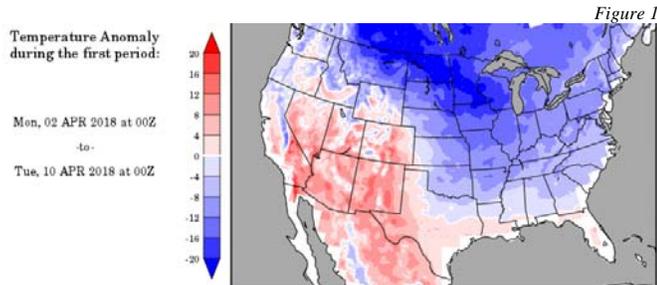


Peyto Exploration & Development Corp. President's Monthly Report

April 2018

From the desk of Darren Gee, President & CEO

It's April and everyone's thoughts turn to spring, sunshine and warmer weather. But this winter is not over yet, as the map below shows, with temperature forecasts for up to -20F below normal for much of North America (Fig. 1). The pull of natural gas from storage for heating continues and that is setting up the supply demand picture for this summer. Either prices will be firmer for this summer to support storage refills or they will be firmer for next winter to reflect less gas in storage ready for a repeat of this past winter. Either way it's good news for gas producers both in Canada and the US. In Western Canada, the storage problem goes one step further with almost a third of the available storage (in USJR) being rendered irrelevant due to an inability to either withdraw or inject. And if the remaining 2/3rds (in EGAT) can't be refilled due to a lack of interruptible service this summer, then there will be very little ability to buffer any supply/demand imbalance. I suspect that will result in lower AECO prices this summer and much higher AECO prices next winter.



Source: NOAA

As in the past, this report includes an estimate of monthly capital spending as well as our field estimate of production for the most recent month (see Capital Investment and Production tables below).

Capital Investment*

Capital Summary (millions\$ CND)*

	2016	Q1 17	Q2 17	Q3 17	Oct	Nov	Dec	Q4 17	2017	Jan	Feb
Acq/Disp	34	4	0	0	0	0	0	0	4	0	-4
Land & Seismic	9	9	2	1	0	4	0	4	17	0	0
Drilling	219	67	48	73	25	29	15	69	256	10	3
Completions	105	36	21	34	17	14	12	42	134	8	5
Tie ins	42	13	9	15	6	5	5	16	53	2	1
Facilities	60	25	17	11	2	1	1	4	57	0	1
Total	469	154	98	135	50	53	32	134	521	20	5

Production*

2016/17 Production ('000 boe/d)*

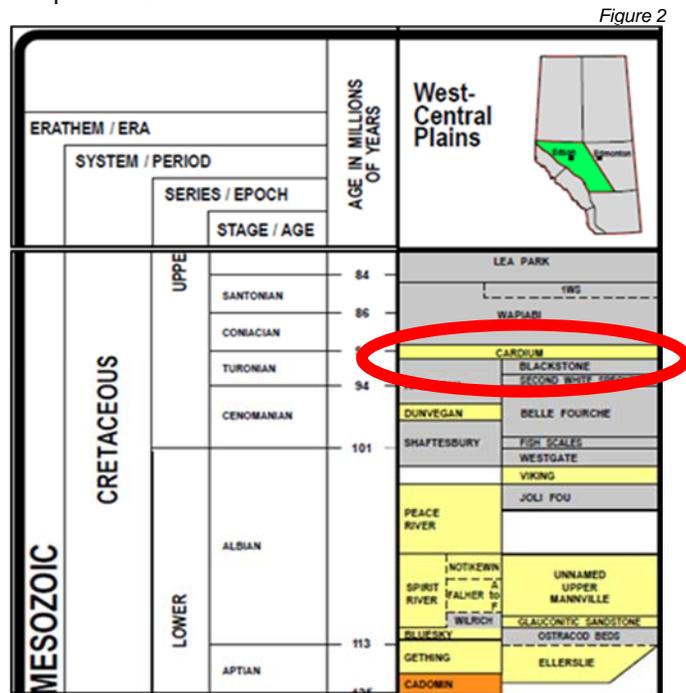
	2015	2016	Q1 17	Q2 17	Q3 17	Oct	Nov	Dec	Q4 17	2017	Jan	Feb	Mar	Q1 18
Sundance	59	58	59	56	55	58	59	59	58	57	57	56	55	56
Ansell	17	22	21	20	22	21	22	22	21	21	21	21	20	20
Brazeau	7	14	18	19	21	23	27	27	25	21	27	24	22	24
Kakwa	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Other	2	1	1	1	2	3	3	3	3	2	3	2	3	3
Total	86	97	101	98	102	106	112	111	110	103	110	105	101	105

* This estimate is based on real field data, not a forecast, and actual numbers will vary from the estimate due to accruals and adjustments. Such variance may be material. Tables may not add due to rounding.

The Cardium Revisited, One More Time

When I joined Peyto back in 2001 (jeez that's a long time ago) we were something of a one-trick pony. A small emerging junior with only a single area, Sundance, and a single play, the Cardium. At the time we were deemed to have too much "concentration risk" to be worthy of significant investment capital and so we had to fund it the old fashioned way, by carefully and diligently re-investing our available cashflow and bank lines. It's ironic that these days, if you aren't concentrated in one play, and good at it, you are deemed risky, spread too thin to be effective. Funny how times change.

Recall that the Cardium is a marine deposit at the top of the Cretaceous stack of Deep Basin reservoirs (Fig. 2). It is composed of relatively fine-grained to conglomeratic sandstone which is often enhanced by faulting and fracturing. It generally contains the most natural gas liquids of any of the Deep Basin Cretaceous sandstones in the Edson area.



Source: AER

Back in the early days, we developed the Cardium with vertical wells, with traditional fracture stimulations. The stimulations were designed to create propped cracks in the sandstone reservoir using highly viscous gelled fluid and those cracks were held open using very expensive manmade ceramic proppant. Then along came horizontal multi-stage frac innovation and we switched our Cardium well designs to match. Only we didn't really. Sure, we drilled horizontally, but

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we continued to utilize a lot of the original stimulation design from the vertical wells, thinking we needed the fracture width and conductivity for the higher permeability of the Cardium rock. When that didn't give us a big enough bang for the buck compared to other zones like the Wilrich and Notikewin, we shifted our focus away from the Cardium and to those other zones. The result was significant growth in the Company's volumes but it wasn't from the Cardium (Fig. 3).

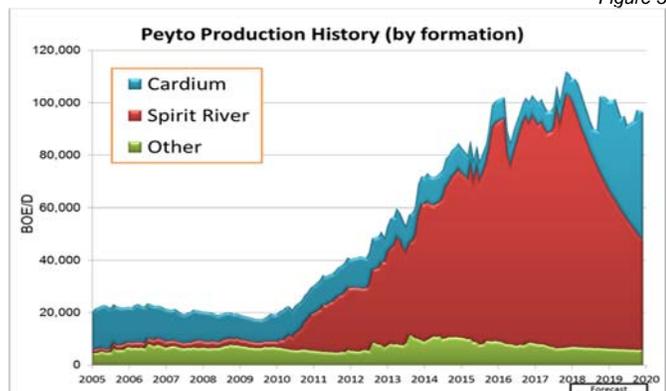


Figure 3

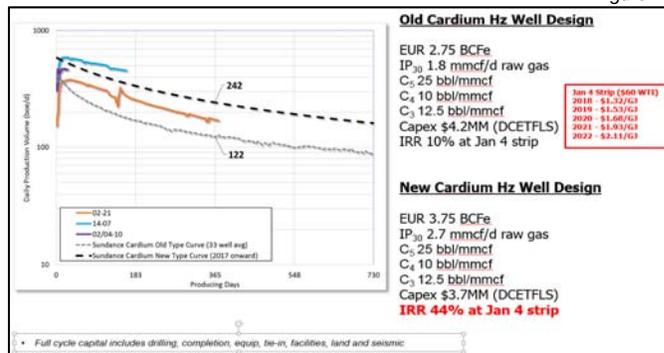
Source: Peyto

We continued to pick away at the Cardium and play around with different stimulation designs, even going back to vertical faulted wells in Brazeau. But the returns continued to take second seat to the drier Spirit River formations, especially at \$2.50/GJ gas prices. In 2017, we tried adopting more of a shale gas approach with tighter spacing and a more simplistic slickwater frac design. The results were surprisingly good in rock that to us was unremarkable. Coincident with these better results was a collapse in AECO gas prices and a re-focusing on more liquids rich formations. Our timing for improved Cardium results couldn't have been more fortunate.

So now the focus is back on the Cardium. And we're particularly excited about the prospect of a new production type curve that is almost twice the previous result, making the economic returns, even at low gas price, very appealing (see Fig. 4). Granted, we've only done a handful of wells with this different completion design, however, as we gain confidence we can pick up the pace of development.

Inventory of Cardium opportunities is not a problem. We have over 548 net sections of Cardium rights, most of it concentrated in the Greater Sundance Area (GSA) where we have over 380 proven, producing vertical and horizontal wells. We already have existing roads and wellsites we can use, existing pipelines and gathering systems, and existing gas plants with processing capacity. On the books we have 133 locations in the GSA, out of an internal inventory of over 370 locations. And even after all that drilling, we still won't be even close to developing all of the resource.

Figure 4



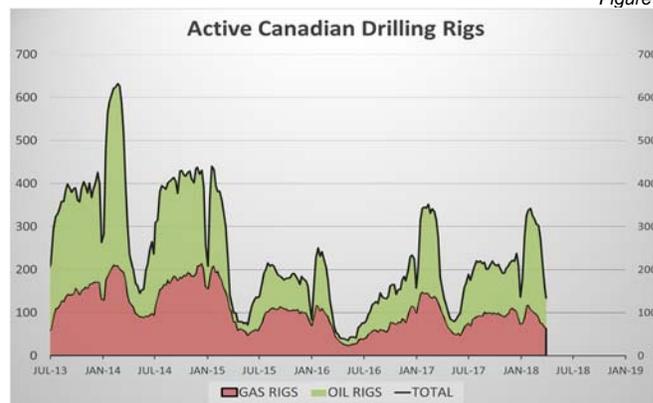
Source: Peyto

This year's \$200-\$250 million capital program, if all directed to the Cardium would drill us as many as 75 wells, while a couple years at that pace and we would replace all of the declining Spirit River production with Cardium and increase our proportion of Cardium to 50%, much like we were in 2008/09. It would also increase our liquid yield (NGLs to Gas) to around 30 bbl/mmcf which dramatically boosts cashflow versus backfilling with dry gas.

So once again the Cardium is on the menu. And like a chocolate Easter egg, it's as sweet as ever.

Activity Levels and Commodity Prices

Figure 5



Source: Baker Hughes

As usual this time of year the rig count is falling. Spring breakup where the ground gets soft and heavy equipment is hard/expensive to move is usually the cause, although this year we haven't seen any real softening of the ground yet. The temperatures are still well below normal (Fig. 1), with overnight lows touching -25C in Edson over the weekend. With the majority of rigs already down, it may be a prolonged breakup and some time before we see rig count rising again, perhaps similar to 2016.

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Forward Looking Statements

Certain information set forth in this monthly report, including management's expectation of future natural gas prices and the reasons therefore and management's estimate of monthly capital spending, field estimate of production, production decline rates and forecast 2018 netback, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Peyto's 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. 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 that Peyto will derive there from. The forward-looking statements contained in this monthly report are made as of the date of this monthly report. Except as required by applicable securities law, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent (mcf) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). 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). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl may be misleading as an indication of value.

Certain measures in this monthly report do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These measures may not be comparable to similar measures presented by other issuers. Non-IFRS measures are commonly used in the oil and gas industry and by Peyto to provide potential investors with additional information regarding Peyto's liquidity and its ability to generate funds to conduct its business. Non-IFRS measures used herein include netback and funds from operations.

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. Funds from operations is a non-IFRS measure which represents cash flows from operating activities before changes in non-cash operating working capital and provision for future performance based compensation. Management considers funds from operations and per share calculations of funds from operations to be key measures as they demonstrate Peyto's ability to generate the cash necessary to pay dividends, repay debt and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Peyto's ability to generate cash that is not subject to short-term movements in operating working capital. The most directly comparable IFRS measure is cash flows from operating activities.