PEYTO

Exploration & Development Corp.

3

Interim Report
for the three and nine months ended September 30, 2012

Highlights

	Three Months ended September 30		%	Nine Months ended September 30		%
	2012	2011	Change	**2012**	2011	Change
Operations						
Production						
Natural gas (mcf/d)	**244,794**	194,832	*26%*	**228,982**	181,881	*26%*
Oil & NGLs (bbl/d)	**5,236**	3,918	*34%*	**4,608**	3,826	*20%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**276,200**	218,338	*27%*	**256,630**	204,834	*25%*
Barrels of oil equivalent (boe/d @ 6:1)	**46,033**	36,390	*26%*	**42,772**	34,139	*25%*
Product prices						
Natural gas ($/mcf)	**3.06**	4.43	*(31)%*	**3.15**	4.58	*(31)%*
Oil & NGLs ($/bbl)	**68.62**	78.07	*(12)%*	**74.26**	79.45	*(7)%*
Operating expenses ($/mcfe)	**0.35**	0.36	*(3)%*	**0.32**	0.35	*(9)%*
Transportation ($/mcfe)	**0.11**	0.13	*(15)%*	**0.12**	0.13	*(8)%*
Field netback ($/mcfe)	**3.29**	4.41	*(25)%*	**3.39**	4.51	*(25)%*
General & administrative expenses	**0.03**	0.04	*(25)%*	**0.05**	0.07	*(29)%*
Interest expense ($/mcfe)	**0.25**	0.26	*(4)%*	**0.23**	0.26	*(12)%*
Financial ($000 except per share)						
Revenue	**102,042**	107,526	*(5)%*	**291,090**	310,297	*(6)%*
Royalties	**6,632**	9,265	*(28)%*	**21,549**	31,195	*(31)%*
Funds from operations	**76,918**	82,506	*(7)%*	**219,296**	234,212	*(6)%*
Funds from operations per share	**0.54**	0.62	*(13)%*	**1.57**	1.76	*(11)%*
Total dividends	**25,576**	23,951	*7%*	**75,415**	71,823	*5%*
Total dividends per share	**0.18**	0.18	-	**0.54**	0.54	-
Payout ratio	**33**	29	*14%*	**34**	31	*10%*
Earnings	**23,058**	37,741	*(39)%*	**68,128**	102,147	*(33)%*
Earnings per diluted share	**0.16**	0.28	*(43)%*	**0.49**	0.77	*(36)%*
Capital expenditures	**317,089**	111,570	*184%*	**461,646**	284,373	*62%*
Weighted average shares outstanding	**142,069,408**	133,061,301	*7%*	**139,631,290**	132,954,010	*5%*
As at September 30						
Net debt (before future compensation expense and unrealized hedging gains)				**683,540**	526,743	*30%*
Shareholders' equity				**1,092,079**	873,588	*25%*
Total assets				**2,077,890**	1,665,978	*25%*

	Three Months ended September 30		Nine Months ended September 30	
($000)	**2012**	2011	**2012**	2011
Cash flows from operating activities	**72,004**	79,685	**205,939**	204,403
Change in non-cash working capital	**3,032**	1,807	**8,464**	22,224
Change in provision for performance based compensation	**1,882**	1,014	**4,893**	7,585
Funds from operations	**76,918**	82,506	**219,296**	234,212
Funds from operations per share	**0.54**	0.62	**1.57**	1.76

(1) Funds from operations - Management uses funds from operations to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Funds from operations cannot be assured and future dividends may vary.

Report from the president

Peyto Exploration & Development Corp. ("Peyto" or "the Company") is pleased to present its operating and financial results for the third quarter of the 2012 fiscal year. With a third quarter 2012 operating margin of 75%[(1)] and profit margin of 23%[(2)], Peyto grew production per share for the twelfth consecutive quarter. Highlights of the 2012 third quarter include:

- **Production per share up 18%.** Third quarter 2012 production increased 27% (18% per share) from 218 MMcfe/d (36,390 boe/d) in Q3 2011 to 276 MMcfe/d (46,033 boe/d) in Q3 2012.

- **Funds from operations of $0.54/share.** Generated $77 million in Funds from Operations ("FFO") in Q3 2012 down 7% (13% per share) from $83 million in Q3 2011. Increased production and lower costs helped offset the 31% year over year reduction in realized commodity prices.

- **Maintained low cash costs of $1/mcfe.** Total cash costs, including royalties, operating costs, transportation, G&A and interest were $1.00/mcfe ($6.02/boe). Industry leading operating costs of $0.35/mcfe ($2.09/boe) in Q3 2012 helped contribute to cash netbacks of $3.01/mcfe ($18.08/boe) representing a 75% operating margin.

- **Record capital investments of $317 million**. To the end of the third quarter, 21,800 boe/d of new production had been added in 2012, including 4,800 boe/d resulting from the $187 million acquisition of Open Range Energy Corp. ("Open Range" or "ONR"). Excluding the acquisition, the annualized (trailing twelve month) cost to build new production has averaged $18,000/boe/d. A total of 30 gross wells were drilled during the third quarter.

- **Earnings of $0.16/share, dividends of $0.18/share.** Earnings of $23.1 million were generated in the quarter ($68.1 million year-to-date) while dividends of $25.6 million ($75.4 million year-to-date) were paid to shareholders, representing a before tax payout ratio of 33% of FFO.

Third quarter 2012 in Review

The third quarter of 2012 was an historic time for Peyto. The acquisition of Open Range represented the first major corporate acquisition in the Company's fourteen year history. The properties that were acquired were a natural fit with Peyto's Greater Sundance core area and included strategic facility and pipeline infrastructure that can be expanded and integrated into Peyto's existing system. In addition, 99 net sections of land were included containing over 100 future drilling locations of similar quality to Peyto's existing inventory of future locations. The Peyto team quickly and efficiently integrated Open Range into its business without disrupting a very active quarter that saw 6 to 8 drilling rigs running throughout. Inclusive of the acquired properties, Peyto maintained its industry leading low cost advantage with total cash costs of $1.00/Mcfe ($6.02/boe). Peyto's total borrowing capacity was expanded to $880 million, reflecting the value of the additional properties, including the issue of $50 million of additional senior secured 10 year notes. The company maintained its financial flexibility with quarter ending net debt of $684 million or 2.2 times annualized Funds from Operations. Despite low natural gas prices, earnings of $0.16/share were generated, delivering 9% Return on Equity (ROE) and 7% Return on Capital Employed (ROCE).

1. Operating Margin is defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.
2. Profit Margin is defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.
Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

Exploration & Development

While drilling at the start of the third quarter focused on the development of the more liquids-rich formations in Peyto's inventory, like the Cardium and Falher, more recent activity has shifted back to the less liquids-rich, deeper formations like the Notikewin, Wilrich and Bluesky. This is due to improving natural gas prices which result in improved economics for the deeper, drier gas zones that enjoy greater royalty incentives.

At currently forecast natural gas prices, effectively all of the formations that Peyto develops within its core areas can yield similar full cycle, before tax, internal rates of return. Peyto has been nimble with its capital allocation and has quickly redirected its drilling efforts to diversify development activity amongst all of the potential targets.

During the quarter Peyto acquired 17 sections of new land at crown land sales, bringing total 2012 land acquisitions to 41.3 net sections. This is in addition to the 104.2 net sections of land added through property and corporate acquisitions. All 145.5 net sections are adjacent to or within Peyto's existing core areas. In total, net of expiries, Peyto's Deep Basin land position has grown by 28% in 2012, or 134 net sections (85,600 net acres).

Capital Expenditures

In addition to the $187 million acquisition of Open Range, Peyto had an active quarter of drilling activity. In total, Peyto invested $130 million in the building of new assets with $59 million spent drilling 30 gross (25.8 net) wells, $35 million spent completing 24 gross (20.2 net) wells, and $11 million spent on wellsite equipment and pipelines to bring on 24 gross (20.2 net) producing wells. A further $6 million was invested to expand current facilities, while the balance or $19 million was invested in the acquisition and evaluation of new undeveloped lands.

Overall, drilling times continued to shorten as rig crews became more practiced with Peyto's drilling design. In 2012, the average horizontal well has taken just 20 days to drill, down more than 30% from 30 days in 2010. At the same time, the average horizontal well length in 2012 is 109 m longer. These efficiency gains not only translate into reduced capital cost but they allow Peyto to drill more wells with fewer rigs and less technical staff.

Financial Results

Alberta (AECO Monthly) natural gas prices averaged $2.08/GJ in the third quarter 2012, resulting in a Peyto unhedged realized price of $2.38/mcf before hedging gains of $0.68/mcf. Meanwhile, Edmonton light oil prices averaged $82.71/bbl from which Peyto realized $68.62/bbl (or 83%) for its oil and natural gas liquids blend of Condensate, Pentane, Butane and Propane. Combined Peyto's unhedged revenues totaled $3.41/mcfe ($4.01/mcfe including hedging gains), or 164% of the dry gas price.

Peyto maintained its industry leading low cash costs in the quarter, despite the integration of the higher cost Open Range production, with average royalties of $0.26/Mcfe ($1.57/boe), operating costs of $0.35/Mcfe ($2.09/boe), transportation of $0.11/Mcfe ($0.68/boe), G&A of $0.03/Mcfe ($0.18/boe) and interest of $0.25/Mcfe ($1.50/boe). These cash costs totaled $1.00/Mcfe ($6.02/boe) and were deducted from revenues to yield a cash netback of $3.01/Mcfe ($18.08/boe), or a 75% operating margin. This industry leading operating margin has now been achieved for sixteen consecutive quarters and highlights Peyto's commitment to be the lowest cost producer in the Canadian industry.

Depletion, depreciation and amortization charges of $1.72/Mcfe, along with a provision for future tax and market based bonus payments, reduced the cash netback to earnings of $0.91/Mcfe or a 23% profit margin.

During the quarter Peyto's syndicate of lenders increased Peyto's borrowing base to $880 million, reflecting the addition of the ONR assets. As well, on September 6, 2012, Peyto issued $50 million of senior secured notes pursuant to a note purchase and private shelf agreement with Prudential Investment Management Inc. The notes have a coupon rate of 4.88% and mature on September 6, 2022. Including this latest issue, Peyto now has $150 million of senior secured notes outstanding which rank equally with Peyto's revolving bank facility of $730 million. With quarter end net debt of $684 million, Peyto has $196 million of available borrowing capacity ensuring future financial flexibility.

Marketing

Approximately 49% of Peyto's natural gas production in the quarter had been pre-sold in forward sales done over the previous year at an average price of $3.23/GJ. The remaining balance of production was subject to AECO monthly spot prices that averaged $2.08/GJ. On a blended basis, Peyto's realized gas price was $2.64/GJ or $3.06/mcf, reflective of Peyto's high heat content natural gas production.

The company's hedging practice of layering in future sales in the form of fixed price swaps, in order to smooth out the volatility in natural gas price, continued throughout the quarter. By the end of the third quarter Peyto had committed to the future sale of 59,695,000 gigajoules (GJ) of natural gas at an average price of $3.15/GJ or $3.68/mcf, based on Peyto's historical heat content. The following table summarizes the remaining hedged volumes and prices for the upcoming years, effective September 30, 2012:

	Future Sales		Average Price (CAD)	
	GJ	Mcf	$/GJ	$/Mcf
2012	13,875,000	11,858,974	$3.18	$3.72
2013	38,730,000	33,102,564	$3.17	$3.71
2014	7,090,000	6,059,829	$3.03	$3.55
Total	59,695,000	51,021,368	$3.15	$3.69

As illustrated in the following table, Peyto's realized natural gas liquids prices(1) were down 12% year over year and 4% from the previous quarter.

	Three Months ended September 30		Three Months ended June 30	
	2012	2011	2012	2011
Condensate ($/bbl)	89.85	93.63	90.14	98.66
Propane ($/bbl)	19.60	47.00	18.61	42.96
Butane ($/bbl)	58.21	65.28	61.10	66.52
Pentane ($/bbl)	93.16	98.16	93.44	99.76
Total Oil and NGLs ($/bbl)	68.62	78.07	71.27	84.06

(1) Liquids prices are Peyto realized prices in Canadian dollars adjusted for fractionation and transportation.

Peyto's hedging practice with respect to Propane and Butane also continued in the quarter and by the end of the third quarter Peyto had committed to the future sale of 186,000 bbls of Propane and Butane at an average price of $51.12USD/bbl. The following table summarizes the hedged volumes and prices for the upcoming years.

	Propane		Butane	
	Future Sales (bbls)	Average Price ($USD/bbl)	Future Sales (bbls)	Average Price ($USD/bbl)
2012	48,000	$37.30	45,000	$65.88
2013	48,000	$37.30	45,000	$65.88
Total	96,000	$37.30	90,000	$65.88

As at September 30, 2012, Peyto had committed to the future sale of 204,400 barrels of oil and natural gas liquids at an average price of $54.62 USD per barrel and 59,695,000 gigajoules (GJ) of natural gas at an average price of $3.15 per GJ. Had these contracts been closed on September 30, 2012, Peyto would have realized a gain in the amount of $2.9 million.

ONR Acquisition Update

On August 14, 2012 Peyto closed the acquisition of Open Range Energy Corp. for an effective total capital cost of $187.2 million. The acquisition was conducted pursuant to a plan of arrangement with Peyto exchanging 0.0723 Peyto shares for each Open Range share (5.4 million shares total) and assuming the $75 million in net debt (inclusive of transaction costs).

Integration of the Open Range asset base was concluded shortly after closing and drilling activity commenced on former ONR lands on September 17, 2012. So far, 5 wells have been drilled and 1 gross (0.6 net) well brought on production which has maintained production from the acquired lands at 5,100 boe/d. For the quarter, the ONR acquisition contributed production for 47 days or approximately 2,600 boe/d of average production.

Activity Update

Peyto currently has 8 drilling rigs running, which will increase to 9 by mid-November, out of approximately 90 natural gas directed rigs in the Western Canadian Sedimentary Basin (WCSB) making Peyto one of the busiest natural gas drillers in Canada. This counter cyclical strategy to invest in natural gas when most of the industry is not, allows Peyto improved purchasing power for services, materials and labor which lowers absolute development costs and improves shareholder returns. This strategy has resulted in Peyto building over 18,000 boe/d of new production since the start of 2012 at industry leading capital efficiencies of less than $18,000/boe/d. The new volume additions combined with acquired volumes of 4,700 boe/d and base production of 28,300 boe/d equates to current production of 51,000 boe/d.

In addition, Peyto has 7 gross (6.5 net) wells that are drilled but waiting on completion, and 5 gross (4.0 net) wells completed but waiting on tie in, which represents approximately 6,000 boe/d of behind pipe production. In the past, Peyto has not had this much productive capacity waiting on completion and tie in operations but recent pad drilling techniques, which significantly reduce rig move costs, have delayed wellsite access for completions and pipelining operations. The economic benefit of reduced drilling costs significantly outweighs the short term delay in production additions. The company remains on track to exit 2012 at approximately 57,000 boe/d.

The enhanced liquids recovery project at Peyto’s Oldman gas plant, which was originally scheduled to be completed by October 1, 2012, is now expected to be completed and operational by the end of November. An unexpected delay in the delivery of a major component and subsequent construction delays has set the project back eight weeks. Upon completion, it is expected that the Oldman liquid yield will increase from 25 bbl/mmcf to 40 bbl/mmcf, principally from improved Propane and Butane recoveries.

2013 Budget

The Board of Directors has approved a preliminary 2013 budget which includes a capital program expected to range between $450 and $500 million. This record level of investment anticipates that 8 drilling rigs will remain active throughout the year, developing several of the stacked formations within Peyto’s Deep Basin core areas. As with past years, it is forecast that over 80% of the capital will be directed to well-related activity including drilling, completions, wellsite equipment and pipelines. In addition, both facility expansion and additional liquids recovery (“deep cut”) projects will account for 15% of the total capital. The remaining capital will be directed to new land acquisitions and seismic evaluation.

A total of 100 gross, 85 net wells are forecast to be drilled in 2013 from over 1,000 locations in Peyto’s existing inventory. This is expected to result in the addition of between 25,000 to 29,000 boe/d of new production and assumes that similar capital efficiencies to the past four years of $17,500/boe/d can also be successfully achieved in 2013. A portion of this new production will offset an internally forecast 34% base decline, while a portion will grow overall 2013 production to a forecast exit level between 62,000 boe/d and 67,000 boe/d.

AECO natural gas prices in 2013 are currently forecast to average approximately $3.40/GJ, up almost 50% from average 2012 levels. This price, combined with oil prices forecast to average $90/bbl and Peyto’s industry leading low cash costs of $1/Mcfe ($6/boe), would result in strong cash netbacks and the ability to fund the dividend and the majority of the 2013 capital program. The balance of the capital program can be funded from available bank lines, working capital and equity, while still maintaining a strong balance sheet.

Outlook

The remainder of 2012 and full year 2013 is forecast to be one of the most active periods in Peyto's history. It comes at a time when the rest of the Canadian industry is not focused on developing natural gas resources as most plays do not provide an economic return at current prices. The number of active, natural gas directed drilling rigs in Canada is clear evidence of that fact. Peyto's unique low cost structure in combination with its focused, returns driven strategy allows the company to take a very counter cyclical approach which has delivered superior total returns to shareholders in the past. Fortunately, Peyto's current inventory of profitable drilling opportunities has never been greater.

The company's financial flexibility, quality asset base and strong balance sheet position Peyto to be opportunistic in this environment. As always, capital investments will only be pursued if return objectives can be met.

Darren Gee
President and CEO
November 7, 2012

Management’s discussion and analysis

This Management's Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited condensed consolidated financial statements for the period ended September 30, 2012 and the audited consolidated financial statements of Peyto Exploration & Development Corp. (“Peyto” or the “Company”) for the year ended December 31, 2011. The financial statements have been prepared in accordance with the International Accounting Standards Board (“IASB”) most current International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”).

This discussion provides management's analysis of Peyto's historical financial and operating results and provides estimates of Peyto's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. This MD&A was prepared using information that is current as of November 6, 2012. Additional information about Peyto, including the most recently filed annual information form is available at www.sedar.com and on Peyto’s website at www.peyto.com.

Certain information set forth in this MD&A, including management's assessment of Peyto's future plans and operations, contains forward-looking statements. By their nature, forward-looking 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. 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.

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 (mcfe) 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).

CORPORATE ACQUISITION

On August 14, 2012 Peyto closed the acquisition of Open Range Energy Corp. (“Open Range”) for an effective total capital cost of $187.2 million. The acquisition was conducted pursuant to a plan of arrangement with Peyto exchanging 0.0723 Peyto shares for each Open Range share (5.4 million shares total) and assuming the $75 million in net debt (inclusive of transaction costs), see Note 3 to the Financial Statements.

OVERVIEW

Peyto is a Canadian energy company involved in the development and production of natural gas in Alberta’s deep basin. As at December 31, 2011, the total Proved plus Probable reserves were 1,935 billion cubic feet equivalent (322.4 million barrels of oil equivalent) as evaluated by Peyto’s independent petroleum engineers. Production is weighted approximately 89% to natural gas and 11% to natural gas liquids and oil.

The Peyto model is designed to deliver a superior total return and, over time, growth in value, assets, production and income, all on a debt adjusted per share basis. The model is built around three key principles:

- Use technical expertise to achieve the best return on capital employed, through the development of internally generated drilling projects.
- Build an asset base which is made up of high quality long life natural gas reserves.
- Balance dividends to shareholders and funding for the capital program with cash flow and available bank lines.

Operating results over the last fourteen years indicate that these principles have been successfully implemented. This business model makes Peyto a truly unique energy company.

QUARTERLY FINANCIAL INFORMATION

	2012			2011				2010
($000 except per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue (net of royalties)	95,409	80,471	93,661	104,394	98,261	91,186	89,655	80,921
Funds from operations	76,918	64,732	77,645	80,410	82,506	77,010	74,696	69,201
Per share – basic and diluted	0.54	0.47	0.56	0.60	0.62	0.58	0.56	0.55
Earnings	23,058	18,201	26,868	26,036	37,741	32,718	31,688	95,419
Per share – basic and diluted	0.16	0.13	0.19	0.19	0.28	0.25	0.24	0.76
Dividends	25,576	24,927	24,912	24,245	23,951	23,951	23,921	46,299
Per share – basic and diluted	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.36

Funds from Operations

"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.

RESULTS OF OPERATIONS

Production

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Natural gas (mmcf/d)	**244.8**	194.8	**229.0**	181.9
Oil & natural gas liquids (bbl/d)	**5,236**	3,918	**4,608**	3,826
Barrels of oil equivalent (boe/d)	**46,033**	36,390	**42,772**	34,139
Thousand cubic feet equivalent (mmcfe/d)	**276.2**	218.3	**256.6**	204.8

Natural gas production averaged 244.8 mmcf/d in the third quarter of 2012, 26 percent higher than the 194.8 mmcf/d reported for the same period in 2011. Oil and natural gas liquids production averaged 5,236 bbl/d, an increase of 34 percent from 3,918 bbl/d reported in the prior year. Third quarter production increased 27 percent from 218.3 mmcfe/d to 276.2 mmcfe/d. The production increases are attributable to Peyto's capital program and resulting production additions and the acquisition of Open Range on August 14, 2012.

Oil & Natural Gas Liquids Production by Component

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Condensate (bbl/d)	**1,777**	1,306	**1,645**	1,408
Propane (bbl/d)	**869**	661	**799**	651
Butane (bbl/d)	**1,004**	694	**856**	695
Pentane (bbl/d)	**1,320**	1,013	**1,139**	907
Other NGL's (bbl/d)	**266**	244	**169**	165
Oil & natural gas liquids (bbl/d)	**5,236**	3,918	**4,608**	3,826
Thousand cubic feet equivalent (mmcfe/d)	**31.4**	23.5	**27.6**	23.0

Commodity Prices

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Oil and natural gas liquids ($/bbl)	**68.65**	78.07	**74.27**	79.45
Hedging – ngls ($/bbl)	**(0.03)**	-	**(0.01)**	-
Hedging – ngls ($/bbl)	**68.62**	78.07	**74.26**	79.45
Natural gas ($/mcf)	**2.38**	4.00	**2.35**	4.03
Hedging – gas ($/mcf)	**0.68**	0.43	**0.80**	0.55
Natural gas – after hedging ($/mcf)	**3.06**	4.43	**3.15**	4.58

Total Hedging ($/mcfe)	**0.60**	0.38	**0.71**	0.49
Total Hedging ($/boe)	**3.59**	2.30	**4.28**	2.94

Peyto's natural gas price, before hedging gains, averaged $2.38/mcf during the third quarter of 2012, a decrease of 41 percent from $4.00/mcf reported for the equivalent period in 2011. Oil and natural gas liquids prices before hedging averaged $68.65/bbl, a decrease of 12 percent from $78.07/bbl a year earlier. Hedging activity increased Peyto's achieved price/mcfe by 18% from $3.41 to $4.01 per mcfe.

Oil & Natural Gas Liquids Prices by Component

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Condensate ($/bbl)	**89.85**	93.63	**96.11**	96.61
Propane ($/bbl)	**19.60**	47.00	**23.63**	44.91
Butane ($/bbl)	**58.21**	65.28	**64.29**	65.20
Pentane ($/bbl)	**93.16**	98.16	**100.48**	99.29

Revenue

	Three Months ended September 30		Nine Months ended September 30	
($000)	**2012**	2011	**2012**	2011
Natural gas	**53,761**	71,692	**147,149**	199,915
Oil and natural gas liquids	**33,067**	28,137	**93,778**	82,978
Hedging gain	**15,214**	7,697	**50,163**	27,404
Total revenue	**102,042**	107,526	**291,090**	310,297

For the three months ended September 30, 2012, revenue decreased 5 percent to $102.0 million from $107.5 million for the same period in 2011. The decrease in revenue for the period was a result of lower realized natural gas, oil and NGL prices offset with increases in volumes as detailed in the following table:

	Three Months ended September 30			Nine Months ended September 30		
	2012	2011	**$million**	2012	2011	**$million**
Total Revenue, September 30, 2011			**107.5**			**310.3**
Revenue change due to:						
Natural gas						
Volume (mmcf)	22,520	17,925	**20.4**	62,741	46,654	**59.9**
Price ($/mcf)	$3.06	$4.43	**(30.9)**	$3.15	$4.58	**(89.8)**
Oil & NGL						
Volume (mbbl)	482	361	**9.5**	1,263	1,045	**17.3**
Price ($/bbl)	$68.62	$78.07	**(4.5)**	$74.26	$79.45	**(6.6)**
Total Revenue, September 30, 2012			**102.0**			**291.1**

Royalties

Royalties are paid to the owners of the mineral rights with whom leases are held, including the provincial government of Alberta. Alberta gas Crown Royalties are invoiced on the Crown's share of production based on a monthly established Alberta Reference Price. The Alberta Reference Price is a monthly weighted average price of gas consumed in Alberta and gas exported from Alberta reduced for transportation and marketing allowances.

	Three Months ended September 30		Nine Months ended September 30	
($000 except per share amounts)	**2012**	2011	**2012**	2011
Royalties	**6,632**	9,265	**21,549**	31,195
% of sales before hedging	**7.6**	9.3	**8.9**	11.0
% of sales after hedging	**6.5**	8.6	**7.4**	10.1
$/mcfe	**0.26**	0.45	**0.31**	0.56
$/boe	**1.57**	2.70	**1.84**	3.35

For the third quarter of 2012, royalties averaged $0.26/mcfe or approximately 7% of Peyto's total petroleum and natural gas sales.

Substantially all of Peyto's production is in the Province of Alberta. Under the Alberta Royalty Framework ("ARF") the Crown royalty rate varies with production rates and commodity prices. The royalty rate expressed as a percentage of sales revenue will fluctuate from period to period due to the fact that the Alberta Reference Price can differ significantly from the commodity prices realized by Peyto and that hedging gains and losses are not subject to royalties.

In addition to the basic underlying royalty structure (the ARF), Alberta has instituted additional features that impact the royalty paid on gas and gas liquids for new wells drilled subsequent to Janaury 1, 2009. These additional features include:

1. A drilling royalty credit program that terminated on March 31, 2011. Under this program credits were earned at a rate of $200 per meter of newly drilled well depth and could be applied with certain limitations to the earning company's corporate royalty bill,
2. A one year flat 5% royalty period (18 months for horizontal wells) for each new well but capped at a cumulative production level of 500 MMcf for each new well, and
3. A Natural Gas Deep Drilling Holiday program that provides a royalty holiday value for new wells based on meterage drilled. This holiday feature further reduces the royalty for new wells to a minimum of 5% for a maximum 5 year period from on-stream date. This benefit sequentially follows the benefit under point (2) above.

From the combination of these royalty programs, Peyto has experienced a decrease in overall corporate royalty rates. This, in part, can be attributed to a decline in commodity prices and the dependence of royalty rates on commodity prices. In its 14 year history, Peyto has invested $2.8 billion in capital projects, found and developed 1.4 TCFe of gas reserves, and paid over $594 million in royalties.

Operating Costs & Transportation

Peyto's operating expenses include all costs with respect to day-to-day well and facility operations.

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Total operating costs	**8,843**	7,157	**22,747**	19,672
$/mcfe	**0.35**	0.36	**0.32**	0.35
$/boe	**2.09**	2.14	**1.94**	2.11
Transportation	**2,900**	2,552	**8,151**	7,087
$/mcfe	**0.11**	0.13	**0.12**	0.13
$/boe	**0.68**	0.76	**0.70**	0.76

Operating costs increased to $8.8 million in the third quarter of 2012 from $7.2 million for the equivalent period in 2011 due to increased production volumes. On a unit-of-production basis, operating costs were effectively unchanged averaging $0.35/mcfe in the third quarter of 2012 compared to the equivalent period in 2011. Transportation expense decreased 15% from $0.13/mcfe for the third quarter of 2011 to $0.11/mcfe for the third quarter 2012.

General and Administrative Expenses

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
G&A expenses ($000)	**3,336**	2,538	**9,080**	8,238
Overhead recoveries	**(2,577)**	(1,697)	**(5,711)**	(4,443)
Net G&A expenses	**759**	841	**3,369**	3,795
$/mcfe	**0.03**	0.04	**0.05**	0.07
$/boe	**0.18**	0.25	**0.29**	0.40

For the third quarter, general and administrative expenses before overhead recoveries were up 31% over the same quarter of 2011 due to costs associated with the corporate acquisition of Open Range. Capital overhead recoveries increased 52% for the third quarter from $1.7 million to $2.6 million due to an increase in capital expenditures subject to overhead recoveries. General and administrative expenses averaged $0.03/mcfe in the third quarter of 2012 relatively unchanged from the same period in 2011.

Interest Expense

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Interest expense ($000)	**6,352**	5,205	**16,486**	14,336
$/mcfe	**0.25**	0.26	**0.23**	0.26
$/boe	**1.50**	1.55	**1.41**	1.54
Average interest rate	**4.4%**	4.4%	**4.6%**	4.4%

Third quarter 2012 interest expense increased 22% to $6.4 million or $0.25/mcfe from $5.2 million or $0.26/mcfe for the third quarter 2011 due to higher average debt. Average debt for the third quarter of 2012 was $537 million compared to $435 for the third quarter of 2011.

Netbacks

	Three Months ended September 30		Nine Months ended September 30	
($/mcfe)	**2012**	2011	**2012**	2011
Gross Sale Price	**3.41**	4.97	**3.43**	5.06
Hedging gain	**0.60**	0.38	**0.71**	0.49
Net Sale Price	**4.01**	5.35	**4.14**	5.55
Less: Royalties	**0.26**	0.45	**0.31**	0.56
Operating costs	**0.35**	0.36	**0.32**	0.35
Transportation	**0.11**	0.13	**0.12**	0.13
Field netback	**3.29**	4.41	**3.39**	4.51
General and administrative	**0.03**	0.04	**0.05**	0.07
Interest on long-term debt	**0.25**	0.26	**0.23**	0.26
Cash netback ($/mcfe)	**3.01**	4.11	**3.11**	4.18
Cash netback ($/boe)	**18.08**	24.64	**18.67**	25.13

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 relatively 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.

Depletion, Depreciation and Amortization

Under IFRS, Peyto uses proved plus probable reserves as its depletion base to calculate depletion expense. The 2012 third quarter provision for depletion, depreciation and amortization totaled $43.8 million as compared to $31.0 million in 2011 due to the relative increase in production levels versus a larger asset base. On a unit-of-production basis, depletion and depreciation costs averaged $1.72/mcfe as compared to $1.54/mcfe in 2011.

Income Taxes

The current provision for deferred income tax expense is $7.9 million (2011 - $12.6 million). Peyto paid no cash taxes or tax installments for the three months ended September 30, 2012 or for the comparative period in 2011. Resource pools are generated from the capital program, which are available to offset current and deferred income tax liabilities.

Income Tax Pool type ($ millions)	**September 30, 2012**	December 31, 2011	**Annual deductibility**
Canadian Oil and Gas Property Expense	282.0	179.5	10% declining balance
Canadian Development Expense	536.5	457.3	30% declining balance
Canadian Exploration Expense	170.3	163.0	100%
Undepreciated Capital Cost	202.8	156.8	Primarily 25% declining balance
Other	37.1	41.5	Various rates, 7% declining balance to 20%
Total Federal Tax Pools	**1,228.7**	998.1	
Additional Alberta Tax Pools	58.0	56.5	Various rates, 25% declining balance to 100%

MARKETING

Commodity Price Risk Management

Peyto is a party to certain off balance sheet derivative financial instruments, including fixed price contracts. Peyto enters into these forward contracts with established counterparties for the purpose of protecting a portion of its future revenues from the volatility of oil and natural gas prices. In order to minimize counterparty risk, these marketing contracts are executed with financial institutions that are members of Peyto's loan syndicate. During the third quarter of 2012, a realized hedging gain of $15.2 million was recorded as compared to $7.7 million for the equivalent period in 2011. A summary of contracts outstanding in respect of the hedging activities are as follows:

Propane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$49.56/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$44.10/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$32.34/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$33.60/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$32.97/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$34.02/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$34.65/BBL
October 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$36.96/BBL

Butane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$80.64/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$58.38/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$60.06/BBL
September 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$60.06/BBL
October 1, 2012 to March 31, 2013	Fixed Price	2,000 BBL	$66.36/BBL

Iso-Butane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
September 1, 2012 to March 31, 2013	Fixed Price	1,000 BBL	$82.32/BBL
September 1, 2012 to March 31, 2013	Fixed Price	1,000 BBL	$60.48/BBL
September 1, 2012 to March 31, 2013	Fixed Price	1,000 BBL	$62.58/BBL
September 1, 2012 to March 31, 2013	Fixed Price	1,000 BBL	$62.58/BBL
September 1, 2012 to March 31, 2013	Fixed Price	1,000 BBL	$69.30/BBL

Crude Oil Period Hedged	**Type**	**Daily Volume**	**Price (USD)**
August 1, 2012 to December 31, 2012	Fixed Price	200 BBL	$90.00/BBL

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.05/GJ
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.15/GJ
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.10/GJ
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.055/GJ
April 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$3.80/GJ
June 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.17/GJ
June 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.10/GJ
June 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.10/GJ
November 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to December 31, 2012	Fixed Price	5,000 GJ	$3.3125/GJ
April 1, 2012 to December 31, 2012	Fixed Price	5,000 GJ	$3.395/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ

April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to March 31, 2013	Fixed Price	5,000 GJ	$2.20/GJ
April 1, 2012 to March 31, 2013	Fixed Price	5,000 GJ	$2.31/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$2.52/GJ
April 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
May 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$2.30/GJ
June 1, 2012 to October 31, 2012	Fixed Price	5,000 GJ	$1.83/GJ
July 1, 2012 to October 31, 2012	Fixed Price	5,000 GJ	$2.32/GJ
July 1, 2012 to October 31, 2012	Fixed Price	5,000 GJ	$2.35/GJ
August 1, 2012 to December 31, 2012	Fixed Price	12,500 GJ	$1.95/GJ
August 1, 2012 to December 31, 2012	Fixed Price	5,000 GJ	$2.23/GJ
August 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
August 1, 2012 to October 31, 2014	Fixed Price	5,000 GJ	$3.10/GJ
November 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$2.60/GJ
November 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$3.005/GJ
November 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$3.00/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$2.81/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.05/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.02/GJ
November 1, 2012 to October 31, 2014	Fixed Price	5,000 GJ	$3.0575/GJ
January 1, 2013 to December 31, 2013	Fixed Price	5,000 GJ	$3.105/GJ
January 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
January 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.02/GJ
April 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.105/GJ

As at September 30, 2012, Peyto had committed to the future sale of 204,400 barrels of oil and natural gas liquids at an average price of $54.62 USD per barrel and 59,695,000 gigajoules (GJ) of natural gas at an average price of $3.15 per GJ or $3.68 per mcf. Had these contracts closed on September 30, 2012, Peyto would have realized a gain in the amount of $2.9 million.

Subsequent to September 30, 2012 Peyto entered into the following contracts:

Propane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
January 1, 2013 to March 31, 2013	Fixed Price	4,000 BBL	$36.12/BBL
April 1, 2013 to June 30, 2013	Fixed Price	4,000 BBL	$34.86/BBL

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
January 1, 2013 to October 31, 2013	Fixed Price	5,000 GJ	$3.42/GJ
April 1, 2013 to October 31, 2013	Fixed Price	5,000 GJ	$3.205/GJ
April 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.53/GJ
November 1, 2013 to October 31, 2014	Fixed Price	5,000 GJ	$3.50/GJ

Commodity Price Sensitivity

Peyto's earnings are largely determined by commodity prices for crude oil and natural gas including the US/Canadian dollar exchange rate. Volatility in these oil and gas prices can cause fluctuations in Peyto's earnings over which Peyto has no control. Low operating costs and a long reserve life reduce Peyto's sensitivity to changes in commodity prices.

Currency Risk Management

Peyto is exposed to fluctuations in the Canadian/US dollar exchange ratio since commodities are effectively priced in US dollars and converted to Canadian dollars. In the short term, this risk is mitigated indirectly as a result of a commodity hedging strategy that is conducted in a Canadian dollar currency. Over the long term, the Canadian dollar tends to rise as commodity prices rise. There is a similar correlation between oil and gas prices. Currently Peyto has not entered into any agreements to further manage its currency risks.

Interest Rate Risk Management

Peyto is exposed to interest rate risk in relation to interest expense on its revolving demand facility. Currently there are no agreements to manage this risk. At September 30, 2012, the increase or decrease in earnings for each 100 bps (1%) change in interest rate paid on the outstanding revolving demand loan amounts to approximately $1.0 million per quarter. Average debt outstanding under the credit facility for the third quarter of 2012 was $431.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations is reconciled to cash flows from operating activities below:

($000)	Three Months ended September		Nine Months ended September 30	
	2012	2011	**2012**	2011
Cash flows from operating activities	**72,004**	79,685	**205,939**	204,403
Change in non-cash working capital	**3,032**	1,807	**8,464**	22,224
Change in provision for performance based compensation	**1,882**	1,014	**4,893**	7,585
Funds from operations	**76,918**	82,506	**219,296**	234,212
Funds from operations per share	**0.54**	0.62	**1.57**	1.76

For the third quarter ended September 30, 2012, funds from operations totaled $76.9 million or $0.54 per share, as compared to $82.5 million, or $0.62 per share during the same quarter in 2011. Peyto's policy is to balance dividends to shareholders and funding for a capital program with cash flow and available bank lines. Earnings and cash flow are sensitive to changes in commodity prices, exchange rates and other factors that are beyond Peyto's control. Current volatility in commodity prices creates uncertainty as to the funds from operations and capital expenditure budget. Accordingly, results are assessed throughout the year and operational plans revised as necessary to reflect the most current information.

Revenues will be impacted by drilling success and production volumes as well as external factors such as the market prices for commodities and the exchange rate of the Canadian dollar relative to the US dollar.

Bank Debt

	September 30, 2012	**December 31, 2012**
Bank credit facility	465,000	470,000
Senior secured notes	150,000	-
Balance, end of the period	**615,000**	**470,000**

Peyto has a syndicated $730 million extendible revolving credit facility with a stated term date of April 29, 2013. The facility is made up of a $30 million working capital sub-tranche and a $700 million production line. The facilities are available on a revolving basis for a period of at least 364 days and upon the term out date may be extended for a further 364 day period at the request of Peyto, subject to approval by the lenders. In the event that the revolving period is not extended, the facility is available on a non-revolving basis for a one year term, at the end of which time the facility would be due and payable. The loan has therefore been classified as long-term on the balance sheet. The average borrowing rate for the three months ended September 30, 2012 was 4.4% (2011 – 4.4%). Outstanding amounts on this facility will bear interest at rates determined by Peyto's debt to cash flow ratio that range from prime plus 1.0% to prime plus 2.50% for debt to earnings before interest, taxes, depreciation, depletion and amortization (EBITDA) ratios ranging from less than 1:1 to greater than 2.5:1. A General Security Agreement with a floating charge on land registered in Alberta is held as collateral by the bank.

At September 30, 2012, $465 million was drawn under the facility. Working capital liquidity is maintained by drawing from and repaying the unutilized credit facility as needed. At September 30, 2012, the working capital deficit was $67.8 million (including a non-cash current asset for an unrealized mark to market future hedging gain of $8.3 million).

On January 3, 2012, Peyto issued CDN $100 million of senior secured notes pursuant to a note purchase and private shelf agreement with Prudential Investment Management, Inc. The notes were issued by way of private placement and rank equally with Peyto's obligations under its credit facility. The notes have a coupon rate of 4.39% and mature on January 3, 2019. Interest will be paid semi-annually in arrears. Proceeds from the notes were used to repay a portion of Peyto's outstanding bank debt.

On September 6, 2012, Peyto issued CDN $50 million of senior secured notes pursuant to a note purchase and private shelf agreement with Prudential Investment Management, Inc. The notes were issued by way of private placement and rank equally with Peyto's obligations under its credit facility. The notes have a coupon rate of 4.88% and mature on September 6, 2022. Interest will be paid semi-annually in arrears. Proceeds from the notes were used to repay a portion of Peyto's outstanding bank debt.

Upon the issuance of the senior secured notes January 3, 2012, Peyto became subject to the following financial covenants as defined in the credit facility and note purchase and private shelf agreements:

- Senior Debt to EBITDA Ratio will not exceed 3.0 to 1.0.
- Total Debt to EBITDA Ratio will not exceed 4.0 to 1.0.
- Interest Coverage Ratio will not be less than 3.0 to 1.0
- Total Debt to Capitalization Ratio will not exceed 0.55:1.0

Peyto is in compliance with all financial covenants.

Peyto believes funds generated from operations, together with borrowings under the credit facility will be sufficient to maintain dividends, finance current operations, and fund the planned capital expenditure program. The total amount of capital invested in 2012 will be driven by the number and quality of projects generated. Capital will only be invested if it meets the long term objectives of Peyto. The majority of the capital program will involve drilling, completion and tie-in of lower risk development gas wells. Peyto's rapidly scaleable business model has the flexibility to match planned capital expenditures to actual cash flow.

Net Debt
"Net debt" is a non-IFRS measure that is the sum of long-term debt and working capital excluding the current financial derivative instruments and current provision for future performance based compensation. It is used by management to analyze the financial position and leverage of Peyto. Net debt is reconciled below to long-term debt which is the most directly comparable IFRS measure:

($000)	**As at September 30, 2012**	As at December 31, 2011	As at September 30, 2011
Long-term debt	**615,000**	470,000	490,000
Working capital deficit (surplus)	**67,831**	(38,818)	28,124
Financial derivative instruments	**8,316**	38,530	19,347
Provision for future performance based compensation	**(7,607)**	(4,321)	(10,728)
Net debt	**683,540**	465,391	526,743

Capital
Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common shares (no par value) ($000)	**Number of Shares**	**Amount**
Balance, December 31, 2010	**131,875,382**	**755,831**
Common shares issued by private placement	906,196	17,150
Common shares issued pursuant to DRIP	113,527	1,973
Common shares issued pursuant to OTUPP	166,196	2,889
Common shares issued	4,899,000	115,126
Common shares issuance costs (net of tax)	-	(3,854)
Balance, December 31, 2011	**137,960,301**	**889,115**
Common shares issued by private placement	525,655	11,952
Common shares issued upon completion of corporate acquisition	5,404,007	112,187
Common shares issuance costs (net of tax)	-	(154)
Balance, September 30, 2012	**143,889,963**	**1,013,100**

Peyto reinstated its amended distribution reinvestment and optional trust unit purchase plan (the "Amended DRIP Plan") effective with the January 2010 distribution whereby eligible unitholders could elect to reinvest their monthly cash distributions in additional trust units at a 5 percent discount to market price. The DRIP plan incorporated an Optional Trust Unit Purchase Plan ("OTUPP") which provided unitholders enrolled in the DRIP with the opportunity to purchase additional trust units from treasury using the same pricing as the DRIP. The DRIP and the OTUPP plans were cancelled December 31, 2010.

On December 31, 2010, Peyto completed a private placement of 655,581 common shares to employees and consultants for net proceeds of $12.4 million ($18.95 per share). These shares were issued on January 6, 2011.

On January 14, 2011, 279,723 common shares (113,527 pursuant to the DRIP and 166,196 pursuant to the OTUPP) were issued for net proceeds of $4.9 million.

On March 25, 2011, Peyto completed a private placement of 250,615 common shares to employees and consultants for net proceeds of $4.6 million ($18.86 per share). Subsequent to the issuance of these shares, 133,061,301 common shares were outstanding.

On December 31, 2011, Peyto completed a private placement of 397,235 common shares to employees and consultants for net proceeds of $9.7 million ($24.52 per share). These shares were issued on January 13, 2012.

On March 23, 2012, Peyto completed a private placement of 128,420 common shares to employees and consultants for net proceeds of $2.2 million ($17.22 per share). Subsequent to the issuance of these shares, 138,485,956 common shares were outstanding.

On August 14, 2012 Peyto issued 5,404,007 common shares for net proceeds of $112.0 million (net of issuance costs) ($20.76 per share) in relation to the closing of a corporate acquisition.

Performance Based Compensation

Peyto awards performance based compensation to employees and key consultants annually. The performance based compensation is comprised of market and reserve value based components.

The reserve value based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, equity, dividends, general and administrative expenses and interest expense, of proved producing reserves calculated using a constant price at December 31 of the current year and a discount rate of 8%. This methodology can generate interim results which vary significantly from the final compensation paid. Compensation expense of Nil was recorded for the period ended September 30, 2012.

Under the market based component, rights vesting over three years are allocated to employees and key consultants. The number of rights outstanding at any time is not to exceed 6% of the total number of common shares outstanding. At December 31 of each year, all vested rights are automatically cancelled and, if applicable, paid out in cash. Compensation is calculated as the number of vested rights multiplied by the total of the market appreciation (over the price at the date of grant) and associated dividends of a share for that period.

Based on the weighted average trading price of the common shares for the period ended September 30, 2012, compensation costs related to 4.1 million non-vested rights (3% of the total number of common shares outstanding), with an average grant price of $20.92, are $1.9 million for the third quarter of 2012. Peyto records a non-cash provision for future compensation expense over the life of the rights calculated using a Black-Scholes valuation model (refer to Note 12 of the Condensed Consolidated Interim Financial Statements for the more details). The cumulative provision totals $10.5 million.

Capital Expenditures

Net capital expenditures for the third quarter of 2012 totaled $317.1 million. Exploration and development related activity represented $93.8 million (30% of total), while expenditures on facilities, gathering systems and equipment totaled $16.3 million (5% of total) and land, seismic and acquisitions/dispositions totaled $207.0 million (65% of total). The following table summarizes capital expenditures for the period:

	Three Months ended September 30		Nine Months ended September 30	
($000)	**2012**	2011	**2012**	2011
Land	**2,226**	13,160	**5,564**	15,092
Seismic	**469**	864	**1,129**	1,615
Drilling – Exploratory & Development	**93,819**	71,306	**214,210**	201,874
Production Equipment, Facilities & Pipelines	**16,294**	26,240	**36,467**	61,436
Acquisitions	**204,953**	-	**204,953**	5,054
Dispositions	**(672)**	-	**(677)**	(698)
Total Capital Expenditures	**317,089**	111,570	**461,646**	284,373

Dividends

	Three Months ended September 30		Nine Months ended September 30	
	2012	2011	**2012**	2011
Funds from operations ($000)	**76,918**	82,506	**219,296**	234,212
Total dividends ($000)	**25,576**	23,951	**75,415**	71,823
Total dividends per share ($)	**0.18**	0.18	**0.54**	0.54
Payout ratio (%)	**33**	29	**34**	31

Peyto's policy is to balance dividends to shareholders and funding for a capital program with cash flow and available bank lines. The Board of Directors is prepared to adjust the payout ratio levels (dividends declared divided by funds from operations) to achieve the desired dividends while maintaining an appropriate capital structure.

Contractual Obligations

Peyto has contractual obligations and commitments as follows:

	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**
Note repayment(1)	-	-	-	-	-	150,000
Interest payments(2)	-	6,830	6,830	6,830	6,830	25,615
Transportation commitments	3,190	13,259	12,134	9,185	4,452	1,462
Operating lease	417	1,661	1,677	522	-	-
Total	**3,607**	**21,750**	**20,641**	**16,537**	**11,282**	**177,077**

(1) Long-term debt repayment on senior secured notes

(2) Fixed interest payments on senior secured notes

RELATED PARTY TRANSACTIONS

An officer and director of Peyto is a partner of a law firm that provides legal services to Peyto. The fees charged are based on standard rates and time spent on matters pertaining to Peyto.

RISK MANAGEMENT

Investors who purchase shares are participating in the total returns from a portfolio of western Canadian natural gas producing properties. As such, the total returns earned by investors and the value of the shares are subject to numerous risks inherent in the oil and natural gas industry.

Expected returns depend largely on the volume of petroleum and natural gas production and the price received for such production, along with the associated costs. The price received for oil depends on a number of factors, including West Texas Intermediate oil prices, Canadian/US currency exchange rates, quality differentials and Edmonton par oil prices. The price received for natural gas production is primarily dependent on current Alberta market prices. Peyto's marketing strategy is designed to smooth out short term fluctuations in the price of natural gas through future sales. It is meant to be methodical and consistent and to avoid speculation.

Although Peyto's focus is on internally generated drilling programs, any acquisition of oil and natural gas assets depends on an assessment of value at the time of acquisition. Incorrect assessments of value can adversely affect dividends to shareholders and the value of the shares. Peyto employs experienced staff and performs appropriate levels of due diligence on the analysis of acquisition targets, including a detailed examination of reserve reports; if appropriate, re-engineering of reserves for a large portion of the properties to ensure the results are consistent; site examinations of facilities for environmental liabilities; detailed examination of balance sheet accounts; review of contracts; review of prior year tax returns and modeling of the acquisition to attempt to ensure accretive results to the shareholders.

Inherent in development of the existing oil and gas reserves are the risks, among others, of drilling dry holes, encountering production or drilling difficulties or experiencing high decline rates in producing wells. To minimize these risks, Peyto employs experienced staff to evaluate and operate wells and utilize appropriate technology in operations. In addition, prudent work practices and procedures, safety programs and risk management principles, including insurance coverage protect Peyto against certain potential losses.

The value of Peyto's shares is based on, among other things, the underlying value of the oil and natural gas reserves. Geological and operational risks can affect the quantity and quality of reserves and the cost of ultimately recovering those reserves. Lower oil and gas prices increase the risk of write-downs on oil and gas property investments. In order to mitigate this risk, proven and probable oil and gas reserves are evaluated each year by a firm of independent reservoir engineers. The reserves committee of the Board of Directors reviews and approves the reserve report.

Access to markets may be restricted at times by pipeline or processing capacity. These risks are minimized by controlling as much of the processing and transportation activities as possible and ensuring transportation and processing contracts are in place with reliable cost efficient counterparties.

The petroleum and natural gas industry is subject to extensive controls, regulatory policies and income and resource taxes imposed by various levels of government. These regulations, controls and taxation policies are amended from time to time. Peyto has no control over the level of government intervention or taxation in the petroleum and natural gas industry. Peyto operates in such a manner to ensure, to the best of its knowledge that it is in compliance with all applicable regulations and are able to respond to changes as they occur.

The petroleum and natural gas industry is subject to both environmental regulations and an increased environmental awareness. Peyto has reviewed its environmental risks and is, to the best of its knowledge, in compliance with the appropriate environmental legislation and have determined that there is no current material impact on operations. Peyto employs environmentally responsible business operations, and looks to both Alberta provincial authorities and Canada's federal authorities for direction and regulation regarding environmental and climate change legislation.

Peyto is subject to financial market risk. In order to maintain substantial rates of growth, Peyto must continue reinvesting in, drilling for or acquiring petroleum and natural gas. The capital expenditure program is funded primarily through funds from operations, debt and, if appropriate, equity.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Peyto's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Peyto is made known to Peyto's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Peyto in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Peyto's disclosure controls and procedures at the year end of Peyto and have concluded that Peyto's disclosure controls and procedures are effective at the financial period end of Peyto for the foregoing purposes.

Internal Control over Financial Reporting

Peyto's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of Peyto's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of Peyto's internal control over financial reporting at the financial period end of Peyto and concluded that Peyto's internal control over financial reporting is effective, at the financial period end of Peyto, for the foregoing purpose.

Peyto is required to disclose herein any change in Peyto's internal control over financial reporting that occurred during the period ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, Peyto's internal control over financial reporting. No material changes in Peyto's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, Peyto's internal control over financial reporting.

It should be noted that a control system, including Peyto's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

CRITICAL ACCOUNTING ESTIMATES

Reserve Estimates

Estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent to the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is an analytical process of estimating underground accumulations of oil and natural gas that can be difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future royalties and operating costs, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of Peyto's oil and natural gas properties and the rate of depletion of the oil and natural gas properties as well as the calculation of the reserve value based compensation. Actual production, revenues and expenditures with respect to Peyto's reserves will likely vary from estimates, and such variances may be material.

Peyto's estimated quantities of proved and probable reserves at December 31, 2011 were audited by independent petroleum engineers InSite Petroleum Consultants Ltd. InSite has been evaluating reserves in this area and for Peyto for 14 consecutive years.

Depletion and Depreciation Estimate
All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are capitalized and then depleted and depreciated on the unit-of-production method based on estimated gross proven reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content (6 mcf to 1 barrel of oil). Costs for gas plants and other facilities are capitalized and depreciated on a declining balance basis.

Impairment of Long-Lived Assets
Impairment is indicated if the carrying value of the long-lived asset or oil and gas cash generating unit exceeds its recoverable amount under IFRS. If impairment is indicated, the amount by which the carrying value exceeds the estimated fair value of the long-lived asset is charged to earnings. The determination of the recoverable amount for impairment purposes under IFRS involves the use of numerous assumptions and judgments including future net cash flows from oil and gas reserves, future third-party pricing, inflation factors, discount rates and other uncertainties. Future revisions to these assumptions impact the recoverable amount.

Decommissioning Provision
The decommissioning provision is estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonment and reclamation discounted at a risk free rate. The liability is adjusted each reporting period to reflect the passage of time and for revisions to the estimated future cash flows, with the accretion charged to earnings. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Future Market Performance Based Compensation
The provision for future market based compensation is estimated based on current market conditions, dividend history and on the assumption that all outstanding rights will be paid out according to the vesting schedule. The conditions at the time of vesting could vary significantly from the current conditions and may have a material effect on the calculation.

Reserve Value Performance Based Compensation
The reserve value based compensation is calculated using the year end independent reserves evaluation which was completed in February 2012. A quarterly provision for the reserve value based compensation is calculated using estimated proved producing reserve additions adjusted for changes in debt, equity, dividends, general and administrative expenses and interest expense. Actual proved producing reserves additions and forecasted commodity prices could vary significantly from those estimated and may have a material effect on the calculation.

Income Taxes
The determination of Peyto’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

Accounting Changes
Voluntary changes in accounting policy are made only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. When Peyto has not applied a new primary source of IFRS that has been issued, but is not effective, Peyto will disclose the fact along with information relevant to assessing the possible impact that application of the new primary source of IFRS will have on the financial statements in the period of initial application.

CHANGES IN ACCOUNTING POLICIES

Presentation of Financial Statements

As of January 1, 2012, Peyto adopted IAS 1, "Presentation of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements." The amendments stipulate the presentation of net earnings and OCI and also require Peyto to group items within OCI based on whether the items may be subsequently reclassified to profit or loss.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The IASB issued the following standards and amendments which are not yet effective for Peyto and discussed in further detail in Note 2 to the Financial Statements for the fiscal year ended December 31, 2011. The IASB did not issue any standards, interpretations or amendments during the third quarter of 2012.

- IFRS 11, "Joint Arrangements," requires retrospective application and will be adopted by Peyto on January 1, 2013. The adoption of the standard is not expected to have a material impact on Peyto's financial statements.

- IFRS 12, "Disclosure of Interest in Other Entities," requires retrospective application and will be adopted by Peyto on January 1, 2013. The adoption of the standard is not expected to have a material impact on Peyto's financial statements.

- Amendments to IAS 28, "Investment in Associates and Joint Ventures," require retrospective application and will be adopted by Peyto on January 1, 2013. The adoption of the amended standard is not expected to have a material impact on Peyto's financial statements.

- IFRS 13, "Fair Value Measurement," requires prospective application and will be adopted by Peyto on January 1, 2013. The impact of adoption of IFRS 13 has not yet been determined.

- Amendments to IFRS 7, "Financial Instruments: Disclosures," require retrospective application and will be adopted by Peyto on January 1, 2013. The adoption of this standard is not expected to have a material impact on Peyto's financial statements.

- Amendments to IAS 32, "Financial Instruments: Presentation," require retrospective application and will be adopted by Peyto on January 1, 2014. The adoption of this standard is not expected to have a material impact on Peyto's financial statements.

- IFRS 9, "Financial Instruments," requires retrospective application and will be adopted by Peyto on January 1, 2015. The impact of the adoption of this standard has not yet been determined.

ADDITIONAL INFORMATION

Additional information relating to Peyto Exploration & Development Corp. can be found on SEDAR at www.sedar.com and www.peyto.com.

Quarterly information

	2012			2011	
	Q3	Q2	Q1	Q4	Q3
Operations					
Production					
Natural gas (mcf/d)	244,784	221,176	220,811	212,715	194,832
Oil & NGLs (bbl/d)	5,236	4,480	4,101	3,947	3,918
Barrels of oil equivalent (boe/d @ 6:1)	46,033	41,343	40,903	39,399	36,390
Thousand cubic feet equivalent (mcfe/d @ 6:1)	276,200	248,058	245,417	236,394	218,338
Average product prices					
Natural gas ($/mcf)	3.06	2.86	3.53	4.21	4.43
Oil & natural gas liquids ($/bbl)	68.62	71.27	84.83	88.04	78.07
$/MCFE					
Average sale price ($/mcfe)	4.01	3.83	4.59	5.25	5.35
Average royalties paid ($/mcfe)	0.26	0.26	0.39	0.46	0.45
Average operating expenses ($/mcfe)	0.35	0.29	0.33	0.35	0.36
Average transportation costs ($/mcfe)	0.11	0.12	0.12	0.12	0.13
Field netback ($/mcfe)	3.29	3.16	3.75	4.32	4.41
General & administrative expense ($/mcfe)	0.03	0.07	0.04	0.05	0.04
Interest expense ($/mcfe)	0.25	0.23	0.23	0.35	0.26
Cash netback ($/mcfe)	3.01	2.86	3.48	3.92	4.11
Financial ($000 except per share)					
Revenue	102,042	86,553	102,496	114,263	107,526
Royalties	6,632	6,082	8,835	9,870	9,265
Funds from operations	76,918	64,732	77,645	80,410	82,506
Funds from operations per share	0.54	0.47	0.56	0.60	0.62
Total dividends	25,576	24,927	24,912	24,245	23,951
Total dividends per share	0.18	0.18	0.18	0.18	0.18
Payout ratio	33%	39%	32%	30%	29%
Earnings	23,058	18,201	26,868	26,036	37,341
Earnings per diluted share	0.16	0.13	0.19	0.19	0.28
Capital expenditures	317,089	45,924	98,632	94,688	111,570
Weighted average shares outstanding	142,069,048	138,485,956	138,312,078	133,913,301	133,061,301

Peyto Exploration & Development Corp.

Condensed Consolidated Balance Sheet *(unaudited)*

(Amount in $ thousands)

	September 30 2012	December 31 2011
Assets		
Current assets		
Cash	-	57,224
Accounts receivable	57,771	53,829
Due from private placement *(Note 7)*	-	9,740
Financial derivative instruments *(Note 9)*	8,316	38,530
Prepaid expenses	2,342	3,991
	68,429	**163,314**
Long-term financial derivative instruments *(Note 9)*	-	6,304
Prepaid capital	18,673	1,414
Property, plant and equipment, net *(Note 4)*	1,990,788	1,629,220
	2,009,461	**1,636,938**
	2,077,890	**1,800,252**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	120,020	110,483
Dividends payable *(Note 7)*	8,633	8,278
Provision for future performance based compensation *(Note 8)*	7,607	4,321
	136,260	**123,082**
Long-term financial derivative instruments *(Note 9)*	5,396	-
Long-term debt *(Note 5)*	615,000	470,000
Provision for future performance based compensation *(Note 8)*	2,841	1,235
Decommissioning provision *(Note 6)*	63,772	38,037
Deferred income taxes	162,542	152,190
	849,551	**661,462**
Shareholders' equity		
Shareholders' capital *(Note 7)*	1,013,100	889,115
Shares to be issued *(Note 7)*	-	9,740
Retained earnings	75,602	82,889
Accumulated other comprehensive income *(Note 7)*	3,377	33,964
	1,092,079	**1,015,708**
	2,077,890	**1,800,252**

Approved by the Board of Directors

(signed) *"Michael MacBean"*
Director

(signed) *"Darren Gee"*
Director

Peyto Exploration & Development Corp.

Condensed Consolidated Income Statement *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Revenue				
Oil and gas sales	86,827	99,829	240,927	282,893
Realized gain on hedges	15,214	7,697	50,163	27,404
Royalties	(6,632)	(9,265)	(21,549)	(31,195)
Petroleum and natural gas sales, net	**95,409**	**98,261**	**269,541**	**279,102**
Expenses				
Operating	8,843	7,157	22,747	19,672
Transportation	2,900	2,552	8,151	7,087
General and administrative	759	841	3,369	3,795
Future performance based compensation *(Note 8)*	1,882	1,014	4,893	7,585
Interest	6,352	5,205	16,486	14,336
Accretion of decommissioning provision	284	192	773	658
Depletion and depreciation *(Note 4)*	43,772	30,987	122,546	90,863
Gain on disposition of assets *(Note 4)*	(363)	-	(508)	(818)
	64,429	**47,948**	**178,457**	**143,178**
Earnings before taxes	**30,980**	**50,313**	**91,084**	**135,924**
Income tax				
Deferred income tax expense	7,922	12,572	22,956	33,777
Earnings for the period	**23,058**	**37,741**	**68,128**	**102,147**
Earnings per share *(Note 7)*				
Basic and diluted	**$ 0.16**	**$ 0.28**	**$ 0.49**	**$ 0.77**
Weighted average number of common shares outstanding *(Note 7)*				
Basic and diluted	**142,069,048**	**133,061,301**	**139,631,290**	**132,954,410**

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Earnings for the period	**23,058**	**37,741**	**68,128**	**102,147**
Other comprehensive income (loss)				
Change in unrealized gain (loss) on cash flow hedges	(6,812)	8,394	9,381	18,825
Deferred tax recovery (expense)	5,507	(103)	10,195	2,408
Realized (gain) loss on cash flow hedges	(15,214)	(7,697)	(50,163)	(27,404)
Comprehensive Income (Loss)	**6,539**	**38,335**	**37,541**	**95,976**

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Changes in Equity *(unaudited)*

(Amount in $ thousands)

	Nine months ended September 30	
	2012	**2011**
Shareholders' capital, beginning of period	**889,115**	755,831
Common shares issued	112,187	-
Common shares issued by private placement	11,952	17,150
Common shares issuance costs (net of tax)	(154)	(75)
Common shares issued pursuant to DRIP	-	1,973
Common shares issued pursuant to OTUPP	-	2,889
Shareholders' capital, end of period	**1,013,100**	777,768

Common shares to be issued, beginning of period	**9,740**	17,285
Common shares issued	(9,740)	(17,285)
Common shares to be issued	-	-
Common shares to be issued, end of period	**-**	-

Retained earnings, beginning of period	**82,889**	50,774
Earnings for the period	68,128	102,147
Dividends *(Note 7)*	(75,415)	(71,823)
Retained earnings, end of period	**75,602**	81,098

Accumulated other comprehensive income, beginning of period	**33,964**	20,893
Other comprehensive income (loss)	(30,587)	(6,171)
Accumulated other comprehensive income (loss), end of period	**3,377**	14,722

Total shareholders' equity	**1,092,079**	873,588

Peyto Exploration & Development Corp.

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2012	**2011**	**2012**	**2011**
Cash provided by (used in) operating activities				
Earnings	**23,058**	37,741	**68,128**	102,147
Items not requiring cash:				
Deferred income tax	**7,922**	12,572	**22,956**	33,777
Depletion and depreciation	**43,772**	30,987	**122,546**	90,863
Accretion of decommissioning provision	**284**	192	**773**	658
Change in non-cash working capital related to operating activities	**(3,032)**	(1,807)	**(8,464)**	(22,224)
	72,004	79,685	**205,939**	205,221
Financing activities				
Issuance of common shares	**-**	-	**11,952**	4,727
Issuance costs	**(170)**	-	**(205)**	(99)
Cash dividends paid	**(25,251)**	(23,951)	**(75,060)**	(67,241)
Increase (decrease) in bank debt	**70,000**	35,000	**(5,000)**	135,000
Repayment of Open Range bank debt	**(72,000)**	-	**(72,000)**	-
Issuance of long term notes	**50,000**	-	**150,000**	-
	22,579	11,049	**9,687**	72,387
Investing activities				
Additions to property, plant and equipment	**(94,583)**	(93,451)	**(272,850)**	(275,870)
Net increase (decrease) in cash	**-**	(2,717)	**(57,224)**	1,738
Cash, Beginning of Period	**-**	12,349	**57,224**	7,894
Cash, End of Period	**-**	9,632	**-**	9,632

The following amounts are included in cash flows from operating activities:

Cash interest paid	**7,544**	5,205	**15,979**	13,746
Cash taxes paid	**-**	-	**-**	-

1. Nature of operations

Peyto Exploration & Development Corp. and its wholly subsidiary Open Range Energy Corp. (“Open Range”), (collectively “Peyto” or the “Company”) is a Calgary based oil and natural gas company. Peyto conducts exploration, development and production activities in Canada. Peyto is incorporated and domiciled in the Province of Alberta, Canada. The address of its registered office is 1500, 250 – 2nd Street SW, Calgary, Alberta, Canada, T2P 0C1.

These financial statements were approved and authorized for issuance by the Audit Committee of Peyto on November 6, 2012.

2. Basis of presentation

The condensed consolidated financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s Financial Statements for the year ended December 31, 2011.

The timely preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed consolidated financial statements.

All accounting policies and methods of computation followed in the preparation of these condensed consolidated financial statements are the same as those disclosed in Note 2 of Peyto’s audited Financial Statements as at and for the years ended December 31, 2011 and 2010. Any reference to “Peyto” or the “Company” throughout these financial statements refers to the Company and its subsidiary. All inter-entity transactions have been eliminated.

3. Corporate Acquisition

On August 14, 2012, Peyto completed the acquisition, by plan of arrangement, of all issued and outstanding common shares of Open Range. The total consideration of approximately $187.2 million paid for by the issuance of 5.4 million shares and the assumption of Open Range’s long-term debt and working capital deficiency ($193.6 million was allocated to Property, plant & equipment). Transaction costs of approximately $0.6 million are included in the financial statements.

The Open Range properties are a natural fit with Peyto’s Greater Sundance core area. Open Range’s plant and pipeline infrastructure complements Peyto’s existing core assets and accesses other proven Peyto lands adjacent to the main Sundance area. This will allow for the accelerated development of the Peyto step-out areas.

($000s)	
Fair value of net assets acquired	
Working capital	(1,868)
Property, plant and equipment	193,629
Financial derivative instruments	(1,132)
Bank debt	(72,000)
Decommissioning provision	(8,800)
Deferred income taxes	2,358
Total net assets acquired	112,187
Consideration	
Shares issued (5,404,007 shares)	112,187
Total purchase price	112,187

The above amounts are estimates, which were made by management at the time of the preparation of these condensed consolidated financial statements based on information then available. Amendments may be made as amounts subject to estimates are finalized.

If Peyto had acquired Open Range on January 1, 2012, the pro-forma results of the oil and gas sales, net income and comprehensive income for the period ended September 30, 2012 would have been as follows;

($000s)	As Stated September 30, 2012	Open Range January 1, 2012 to August 14, 2012	Pro Forma September 30, 2012
Oil and gas sales	240,927	27,756	268,683
Net income	68,128	1,134	69,262
Comprehensive income	37,541	1,134	38,675

4. Property, plant and equipment, net

Cost	
At December 31, 2011	1,843,766
Acquisitions through business combinations, net	193,629
Additions	291,246
Dispositions	(768)
At September 30, 2012	2,327,873
Accumulated depletion and depreciation	
At December 31, 2011	(214,546)
Depletion and depreciation	(122,546)
Dispositions	7
At September 30, 2012	(337,085)
Carrying amount at September 30, 2012	**1,990,788**

Proceeds received for assets disposed of during the three and nine month periods ended September 30, 2012 were $1.0 million and $1.2 million (2011 - $nil and $1.5 million).

During the three and nine month periods ended September 30 2012, Peyto capitalized $2.3 million and $4.8 million (2011 - $1.7 million and $4.4 million) of general and administrative expense directly attributable to production and development activities.

5. Long-term debt

	September 30, 2012	December 31, 2012
Bank credit facility	465,000	470,000
Senior secured notes	150,000	-
Balance, end of the period	**615,000**	**470,000**

Peyto has a syndicated $730 million extendible revolving credit facility with a stated term date of April 28, 2013. The bank facility is made up of a $30 million working capital sub-tranche and a $700 million production line. The facilities are available on a revolving basis for a period of at least 364 days and upon the term out date may be extended for a further 364 day period at the request of Peyto, subject to approval by the lenders. In the event that the revolving period is not extended, the facility is available on a non-revolving basis for a further one year term, at the end of which time the facility would be due and payable. Outstanding amounts on this facility will bear interest at rates ranging from prime plus 1.0% to prime plus 2.50% determined by Peyto's debt to earnings before interest, taxes, depreciation, depletion and amortization (EBITDA) ratios ranging from less than 1:1 to greater than 2.5:1. A General Security Agreement with a floating charge on land registered in Alberta is held as collateral by the bank.

On January 3, 2012, Peyto issued CDN $100 million of senior secured notes pursuant to a note purchase and private shelf agreement. The notes were issued by way of private placement and rank equally with Peyto's obligations under its bank facility. The notes have a coupon rate of 4.39% and mature on January 3, 2019. Interest will be paid semi-annually in arrears.

On September 6, 2012, Peyto issued CDN $50 million of senior secured notes pursuant to a note purchase and private shelf agreement. The notes were issued by way of private placement and rank equally with Peyto's obligations under its bank facility. The notes have a coupon rate of 4.88% and mature on September 6, 2022. Interest will be paid semi-annually in arrears.

Upon the issuance of the senior secured notes January 3, 2012, Peyto became subject to the following financial covenants as defined in the credit facility and note purchase and private shelf agreements:

- Senior Debt to EBITDA Ratio will not exceed 3.0 to 1.0
- Total Debt to EBITDA Ratio will not exceed 4.0 to 1.0
- Interest Coverage Ratio will not be less than 3.0 to 1.0
- Total Debt to Capitalization Ratio will not exceed 0.55:1.0

Peyto is in compliance with all financial covenants at September 30, 2012.

Peyto's total borrowing capacity is $880 million and Peyto's net credit facility is $730 million.

Total interest expense for the three and nine month periods ended September 30, 2012 was $6.4 million and $16.5 million (2011 - $5.2 million and $14.3 million) and the average borrowing rate for the three and nine month periods was 4.6% and 4.4% (2011 – 4.4% and 4.4%).

6. Decommissioning provision

Peyto makes provision for the future cost of decommissioning wells, pipelines and facilities on a discounted basis based on the commissioning of these assets.

The decommissioning provision represents the present value of the decommissioning costs related to the above infrastructure, which are expected to be incurred over the economic life of the assets. The provisions have been based on Peyto's internal estimates of the cost of decommissioning, the discount rate, the inflation rate and the economic life of the infrastructure. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon the future market prices for the necessary decommissioning work required which will reflect market conditions at the relevant time. Furthermore, the timing of the decommissioning is likely to depend on when production activities cease to be economically viable. This in turn will depend and be directly related to the current and future commodity prices, which are inherently uncertain.

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2011	**38,037**
New or increased provisions	9,793
Provisions acquired through business combinations	8,800
Accretion of decommissioning provision	773
Change in discount rate and estimates	6,369
Balance, September 30, 2012	**63,772**
Current	-
Non-current	63,772

Peyto has estimated the net present value of its total decommissioning provision to be $63.8 million as at September 30, 2012 ($38.0 million at December 31, 2011) based on a total future undiscounted liability of $131.6 million ($101.2 million at December 31, 2011). At September 30, 2012 management estimates that these payments are expected to be made over the next 50 years with the majority of payments being made in years 2040 to 2061. The Bank of Canada's long term bond rate of 2.32 per cent (2.49 per cent at December 31, 2011) and an inflation rate of two per cent (two per cent at December 31, 2011) were used to calculate the present value of the decommissioning provision.

7. Shareholders' capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	Number of Common Shares	Amount $
Balance, December 31, 2010	131,875,382	755,831
Common shares issued	4,899,000	115,126
Common share issuance costs (net of tax)	-	(3,854)
Common shares issued by private placement	906,196	17,150
Common shares issued pursuant to DRIP	113,527	1,973
Common shares issued pursuant to OTUPP	166,196	2,889
Balance, December 31, 2011	137,960,301	889,115
Common shares issued by private placement	525,655	11,952
Common shares issued for acquisitions	5,404,007	112,187
Common share issuance costs (net of tax)	-	(154)
Balance, September 30, 2012	**143,889,963**	**1,013,100**

Peyto reinstated its amended distribution reinvestment and optional trust unit purchase plan (the "Amended DRIP Plan") effective with the January 2010 distribution whereby eligible unitholders could elect to reinvest their monthly cash distributions in additional trust units at a 5 percent discount to market price. The DRIP plan incorporated an Optional Trust Unit Purchase Plan ("OTUPP") which provided unitholders enrolled in the DRIP with the opportunity to purchase additional trust units from treasury using the same pricing as the DRIP. The DRIP and the OTUPP plans were cancelled December 31, 2010.

On December 31, 2010, Peyto completed a private placement of 655,581 common shares to employees and consultants for net proceeds of $12.4 million ($18.95 per share). These common shares were issued on January 6, 2011.

On January 14, 2011, 279,723 common shares (113,527 pursuant to the DRIP and 166,196 pursuant to the OTUPP) were issued for net proceeds of $4.9 million.

On March 25, 2011, Peyto completed a private placement of 250,615 common shares to employees and consultants for net proceeds of $4.7 million ($18.86 per share).

On December 16, 2011, Peyto closed an offering of 4,899,000 common shares at a price of $23.50 per common share, receiving proceeds of $110.1 million (net of issuance costs).

On December 31, 2011 Peyto completed a private placement of 397,235 common shares to employees and consultants for net proceeds of $9.7 million ($24.52 per share). These common shares were issued on January 13, 2012.

On March 23, 2012 Peyto completed a private placement of 128,420 common shares to employees and consultants for net proceeds of $2.2 million ($17.22 per share).

On August 14, 2012 Peyto issued 5,404,007 common shares which were valued at $112.0 million (net of issuance costs) ($20.76 per share) in relation to the closing of a corporate acquisition *(Note 3)*.

Per share amounts
Earnings per share have been calculated based upon the weighted average number of common shares outstanding for the three and nine month periods ended September 30, 2012 were 142,069,048 and 139,631,290 (2011 - 133,061,301 and 132,954,410). There are no dilutive instruments outstanding.

Dividends
During the three and nine month periods ended September 30, 2012, Peyto declared and paid dividends of $0.18 and $0.54 per common share or $0.06 per common share per month, totaling $25.6 million and $75.4 million (2011 - $0.18 and $0.54 per share or $0.06 per share per month, $24.0 million and $71.8 million).

Comprehensive income
Comprehensive income consists of earnings and other comprehensive income ("OCI"). OCI comprises the change in

the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge. “Accumulated other comprehensive income” is an equity category comprised of the cumulative amounts of OCI.

Accumulated hedging gains
Gains and losses from cash flow hedges are accumulated until settled. These outstanding hedging contracts are recognized in earnings on settlement with gains and losses being recognized as a component of net revenue. Further information on these contracts is set out in Note 9.

8. Future performance based compensation

Peyto awards performance based compensation to employees annually. The performance based compensation is comprised of reserve and market value based components.

Reserve based component
The reserves value based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, equity, dividends, general and administrative costs and interest, of proved producing reserves calculated using a constant price at December 31 of the current year and a discount rate of 8%.

Market based component
Under the market based component, rights with a three year vesting period are allocated to employees. The number of rights outstanding at any time is not to exceed 6% of the total number of common shares outstanding. At December 31 of each year, all vested rights are automatically cancelled and, if applicable, paid out in cash over the three year vesting period. Compensation is calculated as the number of vested rights multiplied by the total of the market appreciation (over the price at the date of grant) and associated dividends of a common share for that period.

The fair values were calculated using a Black-Scholes valuation model. The principal inputs to the valuation model were:

	September 30 2012	**September 30 2011**
Share price	\$18.83 - \$24.75	\$18.83 - \$19.93
Exercise price	\$12.06 - \$24.37	\$9.57 - \$19.10
Expected volatility	0% - 32%	25% - 31%
Expected life	0.25 years	0.25 – 2.25 years
Risk-free interest rate	1.08%	0.91%

9. Risk management contracts

Peyto uses derivative instruments to reduce its exposure to fluctuations in commodity prices. Peyto considers all of these transactions to be effective economic hedges for accounting purposes.

Following is a summary of all risk management contracts in place as at September 30, 2012:

Propane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$49.56/bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$44.10/ bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$32.34/ bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$33.60/ bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$32.97/ bbl
October 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$34.01/ bbl
October 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$34.65/ bbl
October 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$36.96/ bbl

Butane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$80.64/bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$58.38/bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$60.06/bbl
September 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	\$60.06/bbl

October 1, 2012 to March 31, 2013	Fixed Price	2,000 bbl	$66.36/bbl

Condensate Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
August 1, 2012 to December 31, 2012	Fixed Price	200 bbl	$90.00/bbl

Iso-Butane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
September 1, 2012 to March 31, 2013	Fixed Price	1,000 bbl	$82.32/bbl
September 1, 2012 to March 31, 2013	Fixed Price	1,000 bbl	$60.48/bbl
September 1, 2012 to March 31, 2013	Fixed Price	1,000 bbl	$62.58/bbl
September 1, 2012 to March 31, 2013	Fixed Price	1,000 bbl	$62.58/bbl

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.05/GJ
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.15/GJ
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.10/GJ
April 1, 2011 to October 31, 2012	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.055/GJ
April 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$3.80/GJ
June 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.17/GJ
June 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.10/GJ
June 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.10/GJ
November 1, 2011 to March 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to December 31, 2012	Fixed Price	5,000 GJ	$3.3125/GJ
April 1, 2012 to December 31, 2012	Fixed Price	5,000 GJ	$3.395/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$4.00/GJ
April 1, 2012 to March 31, 2013	Fixed Price	5,000 GJ	$2.20/GJ
April 1, 2012 to March 31, 2013	Fixed Price	5,000 GJ	$2.31/GJ
April 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$2.52/GJ
April 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
May 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$2.30/GJ
June 1, 2012 to October 31, 2012	Fixed Price	5,000 GJ	$1.83/GJ
July 1, 2012 to October 31, 2012	Fixed Price	5,000 GJ	$2.32/GJ
July 1, 2012 to October 31, 2012	Fixed Price	5,000 GJ	$2.35/GJ
August 1, 2012 to December 31, 2012	Fixed Price	12,500 GJ	$1.95/GJ
August 1, 2012 to December 31, 2012	Fixed Price	5,000 GJ	$2.23/GJ
August 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
August 1, 2012 to October 31, 2014	Fixed Price	5,000 GJ	$3.10/GJ
November 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$2.60/GJ
November 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$3.005/GJ
November 1, 2012 to October 31, 2013	Fixed Price	5,000 GJ	$3.00/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$2.81/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.05/GJ
November 1, 2012 to March 31, 2014	Fixed Price	5,000 GJ	$3.02/GJ
November 1, 2012 to October 31, 2014	Fixed Price	5,000 GJ	$3.0575/GJ
January 1, 2013 to December 31, 2013	Fixed Price	5,000 GJ	$3.105/GJ
January 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.00/GJ
January 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.02/GJ
April 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.105/GJ

As at September 30, 2012, Peyto had committed to the future sale of 204,400 barrels of oil and natural gas liquids at an average price of $54.62 USD per barrel and 59,695,000 gigajoules (GJ) of natural gas at an average price of $3.15 per GJ or $3.68 per mcf. Had these contracts been closed on September 30, 2012, Peyto would have realized a gain in the amount of $2.9 million. If the AECO gas price on September 30, 2012 were to increase by $1/GJ, the unrealized gain would decrease by approximately $59.7 million. An opposite change in commodity prices rates would result in an opposite impact on other comprehensive income.

Subsequent to September 30, 2012 Peyto entered into the following contracts:

Propane Period Hedged	**Type**	**Monthly Volume**	**Price (USD)**
January 1, 2013 to March 31, 2013	Fixed Price	4,000 bbl	$36.12/bbl
April 1, 2013 to June 30, 2013	Fixed Price	4,000 bbl	$34.86/bbl

Natural Gas Period Hedged	**Type**	**Monthly Volume**	**Price (CAD)**
January 1, 2013 to October 31, 2013	Fixed Price	5,000 GJ	$3.42/GJ
April 1, 2013 to October 31, 2013	Fixed Price	5,000 GJ	$3.205/GJ
April 1, 2013 to March 31, 2014	Fixed Price	5,000 GJ	$3.53/GJ
November 1, 2013 to October 31, 2014	Fixed Price	5,000 GJ	$3.50/GJ

10. Commitments and contingencies

Peyto has contractual obligations and commitments as follows:

	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**
Note repayment(1)	-	-	-	-	-	150,000
Interest payments(2)	-	6,830	6,830	6,830	6,830	25,615
Transportation commitments	3,190	13,259	12,134	9,185	4,452	1,462
Operating lease	417	1,661	1,677	522	-	-
Total	3,607	21,750	20,641	16,537	11,282	177,077

(1) Long-term debt repayment on senior secured notes
(2) Fixed interest payments on senior secured notes

Contingent liability

From time to time, Peyto is the subject of litigation arising out of its day-to-day operations. Damages claimed pursuant to such litigation may be material or may be indeterminate and the outcome of such litigation may materially impact Peyto's financial position or results of operations in the period of settlement. While Peyto assesses the merits of each lawsuit and defends itself accordingly, Peyto may be required to incur significant expenses or devote significant resources to defending itself against such litigation. These claims are not currently expected to have a material impact on Peyto's financial position or results of operations.

Officers

Darren Gee
President and Chief Executive Officer

Scott Robinson
Executive Vice President and Chief Operating Officer

Kathy Turgeon
Vice President, Finance and Chief Financial Officer

Stephen Chetner
Corporate Secretary

Tim Louie
Vice President, Land

David Thomas
Vice President, Exploration

Jean-Paul Lachance
Vice President, Exploitation

Directors

Don Gray, Chairman
Rick Braund
Stephen Chetner
Brian Davis
Michael MacBean, Lead Independent Director
Darren Gee
Gregory Fletcher
Scott Robinson

Auditors

Deloitte & Touche LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

Bank of Montreal
Union Bank, Canada Branch
Royal Bank of Canada
Canadian Imperial Bank of Commerce
HSBC Bank Canada
The Toronto-Dominion Bank
Alberta Treasury Branches
Canadian Western Bank

Transfer Agent

Valiant Trust Company

Head Office

1500, 250 – 2nd Street SW
Calgary, AB
T2P 0C1
Phone: 403.261.6081
Fax: 403.451.4100
Web: www.peyto.com
Stock Listing Symbol: PEY.TO
Toronto Stock Exchange