

## highlights

Six Months Ended June 30	2000	1999	% Change
<b>Operations</b>			
Production			
Oil & NGLs (bbl/d)	165	34	385
Natural gas (mcf/d)	4,092	454	801
Barrels of oil equivalent (boe/d)	574	79	627
Average product prices			
Oil & NGLs (\$/bbl)	36.67	16.82	118
Natural gas (\$/mcf)	4.65	2.84	63
Average operating expenses (\$/boe)	4.37	5.58	(22)
<b>Financial (\$000)</b>			
Revenue (net of royalties)	3,584	223	1,507
Funds from operations	2,706	8	33,725
Net earnings (loss)	1,245	(51)	-
Capital expenditures	18,383	997	1,743
As at June 30			
Working capital surplus (deficit)	(2,049)	371	-
Long-term debt	7,978	15	53,086
Shareholders' equity	11,488	1,648	597
Total assets	28,169	2,928	862
Common shares outstanding (000)	33,199	13,109	153
<b>Per share data (\$/share)</b>			
Funds from operations	0.09	0.00	-
Earnings (loss)	0.04	(0.00)	-

## report from president

PEYTO Exploration & Development Corp. is pleased to present its second quarter financial and operating results for the period ended June 30, 2000.

### Quarterly Review

Production increased 821% to 921 boe per day (barrels of oil equivalent with natural gas production converted on a 10:1 basis) from 100 boe per day in the same period in 1999. Peyto produced 6.9 million cubic feet (mmcf) of natural gas and 236 barrels of oil and natural gas liquids per day. As a result of this production growth combined with the increase in commodity prices, quarterly cash flow increased to \$2,479,000 (\$0.08 per share) and earnings to \$1,183,000 (\$0.04 per share). Product prices averaged \$4.87 per mcf of gas and \$36.46 per barrel of oil and natural gas liquids with associated operating costs of \$3.91 per boe. Capital spending totaled \$10,068,000 for the quarter.

During the quarter, Peyto completed construction of its Sundance gas processing plant and gathering system. A total of seven (6.3 net) operated gas wells were connected to the plant at June 30.

### Activity Update

Peyto has connected an additional four (3.4 net) operated gas wells to the Sundance plant since June 30. Drilling, re-entry, completion and pipeline operations have now resumed. Expansion of the Sundance plant from 10 to 20 mmcf per day is on track to be completed during the third quarter.

On July 27, 2000 Peyto exercised its right to redeem the \$2,700,000 convertible debenture issued January 24, 2000 to Paramount Resources Ltd. Paramount has elected to convert the entire debenture to 4,500,000 common shares of Peyto effective August 25, 2000.

### Outlook

Significant production growth is expected as processing and gathering capacity is brought online in the next few months. The corporation's inventory of low risk, high impact development projects has never been greater. Peyto will continue to aggressively exploit and expand its core area at Sundance, Alberta. For more information on the company, please visit Peyto's web site located at [www.peyto.com](http://www.peyto.com).

Don T. Gray, P. Eng.  
President and Chief Executive Officer  
August 22, 2000

## quarterly information

	2000		1999	
	Q2	Q1	Q4	Q3
<b>Operations</b>				
Production				
Oil & NGLs (bbl/d)	236	91	48	40
Natural gas (mcf/d)	6,852	1,288	376	736
Barrels of oil equivalent (boe/d)	921	220	86	113
Average product prices				
Oil & NGLs (\$/bbl)	36.46	37.20	27.89	24.80
Natural gas (\$/mcf)	4.87	3.51	3.37	3.44
Average operating expenses (\$/boe)	3.91	6.30	9.44	5.08
<b>Financial (\$000)</b>				
Revenue (net of royalties)	3,039	545	176	221
Funds from operations	2,479	227	(80)	95
Net earnings (loss)	1,183	62	(83)	42
Capital expenditures	10,068	8,315	4,737	1,144
Common shares outstanding (000)	33,199	31,451	24,527	13,109
<b>Per share data (\$/share)</b>				
Funds from operations	0.08	0.01	(0.00)	0.01
Earnings (loss)	0.04	0.00	(0.00)	0.00

## financial statements

### Consolidated Balance Sheet

As at	June 30 2000 (unaudited)	Dec. 31 1999 (audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 44,834	\$ 443,725
Accounts receivable	3,773,998	1,291,068
Prepays	87,708	80,346
	<b>3,906,540</b>	1,815,139
Property, plant and equipment	25,754,903	7,460,671
Accumulated depreciation & depletion	(1,492,857)	(137,857)
	<b>24,262,046</b>	7,322,814
	<b>\$ 28,168,586</b>	\$ 9,137,953
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable & accrued liabilities	\$ 5,956,166	\$ 2,461,785
Convertible debenture	1,565,064	-
Long term debt	7,978,121	1,150,000
Site restoration provision	66,382	5,461
Future income taxes	1,114,607	627,257
<b>Shareholders' equity</b>		
Contributed surplus	1,134,936	-
Share capital	9,256,252	5,041,613
Retained earnings (deficit)	1,097,058	(148,163)
	<b>11,488,246</b>	4,893,450
	<b>\$ 28,168,586</b>	\$ 9,137,953

## *financial statements*

### Consolidated Statement of Earnings (unaudited)

Six Months Ended		
June 30	2000	1999
<b>Revenue</b>		
Oil and gas sales, net	\$ 3,584,212	\$ 222,941
<b>Expenses</b>		
Operating	454,054	80,005
General and administrative	270,635	137,134
Interest	153,326	(2,539)
Depletion, depreciation and site restoration	470,090	59,169
	<b>1,348,105</b>	273,769
Earnings (loss) before taxes	<b>2,236,107</b>	(50,828)
Future income taxes	<b>990,887</b>	-
Earnings (loss) for the period	<b>1,245,220</b>	(50,828)
Deficit, beginning of period	<b>(148,162)</b>	(56,706)
<b>Retained earnings (deficit), end of period</b>	<b>\$ 1,097,058</b>	\$ (107,534)
Common shares outstanding	<b>33,199,064</b>	13,108,671
Earnings (loss) per share	<b>\$0.04</b>	\$(0.00)

### Consolidated Statement of Cash Flows (Unaudited)

Six Months Ended		
June 30	2000	1999
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Earnings (loss) for the period	\$ 1,245,220	\$ (50,828)
Items not requiring cash:		
Future income taxes	990,887	-
Depletion, depreciation and Site restoration	470,090	59,169
Funds from operations	<b>2,706,197</b>	8,341
Change in non-cash working capital from operations	<b>(1,688,118)</b>	(357,290)
	<b>1,018,079</b>	(348,949)
<b>Financing Activities</b>		
Issue of common shares, net of costs	76,451	306,061
Convertible debenture	2,700,000	-
Increase in long term debt	6,828,121	15,565
	<b>9,604,572</b>	321,626
<b>Investing Activities</b>		
Additions to property, plant and equipment	<b>(11,419,109)</b>	(997,163)
<b>Net decrease in cash</b>	<b>(796,458)</b>	(1,024,486)
Cash, beginning of period	<b>841,292</b>	1,024,686
<b>Cash, end of period</b>	<b>\$ 44,834</b>	\$ 200
Funds from operations per share	<b>\$0.09</b>	\$0.00

## *corporate information*

### Officers

**Don T. Gray**  
President and Chief Executive Officer

**Roberto Bosdachin**  
Vice-President, Exploration

**Sandra Brick**  
Controller

**Steve Chetner**  
Corporate Secretary

### Directors

**Rick Braund**  
Chairman of the Board

**Don T. Gray**

**Mike Broadfoot**

**Bill Petrie**

**Brian Craig**

**Jim Riddell**

### Auditors

Ernst & Young

### Solicitors

Burnet, Duckworth & Palmer

### Bankers

National Bank of Canada

### Transfer Agent

Montreal Trust Company of Canada

### Head Office

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Stock Listing Symbol: PEY  
Canadian Venture Exchange

# PEYTO

Exploration & Development Corp.

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*Interim Report  
for the six months ended June 30, 2000*