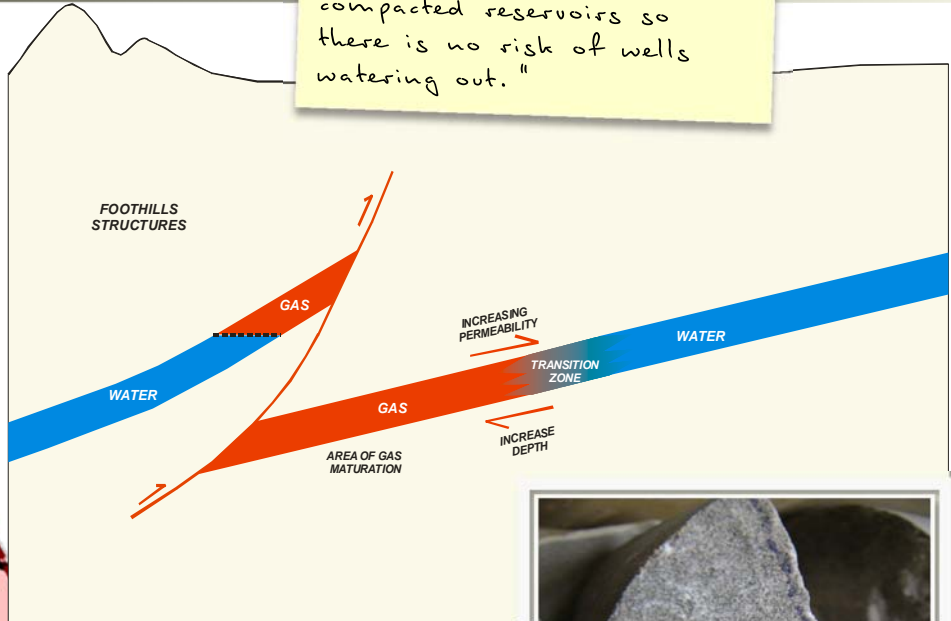
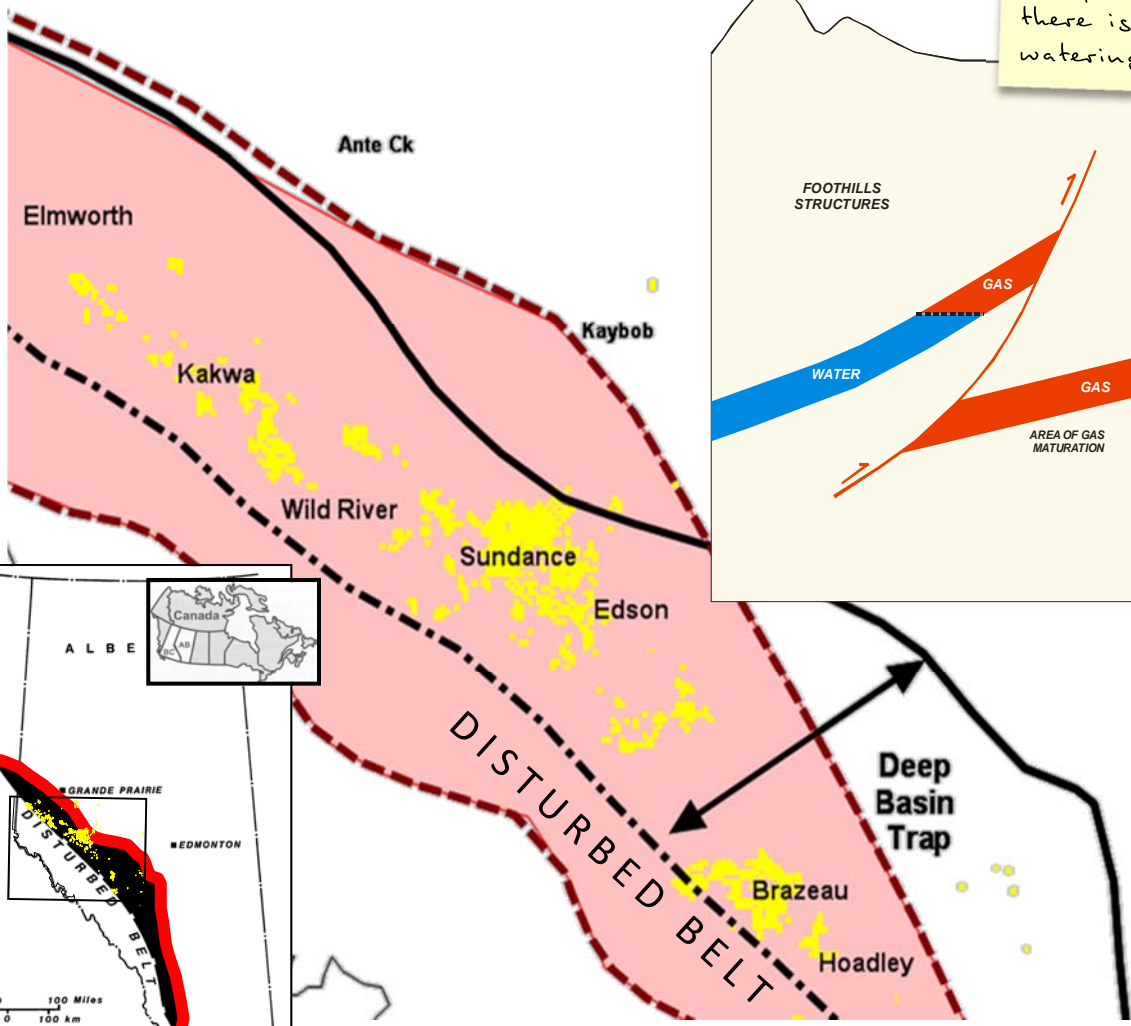
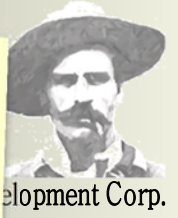
Working Interest in 9  
Processing Facilities



# Peyto's Assets

## Deep Basin Permeability Segregation

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



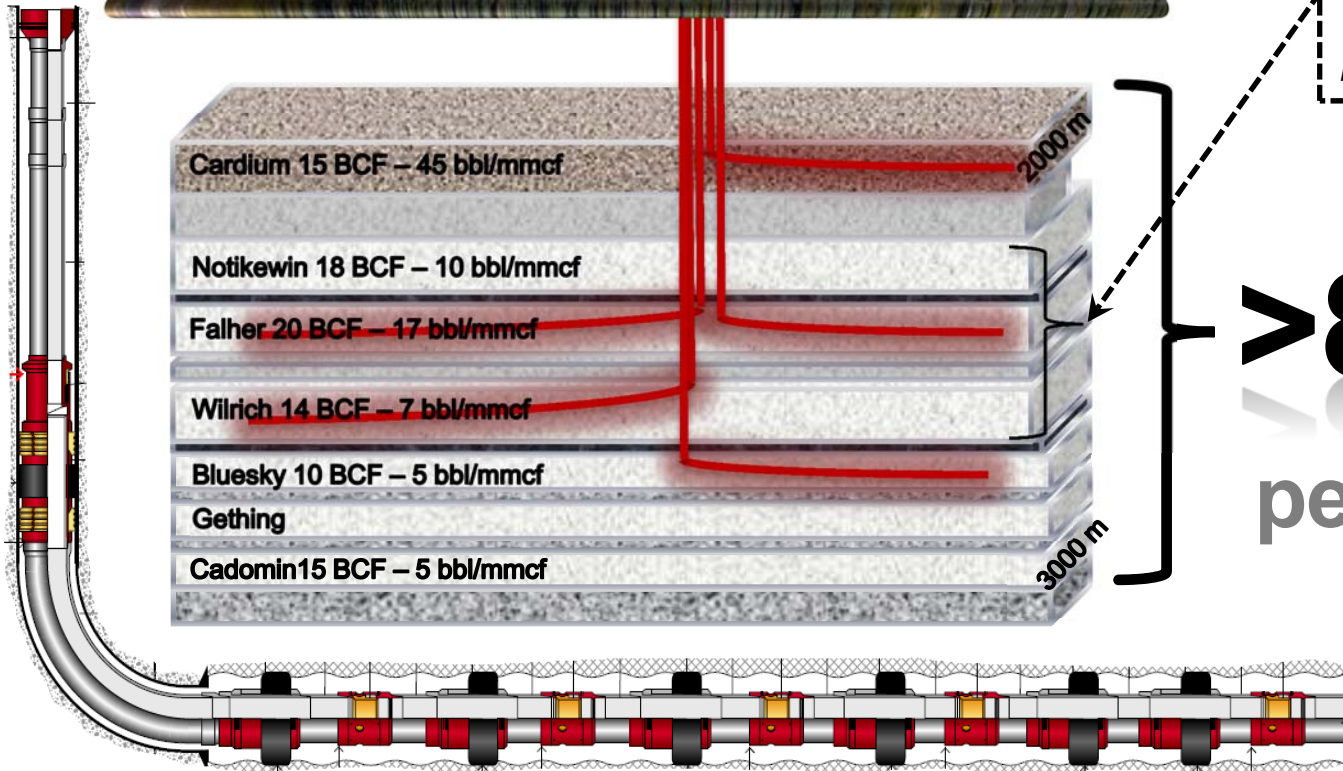
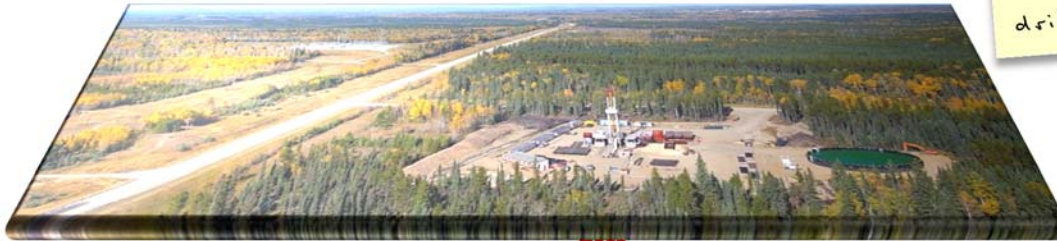
# Peyto's Assets

## Multi Zone Stacked Sandstone Reservoirs

"Large resource potential, in a concentrated, stacked package, that can be developed with modern horizontal MSF well design and allows us to take advantage of pad drilling efficiencies."



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/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."

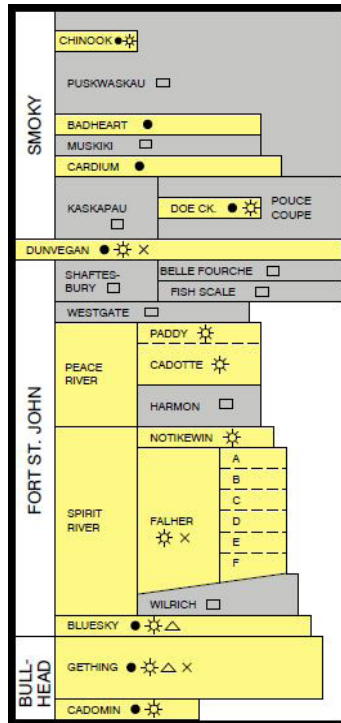
**PEYTO**



Exploration & Development Corp.

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
DUNVEGAN	5	1	5	8
FORT ST. JOHN	1	174	2(2)	20
	90	74	160(2)	69
	7	111	40	8
	14	381	162	319
	4	39	2	20
	12	2	378	182
	87	2	54	48
BULL-HEAD	87	2	16	206
<b>TOTAL</b>	<b>662</b>	<b>858</b>	<b>993(22)</b> <b>1015</b>	<b>1294</b>

588 (13) ✱

229 (2)

550

560

102

~~102~~

>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."

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Exploration & Development Corp.

# 785

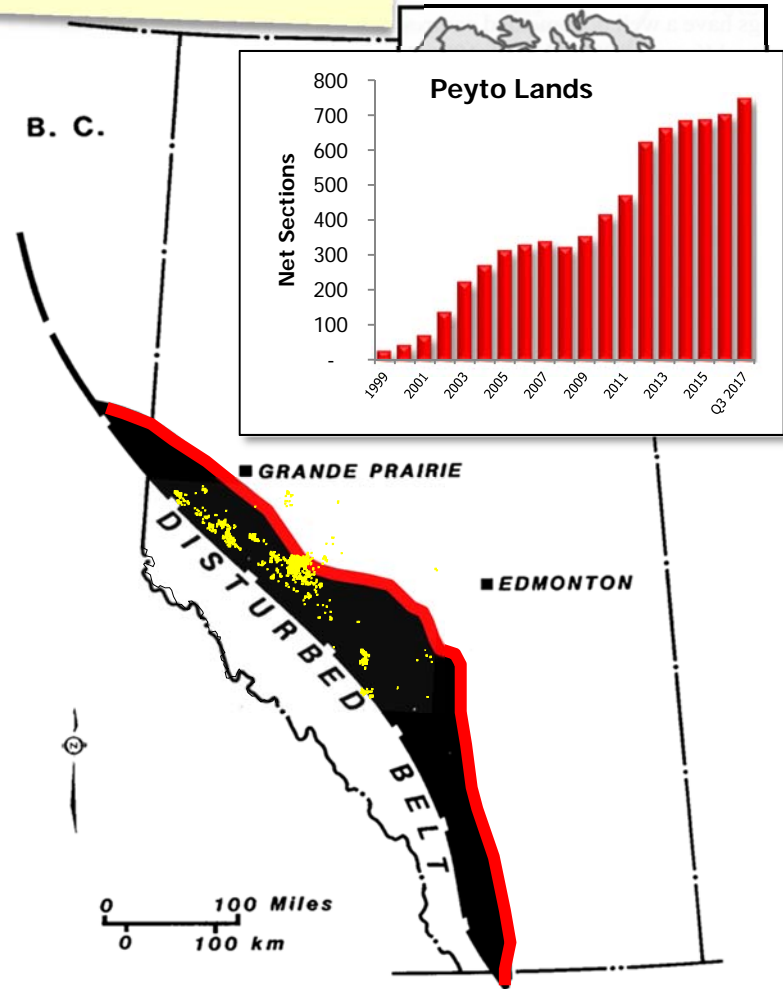
Net Peyto Sections

# 3,049

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

# 284

Net Sections – Developed Area of All Reserves Found and Developed Since Peyto Began (3.7 TCF<sub>e</sub> EUR)\*

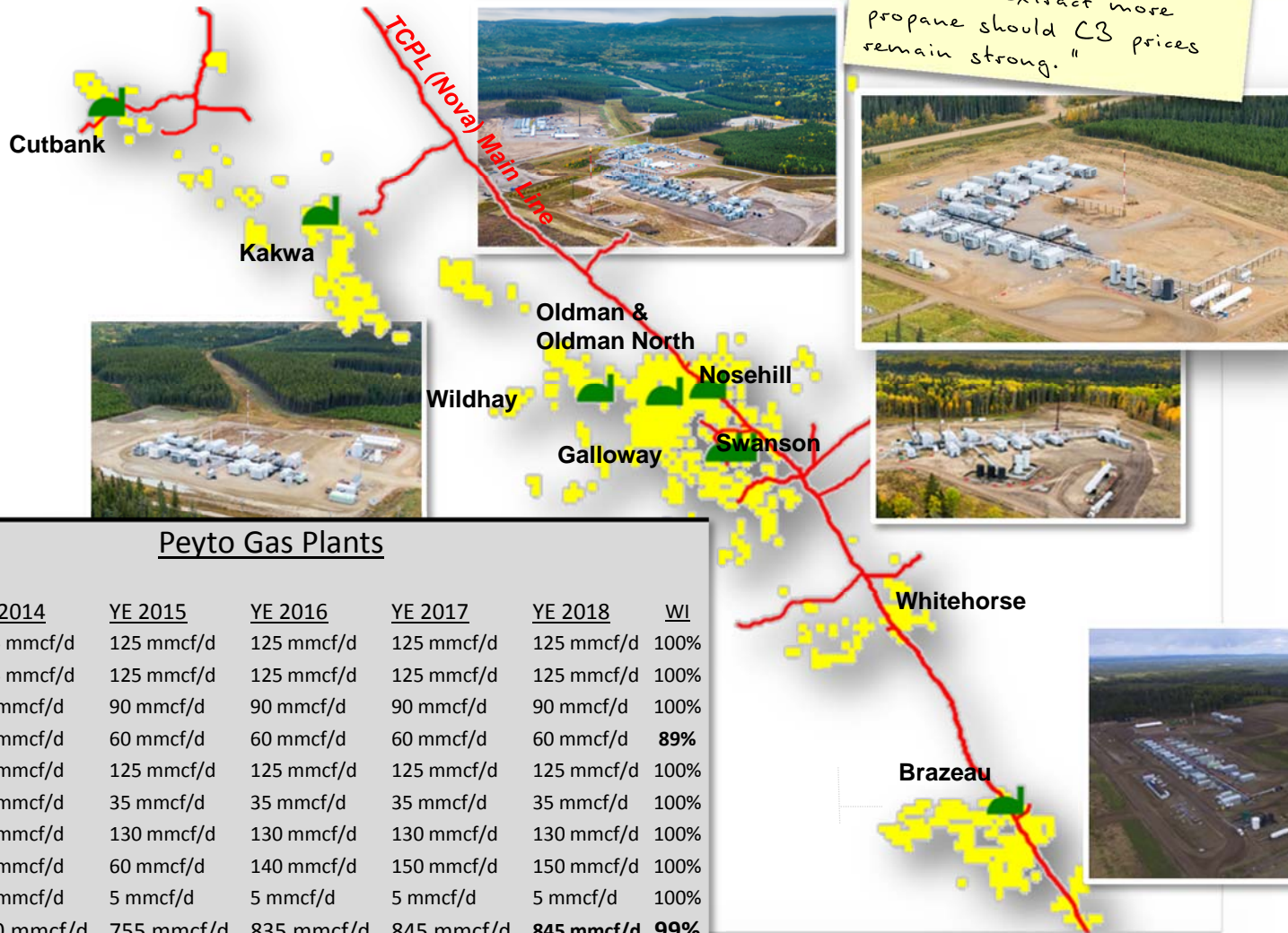


TCFe of PD EUR – Trillion Cubic Feet equivalent of Proven Developed Estimated Ultimate Recoverable  
\*Based on InSite Petroleum Consultants Dec 31, 2018 Reserve Report.  
Lands at Dec 31, 2018

# 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

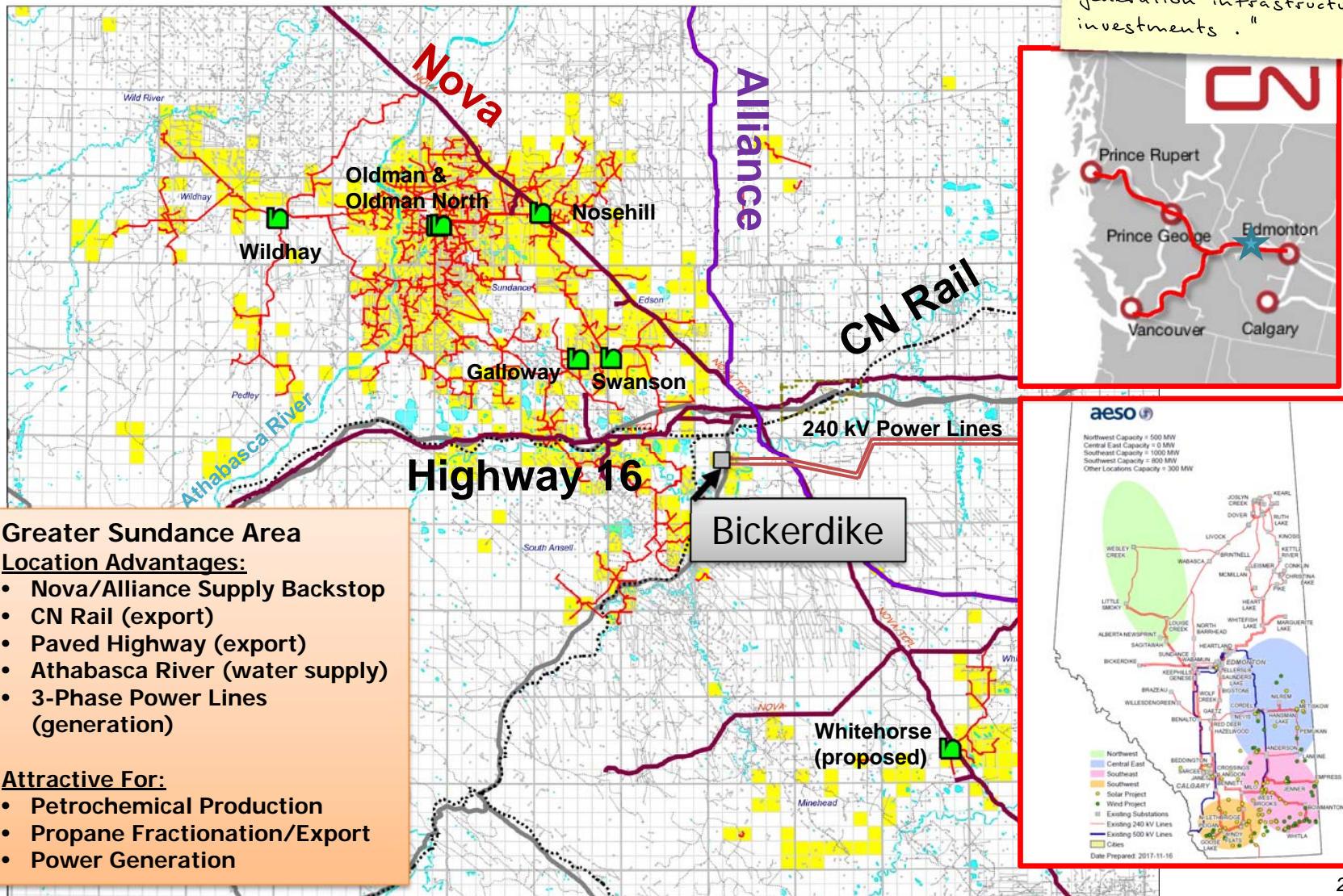
	<u>YE 2014</u>	<u>YE 2015</u>	<u>YE 2016</u>	<u>YE 2017</u>	<u>YE 2018</u>	<u>WI</u>
1 Oldman	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
2 Nosehill	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	125 mmcf/d	100%
3 Wildhay	90 mmcf/d	90 mmcf/d	90 mmcf/d	90 mmcf/d	90 mmcf/d	100%
4 Galloway	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>Total</b>	<b>630 mmcf/d</b>	<b>755 mmcf/d</b>	<b>835 mmcf/d</b>	<b>845 mmcf/d</b>	<b>845 mmcf/d</b>	<b>99%</b>



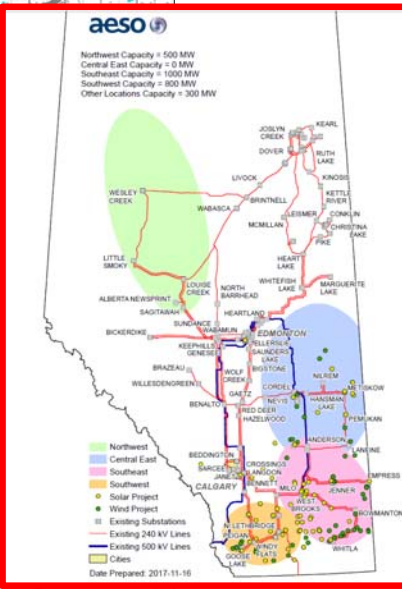
# Peyto's Assets

## 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."



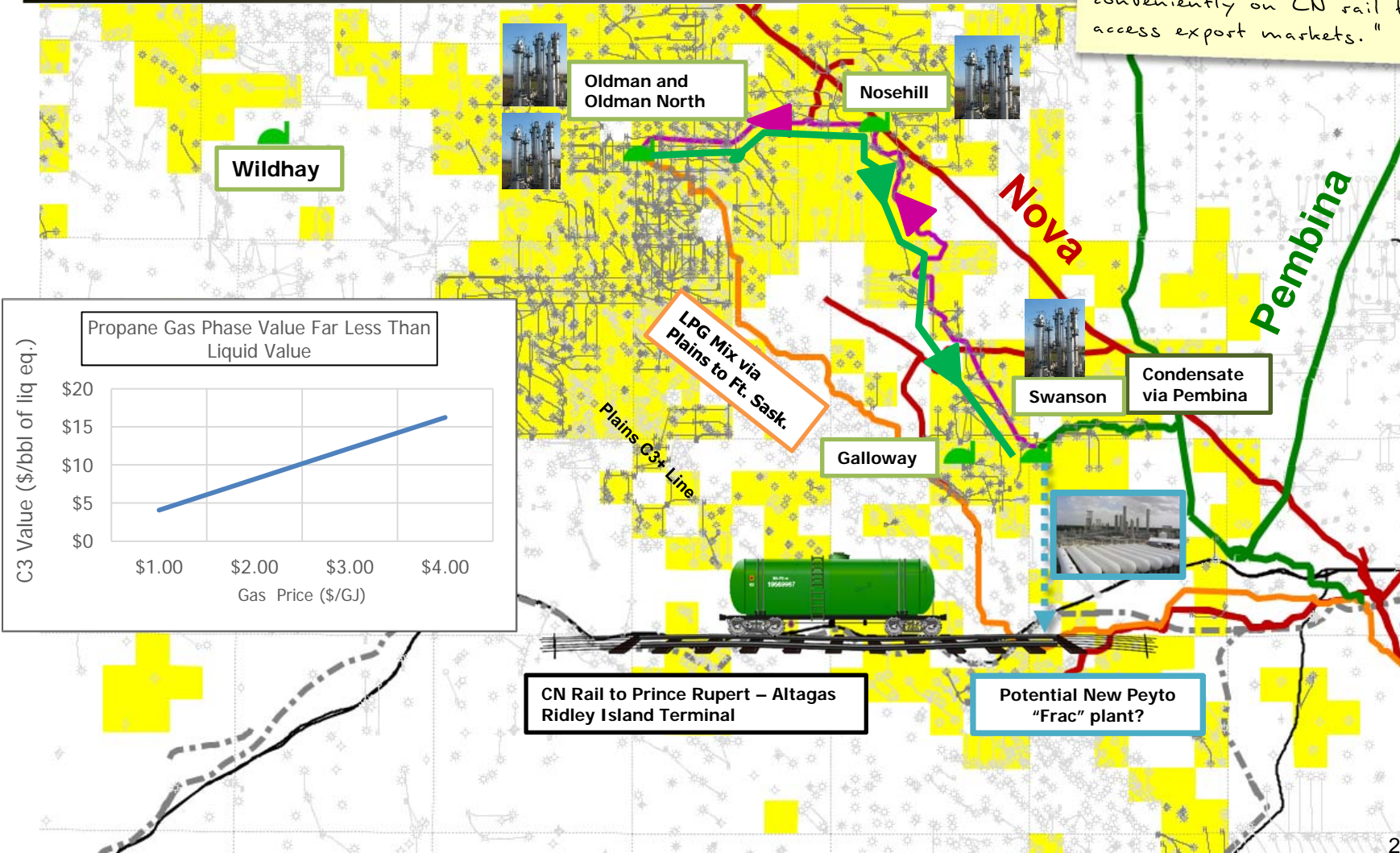
- Greater Sundance Area Location Advantages:**
- Nova/Alliance Supply Backstop
  - CN Rail (export)
  - Paved Highway (export)
  - Athabasca River (water supply)
  - 3-Phase Power Lines (generation)
- Attractive For:**
- Petrochemical Production
  - Propane Fractionation/Export
  - Power Generation



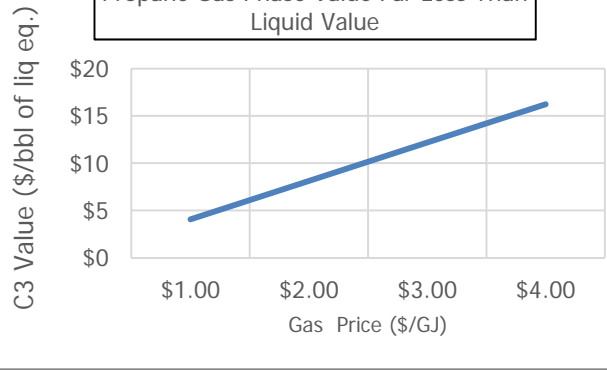
# Peyto's Assets

## 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."



Propane Gas Phase Value Far Less Than Liquid Value



LPG Mix via Plains to Ft. Sask.

Condensate via Pembina

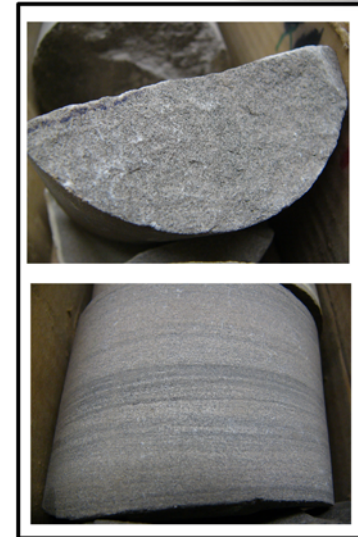
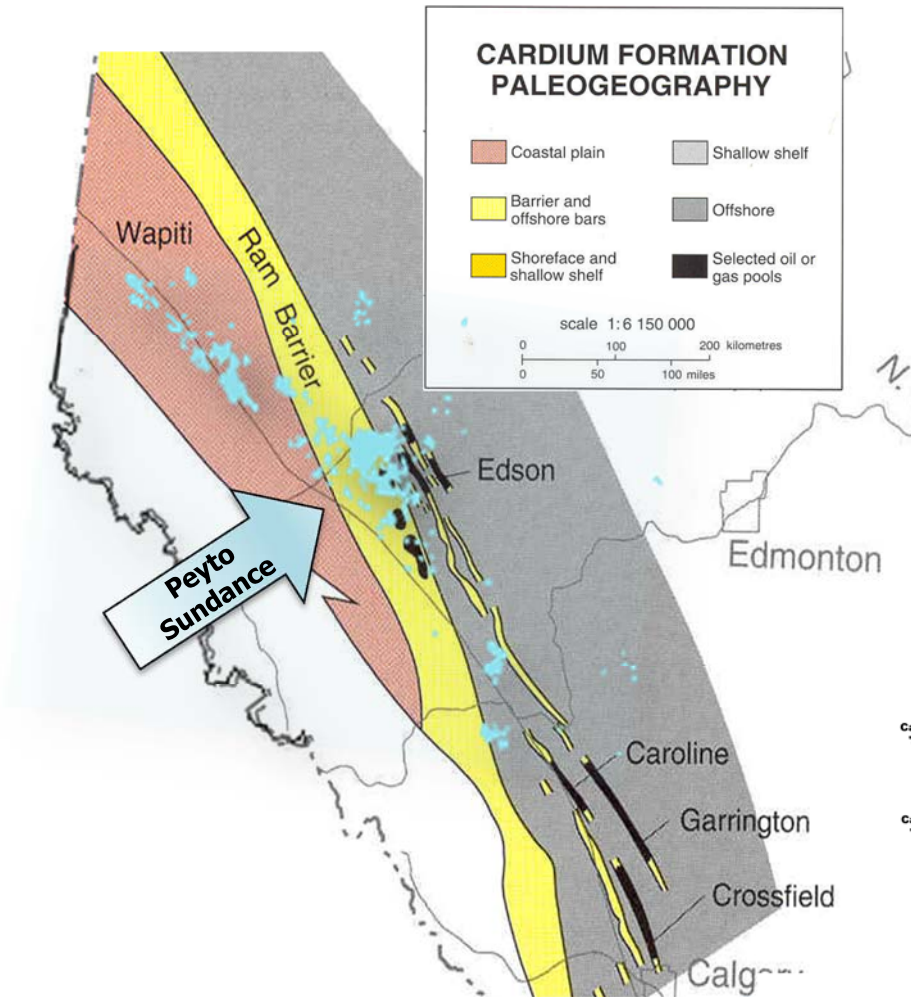
CN Rail to Prince Rupert – Altagas Ridley Island Terminal

Potential New Peyto "Frac" plant?

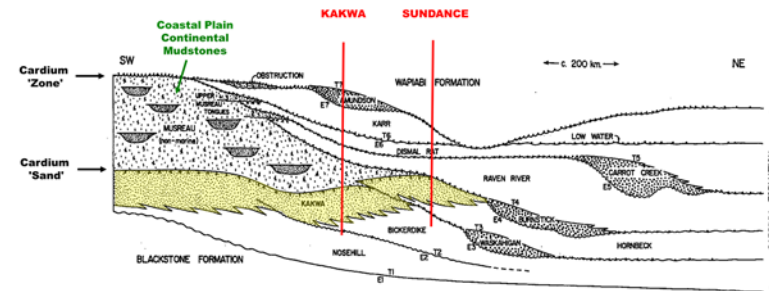
# Peyto's Assets

The "New" Cardium Play – High Grade Land Base

"Peyto's Sundance Cardium lands are strategically positioned on the updip edge of the Ram Barrier offering the best reservoir quality."



Very Fine Grained Cardium Sand  
Typical of Ram Barrier

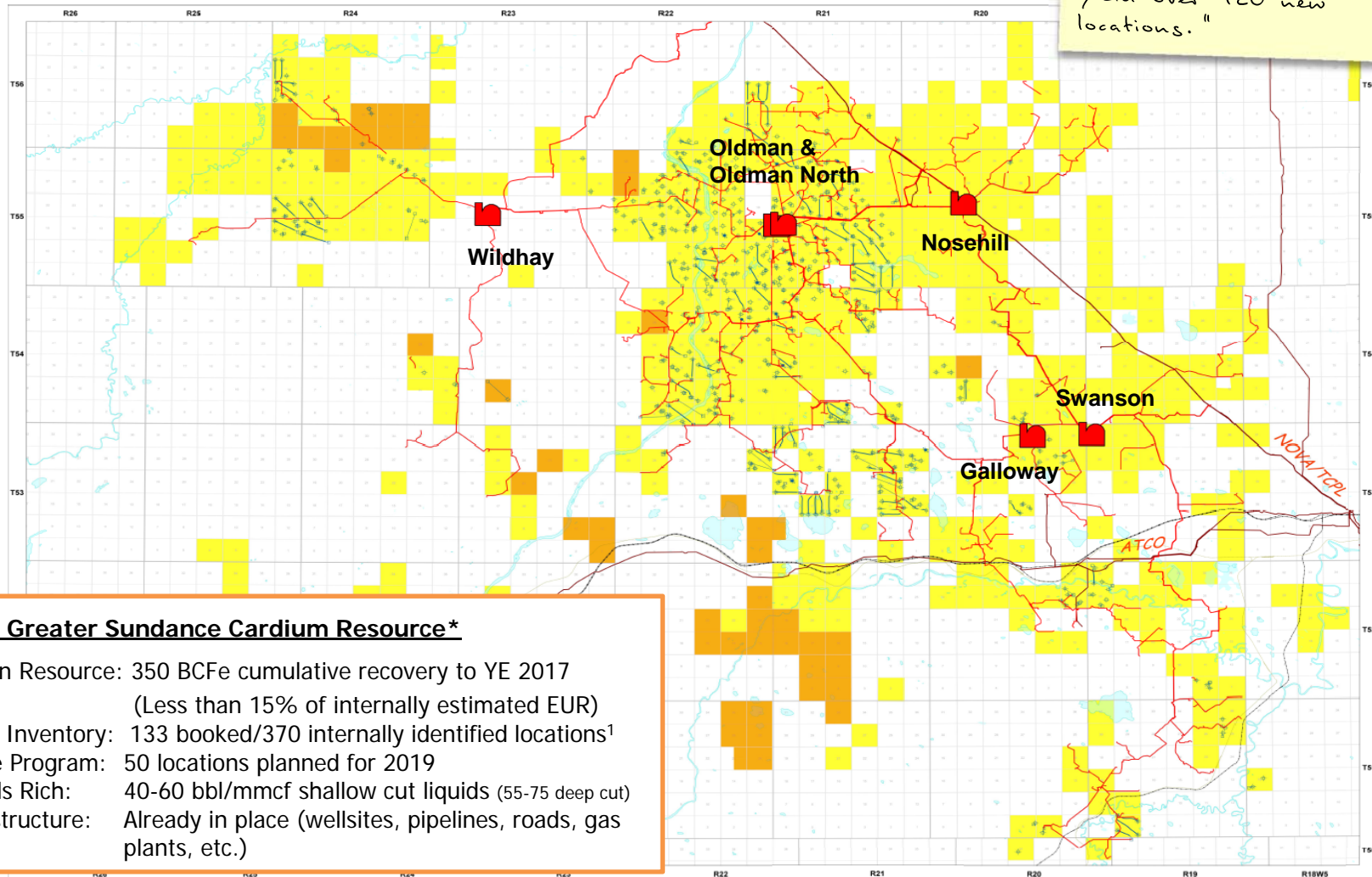


DEEP BASIN PROGRADING RAM BARRIER CARDIUM

# Peyto's Assets

## The "New" Cardium Play – Abundant Opportunities

"Peyto drilled 48 gross Cardium wells in 2018 and added 47 gross sections of new lands that are expected to yield over 120 new locations."



### 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: 50 locations planned for 2019  
Liquids Rich: 40-60 bbl/mmcft shallow cut liquids (55-75 deep cut)  
Infrastructure: Already in place (wellsites, pipelines, roads, gas plants, etc.)

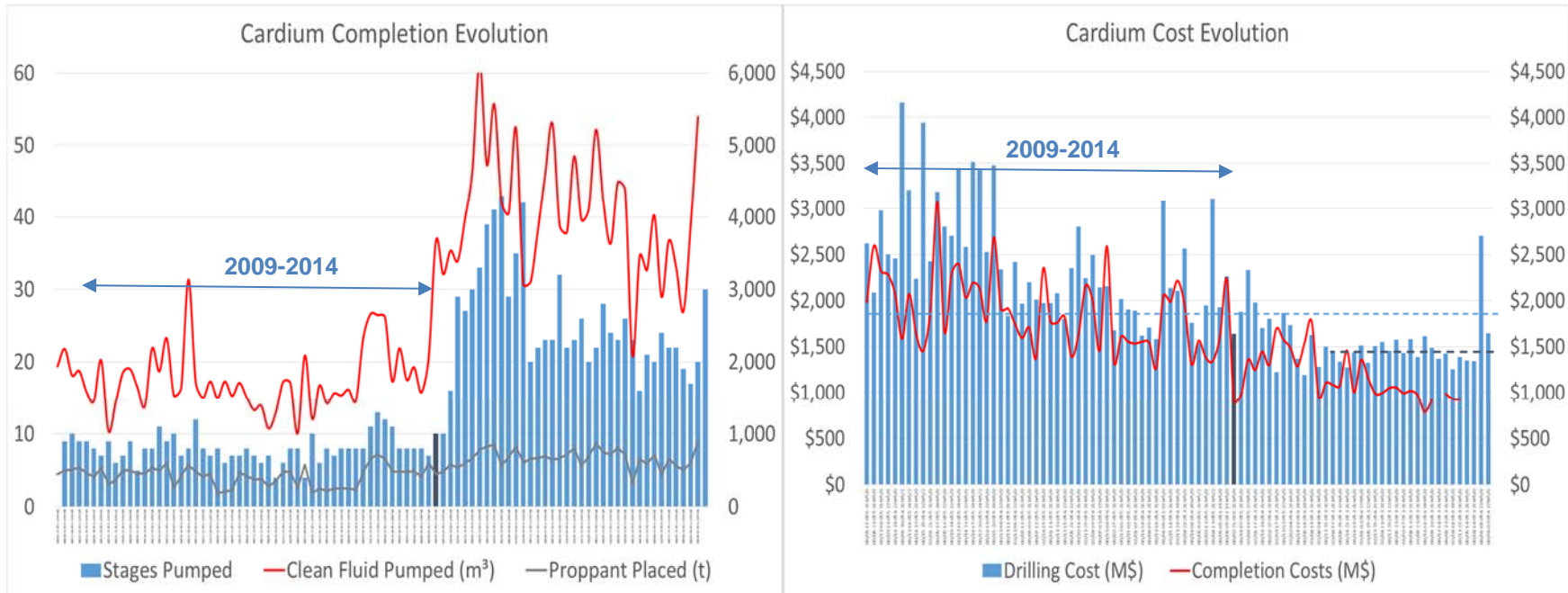
- Cardium resource assessment is Peyto's internal estimate of ultimate recoverable under Peyto lands  
1. Both internal and booked locations are for the greater Sundance area only. Peyto has additional Cardium lands in it's northern areas

# Peyto's Assets

The "New" Cardium Play – A Different Design

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**Old Design (2009-2014)**

8 Stages  
415 tonnes  
1,700 m3 clean fluid

**New Design (2017-2018)**

25 Stages  
650 tonnes  
4,000 m3 clean fluid

**Old Design (last 12 wells)**

\$1.9MM Drill  
\$1.5MM Complete  
\$3.4MM D&C

**New Design (last 12 wells)**

\$1.6MM Drill  
\$1.0MM Complete  
\$2.6MM D&C

**3.1 times the stages**  
**1.6 times the sand**  
**2.4 times the water**



**>20% lower cost**  
**(last 12 wells of**  
**each design)**

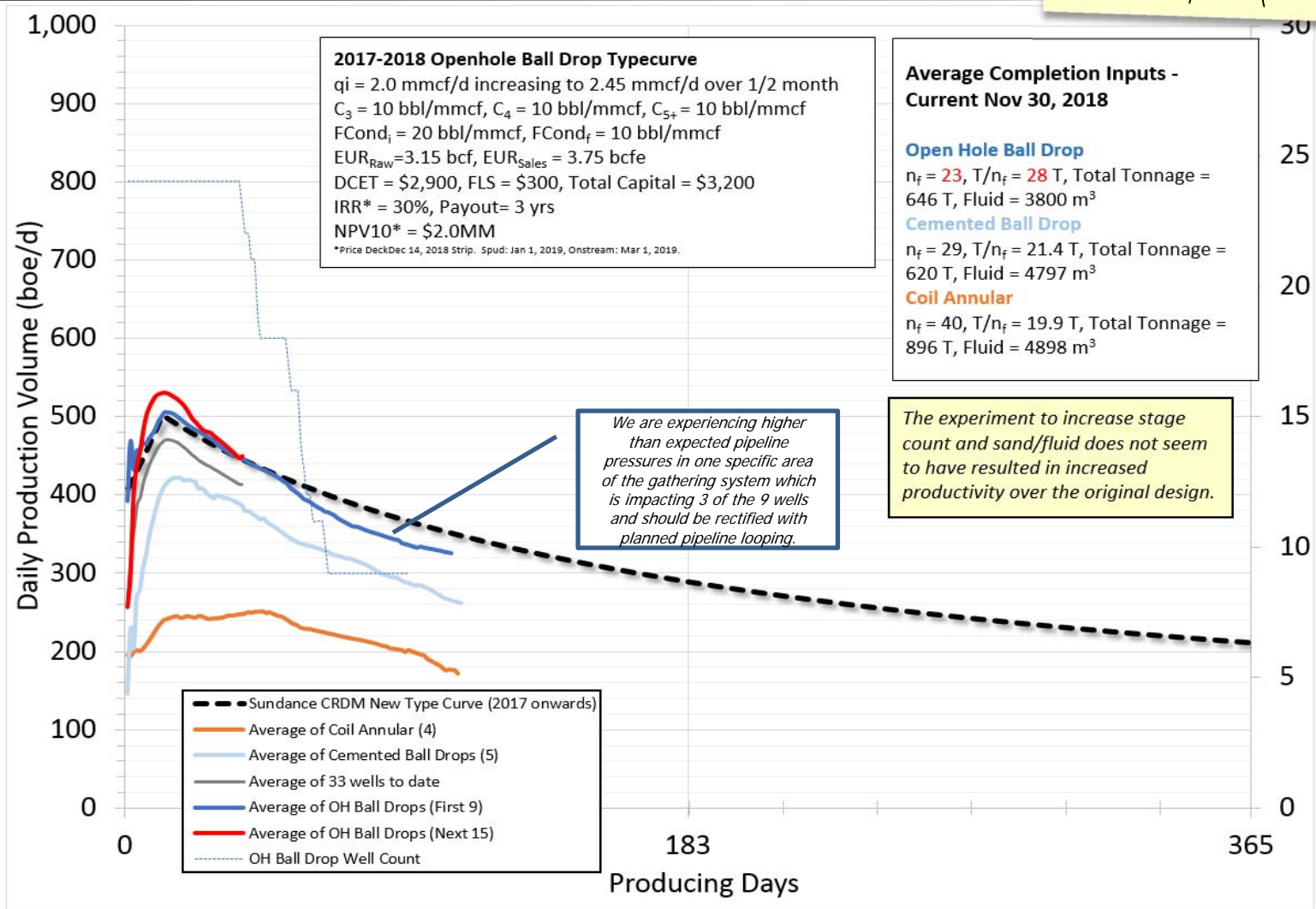


**1.3 times the reserves**  
**1.5 times the IP**  
**6 times the IRR (at Sep12/18 strip)**

# Peyto's Assets

## The "New" Cardium Play – Proving the Type Curve

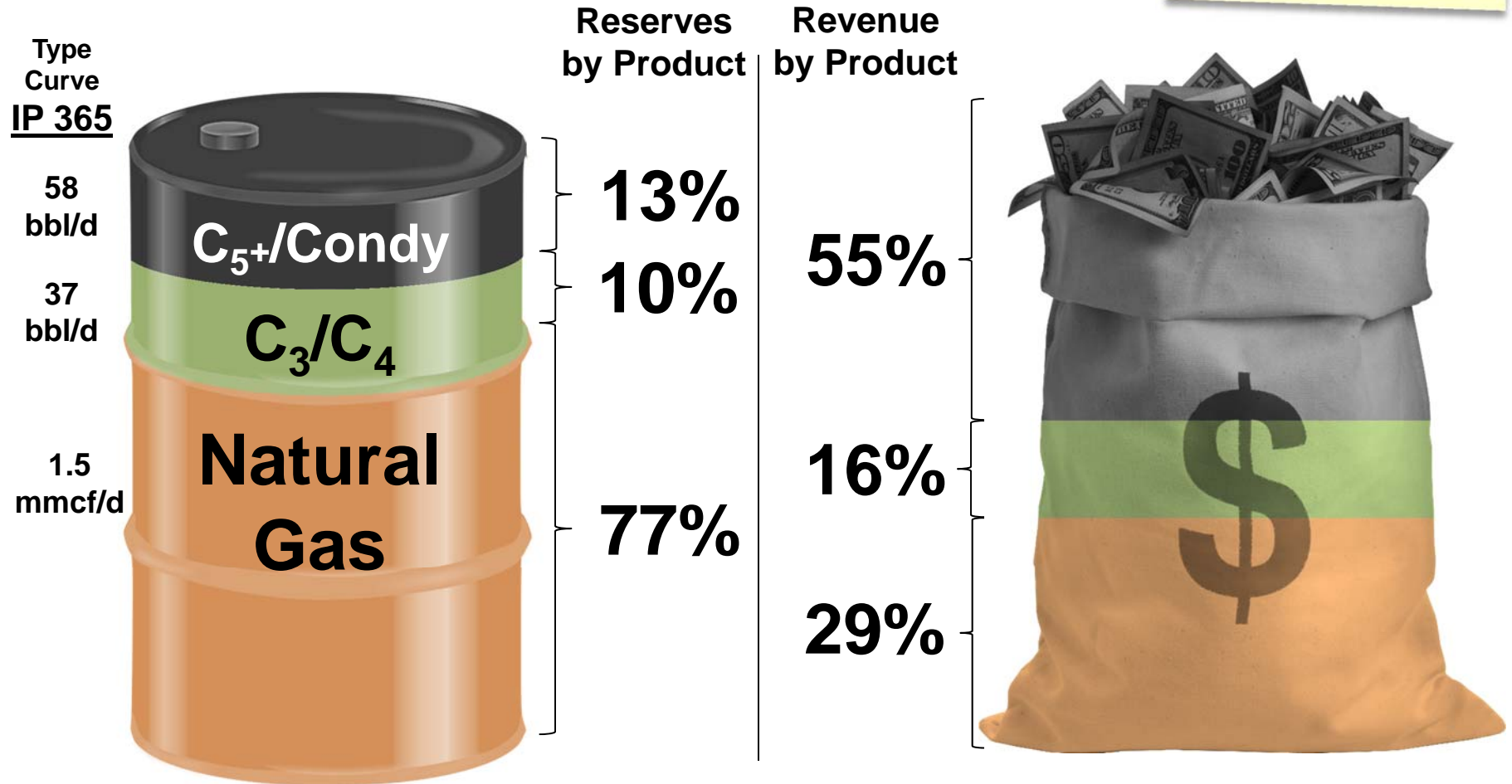
"The new Cardium well design is now consistently hitting the type curve and giving us an acceptable rate of return at today's (ugly) commodity strip."



# Peyto's Assets

*Deep Basin Cardium – More Like Oil Than Gas*

"Based on volumes the Cardium play is a gas play, but based on revenues it's an oil play with over 70% of the revenue coming from condensate and pentanes."

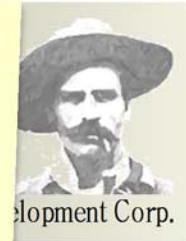


• Price Deck: \$1.50/GJ AECO, WTI \$70/bbl

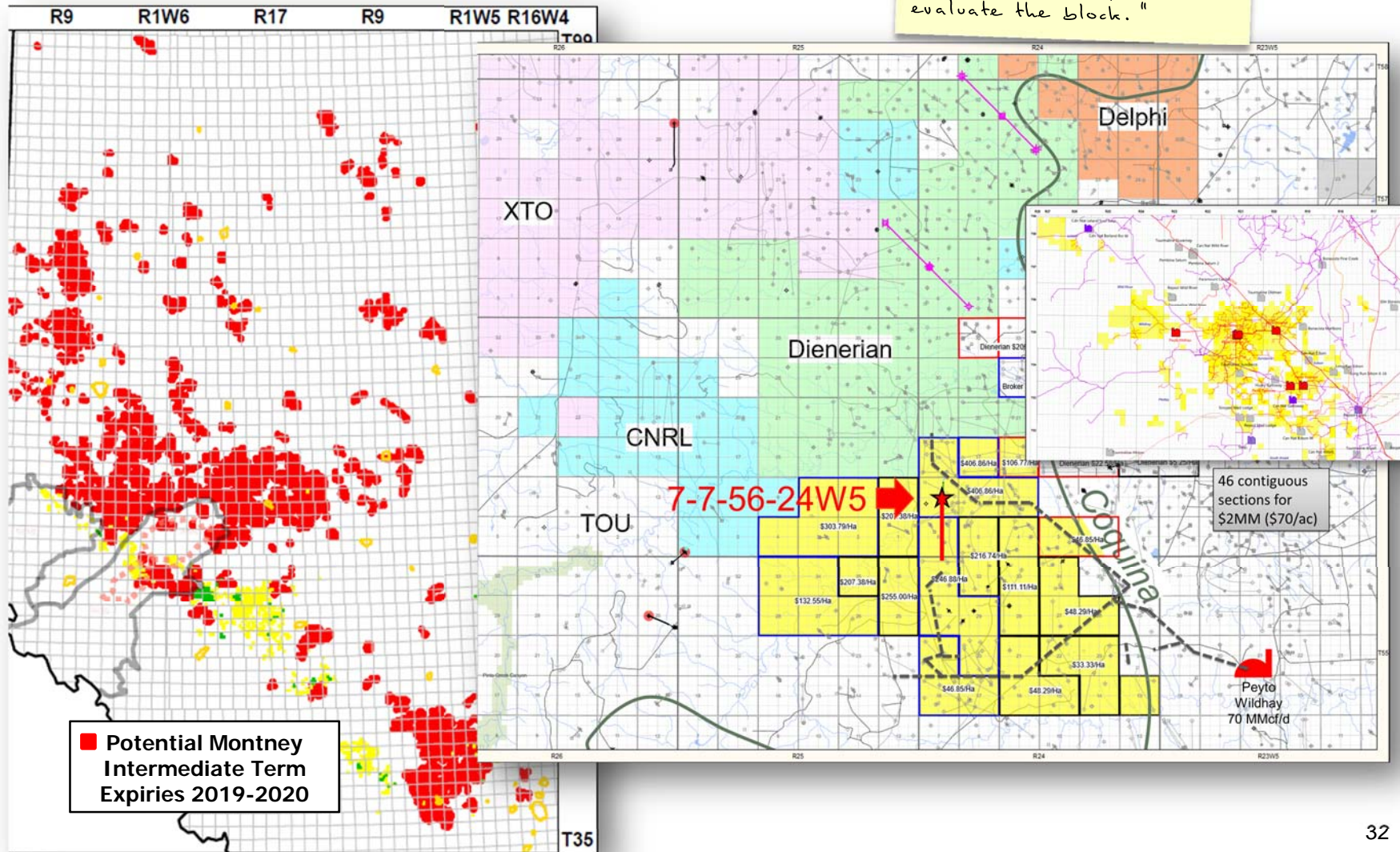
# Peyto's Assets

## New Montney Play and Potential Expiries

"In the second half of 2018 Peyto accumulated a large block of Montney rights in our West Wildhay area. One well has been drilled to date and awaits completion to evaluate the block."



Peyto Development Corp.





# Peyto's Incredible Returns

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2/1/2019

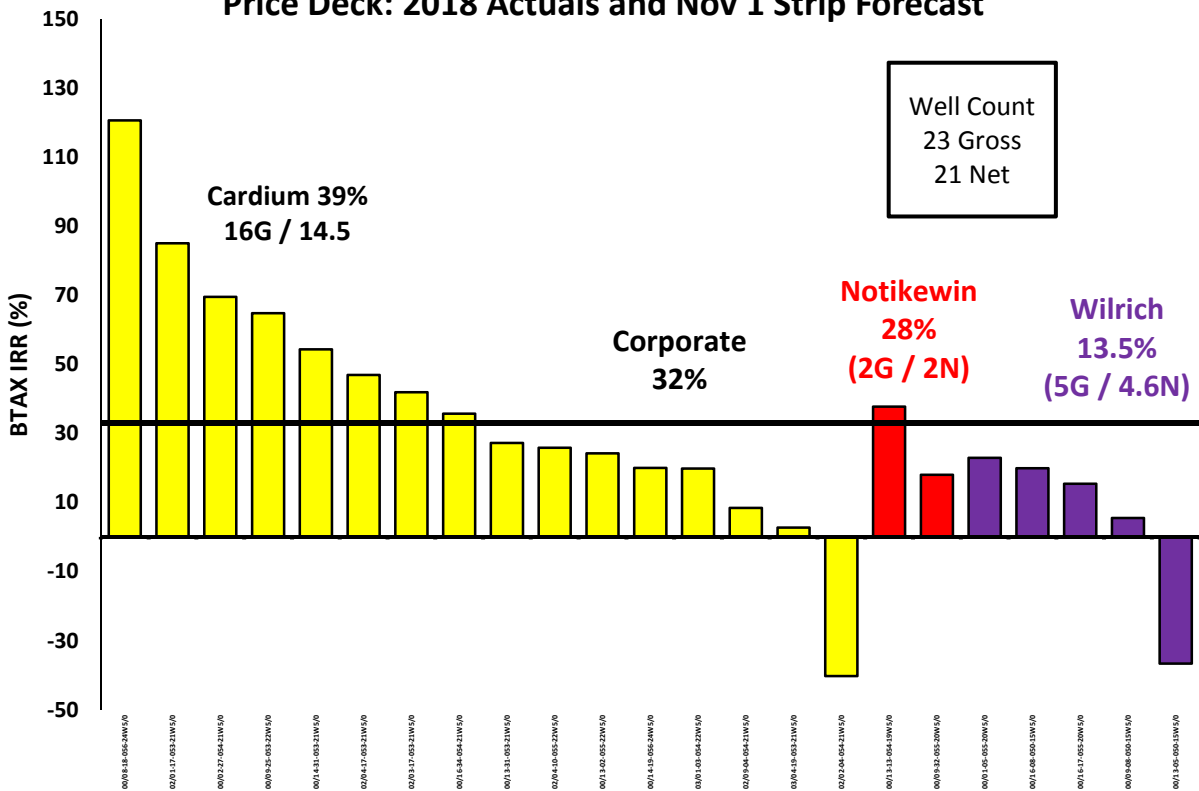
# Peyto's Returns

## 2018 IRRs YTD

"The post mortem IRR of the individual 2018 new wells, using actual capital, confirms the Cardium is offering superior returns. Even with the current condensate discounts."



**2018 Wells - YTD**  
**Price Deck: 2018 Actuals and Nov 1 Strip Forecast**



Prices Based on Actuals and Nov 1 Strip		
Period	Gas Price (\$/GJ) @AECO	C5+ Price (\$/bbl) @Edm
2018 Q1	1.76	75.08
2018 Q2	0.97	83.11
2018 Q3	1.28	80.65
2018 Q4	1.85	61.02
2019 Q1	2.25	65.39
2019 Q2	1.22	66.76
2019 Q3	1.22	66.75
2019 Q4	1.77	65.86
2020	1.58	81.00
2021	1.78	78.00


*Forecast assumes severe condensate discount for 2019*

\*Includes wells with at least 1 month production history only. Actual well costs used with a provision for other costs (L,S,F) at \$300k/well.

# 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."

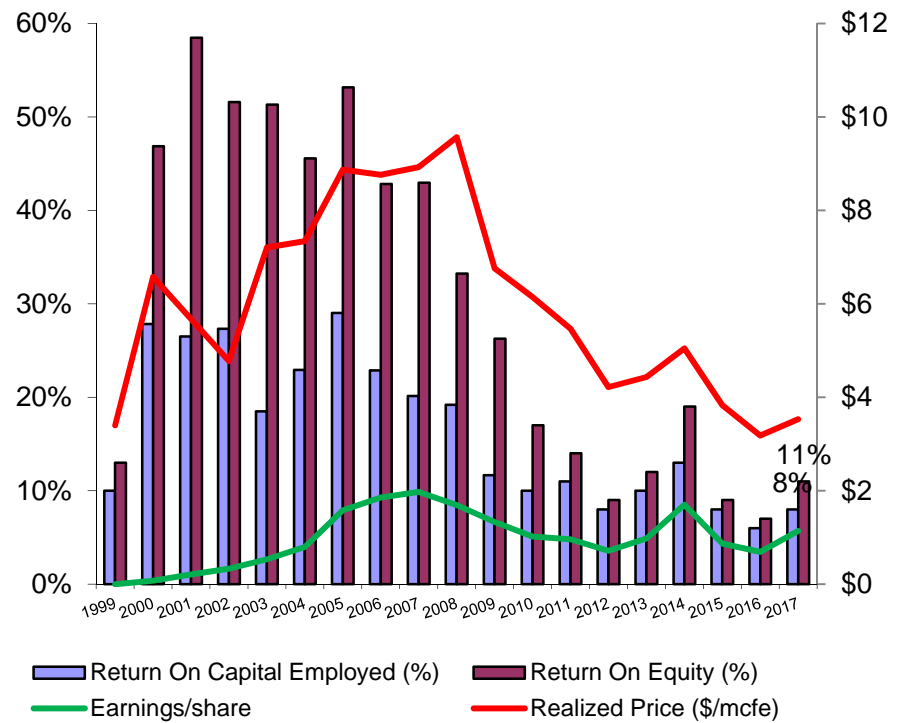


# 30%

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

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# Peyto's Future

2019 Outlook

"2019 will continue to be a flexible year depending on the natural gas price outlook and seasonal dynamics regarding summer prices."



**\$150M-**  
**\$200M**

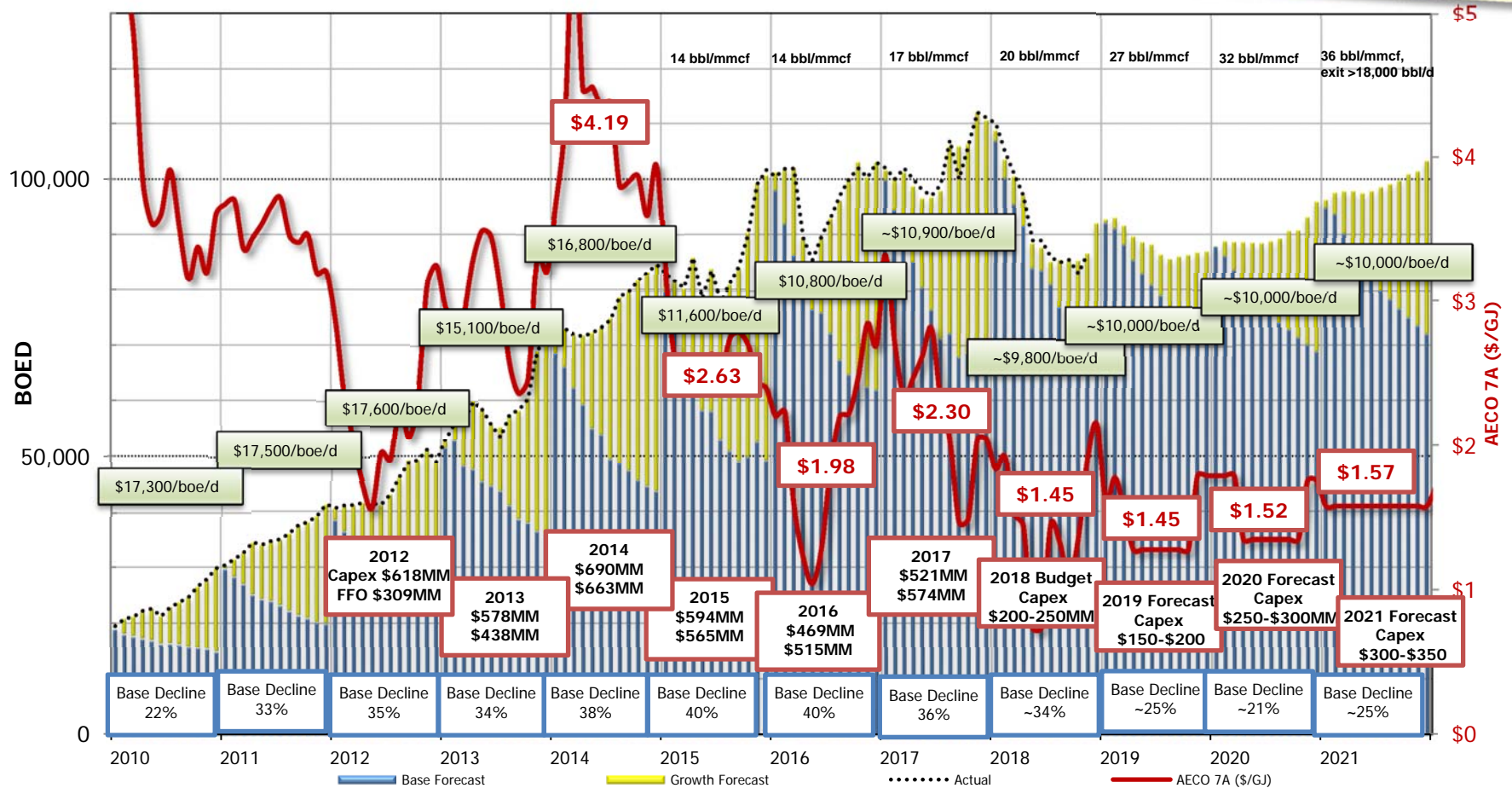
2019 Capital Program

- ✓ **Drill ~50Hz Wells**  
(Liquids Rich Natural Gas) vs 70 in 2018
- ✓ **Expand & Extract**  
Increase Processing Capacity & NGL Yield
- ✓ **Increase**  
Undeveloped Land Base
- ✓ **Shoot**  
Seismic
- ✓ **Acquire**  
Additional Opportunities and Partner Interests

# Peyto's Future

## Gas Price Stability 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."



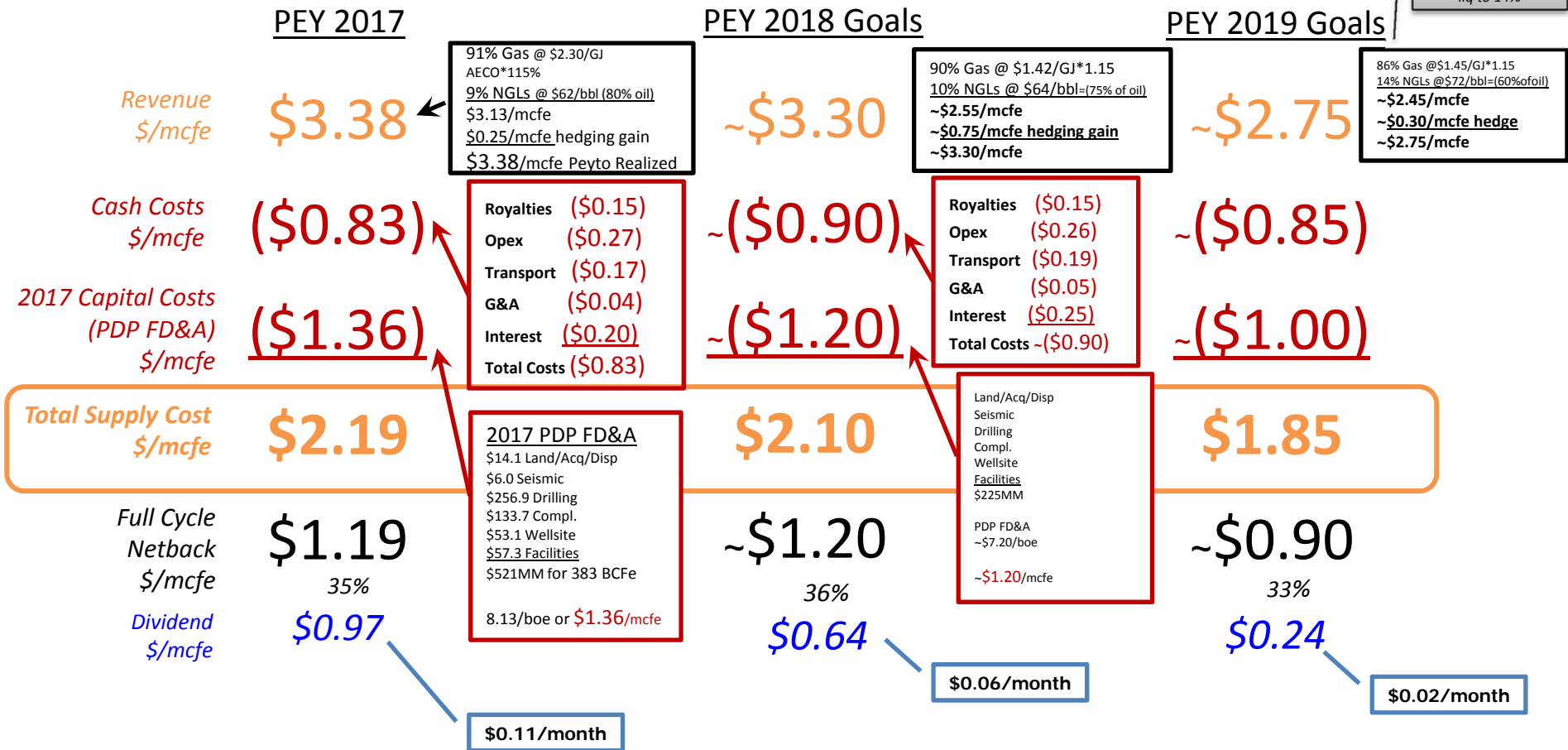
\* 2019 and beyond provided for illustration only. Budgets and forecasts beyond 2019 have not been finalized and are subject to change due to a variety of factors including but not limited to prior year's results. FFO – Funds from Operations, see definition in Financial Reports. Future illustration derived from historical well performance and cost assumptions.

# 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."

40-50 bbl/mmcf new adds in 2018/19 increases liq to 14%

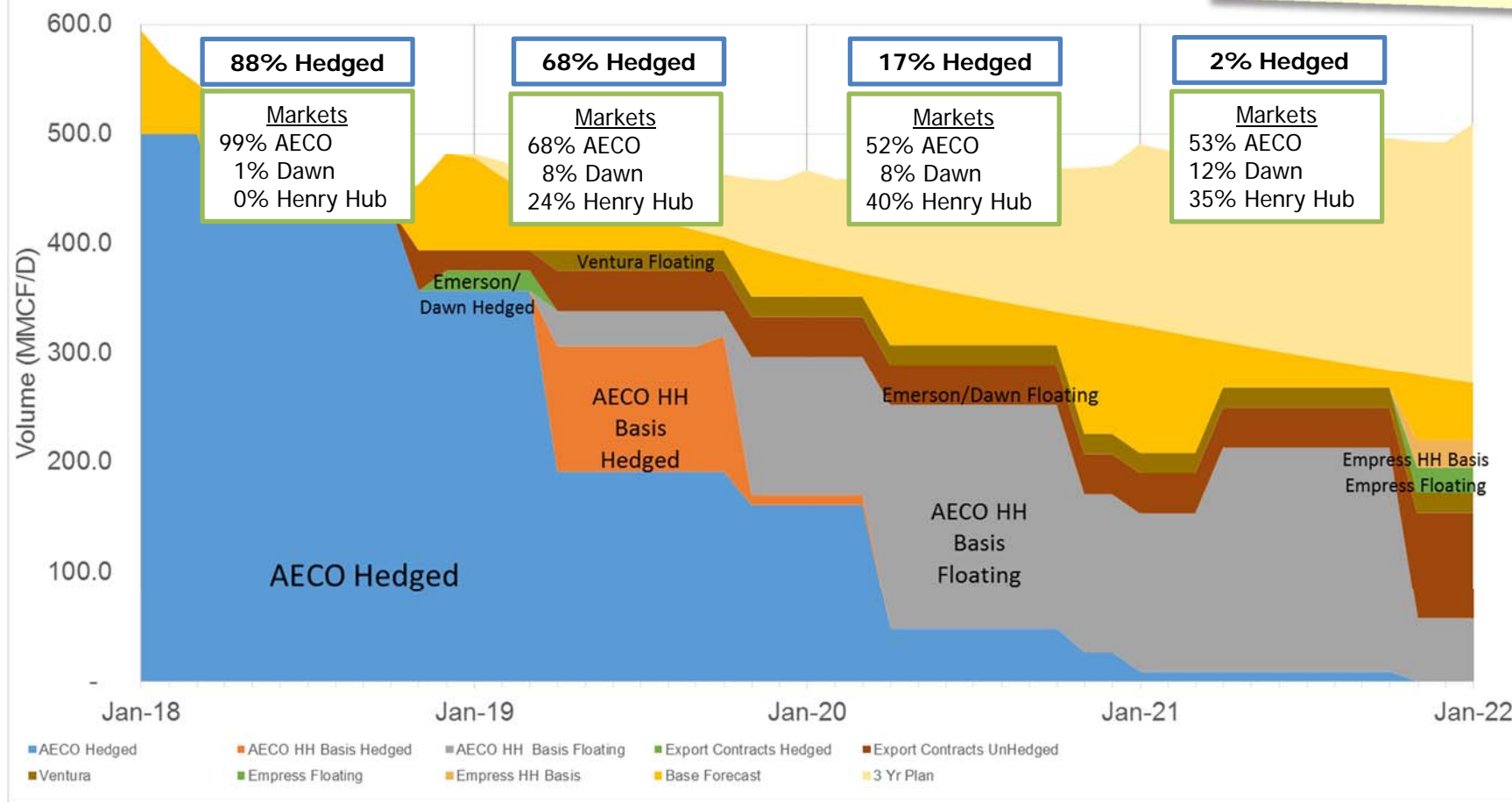


# Gas Marketing

## Future Market Diversification and Gas Price Protection

"Peyto has diversified its gas markets away from AECO in the short term until the LNG exports create a competing market with other North American trading hubs."

Peyto Gas Hedge Volumes vs Forecast



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

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

\* 2019 and beyond provided for illustration only. Budgets and forecasts beyond 2019 have not been finalized and are subject to change due to a variety of factors including but not limited to prior year's results.

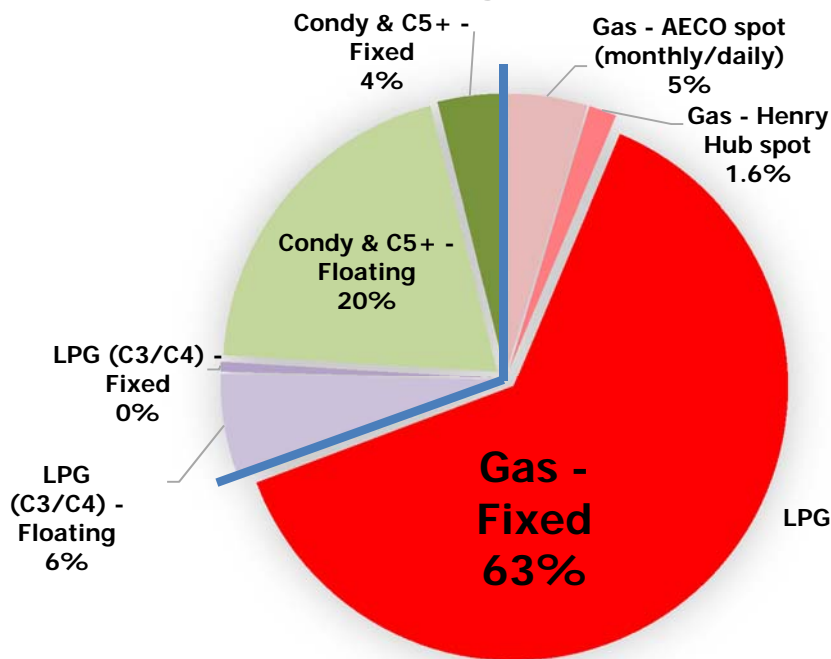


# Gas Marketing

## Minimized AECO Spot Market Exposure

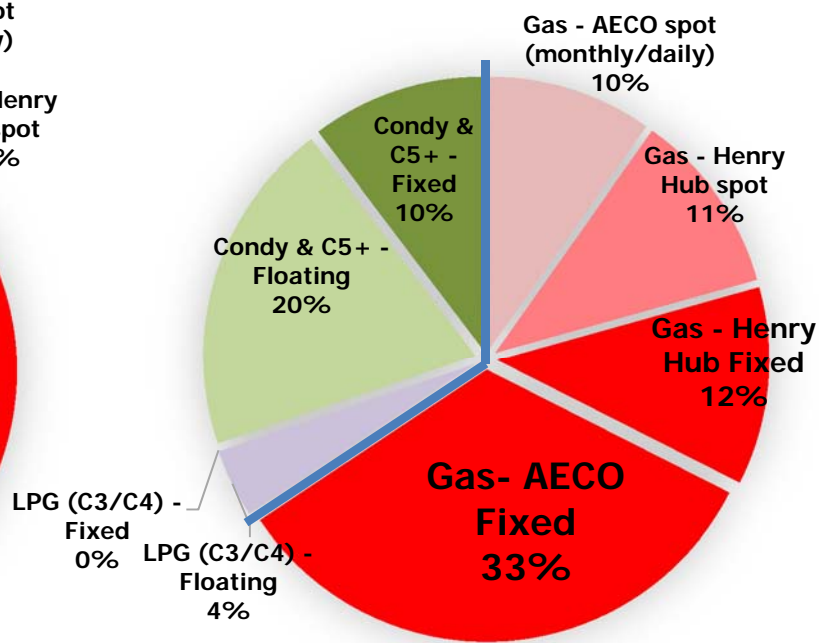
"As we transition to more Cardium production our revenue stream becomes more balanced between gas and liquids."

### 2018 Budget Revenue



**31%  
Liquids  
Revenue**

### 2019 Forecast Revenue



**34%  
Liquids  
Revenue**

\* 2019 and beyond provided for illustration only. Budgets and forecasts beyond 2019 have not been finalized and are subject to change due to a variety of factors including but not limited to prior year's results. For a real time summary of Peyto's future hedges see: <http://www.peyto.com/Files/Marketing/hedges.pdf>

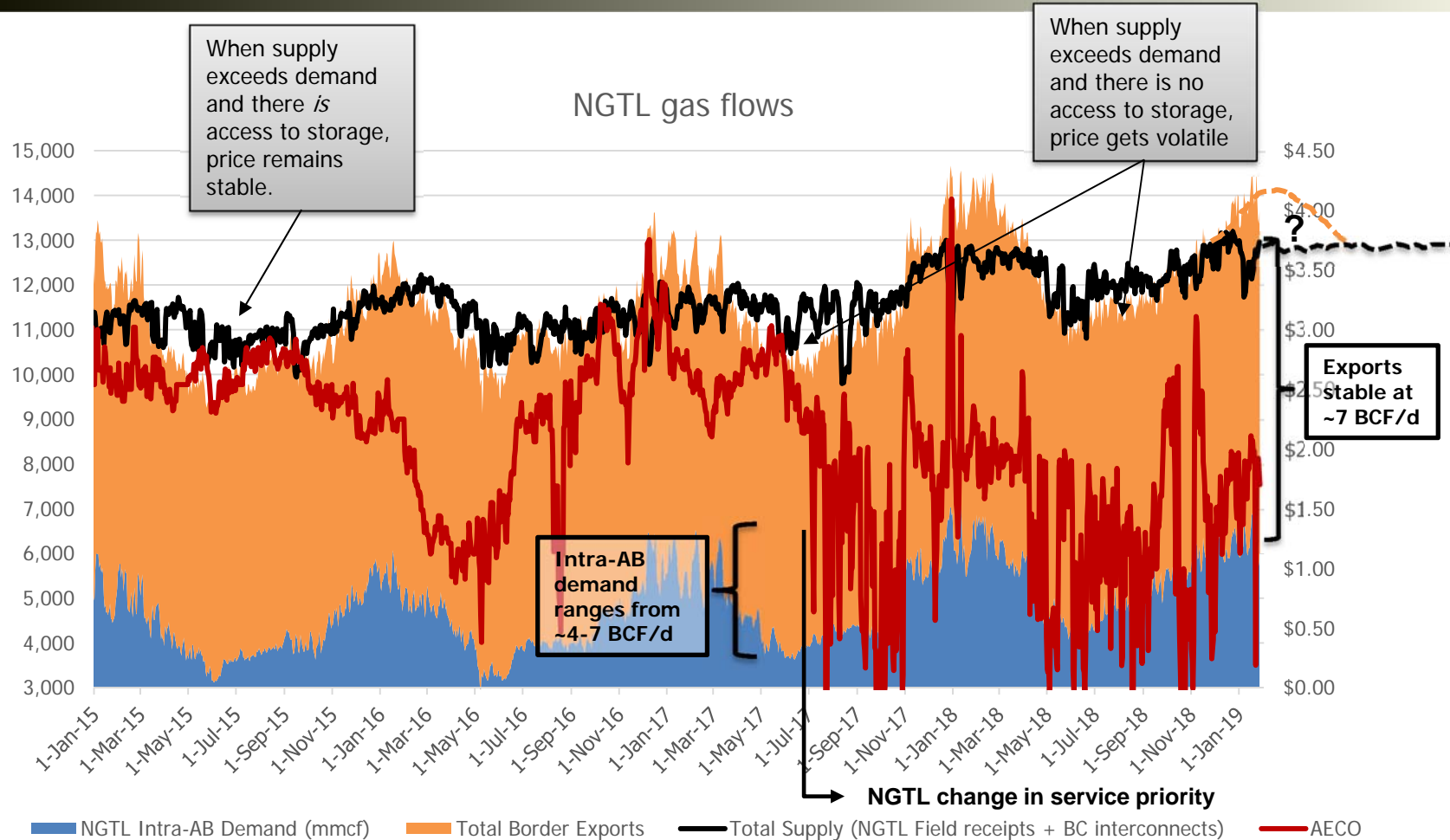
# Gas Marketing

Alberta Needs Storage, Supply/Delivery Balancing

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# Gas Marketing

## Fixed Price Swaps For Gas and Liquids

"Peyto uses a dollar cost averaging approach to smooth out the volatility in future prices by forward selling small blocks of production every week. Fixed price swaps give price certainty."

Peyto Marketing Summary

AECO 7A Fixed Price Swaps (CAD\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Vol. Gals	575,000	495,000	495,000	438,641	960,521	410,000	220,000	220,000	196,793	261,000	185,000	55,000	55,000	38,424	83,196	10,000	10,000	10,000	3,370	8,329	
Price CAD\$/GJ	\$ 2.62	\$ 2.18	\$ 2.18	\$ 2.09	\$ 2.29	\$ 2.04	\$ 1.56	\$ 1.56	\$ 1.74	\$ 1.78	\$ 1.84	\$ 1.64	\$ 1.64	\$ 1.77	\$ 1.77	\$ 1.65	\$ 1.56	\$ 1.56	\$ 1.96	\$ 1.99	
Vol. mcf	500,306	430,699	430,699	381,661	435,502	356,740	191,422	191,422	171,230	227,096	160,968	47,855	47,855	33,433	72,354	8,701	8,701	8,701	2,932	7,247	
Price CAD/mcf	\$ 3.02	\$ 2.50	\$ 2.50	\$ 2.43	\$ 2.35	\$ 1.80	\$ 1.80	\$ 1.80	\$ 2.00	\$ 2.05	\$ 2.12	\$ 1.88	\$ 1.88	\$ 2.04	\$ 2.03	\$ 1.89	\$ 1.79	\$ 1.79	\$ 1.79	\$ 1.82	
Henry Hub Basis (US\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Basis Vol mmbtu/d					160,000	160,000	148,397	117,623	142,500	217,500	217,500	174,402	168,019	152,500	217,500	217,500	111,413	174,733	57,500	107,500	
Basis Price (US\$)					\$ 1.43	\$ 1.43	\$ 1.35	\$ 1.41	\$ 1.30	\$ 1.44	\$ 1.44	\$ 1.37	\$ 1.40	\$ 1.31	\$ 1.44	\$ 1.44	\$ 1.44	\$ 1.44	\$ 1.43	\$ 1.43	
Fixed NYMEX Vol mmbtu/d					125,000	125,000	52,120	75,808	10,000												
Fixed NYMEX Price (US\$)					\$ 2.78	\$ 2.78	\$ 2.94	\$ 2.79	\$ 3.07												
Fixed AECO Netback (\$US/mmbtu)					\$ 1.35	\$ 1.35	\$ 1.49	\$ 1.29	\$ 1.77												
Fixed AECO Netback (\$CAD/GJ)					\$ 1.68	\$ 1.68	\$ 1.85	\$ 1.80	\$ 2.21												
Ventura (US\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Ventura Vol mmbtu/d								20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
Basis Price (US\$)																					
Fixed Ventura Vol mmbtu/d																					
Fixed Ventura Price (US\$)																					
Fixed AECO Netback (\$US/mmbtu)																					
Fixed AECO Netback (\$CAD/GJ)																					
Dawn (US\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Dawn Volume (mmbtu/d)	16,667	4,167	25,000	25,000	25,000	25,000	25,000	8,424	20,822	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	
Dawn Fixed Vol mmbtu/d			3,333	833	10,000	-	-	-	2,466	-	-	-	-	-	-	-	-	-	-	-	
Dawn Fixed Price US\$/mmbtu			\$ 5.10	\$ 5.10	\$ 5.10				\$ 5.10												
Fixed AECO Netback (\$CAD/GJ)			\$ 4.76	\$ 4.76	\$ 4.76				\$ 4.76												
Emerson (US\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Emerson Volume (mmbtu/d)	10,000	2,500	15,000	15,000	15,000	15,000	15,000	31,576	19,178	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Emerson Fixed Vol mmbtu/d			3,333	833	10,000	-	-	-	2,466	-	-	-	-	-	-	-	-	-	-	-	
Emerson Fixed Price US\$/mmbtu			\$ 5.13	\$ 5.13	\$ 5.13				\$ 5.13												
Fixed AECO Netback (\$CAD/GJ)			\$ 5.06	\$ 5.06	\$ 5.06				\$ 5.06												
Oil Swaps (CAD\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Vol. bbl	-	-	1,228	2,600	965	2,700	2,700	1,772	400	1,886	-	-	-	-	-	-	-	-	-	-	
Price CAD\$/bbl			\$ 86.34	\$ 86.57	\$ 86.50	\$ 86.93	\$ 86.93	\$ 87.50	\$ 89.97	\$ 87.23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Propane Swaps (US\$)																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Vol. bbl	-	198	600	202	252	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Convey Est. Price US\$/bbl			\$ 32.52	\$ 32.52	\$ 32.52	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intra-Alberta Industrial Commitments																					
	2018				2019				2020				2021				2022				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Vol. Gals																	60,000	60,000	60,000	60,000	
Price/GJ																					
Vol. mcf																					
Price/mcf																					

As of: 1/28/2019

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

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

# Gas Marketing

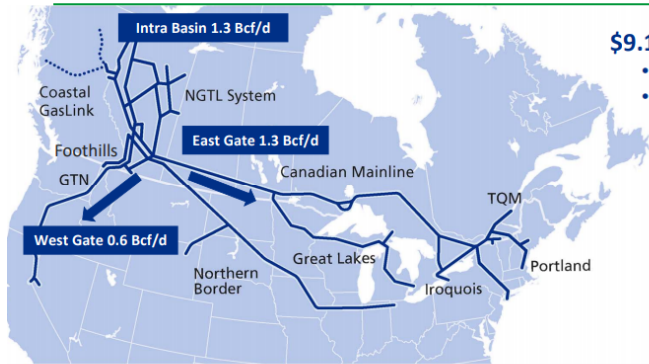
*The Good News, Pipe Is Coming*

PEYTO

Exploration & Development Corp.

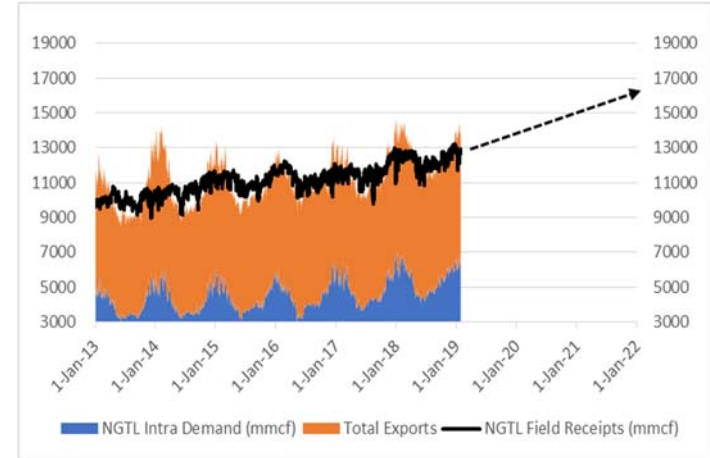
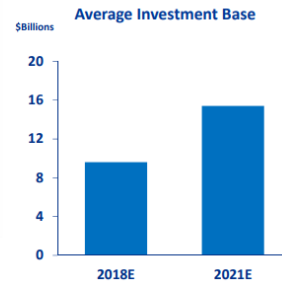


## NGTL System - Expanding to Connect Growing WCSB Supply to Markets



### \$9.1 billion expansion program

- ~1,400 km (875 mi) of 16 to 48 inch pipe
- 23 compressor units (650 MW)



*Providing the WCSB 3.2 Bcf/d of Incremental Delivery Service from 2018-2022*

## Canadian Natural Gas Pipelines Secured Capital Program

Project	Estimated Capital Cost	Expected In-Service
Canadian Mainline	0.2	2018-2021
NGTL System	0.6	2018
	2.8	2019
	1.7	2020
	2.5	2021
	1.5	2022
Recoverable Maintenance Capital	1.8	2019-2021
Coastal GasLink	6.2	2023
<b>Total (\$Billions)</b>	<b>17.3</b>	

- \$9.1 billion expansion of NGTL system to 2022
- \$6.2 billion Coastal GasLink pipeline
- \$200 million Eastern Mainline expansion; further expansion from open season being finalized
- Maintenance capital expected to approximate \$600 million per year; immediately reflected in rates and earns return of and on capital

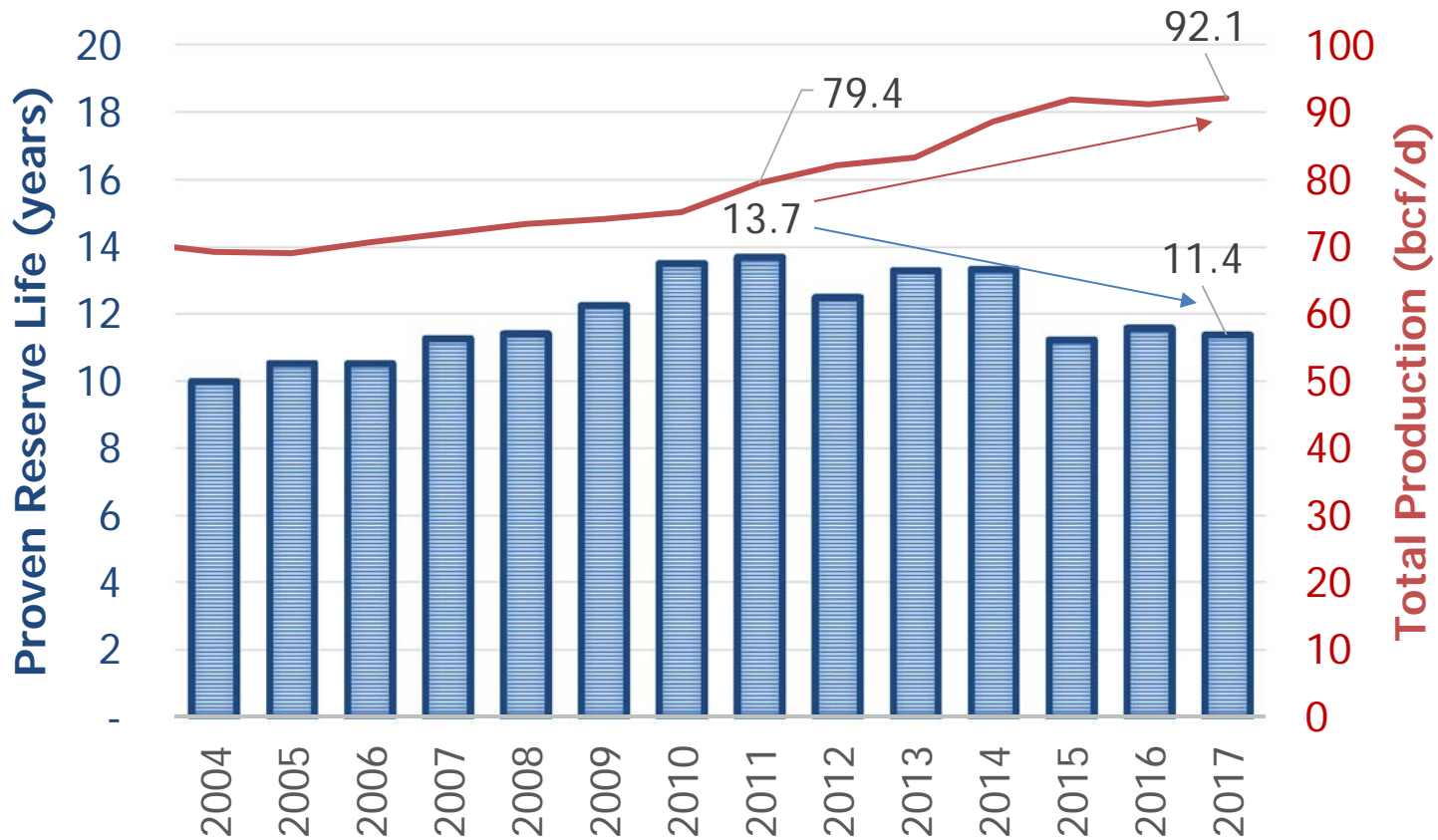
*Significant Investment Program Drives Growth*

# Gas Marketing

Supply Driven Market May Be Temporary

"An assumption that we are awash in gas forever is wrong. While production and consumption are up 16% over the last 6 years, Proven reserve life is down 17% meaning we are accelerating existing reserves out of the ground."

## NORTH AMERICAN NATURAL GAS



# Appendix



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

# Quarterly Track Record



	2018			2017					2016					Total
	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1	
<b>Operations</b>														
<u>Production</u>														
Oil & NGLs (bbl/d)	9,209	9,243	10,043	9,337	10,479	8,958	8,319	9,586	7,457	8,938	7,247	6,621	7,008	6,643
Natural gas (mcf/d)	456,197	493,821	568,496	559,663	595,885	557,958	535,274	549,037	537,111	556,975	534,710	489,337	567,230	474,182
Barrels of oil equivalent (boe/d)	85,242	91,547	104,792	102,614	109,793	101,951	97,531	101,092	96,975	101,767	96,365	88,177	101,546	85,673
Year over Year % Growth	-16%	-6%	4%	6%	8%	6%	11%	0%	13%	5%	19%	7%	24%	12%
<u>Average Product Prices</u>														
Oil & NGLs (\$/bbl)	61.04	63.64	59.67	50.02	56.52	45.92	48.33	48.14	40.30	45.09	39.76	41.46	33.60	40.40
Natural gas (\$/mcf)	2.43	2.37	2.86	2.89	2.87	2.81	2.92	2.96	2.89	2.98	2.88	2.60	3.06	3.58
Op+Tran expenses (\$/mcf)	0.50	0.48	0.42	0.43	0.44	0.43	0.42	0.46	0.41	0.42	0.41	0.43	0.39	0.45
Field Netback (\$/mcf)	2.63	2.62	2.95	2.80	2.91	2.72	2.77	2.79	2.64	2.78	2.63	2.39	2.72	3.24
<b>Financial (\$000)</b>														
Revenue (net of royalties)	147,190	154,932	192,854	726,852	202,567	177,061	169,911	177,214	650,058	179,862	161,813	136,017	172,366	690,817
Funds from Operations <sup>1</sup>	109,549	115,571	148,986	573,721	161,672	139,257	133,487	139,305	514,593	144,593	127,915	102,178	139,907	565,473
Net earnings (loss)	29,506	30,397	47,749	176,577	51,547	44,818	39,957	40,255	111,729	37,870	22,814	9,102	41,943	137,561
Capital expenditures	69,716	14,978	35,454	521,210	134,411	135,187	97,738	153,874	469,375	129,407	113,571	50,634	175,763	593,780
Net Debt <sup>2</sup>	1,167,672	1,178,294	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
Common shares outstanding (000)	164,874	164,874	164,874	164,874	164,874	164,849	164,874	164,874	164,777	164,777	164,630	164,630	159,240	159,107
Weighted average shares	164,874	164,874	164,874	164,856	164,874	164,874	164,874	164,801	162,574	164,630	164,630	161,846	159,143	157,492
<b>Per share data (\$/share)</b>														
Funds from operations	0.66	0.70	0.90	3.48	0.98	0.85	0.81	0.85	3.17	0.88	0.78	0.63	0.88	3.59
Earnings (loss)	0.18	0.18	0.29	1.07	0.31	0.27	0.24	0.24	0.69	0.23	0.14	0.06	0.26	0.87
Dividends (Distributions)	0.18	0.18	0.18	1.32	0.33	0.33	0.33	0.33	1.32	0.33	0.33	0.33	0.33	1.32

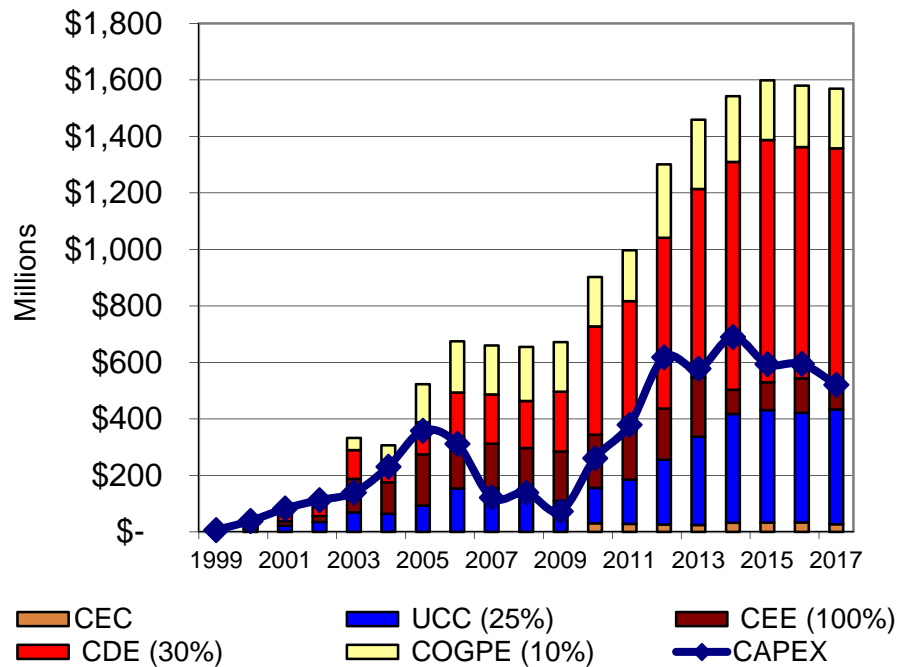
<sup>1</sup> Management uses funds from operations to analyze operating performance. In order to facilitate comparative analysis funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. As presented, funds from operations 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."



**\$1.6B**

Federal Tax Pools  
Q4/17

**\$5.7B**

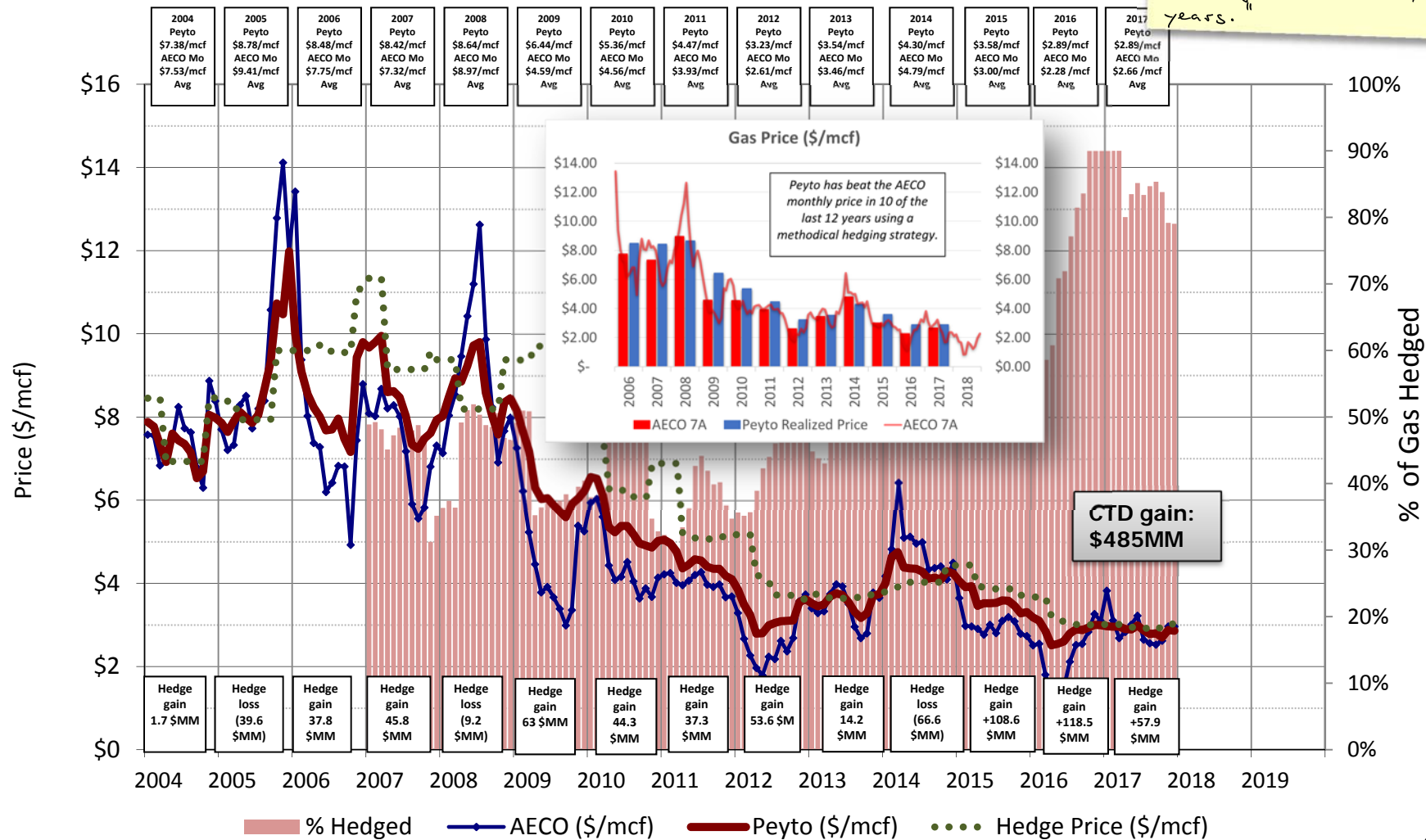
Peyto CTD. CapEx  
Q4/17



# 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."



# 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>

