NEWS RELEASE

FEBRUARY 14, 2019 **SYMBOL: PEY - TSX**

PEYTO IMPROVES SUSTAINABILITY AND EXPANDS CARDIUM PLAY IN 2018

CALGARY, ALBERTA - Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present the results and analysis of its independent reserve report effective December 31, 2018. The evaluation encompassed 100% of Peyto's reserves and was conducted by InSite Petroleum Consultants ("InSite"). The year 2018 marks the Company's 20th year of profitable reserves development.

SUSTAINABILITY

- Peyto's base production decline continues to decrease, from 35% in 2018 to a forecast 25% in 2019.
- The Company's Proved Producing reserves were held constant using capital equivalent to 50% of cash flow.
- Due to the large resource contained in the tight, water-free reservoirs, Peyto's 1,344 net producing wells are forecast to have very long producing lives with over 1,000 wells forecast to still be on production in 2049.
- Peyto continues to strengthen its balance sheet with over $100 million in net debt repayment in 2018. The Company plans to continue to pay down debt in 2019.
- Peyto's disciplined, organic approach to finding and developing natural gas has delivered one of the highest ratios of producing to non-producing wells in the industry.

HISTORICAL TRACK RECORD

- Over the past 20 years, Peyto has explored for and discovered 6.5 TCFe of Alberta Deep Basin natural gas and associated liquids, of which 58% has now been developed. Each year the Company invests in the discovery of new reserves and the efficient and profitable development of existing reserves into high netback natural gas and NGL production for the purpose of generating the maximum possible return on capital for its shareholders. At the same time, this activity delivers significant financial benefits not just to Albertans but all Canadians.
- In those 20 years, a total of $6.0 billion was invested in the acquisition and development of 3.8 TCFe of developed reserves at an average cost of $1.57/MCFe, while a weighted average field netback[1] of $3.83/MCFe resulted in a cumulative recycle ratio[1] of 2.4 times. Royalty payments made during this time period have totaled over $859 million.
- Based on the December 31, 2018 evaluation, the debt adjusted, Net Present Value of the Company's remaining Proved plus Probable Additional reserves ("P+P NPV", 5% discount, less debt) was $37/share, comprised of $20/share of developed reserves and $17/share of undeveloped reserves.

2018 HIGHLIGHTS

- For the year ended December 31, 2018, Peyto invested $232 million of total capital[2] to build 114 mmcf/d of natural gas and 4,800 bbl/d of NGLs at a cost of $9,800/boe/d, the lowest cost in Company history.
- Peyto developed 198 BCFe (33 MMboes) of new Proved Producing ("PP") reserves (22% liquid) at a Finding, Development and Acquisition ("FD&A") cost of $1.18/MCFe ($7.05/boe) while the average field netback[2] was $2.66/MCFe ($15.95/boe), resulting in a 2.3 times recycle ratio[1]. The PP FD&A cost has fallen 50% in the last five years due to ongoing well design optimization and superior operational execution.
- Peyto replaced 294% of annual production with new Total Proved ("TP") reserves (27% liquid) at a FD&A cost of $1.21/MCFe ($7.26/boe) and replaced 342% of annual production with new Proved plus Probable Additional ("P+P") reserves (27% liquid) at a FD&A cost of $1.02/MCFe ($6.10/boe) (including increases in Future Development Capital ("FDC") of $483 million and $467 million for the respective categories). For comparative purposes, FD&A costs before changes in FDC were $0.39/MCFe ($2.36/boe) and $0.34/MCFe

($2.03/boe), respectively. P+P FDC includes $137 million of Deep Cut facility capital that results in greater value enhancement as opposed to just volume increase.

- Total Company reserves remained constant on a PP basis at 1.6 TCFe while TP and P+P reserves increased by 14% and 11% to 3.1 TCFe and 4.8 TCFe, both on an absolute basis and on a per share basis, respectively. Liquid reserves increased by 13%, 52% and 31% in the PP, TP, and P+P categories, respectively. Higher liquids recovery is reflective of the recognition of the richer Cardium undeveloped well population as well as the impact of Deep Cut facility investments. In total, PDP reserves represented 34% of P+P reserves.
- Peyto's future Cardium locations recognized in the reserve report doubled from 187 to 375. The increase in recognized locations has grown the Cardium share of total reserve volume (P+P) from 15% to 26% and value (P+P NPV, 5% discount rate) from 16% to 30%, as compared to last year.
- The Reserve Life Index ("RLI") for the PP, TP and P+P reserves increased to 9, 16 and 25 years, respectively.
- At year end, P+P reserves of 803 MMboes (inclusive of 1,201 future locations) had been assigned to just 18% of Peyto's total Deep Basin rights.

2019 UPDATE

- Peyto's drilling program for 2019 will, at this time, remain the same as previously announced on January 16, 2019, with a capital budget between $150 and $200 million and plans to drill approximately 50 wells with a focus on the Cardium liquids-rich resource play.
- Peyto has protected funding for the capital program with revenue that is diversified between natural gas liquids and presold natural gas production. Peyto current has only 12% of projected revenues exposed to the AECO spot price in 2019.

[1] *Recycle Ratio is Field Netback divided by FD&A.*

[2] *Capital Expenditures, Field Netback (Revenue less Royalties, Operating costs and Transportation), and Production are estimated and remain unaudited at this time.*

2018 RESERVES

The following table summarizes Peyto's reserves and the discounted Net Present Value of future cash flows, before income tax, using variable pricing, at December 31, 2018.

					Before Tax Net Present Value ($millions) Discounted at			
Reserve Category	**Gas (BCF)**	**Oil & NGL (mstb)**	**BCFe (6:1)**	**mmboe (6:1)**	**0%**	**5%**	**8%**	**10%**
Proved Producing	1,454	31,598	1,644	274	$5,093	$3,180	$2,569	$2,276
Proved Non-producing	34	912	39	7	$90	$57	$45	$40
Proved Undeveloped	1,203	35,447	1,415	236	$3,782	$1,793	$1,209	$943
Total Proved	2,690	67,957	3,098	516	$8,965	$5,029	$3,824	$3,258
Probable Additional	1,424	49,153	1,719	286	$5,369	$2,316	$1,539	$1,204
Proved + Probable Additional	4,114	117,110	4,817	803	$14,334	$7,345	$5,363	$4,463

Note: Based on the InSite report effective December 31, 2018. Tables may not add due to rounding.

ANALYSIS FOR PEYTO SHAREHOLDERS

One of the guiding principles at Peyto is "to tell you the business facts that we would want to know if our positions were reversed". Therefore, each year Peyto provides an extensive analysis of the reserve evaluation that goes far beyond industry norms in order to answer the most important questions for shareholders:

1. Base Reserves - How did the "base reserves" that were on production at the time of the last reserve report perform during the year, and how did any change in commodity price forecast affect their value?
2. Value Creation - How much value did the 2018 capital investments create, both in current producing reserves and in undeveloped potential? Has the Peyto team earned the right to continue investing shareholders' capital?
3. Growth and Income - Are the projected cash flows capable of funding the growing number of undeveloped opportunities and a sustainable dividend stream to shareholders, without sacrificing Peyto's financial flexibility?
4. Risk Assessment – What are the risks associated with the assessment of Peyto's reserves and the risk of recovering future cashflows from the forecast production streams?

1. Base Reserves

Peyto's existing Proved Producing reserves at the start of 2018 (the base reserves) were evaluated and adjusted for 2018 production as well as any technical or economic revisions resulting from the additional twelve months of production and commodity price data. As part of InSite's independent engineering analysis, all 1,446 producing entities (zones/wells) were evaluated. These producing wells and zones represent a total gross Estimated Ultimate Recoverable (EUR) volume of 3.9 TCFe, which is up 0.4% from previous estimates and represents a positive revision due to liquid recovery optimization projects implemented over the year. In aggregate, Peyto is pleased to report that its total base reserves continue to meet with expectation, which increases the confidence in the prediction of future recoveries.

The commodity price forecast used by the independent engineers in this year's evaluation is lower than last year which had the effect of reducing the Net Present Value of all reserve categories. For example, the debt adjusted NPV, discounted at 5%, of last year's Proved Producing reserves, decreased $491 million, or 22%, due to the difference in commodity price forecasts and Peyto's realized historical offsets to posted prices. InSite's price forecast used in the variable dollar economics is available on their website at www.insitepc.com.

For 2019, InSite is forecasting the total base production (all wells on production at Dec. 31, 2018) to decline to approximately 69,000 boe/d by December 2019. This implies a base decline rate of approximately 25% from December 2018. This forecast decline rate is significantly lower than the 2018 actual base decline of 35%. The actual base decline for 2018 was slightly steeper than expected due to temporary liquid loading in the gathering system at the end of year which backed out base production. While rapid production growth had driven the base decline rate up in past years, the reduced capital program in 2018 combined with a focus on a lower declining Cardium drilling program, relative to the maturing wells, is expected to result in a material reduction in total decline. This decline is expected to continue to decrease in the next year because production additions will represent a smaller proportion of total production. The historical base decline rates and capital programs are shown in the following table:

	2007	2008	2009	2010[1]	2011	2012	2013	2014	2015	2016	2017	2018	2019F
Base Decline (%/yr)*	23%	26%	20%	22%	33%	35%	34%	38%	40%	40%	37%	35%	25%
Capital Expenditures ($MM)	$122	$139	$73	$261	$379	$618	$578	$690	$594	$469	$521	$232	$175

**The base decline represents the aggregate annual decline of all wells on production at the end of the previous year.*
1. Horizontal drilling began in 2010.

2. Value Creation/Reconciliation

During 2018, Peyto invested a total of $232 million in organic activity to buy and evaluate exploration lands, expand its pipeline gathering network, and drill 69 gross (67.3 net) development wells and 1 gross (1 net) Montney exploratory well. In keeping with Peyto's strategy of maximizing shareholder returns, an evaluation of the economic results of this investment activity is necessary in order to determine, on a go-forward basis, the best use of shareholders' capital. Not only does this look back analysis give shareholders a report card on the capital that

was invested, it also helps illustrate the potential returns that can be generated from similar future undeveloped opportunities.

Exploration and Development Activity

Of the total capital invested in exploration and development activities in 2018, approximately 3% was spent acquiring lands and seismic, 7% on new facilities, and the remaining 90% was spent drilling, completing and connecting existing and new reserves. Thirty-seven of the 70 gross wells drilled, or 53%, were previously identified as undeveloped reserves in last year's reserve report (30 Proved, 7 Probable Additional). The remaining 33 wells were not recognized in last year's report since the majority were Cardium locations and recent changes to completion design have unlocked significant new Cardium inventory.

Peyto's booked Cardium locations increased substantially as a result of the 2018 drilling program which focused on this extensive liquids rich resource play. With the increase from 187 to 375 booked locations in 2018, the Cardium reserve volumes now represent 26% of the Company's total P+P volume and 30% of the Company's total P+P value (NPV discounted at 5%) up from 15% and 16%, respectively, last year. The following table illustrates the history of Peyto's Cardium drilling and booked P+P inventory since 2009.

Booked Cardium Locations	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
Opening Inventory	119	144	169	211	200	191	183	182	190	**187**
Wells Drilled	(19)	(17)	(17)	(18)	(9)	(8)	(0)	(2)	(7)	**(48)**
Locations Added/Removed	**44**	**42**	**59**	**7**	**0**	**0**	**(1)**	**10**	**4**	**236**
Closing Inventory	144	169	211	200	191	183	182	190	187	**375**

It is noted that horizontal multi-stage fracture technology began to be widely used after 2010 which changed the nature of the drilling inventory. Also, the Company's total internal drilling inventory is larger and more comprehensive than that identified in the InSite report.

The undeveloped reserves at year end 2017 originally booked to the 37 locations referred to above totaled 103.9 BCFe (2.8 BCFe/well) of Proved Undeveloped plus Probable Additional reserves for a forecast capital investment of $114.6 million ($1.10/MCFe). In actuality, $118.3 million of capital ($0.98/MCFe) was spent on these 37 wells during 2018, yielding Proved Producing plus Probable Additional reserves of 120.2 BCFe (3.2 BCFe/well). Peyto's redesign of the Cardium completions accounts for the improvement of reserve recovery at essentially the same cost.

The following table illustrates the Company's historical performance in converting future undeveloped locations into producing wells and demonstrates that Peyto has consistently converted more reserves at better cost than was forecast.

Reserve Year	Total Drills	Booked Locations Converted	Booked/ Total	Forecast Outcome		**Forecast Cost per Unit**	Actual Outcome		**Actual Cost per Unit**	Actual/ Forecast Cost per Unit
	gross wells	gross wells		BCFe	Capex* $MM	**$/MCFe**	BCFe	Capex* $MM	**$/MCFe**	
2010	48	30	63%	84	$123	**$1.46**	102	$138	**$1.35**	-8%
2011	70	51	73%	152	$214	**$1.41**	151	$209	**$1.38**	-2%
2012	86	60	70%	189	$295	**$1.56**	196	$278	**$1.42**	-9%
2013	99	69	70%	206	$332	**$1.61**	218	$310	**$1.42**	-12%
2014	123	90	73%	278	$417	**$1.50**	288	$419	**$1.45**	-3%
2015	140	103	74%	307	$456	**$1.49**	348	$385	**$1.11**	-26%
2016	128	82	64%	254	$297	**$1.17**	254	$246	**$0.97**	-17%
2017	142	97	68%	298	$295	**$0.99**	321	$305	**$0.95**	-4%
2018	70	37	53%	104	$115	**$1.10**	120	$118	**$0.98**	-11%
Total	**906**	**619**	**68%**	**1,872**	**$2,544**	**$1.36**	**1,998**	**$2,408**	**$1.21**	**-11%**

**Capex represents only well related capital for drilling, completion, equipping and tie-in*

This annual analysis of reserves that are converted from an undeveloped state to a producing state helps to validate the accuracy of the remaining future undeveloped reserves and their capital requirements. This accuracy, by which Peyto can predict future reserve recoveries and capital requirements, also helps to reduce the risk associated with valuing future undeveloped locations.

Value Reconciliation

In order to measure the success of all of the capital invested in 2018, it is necessary to quantify the total amount of value added during the year and compare that to the total amount of capital invested. At Peyto's request, the independent engineers have run last year's reserve evaluation with this year's price forecast to remove the change in value attributable to commodity prices. This approach isolates the value created by the Peyto team from the value created (or lost) by those changes outside of their control (ie. commodity prices). Since the capital investments in 2018 were funded from a combination of cash flow, debt and equity, it is necessary to know the change in debt and the change in shares outstanding to see if the change in value is truly accretive to shareholders.

At year-end 2018, Peyto's estimated net debt had decreased by 8% or $103 million to $1.224 billion while the number of shares outstanding remained the same at 164.9 million shares. The change in debt includes all of the capital expenditures, as well as any acquisitions, and the total fixed and performance based compensation paid out for the year. Although these estimates are believed to be accurate, they remain unaudited at this time and may be subject to change.

Based on this reconciliation of changes in BT NPV, the Peyto team was able to create $1.066 billion of Proved Producing, $2.728 billion of Total Proven, and $3.505 billion of Proved plus Probable Additional undiscounted reserve value, with $232 million of capital investment, cost reductions, and marketing arrangements. The ratio of capital expenditures to value creation is what Peyto refers to as the NPV recycle ratio, which is simply the undiscounted value addition, resulting from the capital program, divided by the capital investment. For 2018, the Proved Producing NPV recycle ratio is 4.6 which means for each dollar invested, the Peyto team was able to create 4.6 new dollars of Proved Producing reserve value. The significant increase in the NPV recycle ratio from past years is due to the reduced finding and development cost and greater liquid additions combined with Peyto's market diversification and hedging efforts.

The historic NPV recycle ratios are presented in the following table.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	**Wt. Avg.**
Capital Investment ($MM)	$139	$73	$261	$379	$618	$578	$690	$594	$469	$521	$232	
NPV_0 Recycle Ratio												
Proved Producing	2.1	5.4	3.5	2.4	1.6	1.5	1.5	2.3	2.9	2.3	4.6	**2.3**
Total Proved	2.5	18.9	6.1	4.7	2.2	2.0	1.7	3.3	4.2	3.2	11.7	**3.8**
Proved + Probable Additional	2.2	27.1	10.3	6.6	3.2	4.0	2.6	5.0	7.3	4.0	15.1	**5.6**

**NPV_0 (net present value) recycle ratio is calculated by dividing the undiscounted NPV of reserves added in the year by the total capital cost for the period (eg. 2018 Proved Producing ($1,066/$232) = 4.6).*

3. Growth and Income

As a dividend paying, growth oriented corporation, Peyto's objective is to profitably grow the resources which generate sustainable income (dividends) for shareholders. In order for income to be more sustainable and grow, Peyto must profitably find and develop more reserves. Simply increasing production from the existing reserves will not make that income more sustainable. Reserve Life Index (RLI), or a reserve to production ratio, provides a measure of this long term sustainability.

During 2018, the Company deployed a conservative capital program but was successful in effectively replacing annual production with new Proved Producing reserves using less than 50% of funds from operations. Fourth quarter production decreased by 21%, from 109,793 boe/d to 86,738 boe/d, which resulted in increasing the Proved Producing reserve life index from 6.9 years to 8.7 years

For comparative purposes, the Total Proved and P+P RLI index was 16 and 25 years, respectively. Management believes that the most meaningful method to evaluate the current reserve life is by dividing the Proved Producing reserves by the actual fourth quarter annualized production. This way production is being compared to producing reserves as opposed to producing plus non-producing reserves.

The following table highlights the Company's historical RLI Index.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Proved Producing	11	12	13	14	14	11	9	9	7	7	7	7	7	9
Total Proved	14	14	16	17	21	17	16	15	12	11	11	11	11	16
Proved + Probable	19	20	21	23	29	25	22	22	19	18	17	18	18	25

Future Undeveloped Opportunities

As at December 31, 2018, Peyto had 785 net sections of Alberta Deep Basin lands. In many of these sections, mineral rights are held in a number of stacked prospective horizons expanding this land base by almost four fold to a total of 3,047 net sections of rights over Duvernay, Montney and seven Cretaceous horizons. During Peyto's 20 year history, the Company has found and developed 3.8 TCFe of EUR reserves which resides in 285 of these net sections. Effectively, Peyto has invested $5.96 billion to fully develop 9.4% of its existing land base which has also resulted in the generation of $5.93 billion of cumulative funds from operations and $2.5 billion in cumulative earnings to date.

Likewise, the remaining undeveloped land base holds significant future potential. The independent reserve evaluators have forecast development activity for the next six years as shown in the following table of future development capital.

	Future Development Capital	
Year	Proved Reserves Undisc., ($Millions)	Proved+ Probable Additional Reserves Undisc., ($Millions)
2019	$158	$200
2020	$165	$350
2021	$319	$400
2022	$431	$700
2023	$403	$650
2024	$334	$577
2025	$140	$530
Thereafter	$21	$38
Total	$1,971	$3,445

Every year Peyto finds and develops new drilling inventory that the independent evaluators review to create a forecast of future development activity. Their forecast is by no means a complete assessment of Peyto's current opportunities, nor is Peyto content to just sit back and harvest these current opportunities. Each year the results from the drilling activity spawn additional offsetting locations both on currently owned lands and lands Peyto does not yet own but attempts to acquire. The pace of inventory generation has historically exceeded the pace of drilling activity at a ratio of 2:1, resulting in a growing number of future drilling locations recognized in Peyto's reserve report. In 2018, Peyto's innovative Cardium completion design has unlocked more drilling locations on

current lands that were not recognized in the past and these lands have been further complemented by new land acquisitions.

(gross locations)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Avg.
Wells Drilled	48	53	29	52	70	86	99	123	140	128	142	**70**	**87**
Locations Added To Reserves Report	73	93	96	149	151	156	220	257	208	245	165	**223**	**170**
Inventory Generation Rate	1.5	1.8	3.3	2.9	2.2	1.8	2.2	2.1	1.5	1.9	1.2	**3.2**	**2.0**

Peyto's development drilling activity has proved up additional future drilling locations with the number of future drilling locations recognized in the reserve report increasing from 1,015 gross (854 net) locations to 1,201 gross (982 net) locations. Of these future locations, 62% are categorized by the independent reserve evaluators as Proven Undeveloped with the remaining 38% as Probable Undeveloped. In addition, the Probable Additional category includes deep cut facility installations at three of Peyto's Greater Sundance gas plants. The net reserves associated with the undeveloped locations and facility installations (not including existing uphole zones) totals 2.7 TCFe (450 mmboes) while the total capital required to develop them is estimated at $3.4 billion or $1.26/MCFe. This is forecast to create Net Present Value of $3.4 billion (5% discount rate, post capital recovery) or $21 per share of incremental value at the Insite commodity price forecast.

The undiscounted, forecast for Net Operating Income for the Total Proved and P+P reserves over the future development capital schedule, as contained in the evaluator's report, totals $4.2 billion and $5.8 billion, respectively, more than sufficient to fund the future development capital shown in the table above, ensuring those reserve additions are accretive to shareholders.

The total estimated Future Development Capital for both Total Proved and P+P reserves increased from the previous year by $483 million and $467 million, respectively, which reflects the increase in Cardium undeveloped locations and the addition of deep cut facilities to capture incremental liquids from the gas stream.

4. Risk Assessment

Effectively 100% of Peyto's natural gas and natural gas liquid reserves exist in low permeability (tight), sandstone reservoirs in the Alberta Deep Basin. In almost all cases, the volumetric capacity of these sandstone reservoirs can be determined using traditional geological and reservoir engineering techniques, which, when complimented by production performance data, increases the certainty of the reserve estimates. In the majority of Peyto's core areas, continuous drilling activity has further refined the geologic and geometric definition of these reservoirs to a higher level of certainty.

In addition, these Deep Basin sandstone reservoirs do not contain mobile water nor are they supported by active aquifers. Mobile water traditionally increases the risk associated with reservoir recovery by impeding the flow of hydrocarbons through the reservoir and up the wellbore. Water production, separation and disposal processes also increase operating costs which shortens the economic life of producing wells, further contributing to reduced recovery. As many of these traditional reserves determination and recovery risks are not present in Peyto's Deep Basin reservoirs, Management has a higher level of confidence in its reserves and their ultimate recovery.

Peyto's high operating margins have meant that forecasts of net operating income are less affected by commodity price volatility than in most traditional reserve evaluations. As a result, the predicted economic life of Peyto's producing wells are less sensitive to changes in commodity prices. These high operating margins are achieved through the Company's high level of ownership and control of all levels of production operations, through a concentrated geographic asset base, and by striving to be the lowest cost producer in the industry.

Peyto attempts to further reduce the risk of predicted operating incomes with an active market diversification and hedging program that is designed, over time, to expose 40% of its natural gas sales to AECO based pricing, link 40% to US pricing and sell 20% directly to intra-Alberta industrial markets. As always, Peyto will continue to hedge future prices to smooth out the volatility in both Alberta and US natural gas markets through a series of frequent transactions which is similar to "dollar cost averaging" the future gas price.

Finally, Peyto's entire asset base has been organically developed by Peyto and contains very few abandonment liabilities. At December 31, 2018, Peyto owned 1,475 net wells of which 91% are on production today and are expected to produce for decades to come. Of the 131 net non-producing wellbores, 23 are considered medium risk, inactive wells that require downhole suspension over the next several years. Peyto is the operator of over 96% of its producing wells and has one of the highest ratios of producing to non-producing wells in the industry.

These cumulative factors listed above, which reduce the traditional risk of realizing future cashflows from Peyto's reserves, is why, in Management's opinion, Peyto's reserves can be valued at lower discount rates than other, more conventional asset bases.

PERFORMANCE RATIOS

The following table highlights annual performance ratios both before and after the implementation of horizontal wells in late 2009. These can be used for comparative purposes, but it is cautioned that on their own they do not measure investment success.

	2018	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Proved Producing										
FD&A ($/MCFe)	**1.18**	$1.36	$1.44	$1.64	$2.25	$2.35	$2.22	$2.12	$2.10	$2.26
RLI (yrs)	**9**	7	7	7	7	7	9	9	11	14
Recycle Ratio	**2.3**	2.1	1.8	2.0	1.9	1.6	1.6	2.1	2.4	2.5
Reserve Replacement	**98%**	171%	153%	193%	183%	190%	284%	230%	239%	79%
Total Proved										
FD&A ($/MCFe)	**1.21**	$1.39	$1.01	$0.72	$2.37	$2.23	$2.04	$2.13	$2.35	$1.73
RLI (yrs)	**16**	11	11	11	11	12	15	16	17	21
Recycle Ratio	**2.2**	2.0	2.6	4.5	1.8	1.6	1.7	2.1	2.1	3.2
Reserve Replacement	**294%**	225%	183%	188%	254%	230%	414%	452%	456%	422%
Future Development Capital ($ millions)	**$1,971**	$1,488	$1,305	$1,381	$1,721	$1,406	$1,318	$1,111	$741	$446
Proved plus Probable Additional										
FD&A ($/MCFe)	**1.02**	$1.49	$0.62	$0.54	$2.01	$1.86	$1.68	$1.90	$2.19	$1.47
RLI (yrs)	**25**	18	18	17	18	19	22	22	25	29
Recycle Ratio	**2.6**	1.9	4.2	6.1	2.1	2.0	2.1	2.4	2.3	3.8
Reserve Replacement	**342%**	279%	283%	287%	328%	450%	527%	585%	790%	597%
Future Development Capital ($millions)	**$3,445**	$2,978	$2,563	$2,657	$2,963	$2,550	$2,041	$1,794	$1,310	$672

- FD&A (finding, development and acquisition) costs are used as a measure of capital efficiency and are calculated by dividing the capital costs for the period, including the change in undiscounted FDC, by the change in the reserves, incorporating revisions and production, for the same period (eg. Total Proved ($232.4+$482.7)/(516.3-451.3+33.6) = $7.25/boe or $1.21/MCFe).

- The RLI is calculated by dividing the reserves (in boes) in each category by the annualized Q4 average production rate in boe/year (eg. Proved Producing 273,921/(86.738x365) = 8.7). Peyto believes that the most accurate way to evaluate the current reserve life is by dividing the proved developed producing reserves by the annualized actual fourth quarter average production. In Peyto's opinion, for comparative purposes, the proved developed producing reserve life provides the best measure of sustainability.

- The Recycle Ratio is calculated by dividing the field netback per boe, by the FD&A costs for the period (eg. Proved Producing (($15.95)/$7.08=2.3). The recycle ratio is comparing the netback from existing reserves to the cost of finding new reserves and may not accurately indicate investment success unless the replacement reserves are of equivalent quality as the produced reserves.

- The reserve replacement ratio is determined by dividing the yearly change in reserves before production by the actual annual production for the year (eg. Total Proved ((516.33-451.27+33.58)/33.58) = 294%).

RESERVES COMMITTEE

Peyto has a reserves committee, comprised of independent board members, that reviews the qualifications and appointment of the independent reserve evaluators. The committee also reviews the procedures for providing information to the evaluators. All booked reserves are based upon annual evaluations by the independent qualified reserve evaluators conducted in accordance with the COGE (Canadian Oil and Gas Evaluation) Handbook and National Instrument 51-101. The evaluations are conducted using all available geological and engineering data. The reserves committee has reviewed the reserves information and approved the reserve report.

MANAGEMENT UPDATE

Scott Robinson, Executive Vice President of New Ventures, recently retired as an officer of Peyto. Scott joined Peyto in 2004 when the Company was producing 15,000 boe/d and led the dramatic expansion of Peyto for the next 15 years into one of Alberta's largest natural gas producers. Scott's dedication to Peyto, passion for the business, and commitment to the industry remains, and he plans to continue to contribute as both a consultant to Peyto and an active member of many industry groups involved in the repair and revitalization of Alberta's Natural Gas Industry. On behalf of all shareholders and the Board of Directors, the management team of Peyto would like to congratulate and sincerely thank Scott for his commitment and leadership of Peyto.

GENERAL

A complete filing of the Statement of Reserves (form 51-101F1), Report on Reserves (form 51-101F2), and Report of Management and Directors on Oil and Gas Disclosure (form 51-101F3) will be available in the Annual Information Form to be filed by the end of March 2019. Shareholders are encouraged to actively visit Peyto's website located at www.peyto.com. For further information, please contact:

Darren Gee
President and Chief Executive Officer
Phone: (403) 261-6081
Fax: (403) 451-4100

This news release contains certain forward–looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: management's assessment of Peyto's future plans and operations, including the 2019 program, capital expenditures, the volumes and estimated value of Peyto's reserves, the life of Peyto's reserves, production estimates, project economics including NPV, netback and recycle ratio, the ability to enhance value of reserves for shareholders and ensure the reserves generate the maximum possible return. Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Peyto which have been used to develop such statements and information but which may prove to be incorrect. Although Peyto believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking information and statements because Peyto can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, the impact of increasing competition, the timely receipt of any required regulatory approvals, the ability of Peyto to obtain qualified staff, equipment and services in a timely and cost efficient manner, drilling results, field production rates and decline rates, the ability to replace and expand reserves through development and exploration, future commodity prices, currency, exchange and interest rates, regulatory framework regarding royalties, taxes and environmental matters and the ability of Peyto to successfully market its oil and natural gas products. By their nature, forward-looking information and statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. 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 information and statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive therefrom. The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Peyto does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

This news release contains information, including in respect of Peyto's 2019 capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by the Board of Directors of Peyto on January 16, 2019, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures for 2019. Readers are cautioned that the information may not be appropriate for other purposes.

Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Finding, development and acquisition costs, reserves replacement and netbacks do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included by Peyto to give readers additional measures to evaluate the Peyto's performance; however, such measures are not reliable indicators of the future performance of Peyto and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon.

Some values set forth in the tables above may not add due to rounding. It should not be assumed that the estimates of future net revenues presented in the tables above represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.