

## NEWS RELEASE

AUGUST 8, 2018

SYMBOL: PEY – TSX

### PEYTO ANNOUNCES Q2 2018 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the second quarter of the 2018 fiscal year. An annualized 9% return on equity (ROE) and 8% return on capital employed (ROCE) was delivered in the quarter by achieving a 72% operating margin <sup>(1)</sup> and a 19% profit margin <sup>(2)</sup>, all while navigating through the lowest Alberta natural gas price environment in the past 26 years. Additional highlights included:

- **Earnings of \$0.18/share, dividends of \$0.18/share.** Earnings of \$30 million were generated in the quarter while dividends of \$30 million were paid to shareholders. Dividend payments represented a before tax payout ratio of 26% of Funds from Operations ("FFO"), down from 41% in Q2 2017. The Company has never incurred a write down nor recorded an impairment of its assets and this quarter represents Peyto's 54<sup>th</sup> consecutive quarter of earnings.
- **Funds from operations of \$0.70/share.** Generated \$116 million in FFO in Q2 2018 down 13% from \$133 million in Q2 2017 (down 14%/share) as 6% lower production was combined with 5% lower realized commodity prices. For the first half of 2018, funds from operations exceeded the combination of capital expenditures and dividend payments by \$155 million resulting in reduced debt levels.
- **Total cash costs of \$0.89/Mcfe (or \$0.79/Mcfe (\$4.73/boe) excluding royalties).** Industry leading total cash costs, including \$0.10/Mcfe royalties, \$0.30/Mcfe operating costs, \$0.18/Mcfe transportation, \$0.05/Mcfe G&A and \$0.26/Mcfe interest, combined with a realized price of \$3.20/Mcfe, resulting in a \$2.31/Mcfe (\$13.87/boe) cash netback, down 8% from \$2.51/Mcfe in Q2 2017. Peyto's realized Q2 2018 gas price was 184% of the AECO daily average price.
- **Capital investment of \$15 million.** A total of 7 gross wells (5.8 net) were drilled in the second quarter and 1 gross well (1 net) was completed. No new wells were brought on production as Peyto deliberately curtailed capital investment due to extremely low gas prices. Subsequent to the end of the quarter, Peyto reactivated drilling operations in anticipation of improving gas prices for the coming winter season.
- **Production per share down 6%.** Second quarter 2018 production of 549 MMcfe/d (91,547 boe/d) was down 6% from Q2 2017. Peyto deliberately deferred 15 MMcf/d of unhedged dry gas production in the quarter that would have otherwise been exposed to an average AECO monthly gas price of \$0.97/GJ, the lowest gas price observed in Company history. As previously communicated, Peyto plans to actively manage unhedged production levels in response to commodity prices so as to limit exposing producing reserves to uneconomic prices.

#### Second Quarter 2018 in Review

With minimal support from summer storage injections due to curtailments of interruptible service on the major intra-Alberta pipeline system, the AECO daily and monthly natural gas prices sunk to their lowest level since 1992. Peyto's strategic plan to defer 2018 capital investments to later in the year had anticipated this fall in commodity price. As a result, only minimal drilling activity occurred in the quarter with no new wells being brought on production. At times, base production was also curtailed to ensure unhedged dry gas volumes were only sold at profitable prices. Meanwhile, liquid yields were up 20% from Q2 2017 to 19 bbl/MMcf due to enhanced liquid recoveries from the Oldman deep cut processing facility. Another quarter of production history has helped confirm the much improved profitability of Peyto's innovative Cardium completion design and its extensive inventory of future, liquid-rich locations, some offering as high as 100 bbls/MMcf of NGLs. Exploration initiatives continued to be pursued in the quarter which culminated in 50 net sections of Montney land being captured subsequent to quarter end in a new exploration area. Financial performance in the quarter remained strong resulting in reduced debt levels and an improved balance sheet. The Company was also successful furthering its market diversification strategy by executing an agreement to provide a long term supply of natural gas to an intra-Alberta power producer.

*1. Operating Margin is defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.*

*2. Profit Margin is defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.*

*Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.*

	Three Months Ended June 30			Six Months Ended June 30		
	2018	2017	% Change	2018	2017	% Change
<b>Operations</b>						
Production						
Natural gas (mcf/d)	493,821	535,274	-8%	530,952	542,118	-2%
Oil & NGLs (bbl/d)	9,243	8,319	11%	9,641	8,949	8%
Thousand cubic feet equivalent (mcf/d @ 1:6)	549,281	585,187	-6%	549,281	595,813	-8%
Barrels of oil equivalent (boe/d @ 6:1)	91,547	97,531	-6%	98,133	99,302	-1%
Production per million common shares (boe/d)*	555	592	-6%	595	602	-1%
Product prices						
Natural gas (\$/mcf)	2.37	2.92	-19%	2.63	2.94	-11%
Oil & NGLs (\$/bbl)	63.64	48.33	32%	61.58	48.23	28%
Operating expenses (\$/mcf)	0.30	0.24	25%	0.29	0.26	12%
Transportation (\$/mcf)	0.18	0.18	-	0.16	0.18	-11%
Field netback (\$/mcf)	2.62	2.77	-5%	2.79	2.78	-
General & administrative expenses (\$/mcf)	0.05	0.05	-	0.06	0.05	20%
Interest expense (\$/mcf)	0.26	0.21	24%	0.25	0.20	25%
<b>Financial (\$000, except per share*)</b>						
Revenue	159,811	178,982	-11%	360,208	366,932	-2%
Royalties	4,879	9,071	-46%	14,422	19,707	-27%
Funds from operations	115,571	133,487	-13%	264,557	272,792	-3%
Funds from operations per share	0.70	0.81	-14%	1.60	1.66	-4%
Total dividends	29,677	54,408	-45%	59,354	108,796	-45%
Total dividends per share	0.18	0.33	-45%	0.36	0.66	-45%
Payout ratio	26	41	-37%	22	40	-45%
Earnings	30,397	39,957	-24%	78,146	80,211	-3%
Earnings per diluted share	0.18	0.24	-25%	0.47	0.49	-4%
Capital expenditures	14,978	97,738	-85%	50,432	251,612	-80%
Weighted average common shares outstanding	164,874,175	164,874,175	-	164,874,175	164,837,609	-
<b>As at June 30</b>						
End of period shares outstanding (includes shares to be issued)				164,874,175	164,874,175	-
Net debt				1,178,294	1,218,879	-3%
Shareholders' equity				1,671,045	1,647,133	1%
Total assets				3,626,895	3,604,373	1%

\*all per share amounts using weighted average common shares outstanding

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
(\$000 except per share)				
Cash flows from operating activities	116,906	127,980	260,900	249,117
Change in non-cash working capital	(2,429)	2,191	1,485	18,351
Change in provision for performance based compensation	1,094	3,316	2,172	5,324
Funds from operations	115,571	133,487	264,557	272,792
Funds from operations per share	0.70	0.81	1.60	1.66

(1) Funds from operations - Management uses funds from operations to analyze the operating performance of its energy assets. 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. Management believes that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations cannot be assured and future dividends may vary.

## Exploration & Development

The limited Second quarter 2018 activity was largely focused in the Greater Sundance area on the Cardium play with all wells drilled after breakup in June. In total, 7 horizontal wells were drilled as shown in the following table:

Zone	Field							Total Wells Drilled
	Sundance	Nosehill	Wildhay	Ansell	Whitehorse	Kisku/ Kakwa	Brazeau	
Belly River	-	-	-	-	-	-	-	-
Cardium	5	-	1	-	-	-	-	6
Notikewin	-	-	-	-	-	-	-	-
Falher	-	-	-	-	-	-	-	-
Wilrich	-	-	-	-	1	-	-	1
Bluesky	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>7</b>

Horizontal well drilling costs in Q2 2018 were lower than previous quarters due to a focus on the shallower Cardium formation which has become cheaper to drill with a more efficient drilling design. Peyto's innovative completion design in the Cardium involves significantly more frac stages and 2-3 times more water which increased total average completion costs but results in lower cost per frac stage. Going forward, Peyto expects that total drilling and completion costs per well will be less than the total in previous years but with completion costs likely exceeding drilling costs. The following table illustrates the progression of cost optimization as Peyto works to continuously lower overall development costs to ultimately generate greater returns:

	2010	2011	2012	2013	2014	2015	2016	2017	2018 Q1	2018 Q2
Gross Hz Spuds	52	70	86	99	123	140	126	135	8	7
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,091	<b>3,814</b>
Drilling (\$MM/well)	\$2.76	\$2.82	\$2.79	\$2.72	\$2.66	\$2.16	\$1.82	\$1.90	\$1.74	<b>\$1.54</b>
\$ per meter	\$734	\$723	\$694	\$651	\$626	\$501	\$433	\$450	\$425	<b>\$403</b>
Completion (\$MM/well)	\$1.36	\$1.68	\$1.67	\$1.63	\$1.70	\$1.21	\$0.86	\$1.00	\$1.15	<b>\$1.31</b>
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,415	<b>1,605</b>
\$ per Hz Length (m)	\$1,017	\$1,286	\$1,231	\$1,153	\$1,166	\$792	\$587	\$803	\$810	<b>\$814</b>
\$ '000 per Stage	\$231	\$246	\$257	\$188	\$168	\$115	\$79	\$81	\$61	<b>\$40</b>

## Capital Expenditures

During the second quarter of 2018, Peyto spent \$7 million on drilling, \$1.5 million on completions, \$0.7 million on wellsite equipment and tie-ins, \$5 million on facilities and major pipeline projects, and \$0.8 million on new Crown lands and seismic, for total capital investments of \$15 million.

The \$5 million invested in facilities and major pipeline projects included a turn-around at the Oldman Deep Cut plant, completion of a major pipeline under the Sundance Provincial Park connecting the Swanson and Galloway gas plants, and consolidation of wellsite metering equipment at several pad sites in Sundance. This wellsite equipment consolidation will be an ongoing effort to help reduce operating costs without an impact to productivity.

Peyto also purchased 1.25 net sections of new Crown land at sales in the second quarter, mostly in the Greater Sundance area, for an average purchase price of \$43/acre.

## Commodity Prices

Average daily AECO natural gas prices were \$1.12/GJ in Q2 2018, down 43% from \$1.97/GJ in Q1 2018 and down 58% from the \$2.64/GJ in Q2 2017. US Henry Hub spot prices were only 7% lower, on a comparative basis, from both prior periods. The inadequacy of the intra-Alberta gas transmission system and the resultant inability to access Alberta storage reservoirs to buffer the supply/demand imbalances has led to daily market instability and extreme volatility in AECO daily and monthly prices, particularly during summer months.

On average for Q2 2018, Peyto realized a natural gas price of \$2.37/Mcf (\$2.06/GJ) or 184% of the AECO daily average price. This was the result of a combination of approximately 12% of natural gas production being sold into the daily or monthly spot market at an average of \$1.04/GJ (\$1.19/Mcf) and 88% having been pre-sold at an average hedged price of \$2.18/GJ (prices reported net of TCPL fuel volume deductions).

In the second quarter of 2018, higher realized liquid propane prices allowed Peyto to continuously operate its Oldman deep cut plant, resulting in greater propane and butane recoveries than in Q2 2017. Peyto's Q2 2018 blended, realized, oil and natural gas liquids price was \$63.64/bbl, which represented 79% of the \$80.62/bbl average Canadian Light Sweet posted price. Details of realized commodity prices by component are shown in the following table:

### Commodity Prices by Component

		Three Months ended June 30	
		2018	2017
AECO monthly	(\$/GJ)	<b>0.97</b>	2.63
AECO daily	(\$/GJ)	<b>1.12</b>	2.64
Henry Hub spot	(\$US/MMBTU)	<b>2.86</b>	3.08
Natural gas – prior to hedging	(\$/GJ)	<b>1.35</b>	2.60
	(\$/mcf)	<b>1.18</b>	2.99
Natural gas – after hedging	(\$/GJ)	<b>2.06</b>	2.54
	(\$/mcf)	<b>2.37</b>	2.92
<hr/>			
Condensate (\$/bbl)		<b>80.98</b>	57.60
Propane (\$/bbl)		<b>20.29</b>	13.39
Butane (\$/bbl)		<b>44.41</b>	30.81
Pentane (\$/bbl)		<b>86.64</b>	59.93
Total Oil and natural gas liquids (\$/bbl)		<b>63.64</b>	48.33
Canadian Light Sweet stream (\$/bbl)		<b>80.62</b>	61.95
Peyto Realized liquids price/Canadian Light Sweet		<b>79%</b>	78%

*Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation.*

### Financial Results

Approximately 35%, or \$1.07/Mcfe, of Peyto's revenue came from its liquids sales while 65%, or \$2.13/Mcfe, came from natural gas. This liquids revenue more than covered all cash costs. Cash costs of \$0.89/Mcfe, included royalties of \$0.10/Mcfe, operating costs of \$0.30/Mcfe, transportation costs of \$0.18/Mcfe, G&A of \$0.05/Mcfe and interest costs of \$0.26/Mcfe. Cash costs were lower than the previous quarter but higher than the previous year due to increased operating and interest costs, partially offset by reduced royalties. Fixed operating cost components including higher municipal taxes, annual AER fees, and other government fees contributed to the increase, as well as an increase in power pool prices. Interest costs were up because of higher interest rates, despite lower debt levels. For the balance of the year, Peyto expects to lower per unit operating costs as more power is generated internally and as production volumes begin to increase from an increase in drilling activity.

Total cash costs, when deducted from realized revenues of \$3.20/Mcfe, resulted in a cash netback of \$2.31/Mcfe or a 72% operating margin. Historical cash costs and operating margins are shown in the following table. Going forward, Peyto expects per unit cash costs to decrease as production is forecast to increase from increased capital investment and drilling activity.

(\$/Mcf)	2015				2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	4.17	3.81	3.80	3.58	3.24	2.92	3.16	3.38	3.44	3.36	3.24	3.50	<b>3.54</b>	<b>3.20</b>
Royalties	0.18	0.13	0.15	0.13	0.13	0.10	0.12	0.18	0.19	0.17	0.09	0.15	<b>0.17</b>	<b>0.10</b>
Operating Costs	0.32	0.31	0.28	0.25	0.23	0.26	0.25	0.26	0.29	0.24	0.26	0.28	<b>0.29</b>	<b>0.30</b>
Transportation	0.15	0.15	0.16	0.16	0.16	0.17	0.16	0.16	0.17	0.18	0.17	0.16	<b>0.13</b>	<b>0.18</b>
G&A	0.04	0.04	0.02	0.05	0.03	0.06	0.04	0.03	0.04	0.05	0.03	0.03	<b>0.08</b>	<b>0.05</b>
Interest	<u>0.20</u>	<u>0.19</u>	<u>0.19</u>	<u>0.16</u>	<u>0.17</u>	<u>0.21</u>	<u>0.19</u>	<u>0.18</u>	<u>0.20</u>	<u>0.21</u>	<u>0.21</u>	<u>0.21</u>	<b>0.24</b>	<b>0.26</b>
Total Cash Costs	0.89	0.82	0.80	0.75	0.72	0.80	0.76	0.81	0.89	0.85	0.76	0.83	<b>0.91</b>	<b>0.89</b>
Netback	3.28	2.99	3.00	2.83	2.52	2.12	2.40	2.57	2.55	2.51	2.48	2.67	<b>2.63</b>	<b>2.31</b>
Operating Margin	79%	78%	79%	79%	78%	73%	76%	76%	74%	75%	76%	76%	<b>74%</b>	<b>72%</b>

Depletion, depreciation and amortization charges of \$1.44/Mcfe, along with a provision for deferred tax and market based bonus payments reduced the cash netback to earnings of \$0.61/Mcfe, or a 19% profit margin. Dividends of \$0.59/Mcfe were paid to shareholders.

### Natural Gas Marketing

Peyto continues to make meaningful progress on its market diversification strategy, previously announced January 11, 2018. This plan is designed to complement the Company's highly successful hedging strategy and endeavors to achieve a target of 40% of natural gas sales linked to AECO based pricing, 40% linked to US-based pricing and 20% sold directly to intra-Alberta industrial markets. While this ultimate balance may take some time to achieve, in the meantime, Peyto is focused on the near term vulnerability of AECO summer prices relative to the more stable US markets. As a result, Peyto has put in place AECO-NYMEX basis deals for approximately one third of current volumes which, over time, will allow for gas to be sold to US pricing during the summer season.

The proportion of future natural gas sales that have been diversified to other markets using both synthetic and physical transportation arrangements is shown in the table below. In addition, the Company is pleased to announce it has also reached an agreement on commercial terms for supplying natural gas directly to intra-Alberta industrial markets.

Percentage of current gas volume*	2018/19 Winter	2019 Summer	2019/20 Winter	2020 Summer	2020/21 Winter	2021 Summer	2021/22 Winter	2022 Summer	2022/23 Winter	2023 Summer
<b>AECO Based Pricing</b>	92%	65%	92%	65%	92%	65%	71%	61%	71%	<b>60%</b>
<b>Non-AECO Based Pricing</b>	8%	35%	8%	35%	8%	35%	29%	39%	29%	<b>29%</b>
<b>Intra-Alberta Industrial</b>										<b>11%</b>

\*Winter period is from November to March, summer period is April to October

In July 2018, Peyto reached an agreement with an Alberta power company which outlines commercial terms to supply 60,000 GJ/d of natural gas for a period of 15 years, beginning in 2023. Peyto will be delivering natural gas to the power plant site under agreed upon, confidential terms which will link the natural gas and Alberta power pool prices. For example, at current power prices, Peyto would realize an equivalent gas price of approximately \$3.00/GJ at its plant gate. Peyto is excited to be a part of this project and looks forward to supplying Albertans with clean burning natural gas not only for heat but also for their electricity needs.

Peyto also continued its practice of layering in future sales in the form of fixed price swaps, and thus smoothing out the volatility in natural gas prices. For the balance of 2018, approximately 78% of gas volumes have been hedged to protect against AECO volatility. The following table summarizes the remaining hedged volumes and prices for the upcoming years as of August 8, 2018:

	Future Sales		Average Price (CAD)	
	GJ	Mcf	\$/GJ	\$/Mcf
2018 H2	85,895,000	74,691,304	2.14	2.46
2019	83,960,000	73,008,696	1.82	2.10
2020	26,340,000	22,904,348	1.74	2.00
2021	3,040,000	2,643,478	1.59	1.82
Total	199,235,000	173,247,826	1.94	2.24

*\*prices and volumes in mcf use Peyto's historic heat content premium of 1.15.*

## Activity Update

Since the end of the quarter, four drilling rigs have been actively developing Peyto's Greater Sundance Cardium play with 8 wells spud and 7 wells completed. In addition, two Whitehorse Wilrich wells have been completed and are currently being connected. Going forward, steady drilling and completion operations should deliver approximately 7 to 8 wells per month, however, some tie-ins may be delayed due to pad drilling activity. The Company expects to drill between 60 and 70 wells in 2018.

Production is expected to grow in the latter half of Q3 2018 as these new wells are brought on-line. Peyto expects to report additional results from its Cardium drilling program this fall as production from these new completions cleans up and stabilizes. The new Cardium completion design involves 200% more frac water, requiring longer cleanup times to evacuate the frac water from the extensive fracture network now being achieved. So far, actual drilling and completion costs have been lower than expected and the full-cycle, post-mortem, internal rates of return are expected to exceed that of the five previous Cardium wells that were drilled and completed with the new design. Those five wells had full cycle, internal rates of return that were greater than 40% at strip prices.

In addition to Peyto's vast Cardium resource play and land position, the Company's exploration group continues to look for new liquids-rich resource opportunities both within and outside the Alberta Deep Basin, with particular focus on the Montney and Duvernay plays. Subsequent to Q2, Peyto has advanced a new Montney exploration area with the initial capture of 50 net sections of Montney rights. Evaluation drilling is expected to occur before year end 2018.

## New Ventures

Peyto continues to investigate projects that focus on enhancing the value of existing reserves through lasting infrastructure investments. Planning has continued on Peyto's multiple deep cut plant designs, intended to extract an incremental 10 to 15 bbl/MMcf of NGLs, as well as on a potential liquids fractionation plant and export terminal in Sundance to take advantage of its proximity to an existing rail line. These projects are being prepared in anticipation of strengthening Western Canadian NGL prices with new market outlets developing over the next few years.

Domestic propane prices softened during the first quarter of 2018 but have since strengthened with the anticipation of Westcoast BC NGL exports beginning in Q1 2019 and with continued progress on new propane dehydrogenation and polypropylene facilities on the outskirts of Edmonton. Peyto anticipates making an investment decision on its Swanson plant deep cut conversion in late 2018 or early 2019 as the propane market transformation becomes more established. Additionally, two other deep cut projects follow closely behind – one at Oldman North and one at Nosehill – to take advantage of their increasingly rich NGL feed streams.

Peyto is actively maintaining involvement with other hydrocarbon feedstock projects being contemplated for the province. These include other petrochemical projects, power projects, and LNG export initiatives – all of which hold the prospect of broadening and strengthening market exposure for the Company's future production.

## Outlook

Both the Canadian and US natural gas storage levels are currently at the low end of historical averages for this time of year, despite record North American production. This should prove to be constructive for stronger winter prices just in time for the new, unhedged production Peyto is currently building with its second half 2018 capital program. Already, the third quarter 2018 AECO monthly gas price is up more than 40% from the second quarter average price. The timing of this combination of stronger prices and flush production is designed to enhance the returns on capital invested for shareholders.

In addition to executing the remaining 2018 capital program, the Company continues to focus on longer term opportunities for market diversification, value enhancing infrastructure investments and new exploration opportunities to extend its current, deep inventory of profitable, liquids-rich Cardium locations. As natural gas prices strengthen, Peyto's substantial lean gas drilling inventory in the Spirit River group of formations will once again become part of the mix.

## Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the Q2 2018 financial results on August 9<sup>th</sup>, 2018 at 9:00 a.m. Mountain Daylight Time (MDT), or 11:00 a.m. Eastern Daylight Time (EDT). Please see the press release for conference call details. To participate, please call 1-844-492-6041 (North America) or 1-478-219-0837 (International). Shareholders and interested investors are encouraged to ask questions about Peyto and its most recent results. Questions can be submitted prior to the call at [info@peyto.com](mailto:info@peyto.com). The conference call can also be accessed through the internet <https://edge.media-server.com/m6/p/j57apiq5>. The conference call will be archived on the Peyto Exploration & Development website at [www.peyto.com](http://www.peyto.com).

## Management's Discussion and Analysis/Financial Statements

A copy of the second quarter report to shareholders, including the MD&A, audited financial statements and related notes, is available at <http://www.peyto.com/Files/Financials/2018/Q22018FS.pdf> and at <http://www.peyto.com/Files/Financials/2018/Q22018MDA.pdf> and will be filed at SEDAR, [www.sedar.com](http://www.sedar.com) at a later date.

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### Cautionary Statements

#### Forward-Looking Statements

*This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: the impact of economic conditions in North America and globally; industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding: the implementation of the Company's natural gas marketing diversification strategy; the progress of the Company's additional initiatives directed towards contracting future production volumes; Peyto's hedging program; expectations regarding future drilling and completion costs; the benefits of the new strategic pipeline under the Sundance provincial park; the Company's drilling program for the remainder of 2018; expectations for production in the third quarter of 2018; future resource opportunities for the Company and expectations for evaluation drilling in the Montney before year end 2018; pricing expectations for the winter season; plans for the Company's infrastructure new ventures; timing expectations for an investment decision on Peyto's Swanson plant deep cut conversion and two other deep cut projects; and the Company's remaining 2018 capital expenditure program and focus.*

*The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; changes in general global economic conditions including, without limitations, the economic conditions in North America; increased competition; the lack of availability of qualified*

operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; the ability to access sufficient capital from internal and external sources; and stock market volatility. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's annual information form for the year ended December 31, 2017 under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Management".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Peyto will derive there from. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

#### **Barrels of Oil Equivalent**

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

#### **Non-IFRS Measurements**

Within this news release references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share and netbacks do not have any standardized meaning under IFRS and previous GAAP and are referred to as non-IFRS measures. Funds from operations are described in footnote 1 to the first table on page 2 of this news release. Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low cost structure and the high heat content of its natural gas that results in higher commodity prices. The Company's calculation of the non-IFRS measures included herein may differ from the calculation of similar measures by other issuers. Therefore, the Company's non-IFRS measures may not be comparable to other similar measures used by other issuers. Non-IFRS measures should only be used in conjunction with the Company's annual audited and interim financial statements. A reconciliation of these measures can be found in Peyto's management's discussion and analysis for the three and six months ended June 30, 2018.