Peyto Exploration & Development Corp.

Condensed Balance Sheet *(unaudited)*

(Amount in $ thousands)

	September 30 2017	December 31 2016
Assets		
Current assets		
Cash	1,561	2,102
Accounts receivable	74,134	94,813
Due from private placement *(Note 6)*	-	4,930
Derivative financial instruments *(Note 8)*	67,675	-
Prepaid expenses	14,817	13,385
	158,187	115,230
Long-term derivative financial instruments *(Note 8)*	5,385	-
Property, plant and equipment, net *(Note 3)*	3,528,231	3,347,859
	3,533,616	3,347,859
	3,691,803	3,463,089
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	123,644	158,173
Dividends payable *(Note 6)*	18,136	18,109
Derivative financial instruments *(Note 8)*	-	119,280
Provision for future performance based compensation *(Note 7)*	13,189	6,854
	154,969	302,416
Long-term debt *(Note 4)*	1,235,000	1,070,000
Long-term derivative financial instruments *(Note 8)*	-	31,465
Provision for future performance based compensation (Note 7)	7,947	4,499
Decommissioning provision *(Note 5)*	132,450	127,763
Deferred income taxes	492,676	386,012
	1,868,073	1,619,739
Equity		
Share capital *(Note 6)*	1,649,537	1,641,982
Shares to be issued *(Note 6)*	-	4,930
Retained earnings (deficit)	(37,399)	776
Accumulated other comprehensive income (loss) *(Note 6)*	56,623	(106,754)
	1,668,761	1,540,934
	3,691,803	3,463,089

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Income Statement *(unaudited)*

(Amount in $ thousands except earnings per share amount)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Revenue				
Oil and gas sales	151,378	144,301	530,511	366,947
Realized gain on hedges *(Note 8)*	30,848	23,894	18,647	121,490
Royalties	(5,165)	(6,382)	(24,872)	(18,241)
Petroleum and natural gas sales, net	**177,061**	161,813	**524,286**	470,196
Expenses				
Operating	14,844	13,254	43,546	38,526
Transportation	9,149	8,647	28,358	25,506
General and administrative	1,701	2,133	6,659	6,843
Future performance based compensation *(Note 7)*	2,109	13,969	9,783	31,057
Interest	12,110	9,864	33,674	29,320
Accretion of decommissioning provision *(Note 5)*	847	538	2,312	1,685
Depletion and depreciation *(Note 3)*	74,906	82,157	228,681	248,750
Gain on disposition of assets *(Note 3)*	-	-	-	(12,668)
	115,666	130,562	**353,013**	369,019
Earnings before taxes	**61,395**	31,251	**171,273**	101,177
Income tax				
Deferred income tax expense	16,577	8,437	46,244	27,318
Earnings for the period	**44,818**	22,814	**125,029**	73,859
Earnings per share *(Note 6)*				
Basic and diluted	**$0.27**	$0.14	**$0.76**	$0.46

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Comprehensive Income (Loss) *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Earnings for the period	**44,818**	22,814	**125,029**	73,859
Other comprehensive income (loss)				
Change in unrealized gain on cash flow hedges	73,612	42,232	242,451	27,053
Deferred (expense) tax recovery	(11,546)	(4,951)	(60,427)	25,498
Realized (gain) on cash flow hedges	(30,848)	(23,894)	(18,647)	(121,490)
Comprehensive income	**76,036**	36,201	**288,406**	4,920

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Changes in Equity *(unaudited)*

(Amount in $ thousands)

	Nine months ended September 30	
	2017	2016
Share capital, beginning of period	**1,641,982**	1,467,264
Common shares issued by private placement	7,574	7,644
Equity offering	-	172,500
Common shares issuance costs (net of tax)	(19)	(5,409)
Share capital, end of period	**1,649,537**	1,641,999

Shares to be issued, beginning of period	**4,930**	3,769
Shares issued	(4,930)	(3,769)
Shares to be issued, end of period	**-**	-

Retained earnings, beginning of period	**776**	103,339
Earnings for the period	125,029	73,859
Dividends *(Note 6)*	(163,204)	(160,583)
Retained (deficit) earnings, end of period	**(37,399)**	16,615

Accumulated other comprehensive income, beginning of period	**(106,754)**	49,185
Other comprehensive income (loss)	163,377	(68,939)
Accumulated other comprehensive (loss) income, end of period	**56,623**	(19,754)

Total equity	**1,668,761**	1,638,860

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Cash provided by (used in) operating activities				
Earnings	44,818	22,814	125,029	73,859
Items not requiring cash:				
Deferred income tax	16,577	8,437	46,244	27,318
Depletion and depreciation	74,906	82,157	228,681	248,750
Accretion of decommissioning provision	847	538	2,312	1,685
Gain on disposition of assets	-	-	-	(12,668)
Long term portion of future performance based compensation	1,100	4,855	3,448	10,708
Change in non-cash working capital related to operating activities	4,411	10,256	(13,938)	20,647
	142,659	**129,057**	**391,776**	**370,299**
Financing activities				
Issuance of common shares	-	-	7,574	180,144
Issuance costs	-	(10)	(26)	(7,409)
Cash dividends paid	(54,408)	(54,328)	(163,178)	(159,960)
Increase in bank debt	30,000	-	165,000	-
Issuance of senior unsecured notes	-	-	-	-
	(24,408)	**(54,338)**	**9,370**	**12,775**
Investing activities				
Additions to property, plant and equipment	(135,187)	(113,571)	(386,779)	(339,968)
Change in prepaid capital	(17,050)	(1,567)	(19,879)	6,166
Change in non-cash working capital relating to investing activities	31,311	48,059	4,990	(16,175)
	(120,926)	(67,079)	**(401,688)**	(349,977)
Net increase (decrease) in cash	**(2,675)**	7,640	**(542)**	33,097
Cash, beginning of period	**4,235**	25,457	**2,102**	-
Cash, end of period	**1,560**	33,097	**1,560**	33,097

The following amounts are included in cash flows from operating activities:				
Cash interest paid	**7,963**	9,140	**32,991**	28,547
Cash taxes paid	**-**	-	**-**	-

See accompanying notes to the financial statements

1. Nature of operations

Peyto Exploration & Development Corp. ("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 300, 600 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0G5.

These financial statements were approved and authorized for issuance by the Audit Committee of Peyto on November 7, 2017.

2. Basis of presentation

The condensed 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 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 as at and for the years ended December 31, 2016 and 2015.

Significant Accounting Policies

(a) Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of the condensed 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 financial statements.

All accounting policies and methods of computation followed in the preparation of these financial statements are the same as those disclosed in Note 2 of Peyto's financial statements as at and for the years ended December 31, 2016 and 2015.

(b) Standards issued but not yet effective

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied by Peyto on January 1, 2018. The impact of the standard has been evaluated and is expected to have no material impact on the Company's financial statements.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The standard is required to be adopted for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by Peyto on January 1, 2018. IFRS 15 provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework. The impact of the standard has been evaluated and is expected to have no material impact on the Company's financial statements. Additional disclosure may be required upon implementation of IFRS 15 in order to provide sufficient information to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from the contracts with customers.

In January 2016, the IASB issued IFRS 16 “Leases”, which replaces IAS 17 “Leases”. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the Company’s financial statements.

3. Property, plant and equipment, net

Cost	
At December 31, 2016	**4,901,523**
Additions	386,799
Decommissioning provision additions	2,375
Prepaid capital	19,879
At September 30, 2017	**5,310,576**
Accumulated depletion and depreciation	
At December 31, 2016	**(1,553,664)**
Depletion and depreciation	(228,681)
At September 30, 2017	**(1,782,345)**
Carrying amount at December 31, 2016	3,347,859
Carrying amount at September 30, 2017	**3,528,231**

During the three and nine month periods ended September 30, 2017, Peyto capitalized $2.2 million and $5.7 million (2016 - $1.6 million and $4.7 million) of general and administrative expense directly attributable to exploration and development activities.

4. Long-term debt

	September 30, 2017	December 31, 2016
Bank credit facility	715,000	550,000
Senior unsecured notes	520,000	520,000
Balance, end of the period	**1,235,000**	1,070,000

The Company has a syndicated $1.0 billion extendible unsecured revolving credit facility with a stated term date of December 4, 2019. An accordion provision has been added that allows for the pre-approved increase of the facility up to $1.3 billion, at the Company’s request, subject to additional commitments by existing facility lenders or by adding new financial institutions to the syndicate. The bank facility is made up of a $30 million working capital sub-tranche and a $970 million production line. The facilities are available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto’s option, Canadian dollar bankers’ acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 50 basis points and 215 basis points on Canadian bank prime and US base rate borrowings and between 150 basis points and 315 basis points on Canadian dollar bankers’ acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 30 to 63 basis points.

Peyto is subject to the following financial covenants as defined in the credit facility and note purchase agreements:

- Long-term debt plus the average working capital deficiency (surplus) at the end of the two most recently completed fiscal quarters adjusted for non-cash items not to exceed 3.0 times trailing twelve month net income before non-cash items, interest and income taxes;
- Long-term debt and subordinated debt plus the average working capital deficiency (surplus) at the end of the two most recently completed fiscal quarters adjusted for non-cash items not to exceed 4.0 times trailing twelve month net income before non-cash items, interest and income taxes;

- Trailing twelve months net income before non-cash items, interest and income taxes to exceed 3.0 times trailing twelve months interest expense;
- Long-term debt and subordinated debt plus the average working capital deficiency (surplus) at the end of the two most recently completed fiscal quarters adjusted for non-cash items not to exceed 55 per cent of the book value of shareholders' equity and long-term debt and subordinated debt.

Peyto is in compliance with all financial covenants at September 30, 2017.

Outstanding senior notes are as follows:

Senior Unsecured Notes	**Date Issued**	**Rate**	**Maturity Date**
$100 million	January 3, 2012	4.39%	January 3, 2019
$50 million	September 6, 2012	4.88%	September 6, 2022
$120 million	December 4, 2013	4.50%	December 4, 2020
$50 million	July 3, 2014	3.79%	July 3, 2022
$100 million	May 1, 2015	4.26%	May 1, 2025
$100 million	October 24, 2016	3.70%	October 24, 2023

On April 26, 2016, the amended and restated note purchase and private shelf agreement dated January 3, 2012 and restated as of April 26, 2013 was amended to increase the shelf facility from $150 million to $250 million. $250 million has been drawn under this shelf facility.

Total interest expense for the three and nine month periods ended September 30, 2017 was $12.1 million and $33.7 million (2016 - $9.9 million and $29.3 million) and the average borrowing rate for the period was 3.9% and 3.8% (2016– 3.7% and 3.6%).

5. Decommissioning provision

Peyto makes provision for the future cost of decommissioning wells 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 the Company's internal estimates on 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 ceases 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, 2016	**127,763**
New or increased provisions	11,192
Accretion of decommissioning provision	2,312
Change in discount rate and estimates	(8,817)
Balance, September 30, 2017	**132,450**
Current	-
Non-current	132,450

Peyto has estimated the net present value of its total decommissioning provision to be $132.5 million as at September 30, 2017 ($127.8 million at December 31, 2016) based on a total future undiscounted liability of $280.9 million ($258.2 million at December 31, 2016). At September 30, 2017 management estimates that these payments are expected to be made over the next 50 years with the majority of payments being made in years 2047 to 2065. The Bank of Canada's long term bond rate of 2.47 per cent (2.31 per cent at December 31, 2016) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2016) were used to calculate the present value of the decommissioning provision.

6. Share capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	**Number of Common Shares**	**Amount**
Balance, December 31, 2016	**164,630,168**	**1,641,982**
Common shares issued by private placement	244,007	7,574
Common share issuance costs, (net of tax)	-	(19)
Balance, September 30, 2017	**164,874,175**	**1,649,537**

Earnings per common share has been determined based on the following:

	Three Months ended September 30		Nine Months ended September 30	
	2017	2016	**2017**	2016
Weighted average common shares basic and diluted	**164,874,175**	164,630,168	**164,849,932**	161,882,961

On December 31, 2016, Peyto completed a private placement of 146,755 common shares to employees and consultants for net proceeds of $4.9 million ($33.59 per share). These common shares were issued January 6, 2017.

On March 14, 2017, Peyto completed a private placement of 97,252 common shares to employees and consultants for net proceeds of $2.6 million ($27.19 per common share).

Dividends

During the three and nine month periods ended September 30, 2017, Peyto declared and paid dividends of $0.33 and $0.99 per common share ($0.11 per common share for the months of January to September 2017, totaling $56.9 million and $163.2 million respectively (2016 - $0.33 and $0.99 ($0.11 per common share for the months of January to September 2016), totaling $54.3 million and $160.6 million respectively).

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 8.

7. 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. 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 option valuation model were:

	September 30, 2017	September 30, 2016
Share price	$20.40-$33.80	$36.82
Exercise price (net of dividend)	$22.77- $33.02	$23.10
Expected volatility	28.9%	36.1%
Option life	0.25 years	0.25 years
Risk-free interest rate	1.51%	0.51%

8. Financial instruments

Financial instrument classification and measurement
Financial instruments of the Company carried on the condensed balance sheet are carried at amortized cost with the exception of cash and financial derivative instruments, specifically fixed price contracts, which are carried at fair value. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at September 30, 2017.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2016.

The fair value of the Company's cash and financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, financial derivative instruments, due from private placement, current liabilities, provision for future performance based compensation and long term debt. At September 30, 2017, cash and financial derivative instruments are carried at fair value. Accounts receivable, due from private placement, current liabilities and provision for future performance based compensation approximate their fair value due to their short term nature. The carrying value of the long term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Commodity price risk management

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, 2017:

Natural Gas **Period Hedged – Monthly Index**	**Type**	**Daily Volume**	**Price** **(CAD)**
January 1, 2016 to March 31, 2018	Fixed Price	5,000 GJ	$2.54/GJ
April 1, 2016 to March 31, 2018	Fixed Price	60,000 GJ	$2.42/GJ to $2.75/GJ
April 1, 2016 to October 31, 2018	Fixed Price	35,000 GJ	$2.10/GJ to $2.60/GJ
May 1, 2016 to October 31, 2017	Fixed Price	20,000 GJ	$2.11/GJ to $2.305/GJ
May 1, 2016 to October 31, 2018	Fixed Price	20,000 GJ	$2.20/GJ to $2.35/GJ
July 1, 2016 to October 31, 2017	Fixed Price	10,000 GJ	$2.375/GJ to $2.3775/GJ
July 1, 2016 to October 31, 2018	Fixed Price	20,000 GJ	$2.28/GJ to $2.45/GJ
August 1, 2016 to October 31, 2017	Fixed Price	20,000 GJ	$2.22/GJ to $2.30/GJ
August 1, 2016 to October 31, 2018	Fixed Price	25,000 GJ	$2.3175/GJ to $2.5525/GJ
November 1, 2016 to March 31, 2018	Fixed Price	5,000 GJ	$2.51/GJ
April 1, 2017 to October 31, 2017	Fixed Price	160,000 GJ	$2.23/GJ to $2.86/GJ
April 1, 2017 to March 31, 2018	Fixed Price	110,000 GJ	$2.6050/GJ to $3.1075/GJ
April 1, 2017 to October 31, 2018	Fixed Price	10,000 GJ	$2.585/GJ to $2.745/GJ
May 1, 2017 to October 31, 2017	Fixed Price	10,000 GJ	$2.715GJ to $2.70/GJ
June 1, 2017 to October 31, 2017	Fixed Price	10,000 GJ	$2.725/GJ to $2.94/GJ
September 1, 2017 to October 31, 2017	Fixed Price	5,000 GJ	$1.935/GJ
October 1, 2017 to March 31, 2018	Fixed Price	25,000 GJ	$2.365/GJ- $2.455/GJ
November 1, 2017 to December 31, 2017	Fixed Price	20,000 GJ	$2.240/GJ to $2.430/GJ
November 1, 2017 to March 31, 2018	Fixed Price	175,000 GJ	$2.4075/GJ to $3.27/GJ
November 1, 2017 to October 31, 2018	Fixed Price	5,000 GJ	$2.92/GJ
April 1, 2018 to October 31, 2018	Fixed Price	50,000 GJ	$2.39/GJ to $2.565/GJ
April 1, 2018 to March 31, 2019	Fixed Price	150,000 GJ	$2.25/GJ to $2.625/GJ
April 1, 2019 to March 31, 2020	Fixed Price	10,000 GJ	$2.445/GJ to $2.50/GJ

Natural Gas **Period Hedged – Daily Index**	**Type**	**Daily Volume**	**Price** **(CAD)**
September 1, 2017 – October 31, 2017	Fixed Price	10,000 GJ	$2.03/GJ

As at September 30, 2017 Peyto had committed to the future sale of 188,870,000 gigajoules (GJ) of natural gas at an average price of $2.55 per GJ or $2.93 per mcf. Had these contracts been closed on September 30, 2017, Peyto would have realized a net gain in the amount of $73.1 million. If the AECO gas price on September 30, 2017 were to decrease by $0.10/GJ, the financial derivative liability would decrease by approximately $18.9 million. An opposite change in commodity prices rates would result in an opposite impact.

Subsequent to September 30, 2017 Peyto entered into the following contracts:

Natural Gas **Period Hedged – Monthly Index**	**Type**	**Daily Volume**	**Price** **(CAD)**
November 1, 2017 to December 31, 2017	Fixed Price	5,000 GJ	$2.12/GJ
November 1, 2017 to March 31, 2018	Fixed Price	10,000 GJ	$2.285/GJ to $2.32/GJ
December 1, 2017 to March 31, 2018	Fixed Price	30,000 GJ	$2.20/GJ to $2.465/GJ
April 1, 2018 to March 31, 2019	Fixed Price	15,000 GJ	$2.04/GJ to $2.1775/GJ
April 1, 2018 to October 31, 2018	Fixed Price	30,000 GJ	$1.75/GJ to $1.94/GJ
April 1, 2019 to March 31, 2020	Fixed Price	5,000 GJ	$2.2225/GJ

Natural Gas **Period Hedged – Daily Index**	**Type**	**Daily Volume**	**Price** **(CAD)**
November 1, 2017 – November 30, 2017	Fixed Price	10,000 GJ	$2.1025/GJ
November 1, 2017 – November 30, 2017	Fixed Price	20,000 GJ	$2.1050/GJ

9. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day to day operational decision making of the Company. The dollar value of the transactions between Peyto and the related reporting entities is summarized below:

Expense				Accounts Payable	
Three Months ended September 30		Nine Months ended September 30		As at September 30	
2017	2016	**2017**	2016	**2017**	2016
244.7	98.6	**460.4**	579.1	**477.1**	344.3

10. Commitments

In addition to those recorded on the Company's balance sheet, the following is a summary of Peyto's contractual obligations and commitments as at September 30, 2017:

	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Interest payments[(1)]	6,680	22,085	19,890	17,695	12,295	26,645
Transportation commitments	9,859	45,422	39,506	27,681	23,586	91,174
Operating leases	521	2,242	2,242	2,242	2,242	11,586
Methanol	-	2,916	-	-	-	-
Total	17,060	72,665	61,638	47,618	38,123	129,405

(1) Fixed interest payments on senior unsecured notes

11. Contingencies

On October 1, 2013, two shareholders (the "Plaintiffs") of Poseidon Concepts Corp. ("Poseidon") filed an application to seek leave of the Alberta Court of Queen's Bench (the "Court") to pursue a class action lawsuit against the Company, as a successor to new Open Range Energy Corp. ("New Open Range") (the "Poseidon Shareholder Application"). The proposed action contains various claims relating to alleged misrepresentations in disclosure documents of Poseidon (not New Open Range), which claims are also alleged in class action lawsuits filed in Alberta, Ontario, and Quebec earlier in 2013 against Poseidon and certain of its current and former directors and officers, and underwriters involved in the public offering of common shares of Poseidon completed in February 2012. The proposed class action seeks various declarations and damages including compensatory damages which the Plaintiffs estimate at $651 million and punitive damages which the Plaintiffs estimate at $10 million, which damage amounts appear to be duplicative of damage amounts claimed in the class actions against Poseidon, certain of its current and former directors and officers, and underwriters.

New Open Range was incorporated on September 14, 2011 solely for purposes of participating in a plan of arrangement with Poseidon (formerly named Open Range Energy Corp. ("Old Open Range")), which was completed on November 1, 2011. Pursuant to such arrangement, Poseidon completed a corporate reorganization resulting in two separate publicly-traded companies: Poseidon, which continued to carry on the energy service and supply business; and New Open Range, which carried on Poseidon's former oil and gas exploration and production business. Peyto acquired all of the issued and outstanding common shares of New Open Range on August 14, 2012. On April 9, 2013, Poseidon obtained creditor protection under the Companies' Creditor Protection Act.

On October 31, 2013, Poseidon filed a lawsuit with the Court naming the Company as a co-defendant along with the former directors and officers of Poseidon, the former directors and officers of Old Open Range and the former directors and officers of New Open Range (the “Poseidon Action”). Poseidon claims, among other things, that the Company is vicariously liable for the alleged wrongful acts and breaches of duty of the directors, officers and employees of New Open Range.

On September 24, 2014 Poseidon amended its claim in the Poseidon Action to add Poseidon’s auditor, KPMG LLP (“KPMG”), as a defendant.

On May 4, 2016, KPMG issued a third party claim in the Poseidon Action against Poseidon’s former officers and directors and Peyto for any liability KPMG is determined to have to Poseidon. Peyto is not required to deliver a defence to this claim at this time.

On July 3, 2014, the Plaintiffs filed a lawsuit with the Court against KPMG LLP, Poseidon's and Old Open Range's former auditors, making allegations substantially similar to those in the other claims (the “KPMG Poseidon Shareholder KPMG Action”). On July 29, 2014, KPMG LLP filed a statement of defence and a third party claim against Poseidon, the Company and the former directors and officers of Poseidon. The third party claim seeks, among other things, an indemnity, or alternatively contribution, from the third party defendants with respect to any judgment awarded against KPMG LLP.

The allegations against New Open Range contained in the claims described above are based on factual matters that pre-existed the Company’s acquisition of New Open Range. The Company has not yet been required to defend either of the actions. If it is required to defend the actions, the Company intends to aggressively protect its interests and the interests of its Shareholders and will seek all available legal remedies in defending the actions.

12. Subsequent Events

On October 13, 2017, The Company increased and extended its revolving, unsecured credit facility to $1.3 billion with a stated term date of October 13, 2021. The facility is comprised of $40 million working capital sub-tranche and a $1.26 billion production line. The facilities are available on a revolving basis. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto’s option, Canadian dollar bankers’ acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 50 basis points and 215 basis points on Canadian bank prime and US base rate borrowings and between 150 basis points and 315 basis points on Canadian dollar bankers’ acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 30 to 63 basis points.

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

Lee Curran
Vice President, Drilling and Completions

Todd Burdick
Vice President, Production

Tim Louie
Vice President, Land

David Thomas
Vice President, Exploration

Jean-Paul Lachance
Vice President, Exploitation

Stephen Chetner
Corporate Secretary

Directors

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

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

Bank of Montreal
Bank of Tokyo-Mitsubishi UFJ, Ltd., Canada Branch
Royal Bank of Canada
Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Bank of Nova Scotia
Alberta Treasury Branches
Canadian Western Bank
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Toronto Stock Exchange

*Subsequent to September 30, 2017.