Peyto Exploration & Development Corp.

Condensed Balance Sheet *(unaudited)*

(Amount in $ thousands)

	June 30 2018	December 31 2017
Assets		
Current assets		
Cash	1,130	5,652
Accounts receivable (*Note 8)*	65,647	90,242
Derivative financial instruments *(Note 10)*	50,159	135,017
Prepaid expenses	16,120	12,578
	133,056	243,489
Long-term derivative financial instruments *(Note 10)*	4,208	16,233
Property, plant and equipment, net *(Note 4)*	3,489,631	3,584,992
	3,493,839	3,601,225
	3,626,895	3,844,714
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	41,299	132,776
Dividends payable *(Note 7)*	9,892	18,136
Provision for future performance-based compensation *(Note 9)*	11,339	9,166
Current portion of long-term debt *(Note 5)*	100,000	-
	162,530	160,078
Long-term debt *(Note 5)*	1,110,000	1,285,000
Provision for future performance-based compensation *(Note 9)*	92	-
Decommissioning provision *(Note 6)*	147,630	143,805
Deferred income taxes	535,598	532,853
	1,793,320	1,961,658
Equity		
Share capital *(Note 7)*	1,649,537	1,649,537
Retained earnings (deficit)	(21,469)	(40,261)
Accumulated other comprehensive income *(Note 7)*	42,977	113,702
	1,671,045	1,722,978
	3,626,895	3,844,714

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 June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Revenue				
Natural gas and natural gas liquid sales (*Note 8)*	106,194	182,097	261,362	379,133
Royalties	(4,879)	(9,071)	(14,422)	(19,707)
Natural gas and natural gas liquid sales, net of royalties	**101,315**	173,026	**246,940**	359,426
Risk management contracts				
Realized gain (loss) on risk management contracts *(Note 10)*	53,617	(3,115)	98,846	(12,201)
	154,932	169,911	**345,786**	347,225
Expenses				
Operating	14,940	13,018	31,393	28,703
Transportation	8,990	9,742	16,676	19,209
General and administrative	2,528	2,646	6,796	4,959
Future performance-based compensation *(Note 9)*	1,072	4,305	2,266	7,674
Interest	12,903	11,018	26,363	21,563
Accretion of decommissioning provision (*Note 6)*	796	715	1,600	1,465
Depletion and depreciation *(Note 4)*	72,062	73,731	153,642	153,775
	113,291	115,175	**238,736**	237,348
Earnings before taxes	**41,641**	54,736	**107,050**	109,877
Income tax				
Deferred income tax expense	11,244	14,779	28,904	29,666
Earnings for the period	**30,397**	39,957	**78,146**	80,211

Earnings per share *(Note 7)*				
Basic and diluted	**$0.18**	$0.24	**$0.47**	$0.49

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

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

(Amount in $ thousands)

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Earnings for the period	**30,397**	39,957	**78,146**	80,211
Other comprehensive income				
Change in unrealized (loss) gain on cash flow hedges	(21,459)	36,879	1,962	168,839
Deferred income tax recovery (expense)	20,271	(10,798)	26,159	(48,881)
Realized (gain) loss on cash flow hedges	(53,617)	3,115	(98,846)	12,201
Comprehensive (loss) income	**(24,408)**	69,153	**7,421**	212,370

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Changes in Equity *(unaudited)*

(Amount in $ thousands)

	Six months ended June 30	
	2018	**2017**
Share capital, beginning of period	**1,649,537**	1,641,982
Common shares issued by private placement	-	7,574
Common shares issuance costs (net of tax)	-	(19)
Share capital, end of period	**1,649,537**	1,649,537

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

Retained earnings (deficit), beginning of period	**(40,261)**	776
Earnings for the period	78,146	80,211
Dividends *(Note 7)*	(59,354)	(108,796)
Retained earnings (deficit), end of period	**(21,469)**	(27,809)

Accumulated other comprehensive income, beginning of period	**113,702**	(106,754)
Other comprehensive (income) loss	(70,725)	132,159
Accumulated other comprehensive (loss) income, end of period	**42,977**	25,405

Total equity	**1,671,045**	1,647,133

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Cash provided by (used in)				
operating activities				
Earnings	**30,397**	39,957	**78,146**	80,211
Items not requiring cash:				
Deferred income tax	11,244	14,779	28,904	29,666
Depletion and depreciation	72,062	73,731	153,642	153,775
Accretion of decommissioning provision	796	715	1,600	1,465
Gain on disposition of assets	-	-	-	-
Long term portion of future performance-based compensation	(22)	989	93	2,351
Change in non-cash working capital related to operating activities	2,429	(2,191)	(1,485)	(18,351)
	116,906	127,980	**260,900**	249,117
Financing activities				
Issuance of common shares	-	-	-	7,574
Issuance costs	-	-	-	(26)
Cash dividends paid	(29,677)	(54,408)	(67,597)	(108,769)
Increase in senior notes	-	-	100,000	-
Increase (decrease) in bank debt	(60,000)	70,000	(175,000)	135,000
	(89,677)	15,592	**(142,597)**	33,779
Investing activities				
Additions to property, plant and equipment	(14,978)	(97,738)	(50,432)	(251,612)
Change in prepaid capital	(5,917)	3,770	(5,624)	(2,829)
Change in non-cash working capital relating to investing activities	(5,204)	(45,369)	(66,769)	(26,322)
	(26,099)	(139,337)	**(122,825)**	(280,763)
Net increase in cash	**1,130**	4,235	**(4,522)**	2,133
Cash, beginning of period	**-**	-	**5,652**	2,102
Cash, end of period	**1,130**	4,235	**1,130**	4,235

The following amounts are included in cash flows from operating activities:				
Cash interest paid	**14,668**	15,597	**25,712**	25,209
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 August 7, 2018.

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, 2017 and 2016.

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.

Except for the impact of adoption of new accounting standards as discussed in note 3 below, 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, 2017 and 2016.

(b) Recent Accounting Pronouncements

Standards issued but not yet effective

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. Changes in Accounting Policies

IFRS 9 "Financial instruments"

On January 1, 2018, Peyto adopted IFRS 9 "Financial Instruments" as issued by the IASB. IFRS 9 includes a new classification and measurement approach for financial assets and a forward-looking 'expected credit loss' model.

Peyto has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Financial instruments

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

• Fair value through profit or loss: Financial instruments under this classification include cash and derivative assets and liabilities.
• Amortized cost: Financial instruments under this classification include accounts receivable, accounts payable, accrued liabilities, dividends payable, and long-term debt.

The standard also provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The adoption of this approach did not result in a material impact to the Peyto's financial statements due to the high credit quality of Peyto's customers.

IFRS 15 "Revenue from contracts with customers"

On January 1, 2018, Peyto adopted IFRS 15 "Revenue from Contracts with Customers". IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. Peyto's revenue relates to the sale of natural gas and natural gas liquids to customers at specified delivery points at benchmark prices. Peyto adopted IFRS 15 using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. As a result of applying the requirements of IFRS 15, including the application of certain practical expedients such as the right to invoice method of measuring the Company's progress towards complete satisfaction of its performance obligations, no changes or adjustments to the comparative financial statements were required. Refer to Note 8 for more information including additional disclosures required under IFRS 15.

As a result of this adoption, Peyto has revised the description of its accounting policy for revenue recognition as follows:

Revenue associated with the sale of natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when Peyto satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of natural gas and natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession.

Peyto principally satisfies its performance obligations at a point in time. Joint venture partners are not considered customers and therefore processing and gathering recoveries related to joint operations are netted against operating expenses.

4. Property, plant and equipment, net

Cost	
At December 31, 2017	**5,453,072**
Additions	50,432
Decommissioning provision additions	2,225
Prepaid capital	5,624
At June 30, 2018	**5,511,353**
Accumulated depletion and depreciation	
At December 31, 2017	**(1,868,080)**
Depletion and depreciation	(153,642)
At June 30, 2018	**(2,021,722)**

Carrying amount at December 31, 2017	3,584,992
Carrying amount at June 30, 2018	**3,489,631**

During the three and six month periods ended June 30, 2018, Peyto capitalized $0.3 million and $0.9 million (2017 - $1.4 million and $3.5 million) of general and administrative expense directly attributable to exploration and development activities.

5. Long-term debt

	June 30, 2018	December 31, 2017
Current senior unsecured notes	100,000	-
Senior unsecured notes	520,000	520,000
Bank credit facility	590,000	765,000
Balance, end of the period	**1,210,000**	1,285,000

The Company has a syndicated $1.3 billion extendible unsecured revolving credit facility with a stated term date of October 13, 2021. The bank facility is made up of a $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.

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 June 30, 2018.

Outstanding senior notes are as follows:

Senior Unsecured Notes	Date Issued	Rate	Maturity Date
$100 million	January 3, 2012	4.39%	January 3, 2019
$120 million	December 4, 2013	4.50%	December 4, 2020
$50 million	July 3, 2014	3.79%	July 3, 2022
$50 million	September 6, 2012	4.88%	September 6, 2022
$100 million	October 24, 2016	3.70%	October 24, 2023
$100 million	May 1, 2015	4.26%	May 1, 2025
$100 million	January 2, 2018	3.95%	January 2, 2028

On January 2, 2018, the Company closed an issuance of CDN $100 million of senior unsecured notes. The notes were issued by way of a private placement, pursuant to a note purchase agreement and a note purchase and private shelf agreement, and rank equally with Peyto's obligations under its bank facility and existing note purchase agreements. The notes have a coupon rate of 3.95% and mature on January 2, 2028. Interest will be paid semi-annually in arrears. Proceeds from the notes were used to repay a portion of Peyto's outstanding bank debt.

Total interest expense for the three and six month periods ended June 30, 2018 was $12.9 million and $26.4 million (2017 - $11.0 million and $21.6 million) and the average borrowing rate for the period was 4.2% and 4.2% (2017– 3.7% and 3.8%).

6. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2017	**143,805**
New or increased provisions	1,216
Accretion of decommissioning provision	1,600
Change in discount rate and estimates	1,009
Balance, June 30, 2018	**147,630**
Current	-
Non-current	**147,630**

Peyto has estimated the net present value of its total decommissioning provision to be $147.6 million as at June 30, 2018 ($143.8 million at December 31, 2017) based on a total future undiscounted liability of $292.1 million ($289.7 million at December 31, 2017). At June 30, 2018 management estimates that these payments are expected to be made over the next 49 years with the majority of payments being made in years 2046 to 2067. The Bank of Canada's long term bond rate of 2.20 per cent (2.26 per cent at December 31, 2017) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2017) were used to calculate the present value of the decommissioning provision.

7. 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, 2017	**164,874,175**	**1,649,537**
Common shares issued by private placement	-	-
Common share issuance costs, (net of tax)	-	-
Balance, June 30, 2018	**164,874,175**	**1,649,537**

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

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	**2018**	2017
Weighted average common shares basic and diluted	**164,874,175**	164,874,175	**164,874,175**	164,837,609

Dividends

During the three and six month periods ended June 30, 2018, Peyto declared and paid dividends of $0.18 and $0.36 per common share totaling $29.7 million and $59.4 million respectively (2017 - $0.33 and $0.66 totaling $54.4 million and $108.8 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 10.

8. Revenue and receivables

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	**2018**	2017
Natural Gas Sales	52,664	147,991	153,894	303,490
Natural Gas Liquid sales	53,530	36,587	107,468	78,124
Natural gas and natural gas liquid sales	**106,194**	184,578	**261,362**	381,614

	June 30, 2018	December 31, 2017
Accounts receivable from customers	32,946	67,294
Accounts receivable from realized risk management contracts	21,012	10,746
Accounts receivable from joint venture partners and other	11,689	12,202
	65,647	90,242

A substantial portion of the Company's accounts receivable is with petroleum and natural gas marketing entities. Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production.

9. 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:

	June 30, 2018	June 30, 2017
Share price	$10.12-$33.80	$23.52-$33.80
Exercise price (net of dividends)	$14.22-$22.77	$22.77-$33.14
Expected volatility	38.3%	27.3%
Option life	0.50 years	0.50 years
Risk-free interest rate	1.90%	1.10%

10. 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 June 30, 2018.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2017.

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 significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant 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 June 30, 2018 cash and financial derivative instruments are carried at fair value. Accounts receivable, 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.

Natural Gas Period Hedged- Monthly Index	Type	Daily Volume	Price (AECO CAD)
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, 2018	Fixed Price	20,000 GJ	$2.20/GJ to $2.35/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, 2018	Fixed Price	25,000 GJ	$2.3175/GJ to $2.5525/GJ
April 1, 2017 to October 31, 2018	Fixed Price	10,000 GJ	$2.585/GJ to $2.745/GJ
November 1, 2017 to October 31, 2018	Fixed Price	5,000 GJ	$2.92/GJ
January 1, 2018 to December 31, 2020	Fixed Price	20,000 GJ	$2.00/GJ to $2.040/GJ
April 1, 2018 to October 31, 2018	Fixed Price	105,000 GJ	$1.30/GJ to $2.565/GJ
April 1, 2018 to March 31, 2019	Fixed Price	185,000 GJ	$1.54/GJ to $2.625/GJ
April 1, 2018 to March 31, 2020	Fixed Price	10,000 GJ	$1.43/GJ to $1.44/GJ
November 1, 2018 to March 31, 2019	Fixed Price	135,000 GJ	$1.75/GJ to $1.99/GJ
November 1, 2018 to March 31, 2020	Fixed Price	5,000 GJ	$1.5725/GJ
April 1, 2019 to October 31, 2019	Fixed Price	50,000 GJ	$1.2825/GJ to $1.47/GJ
April 1, 2019 to March 31, 2020	Fixed Price	80,000 GJ	$1.45/GJ to $2.50/GJ
November 1, 2019 to March 31, 2020	Fixed Price	25,000 GJ	$1.815/GJ to $2.05/GJ
April 1, 2020 to October 31, 2020	Fixed Price	25,000 GJ	$1.30/GJ to $1.40/GJ
April 1, 2020 to March 31, 2021	Fixed Price	10,000 GJ	$1.64/GJ to $1.653/GJ
April 1, 2021 to October 31, 2021	Fixed Price	10,000 GJ	$1.48/GJ to $1.64/GJ

Natural Gas Period Hedged – Daily Index	Type	Daily Volume	Price (AECO CAD)
April 1, 2018 to October 31, 2018	Fixed Price	15,000 GJ	$1.54/GJ to $1.63/GJ
April 1, 2018 to March 31, 2019	Fixed Price	40,000 GJ	$1.40/GJ to $1.67/GJ

Propane Period Hedged	Type	Daily Volume	Price (Conway USD)
June 1, 2018 to October 31, 2018	Fixed Price	600 bbl	$32.34/bbl to $32.865/bbl

Crude Oil Period Hedged	Type	Daily Volume	Price (WTI CAD)
July 1, 2018 to December 31, 2018	Fixed Price	300 bbl	$84.03/bbl to $90.00/bbl
July 1, 2018 to June 30, 2019	Fixed Price	400 bbl	$85.34/bbl to $88.05/bbl
August 1, 2018 to July 31, 2019	Fixed Price	600 bbl	$81.90/bbl to $89.25/bbl

As at June 30, 2018, Peyto had committed to the future sale of 193,760,000 gigajoules (GJ) of natural gas at an average price of $1.95 per GJ or $2.25 per mcf, 73,800 barrels (bbl) of propane at an average price of $32.52 USD per bbl, and 420,200 bbl of crude at an average price of $85.94 per bbl. Had these contracts been closed on June 30, 2018, Peyto would have realized a net gain in the amount of $54.4 million. If the AECO gas price on June 30, 2018 were to decrease by $0.10/GJ, the financial derivative asset would decrease by approximately $19.4 million. An opposite change in commodity prices rates would result in an opposite impact.

Subsequent to June 30, 2018 Peyto entered into the following contracts:

Natural Gas Period Hedged	Type	Daily Volume	Price (AECO CAD)
November 1, 2018 to March 31, 2019	Fixed Price	15,000 GJ	1.825/GJ to $1.9275/GJ
April 1, 2019 to October 31, 2019	Fixed Price	15,000 GJ	$1.41/GJ to $1.421/GJ

Crude Oil Period Hedged	Type	Daily Volume	Price (WTI CAD)
September 1, 2018 to August 31, 2019	Fixed Price	400 bbl	$85.00/bbl to $87.66/bbl
October 1, 2018 to September 30, 2019	Fixed Price	100 bbl	$85.95/bbl

11. 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 June 30		Six Months ended June 30		As at June 30	
2018	2017	**2018**	2017	**2018**	2017
121.3	151.3	**277.3**	211.0	**236.2**	227.7

12. 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 June 30, 2018:

	2018	2019	2020	2021	2022	Thereafter
Interest payments [1]	11,043	23,840	21,645	16,245	16,245	36,075
Transportation commitments	22,211	51,276	40,036	33,810	28,068	254,489
Operating lease	1,121	2,242	2,242	2,242	2,317	9,269
Total	34,375	77,358	63,923	52,297	46,630	299,833

(1) Fixed interest payments on senior unsecured notes

13. 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 contained various claims relating to alleged misrepresentations in disclosure documents of Poseidon (not New Open Range), which claims were 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 sought 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. An application seeking leave to commence a class action lawsuit against the Company making the same allegations was also made by two Poseidon shareholders in Ontario (the "Ontario Poseidon Shareholder Action"). No steps were taken to advance these actions against the Company.

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 claimed, 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. No steps were taken to advance these actions against the Company.

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 the Company for any liability KPMG is determined to have to Poseidon. The Company was not required to defend KPMG's third party claim.

On July 3, 2014, the Plaintiffs filed a lawsuit with the Court against KPMG, 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 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 sought, among other things, an indemnity, or alternatively contribution, from the third party defendants with respect to any judgment awarded against KPMG LLP. The Company was not required to defend KPMG's third party claim.

The allegations against New Open Range contained in the claims described above were based on factual matters that pre-existed the Company's acquisition of New Open Range.

On April 6, 2018, the Company entered a global settlement with all parties involved in the Poseidon related litigation. The settlement was presented to the Alberta Court of Queens Bench on May 4, 2018 for approval as part of a plan of compromise and arrangement under the Companies' Creditor Arrangement Act. The Alberta Court approved the settlement and Plan and issued Orders dismissing Alberta actions involving Poseidon including the Poseidon Shareholder Application and the Poseidon Action against the Company. The Ontario, Quebec and United States Courts have now recognized the Alberta Court's Orders and dismissed the actions before them (including the Ontario Poseidon Shareholder Action against the Company). The appeal periods have not yet all expired. No appeals however, are expected. Although the contributions being made by the different defendants are confidential, Peyto's contribution is immaterial and reflects its belief there was no merit to the claims.

Officers

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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, Engineering & COO

Stephen Chetner
Corporate Secretary

Directors

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

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

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MUFG Bank, Ltd., Canada Branch
Royal Bank of Canada
Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Bank of Nova Scotia
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