

# Notes

## *Table of Contents*



- Corporate Governance
- Corporate Insurance
- Performance Based Compensation
- Distribution History
- Major Share Placements
- Reasons for Trust Reorganization
- Financing (2011 - 1997)
- Officers
- Directors

# Corporate Governance

PEYTO



Exploration & Development Corp.

- “We will be candid in our reporting, emphasizing the pluses and minuses important in appraising business value. Our guideline is to tell you the business facts that we would want to know if our positions were reversed.”
- “Our policies and communications will be designed to encourage informed, rational behavior by shareholders, that in turn, will tend to produce a stock price that is also rational. “
- “Our requisites for board membership will be business savvy, interest in the job, integrity, and owner-orientation.”
- “We will issue common stock only when we receive as much in business value as we give. We will not issue common stock on a basis inconsistent with the value of the entire enterprise.”
- “In line with owner-orientation, our directors have a major portion of their net worth invested in the company. We eat our own cooking.”

*Taken in part from “The Essays of Warren Buffett: Lessons for Corporate America”*

# Corporate Insurance



- General Liability (including pollution) \$10 Million
- Property (gas plants, wellsites, office) \$41 Million
- Operator's Extra Expense (well control) \$20 Million
- Directors and Officers \$20 Million

*Note: Peyto does not carry any Business Interruption insurance to cover the loss of production and funds from operations that might arise in the event of a facility accident.*

# Performance Based Compensation

PEYTO



Exploration & Development Corp.

- Market Based Compensation
  - compensates employees based on unit price performance
  - replaces old stock option plan
- Reserve Value Based Compensation
  - compensates employees for accretive growth in proved producing reserve value per unit
- No Management Fees

*"The principle behind our performance compensation is to compensate performance which benefits the unitholder. We are confident that our plan is fully aligned to the unitholders. In very simple terms, for every dollar of gain our plan is designed to pay out ten cents or 10%. The performance based compensation is also meant to be transparent."*

# Performance Based Compensation

## *Reserve Value Component*



### ● Rules

- At the time of payout, a share of the performance based compensation is allocated, based on performance, to employees and key consultants.
- Each year an independent engineering firm calculates the incremental value of the trust's proven producing reserves using the same constant price forecast for the opening and closing valuation and an 8% discount factor. THE EVALUATION IS MEANT TO BE INDEPENDENT OF COMMODITY PRICES.
- The incremental value of the proven producing reserves is adjusted for distributions, debt and equity in order to isolate the net incremental value added on a per unit basis.
- The total value of the reserve performance based compensation is 4% of the net incremental value added for the period and is paid out in cash at the end of January.

### ● Formula

- **Reserve Value performance based compensation Pool = (Incremental Value - Change in Debt + Total Distributions + G&A + Interest) x (Equity Factor) x (4%)**

### ● Definitions

- Incremental Value - *change in net present value of the proven producing reserves discounted at 8%*
- Change in Debt - *net debt at end of period before performance based compensation, minus net debt at the beginning of the period*
- Total Distributions - *the aggregate of the distributions during the period plus G&A and Interest*
- Equity Factor - *percentage increase of value added on a per unit basis divided by the percentage increase added overall, thus if there is no gain on a per unit basis the factor would be zero*

# Performance Based Compensation

## *Market Component*



### ● Rules

- At time of grant, a share of the performance based compensation is allocated to employees and key consultants.
- Rights vest over one to three year periods.
- The size is not to exceed 6% of total units outstanding.
- In December of each year all vested rights are automatically cancelled and, if applicable, paid out in cash.
- Non-employee directors do not participate.

### ● Formula

- **Market performance based compensation Pool = (Payout Price - Grant Price + Total Distributions) x (Rights)**

### ● Definitions

- Payout Price - *ten day weighted average price ending December 31st*
- Grant Price - *market price at time of grant*
- Total Distributions - *the aggregate of the distributions subsequent to the date of grant*
- Rights - *number of rights that have vested for the period*

# Performance Based Compensation

## Market Component (as of Dec 17, 2011)



Vesting Date	<u>Yet to be valued</u>		<u>*Valued but not paid</u>	
	Average Grant Price	Number of Rights	Number of Rights	Outstanding Value
12/31/2011	\$ 9.57	493,332		
12/31/2011	\$ 18.83	692,000	588,414	\$ 3,970,510
12/31/2012	\$ 18.83	692,000	588,414	\$ 3,970,510
12/31/2013	\$ 18.83	692,000		
Total Unvested Rights O/S	\$ 17.05	2,569,332	1,176,828	\$ 7,941,020
Total Shares O/S (as of Dec. 17, 2011)		137,960,301		
Total Rights as a Percentage of Shares O/S		2.7%		

\*Valued on December 31, 2010  
Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split

# Performance Based Compensation

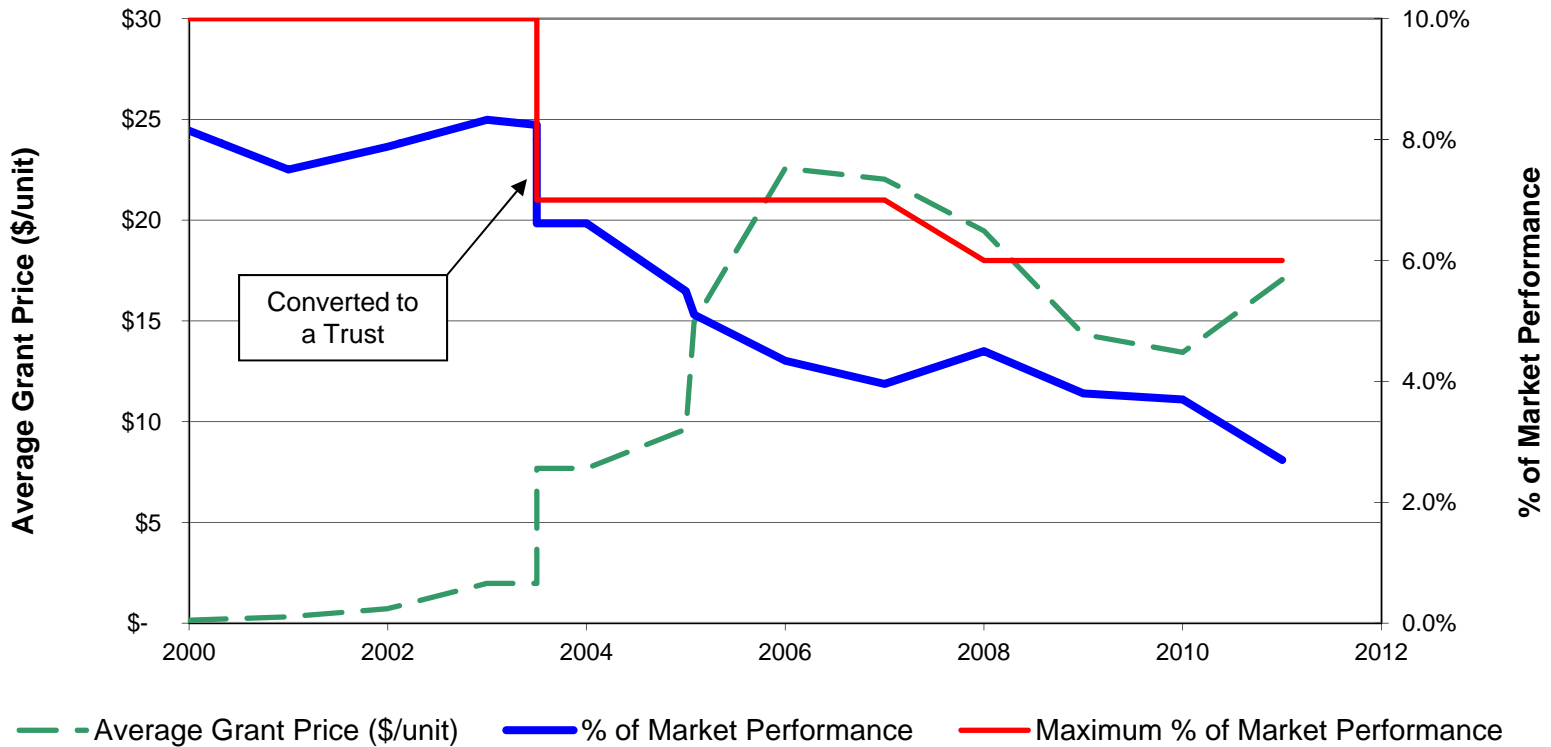
## Market Component (2)

PEYTO



Exploration & Development Corp.

"Before we converted to a trust the market based compensation maximum was set at 10% of the shares outstanding. As a trust the maximum level was set by the board at 6-7% (units outstanding). Since that time, the market based component has fallen from 6.6% at the end of 2003 to 2.7% at the end of 2011."



Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split

# Distribution/Dividend History

PEYTO



Exploration & Development Corp.

Distribution Month	Distribution per Unit	Number of Units O/S	Total Distribution	Distribution Month	Distribution per Unit	Number of Units O/S	Total Distribution	Distribution Month	Distribution per Unit	Number of Units O/S	Total Distribution	Distribution Month	Distribution per Unit	Number of Units O/S	Total Distribution
Jul-03	\$ 0.075	90,790,244	\$ 6,809,268	Jan-06	\$ 0.120	103,450,701	\$ 12,414,084	Jul-08	\$ 0.150	105,920,194	\$ 15,888,029	Jan-11	\$ 0.060	132,548,444	\$ 7,952,907
Aug-03	\$ 0.075	90,790,244	\$ 6,809,268	Feb-06	\$ 0.140	103,851,125	\$ 14,539,158	Aug-08	\$ 0.150	105,920,194	\$ 15,888,029	Feb-11	\$ 0.060	132,810,686	\$ 7,968,641
Sep-03	\$ 0.075	90,790,244	\$ 6,809,268	Mar-06	\$ 0.140	104,030,035	\$ 14,564,205	Sep-08	\$ 0.150	105,920,194	\$ 15,888,029	Mar-11	\$ 0.060	133,061,301	\$ 7,983,678
Oct-03	\$ 0.075	90,790,244	\$ 6,809,268	Apr-06	\$ 0.140	104,481,613	\$ 14,627,426	Oct-08	\$ 0.150	105,920,194	\$ 15,888,029	Apr-11	\$ 0.060	133,061,301	\$ 7,983,678
Nov-03	\$ 0.075	90,790,244	\$ 6,809,268	May-06	\$ 0.140	104,592,488	\$ 14,642,948	Nov-08	\$ 0.150	105,920,194	\$ 15,888,029	May-11	\$ 0.060	133,061,301	\$ 7,983,678
Dec-03	\$ 0.075	90,790,244	\$ 6,809,268	Jun-06	\$ 0.140	104,649,186	\$ 14,650,886	Dec-08	\$ 0.150	105,920,194	\$ 15,888,029	Jun-11	\$ 0.060	133,061,301	\$ 7,983,678
Jan-04	\$ 0.075	91,450,488	\$ 6,858,787	Jul-06	\$ 0.140	104,710,005	\$ 14,659,401	Jan-09	\$ 0.150	105,920,194	\$ 15,888,029	Jul-11	\$ 0.060	133,061,301	\$ 7,983,678
Feb-04	\$ 0.075	91,450,488	\$ 6,858,787	Aug-06	\$ 0.140	105,114,637	\$ 14,716,049	Feb-09	\$ 0.120	105,920,194	\$ 12,710,423	Aug-11	\$ 0.060	133,061,301	\$ 7,983,678
Mar-04	\$ 0.075	91,450,488	\$ 6,858,787	Sep-06	\$ 0.140	105,251,394	\$ 14,735,195	Mar-09	\$ 0.120	105,920,194	\$ 12,710,423	Sep-11	\$ 0.060	133,061,301	\$ 7,983,678
Apr-04	\$ 0.085	91,450,488	\$ 7,773,291	Oct-06	\$ 0.140	105,251,394	\$ 14,735,195	Apr-09	\$ 0.120	105,920,194	\$ 12,710,423	Oct-11	\$ 0.060	133,061,301	\$ 7,983,678
May-04	\$ 0.085	91,450,488	\$ 7,773,291	Nov-06	\$ 0.140	105,251,394	\$ 14,735,195	May-09	\$ 0.120	105,920,194	\$ 12,710,423	Nov-11	\$ 0.060	133,061,301	\$ 7,983,678
Jun-04	\$ 0.085	91,450,488	\$ 7,773,291	Dec-06	\$ 0.140	105,251,394	\$ 14,735,195	Jun-09	\$ 0.120	114,920,194	\$ 13,790,423	Dec-11	\$ 0.060	137,960,301	\$ 8,277,618
Jul-04	\$ 0.085	91,450,488	\$ 7,773,291	Jan-07	\$ 0.140	105,536,584	\$ 14,775,122	Jul-09	\$ 0.120	114,920,194	\$ 13,790,423				
Aug-04	\$ 0.085	91,450,488	\$ 7,773,291	Feb-07	\$ 0.140	105,536,584	\$ 14,775,122	Aug-09	\$ 0.120	114,920,194	\$ 13,790,423				
Sep-04	\$ 0.085	91,450,488	\$ 7,773,291	Mar-07	\$ 0.140	105,712,364	\$ 14,799,731	Sep-09	\$ 0.120	114,920,194	\$ 13,790,423				
Oct-04	\$ 0.095	91,450,488	\$ 8,687,796	Apr-07	\$ 0.140	105,712,364	\$ 14,799,731	Oct-09	\$ 0.120	114,920,194	\$ 13,790,423				
Nov-04	\$ 0.095	91,450,488	\$ 8,687,796	May-07	\$ 0.140	105,712,364	\$ 14,799,731	Nov-09	\$ 0.120	114,920,194	\$ 13,790,423				
Dec-04	\$ 0.095	95,450,488	\$ 9,067,796	Jun-07	\$ 0.140	105,712,364	\$ 14,799,731	Dec-09	\$ 0.120	114,920,194	\$ 13,790,423				
Jan-05	\$ 0.095	96,615,544	\$ 9,178,477	Jul-07	\$ 0.140	105,712,364	\$ 14,799,731	Jan-10	\$ 0.120	115,116,614	\$ 13,813,994				
Feb-05	\$ 0.110	96,790,544	\$ 10,646,960	Aug-07	\$ 0.140	105,712,364	\$ 14,799,731	Feb-10	\$ 0.120	115,172,624	\$ 13,820,715				
Mar-05	\$ 0.110	96,790,544	\$ 10,646,960	Sep-07	\$ 0.140	105,712,364	\$ 14,799,731	Mar-10	\$ 0.120	115,300,675	\$ 13,836,081				
Apr-05	\$ 0.110	96,810,764	\$ 10,649,184	Oct-07	\$ 0.140	105,712,364	\$ 14,799,731	Apr-10	\$ 0.120	120,982,602	\$ 14,517,912				
May-05	\$ 0.120	96,847,834	\$ 11,621,740	Nov-07	\$ 0.140	105,712,364	\$ 14,799,731	May-10	\$ 0.120	121,059,946	\$ 14,517,912				
Jun-05	\$ 0.120	96,888,404	\$ 11,626,608	Dec-07	\$ 0.140	105,712,364	\$ 14,799,731	Jun-10	\$ 0.120	121,476,477	\$ 14,527,194				
Jul-05	\$ 0.120	96,923,916	\$ 11,630,870	Jan-08	\$ 0.1435	105,712,364	\$ 15,169,724	Jul-10	\$ 0.120	121,545,852	\$ 14,577,177				
Aug-05	\$ 0.120	96,956,217	\$ 11,634,746	Feb-08	\$ 0.140	105,712,364	\$ 14,799,731	Aug-10	\$ 0.120	121,946,024	\$ 14,633,523				
Sep-05	\$ 0.120	101,993,139	\$ 12,239,177	Mar-08	\$ 0.140	105,920,194	\$ 14,828,827	Sep-10	\$ 0.120	122,136,678	\$ 14,656,401				
Oct-05	\$ 0.120	102,031,358	\$ 12,243,763	Apr-08	\$ 0.140	105,920,194	\$ 14,828,827	Oct-10	\$ 0.120	123,057,561	\$ 14,766,907				
Nov-05	\$ 0.120	102,077,749	\$ 12,249,330	May-08	\$ 0.150	105,920,194	\$ 15,888,029	Nov-10	\$ 0.120	131,372,061	\$ 15,764,647				
Dec-05	\$ 0.120	102,333,847	\$ 12,280,062	Jun-08	\$ 0.150	105,920,194	\$ 15,888,029	Dec-10	\$ 0.120	131,875,382	\$ 15,825,046				

Accumulated Distributions \$ 11.59 \$ 1,243,769,000

Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split

# Major Share Placements

PEYTO



Exploration & Development Corp.

Description	Year	Shares (000's)	Issue Price (\$/share)	Net Proceeds (000's)
Initial Capitalization, Founders and Public	1998	22,956	\$ 0.08	\$ 1,676
Rights Offering, Private Placement to Outside Party	1999	26,098	\$ 0.16	\$ 4,021
Private Placement to Outside Party	2000	30,545	\$ 0.38	\$ 11,557
Private Placement, Employees only	2001	4,401	\$ 0.42	\$ 1,747
Private Placement, Employees only	2002	2,837	\$ 1.31	\$ 3,692
Stock Option Buyout, Private Placement, Employees & Directors only	2003	3,954	\$ 7.59	\$ 29,989
Private Placement, Employees only	2003	660	\$ 13.65	\$ 9,013
Public Offering, (Bought Deal)	2004	4,000	\$ 21.33	\$ 80,712
Private Placement, Employees only	2004	1,340	\$ 23.57	\$ 31,586
Public Offering (Bought Deal)	2005	5,000	\$ 30.55	\$ 144,695
DRIP & OTUPP	2005	579	\$ 25.04	\$ 14,383
Private Placement, Employees only	2005	1,082	\$ 25.38	\$ 27,450
DRIP & OTUPP	2006	1,488	\$ 23.14	\$ 34,437
Private Placement, Employees only	2006	312	\$ 22.18	\$ 6,928
Private Placement, Employees only	2007	461	\$ 17.07	\$ 7,867
Private Placement, Employees only	2008	208	\$ 18.92	\$ 3,932
Public Offering (Bought Deal)	2009	9,000	\$ 10.50	\$ 89,393
Private Placement, Employees only	2009	196	\$ 13.89	\$ 2,728
DRIP & OTUPP	2010	3,158	\$ 14.48	\$ 45,722
Public Offering (Bought Deal)	2010	5,566	\$ 13.45	\$ 70,720
Public Offering (Bought Deal)	2010	8,315	\$ 17.30	\$ 137,589
Private Placement, Employees only	2010	656	\$ 18.95	\$ 12,423
Private Placement, Employees only	2011	251	\$ 18.86	\$ 4,727
Public Offering (Bought Deal)	2011	<u>4,899</u>	<u>\$ 23.50</u>	<u>\$ 110,121</u>
		137,960		\$ 887,110
tax effect				\$ 2,106
				<u>\$ 889,216</u>

# Financing (2011)



- **2011**
- \$115,126,500 Equity Issue (4,899,000 Units \$23.50/share)
  - Dec 16, 2011 issued 4,899,000 common shares at \$23.50/share for gross proceeds of \$115,126,500. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2011 and 2012. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$725,000,000 Revolving Line of Credit from Bank
  - 2011 mid year review, increased to \$725,000,000 Revolving Line of Credit with the Bank of Montreal, Union Bank of California, CIBC, RBC, BNP Paribas, HSBC, Alberta Treasury Branch, and Canadian Western Bank
- \$4,726,599 Private Placement Share Issue (250,615 Shares \$18.86/share)
  - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

# Financing (2010)



- **2010**
- \$12,423,260 Private Placement Share Issue (655,581 Shares \$18.95/share)
  - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$143,840,850 Equity Issue (8,314,500 Units \$17.30/unit)
  - Nov 30, 2010 issued 8,314,500 common units at \$17.30/unit for gross proceeds of \$143,840,850. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2010 and 2011. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$74,862,700 Equity Issue (5,566,000 Units \$13.45/unit)
  - Apr 27, 2010 issued 5,566,000 common units at \$13.45/unit for gross proceeds of \$74,862,700. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2010 and 2011. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$625,000,000 Revolving Line of Credit from Bank
  - 2009 year end review, increased to \$625,000,000 Revolving Line of Credit with the Bank of Montreal, Union Bank of California, BNP Paribas, Alberta Treasury Branch, Royal Bank of Canada, CIBC, Société Général, HSBC, and Canadian Western Bank

*Historical Per Unit and Units Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split*

# Financing (2009)



- **2009**
- \$2,728,274 Private Placement Unit Issue (196,420 Units \$13.89/unit)
  - Private placement of Trust Units to employees and consultants. Units were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$94,500,000 Equity Issue (9,000,000 Units \$10.50/unit)
  - Jun 26, 2009 issued 9,000,000 common units at \$10.50/unit for gross proceeds of \$94,500,000. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2009 and 2010. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$550,000,000 Revolving Line of Credit from Bank
  - 2008 year end review, increased to \$550,000,000 Revolving Line of Credit with the Bank of Montreal, Union Bank of California, BNP Paribas, Alberta Treasury Branch, Royal Bank of Canada, Société Général, HSBC, and Canadian Western Bank

# Financing (2008)



- **2008**
- \$550,000,000 Revolving Line of Credit from Bank
  - 2007 year end review, increased to \$550,000,000 Revolving Line of Credit with the Bank of Montreal, BNP Paribas, Royal Bank of Canada, and the Union Bank of California, Société Général, Alberta Treasury Branch, Fortis Capital (Canada) Ltd.
- \$3,932,144 Private Placement Unit Issue (207,830 Units \$18.92/unit)
  - Private placement of Trust Units to employees and consultants. Units were priced based on the five day weighted average after the year end release. The total proceeds from the private placement represents approximately 96% of the after tax cash pay out from the reserve value based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve value based compensation.

# Financing (2007)



- **2007**
- \$525,000,000 Revolving Line of Credit from Bank
  - 2006 year end review, increased to \$525,000,000 Revolving Line of Credit with the Bank of Montreal, BNP Paribas, Royal Bank of Canada, and the Union Bank of California, Société Général, Alberta Treasury Branch, Fortis Capital (Canada) Ltd.
- \$5,042,159 Private Placement Unit Issue (285,190 Units \$17.68/unit)
  - Private placement of Trust Units to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$2,824,785 Private Placement Unit Issue (175,780 Units \$16.07/unit)
  - Private placement of Trust Units to employees and consultants. Shares were priced based on the five day weighted average after the year end release. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve value based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve value based compensation.

# Financing (2006)

PEYTO



Exploration & Development Corp.

- **2006**
- \$6,928,366 Private Placement Unit Issue (312,370 Units \$22.18/unit)
  - Private placement of Trust Units to employees and consultants. Shares were priced based on the five day weighted average prior to the reserves report. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve value based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve value based compensation.
- \$450,000,000 Revolving Line of Credit from Bank
  - 2005 year end review, increased to \$450,000,000 Revolving Line of Credit with the Bank of Montreal, BNP Paribas, Royal Bank of Canada, and the Union Bank of California, Société Général, Alberta Treasury Branch

# Financing (2005)



- **2005**
- \$4,500,125 Private Placement Unit Issue (175,000 Units \$25.72/unit)
  - Private placement of Trust Units to employees and consultants. Units were priced based on the ten day weighted average prior to the reserve report. The total proceeds from the private placement represents approximately 99% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$350,000,000 Revolving Line of Credit from Bank
  - 2004 year end review, increased to \$350,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, BNP Paribas, Royal Bank of Canada, and the Union Bank of California
- \$152,750,000 Equity Issue (5,000,000 Units \$30.55/unit)
  - September 8, 2005 issued 5,000,000 common units at \$30.55 for gross proceeds of \$152,750,000. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2005 and 2006. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$27,450,247 Private Placement Unit Issue (1,081,570 Units \$25.38/unit)
  - Private placement of Trust Units to employees and consultants. Units were priced based on the last five day weighted average price for 2005. The total proceeds from the private placement represents approximately 99.9% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

# Financing (2004)



- **2004**
- \$230,000,000 Revolving Line of Credit from Bank
  - 2003 year end review, increased to \$230,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, National Bank of Canada and the Union Bank of California
- \$300,000,000 Revolving Line of Credit from Bank
  - 2004 mid year review, increased to \$300,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, National Bank of Canada, Royal Bank of Canada, and the Union Bank of California
- \$85,300,000 Equity Issue (4,000,000 Units \$21.33/unit)
  - December 7, 2004 issued 4,000,000 common units at \$21.33 for gross proceeds of \$85,300,000. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for 2005 to \$300,000,000. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$27,086,250 Private Placement Unit Issue (1,165,000 Units \$23.25/units)
  - Private placement of Trust Units to employees and consultants. Units were priced based on the last ten day weighted average price for 2004. The total proceeds from the private placement represents approximately 97% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

# Financing (2003)



- **2003**
- \$180,000,000 Revolving Line of Credit from Bank
  - Increased to \$180,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, National Bank of Canada and the Union Bank of California
- \$29,813,189 Private Placement Share Issue (3,879,400 shares \$7.69/share)
  - Private placement of Trust Units as part of the Peyto Exploration & Development Corp.'s option buyout. Employees and directors were the only participants. Shares were priced based on the the five day weighted average price from June 24 – June 30, 2003. As a result of the conversion into a Trust, all options were vested and purchased by the company. The option-holder had the right to purchase trust units for the same price that was used to value the option buyout. The option buyout is a one time cash expense in Q2 2003. Because the buyout of the options was paid out in cash, the company will receive a tax expense and was also able to minimize the amount of shares that were ultimately issued.
- \$9,013,095 Private Placement Share Issue (660,300 shares \$13.65/share)
  - Private placement of Trust Units to employees and consultants. Shares were priced based on the last ten day weighted average price for 2003. The total proceeds from the private placement represents approximately 85% of the after tax cash pay out from the market based compensation plan to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation plan.

# Financing (2001-2002)



- **2001**
- \$50,000,000 Revolving Line of Credit from Bank
  - Moved from \$25,000,000 Revolving Line of Credit with the National Bank of Canada to a \$50,000,000 Revolving Line of Credit with the Royal Bank of Canada.
- \$60,000,000 Revolving Line of Credit from Bank
  - Increased from \$50,000,000 Revolving Line of Credit with Royal Bank of Canada.
- \$823,500 Flow Through Share Issue (366,000 shares \$2.25/share)
  - Employee bonus plan flow-through share issue. Employee's are given choice of bonus in flow-through shares or cash. Employee's decided to take 90% of bonus in flow-through shares. Shares were priced at a 25% premium to the 10 day weighted average.
- **2002**
- \$100,000,000 Revolving Line of Credit from Bank
  - Moved from \$80,000,000 Revolving Line of Credit with the Royal Bank of Canada to a \$100,000,000 Revolving Line of Credit with the Bank of Montreal.
- \$1,098,630 Flow Through Share Issue (187,800 shares \$5.85/share)
  - Employee bonus plan flow-through share issue. Employee's are given choice of bonus in flow-through shares or cash. Employee's decided to take 99% of bonus in flow-through shares. Shares were priced at a 25% premium to the 10 day weighted average.

# Financing (2000)



- **2000**
- \$2,700,000 Convertible Debenture issued to Paramount Resources Ltd.
  - Bears interest at 3% per annum; Convertible at \$0.30/share over five year term. Redeemable after July 1, 2000 if trading price above \$0.42/share. Issued January 2000
- \$7,958,000 Takeover of Largo Resources Inc.
  - Joint venture Partner in Sundance area
  - Issued 13,207,000 shares to Largo Shareholders, February 2000
- \$3,250,000 Sundance Area Property Acquisition from Eclipse Resources Ltd.
  - Joint Venture Partner in Sundance area
  - PEYTO Issued 3,300,000 shares (\$0.15/share) & paid \$1,123,435 in cash, April 2000
- \$15,000,000 Revolving Line of Credit from Bank
- \$2,700,000 Convertible Debenture Converted to 9,000,000 PEYTO Shares
  - Effective August 26, 2000 Paramount Resources Ltd. issued 9,000,000 common shares of PEYTO
- \$4,630,000 Flow-through Issue
  - Issued 4,000,000 shares at \$1.10/share, October 2000
  - Issued 200,000 shares at \$1.15/share, December 2000. Issued only to employees participating in Corporate bonus plan.
- \$25,000,000 Revolving Line of Credit from Bank

# Financing (1999)



- **1999**
- \$267,000 Private Placement
  - Issued 2,970,000 shares at \$0.09/share, January 1999
- \$2,073,037 Shareholder Rights Offering
  - Issued 13,108,670 shares, November 1999
- \$2,500,000 P&NG Purchase from Paramount Resources Ltd.
  - Originally Farmed in on two suspended Paramount wells and completed the Cardium formation
  - After two successful completions, agreed to purchase the residual interest in two non-producing wells that PEYTO had re-entered & 1,720 acres of undeveloped land with 8,727,274 shares at \$0.275/share & \$75,000 cash, December 1999
- \$425,000 Flow-through Issue
  - Issued 1,000,000 shares at \$0.425/share, December 1999

# Financing (1997-98)



- **1997 (before Peyto Management)**
- \$250,000 Private Placement to JCP Founders
  - Issued 5,000,000 shares at \$0.05/share March 1997
- \$250,000 JCP IPO
  - Issued 2,500,000 shares at \$0.10/share December 1997
- **1998**

## October 23, 1998 Peyto Starts at \$0.075/share

- \$254,000 Private Placement
  - Acquired Producing Property in Saskatchewan with 3,388,000 shares at \$0.075/share & \$254,000 in cash, October 1998.
  - Producing property qualified as the JCP's Major Property Acquisition, thus removing the JCP restrictions on the corporation.
  - Ownership, management & control transferred from Desco group to PEYTO group. Desco Resources Ltd. JCP becomes PEYTO Exploration & Development Corp.
- \$415,000 Private Placement
  - Issued 5,534,000 shares at \$0.075/share, November 1998
- \$653,000 Private Placement
  - Issued 6,534,000 flow-through shares at \$0.10/share, December 1998

# Officers

PEYTO



Exploration & Development Corp.

**Darren Gee**, *President, CEO, Director (P.Eng.)*

*Professional Engineer, oil & gas reservoir, evaluation, production & exploitation engineering experience since 1989, B.Sc. Mechanical Engineering, University of Alberta. Joined Peyto 2001*

**Scott Robinson**, *Executive Vice President, COO (P.Eng.)*

*Professional Engineer, experience in Canada and U.S. in areas of production and reservoir engineering since 1984, B.S. (Honors) Chemistry, University of Denver, M.S. Chemical Engineering, Colorado School of Mines. Joined Peyto 2004*

**David Thomas**, *VP Exploration (P. Geol.)*

*Professional Geologist, experience in Canada, specifically the Deep Basin of Alberta since 1990. B.Sc. Hon. Geology from Carleton University, M.Sc. Geology from University of Minnesota. Joined Peyto in 2006*

**Kathy Turgeon**, *Vice President, CFO*

*Chartered Accountant, accounting experience since 1990, former Controller of Peyto Energy Trust, B.Comm. University of Calgary. Joined Peyto 2004*

**Glenn Booth**, *Vice President, Land (P.Land)*

*Professional Landman, oil & gas experience since 1975, formerly VP of Land at a public oil & gas company, B.B.A., Oklahoma University. Joined Peyto 2005*

**Jean-Paul (J.P.) Lachance**, *Vice President Exploitation (P.Eng.)*

*Professional Engineer, oil & gas reservoir, evaluations, production, exploitation, facilities and operations experience since 1991, B.Sc. In Civil Engineering, University of Waterloo. Joined Peyto in 2011*

**Steve Chetner**, *Corporate Secretary*

*Corporate Secretary to Peyto Exploration & Development Corp. since 2000, Partner of Burnet, Duckworth & Palmer LLP, since 2002; prior thereto, Associate of Burnet, Duckworth & Palmer LLP*

# Directors



**Darren Gee**, *President and CEO*

**Scott Robinson**, *Executive VP Operations and COO*

**Don T. Gray**, *Chairman, Co-founder (CEO & President 1998-2006)*

**Rick Braund**, *Co-founder, Landman*

**Mick MacBean**, *Lead Independent Director, Chartered Accountant, Managing Director of TriWest Capital Partners since May 2010*

**Stephen Chetner**, *Corporate Secretary to Peyto Exploration & Development Corp. since 2000, Partner of Burnet, Duckworth & Palmer LLP, since 2002*

**Brian Davis**, *Petroleum Engineer, Managing Partner – Oil and Gas Evaluations and Consulting, since 2006*

**Greg Fletcher**, *Geologist, President Sierra Energy Inc since 1997, Director Calfrac Well Services Ltd, total Energy Service Ltd.*

# 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 distributions to be paid to unitholders, distribution policy, and the timing of payment of such distributions.*

*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.*

### **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.*