NEWS RELEASE

NOVEMBER 9, 2016 **SYMBOL: PEY – TSX**

PEYTO ANNOUNCES 47th QUARTER OF CONSECUTIVE EARNINGS WITH Q3 2016 RESULTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the third quarter of the 2016 fiscal year. An ongoing focus on cost control and prudent capital allocation resulted in a 76% operating margin (1) and a 14% profit margin (2). Additional highlights included:

- **Production per share up 14%.** Third quarter 2016 production increased 19%, 14% per share, from 487 MMcfe/d (81,208 boe/d) in Q3 2015 to 578 MMcfe/d (96,365 boe/d) in Q3 2016. Approximately 5,700 boe/d of new production (not included in the figure above) was deliberately deferred during the quarter due to low commodity prices.

- **Cash costs of $0.76/Mcfe ($0.64/Mcfe or $3.82/boe excluding royalties).** Total cash costs, including $0.12/Mcfe royalties, $0.25/Mcfe operating costs, $0.16/Mcfe transportation, $0.04/Mcfe G&A and $0.19/Mcfe interest expense, were down from $0.80/Mcfe in Q3 2015 despite the deferral of 5,700 boe/d of production. The 5% reduction in cash costs did not fully offset the 17% lower realized commodity prices, and resulted in a cash netback of $2.40/Mcfe ($14.43/boe) or a 76% operating margin.

- **Funds from operations per share of $0.78.** Generated $128 million in Funds from Operations ("FFO") in Q3 2016 down 5% (8% per share) from $135 million in Q3 2015 due to the 17% reduction in realized commodity prices, which was mostly offset by the 19% increase in production volumes.

- **Capital investment of $114 million**. A total of 38 horizontal wells and 2 vertical wells were drilled in the third quarter. New wells brought on production over the last 12 months were producing 46,000 boe/d at the end of the quarter, which, when combined with a trailing twelve month capital investment of $502 million, equates to an annualized capital efficiency of $10,900/boe/d.

- **Earnings of $0.14/share, dividends of $0.33/share.** Earnings of $23 million were generated in the quarter while dividends of $54 million were paid to shareholders, representing a before tax payout ratio of 42% of FFO. This quarter represents Peyto's 47th consecutive quarter of earnings, totaling over $2.1 billion in cumulative earnings.

Third Quarter 2016 in Review

Peyto is proud to have achieved two historical milestones during the third quarter. Total Company capital investments have now surpassed $5 billion, while total dividends and distributions to investors, paid out of cumulative earnings, have exceeded $2 billion. This historical ratio of profit to investment is unique in the Canadian energy industry and is a direct result of Peyto's strategy to focus on generating returns rather than merely focusing on growth. This focus on returns continued throughout the third quarter as the Company invested $114 million developing low risk, sweet natural gas resources plays in its traditional Deep Basin areas. Wet weather hampered field operations in July and August requiring a 9th drilling rig to be added in mid-September to catch up to drilling plans for the year. Natural gas price recovery throughout the quarter allowed for the shut-in wells, which were accumulated in previous quarters, to be brought on production. Production climbed from a low of 85,500 boe/d in May to over 100,000 boe/d in September with an average of 5,700 boe/d still offline in the third quarter. Even in a challenging commodity price environment, the financial and operating performance resulted in an annualized 6% Return on Equity (ROE) and 5% 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.

	Three Months ended September 30		%	Nine Months ended September 30		%
	2016	2015	Change	**2016**	2015	Change
Operations						
Production						
Natural gas (mcf/d)	**534,710**	455,137	*17%*	**530,441**	451,829	*17%*
Oil & NGLs (bbl/d)	**7,247**	5,352	*35%*	**6,960**	6,543	*6%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**578,189**	487,250	*19%*	**572,199**	491,084	*17%*
Barrels of oil equivalent (boe/d @ 6:1)	**96,365**	81,208	*19%*	**95,367**	81,847	*17%*
Production per million common shares (boe/d)*	**585**	511	*14%*	**589**	521	*13%*
Realized Product prices						
Natural gas ($/mcf)	**2.88**	3.57	*-19%*	**2.86**	3.68	*-22%*
Oil & NGLs ($/bbl)	**39.76**	41.69	*-5%*	**38.54**	40.58	*-6%*
Operating expenses ($/mcfe)	**0.25**	0.28	*-11%*	**0.25**	0.31	*-19%*
Transportation ($/mcfe)	**0.16**	0.16	-	**0.16**	0.15	*7%*
Field netback ($/mcfe)	**2.63**	3.21	*-18%*	**2.59**	3.32	*-22%*
General & administrative expenses ($/mcfe)	**0.04**	0.02	*100%*	**0.04**	0.03	*33%*
Interest expense ($/mcfe)	**0.19**	0.19	-	**0.19**	0.20	*-5%*
Financial ($000, except per share*)						
Revenue	**168,195**	170,216	*-1%*	**488,437**	526,230	*-7%*
Royalties	**6,382**	6,489	*-2%*	**18,241**	20,356	*-10%*
Funds from operations	**127,915**	134,513	*-5%*	**370,000**	414,349	*-11%*
Funds from operations per share	**0.78**	0.85	*-8%*	**2.29**	2.64	*-13%*
Total dividends	**54,328**	52,456	*4%*	**160,583**	155,693	*3%*
Total dividends per share	**0.33**	0.33	-	**0.99**	0.99	-
Payout ratio	**42**	39	*8%*	**43**	38	*13%*
Earnings	**22,814**	37,347	*-39%*	**73,859**	94,154	*-22%*
Earnings per diluted share	**0.14**	0.23	*-39%*	**0.46**	0.60	*-23%*
Capital expenditures	**113,571**	176,618	*-36%*	**339,968**	431,338	*-21%*
Weighted average common shares outstanding	**164,630,168**	158,958,273	*4%*	**161,882,961**	156,994,934	*3%*
As at September 30						
End of period shares outstanding				**164,630,168**	158,958,273	*4%*
Net debt				**1,060,355**	1,021,105	*4%*
Shareholders' equity				**1,638,860**	1,619,916	*1%*
Total assets				**3,443,871**	3,259,579	*6%*

**all per share amounts using weighted average common shares* outstanding

	Three Months ended September 30		Nine Months ended September 30	
($000 except per share)	**2016**	2015	**2016**	2015
Cash flows from operating activities	**129,057**	139,275	**370,299**	399,724
Change in non-cash working capital	**(10,256)**	(9,754)	**(20,647)**	4,941
Change in provision for performance based compensation	**9,114**	4,992	**20,348**	9,684
Funds from operations	**127,915**	134,513	**370,000**	414,349
Funds from operations per share	**0.78**	0.85	**2.29**	2,64

(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 Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. 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 GAAP. Funds from operations cannot be assured and future dvidends may vary.

Exploration & Development

Spirit River formations again dominated the drilling targets for the third quarter with Wilrich, Falher and Notikewin formations accounting for 90% of the wells drilled. Peyto drilled its second faulted, vertical, Cardium well in the Brazeau area in the quarter, following up an initial successful well earlier in the year, along with its first vertical Belly River well. The Brazeau area accounted for approximately one quarter of all activity with development taking place across multiple formations.

In total, 40 gross wells were drilled across the land base as shown in the following table:

Zone	Field: Sundance	Nosehill	Wildhay	Ansell	Berland	Kisku/ Kakwa	Brazeau	Total Wells Drilled
Belly River							1	1
Cardium							1	1
Notikewin				4			4	8
Falher	11			2				13
Wilrich	7	1	1	3			3	15
Bluesky	1	1						2
Total	19	2	1	9			9	40

Third quarter drilling continued to take advantage of lower industry activity levels, lower costs and improved execution as the average horizontal well cost $1.8 MM for the second quarter in a row. Average completion costs increased 12% due to less pad completions conducted in the quarter. The following table illustrates the trend in drilling and completion costs since Peyto began drilling with horizontal wells in 2010:

	2010	2011	2012	2013	2014	2015	2016 Q1	2016 Q2	2016 Q3
Gross Hz Spuds	52	70	86	99	123	140	36	19	**38**
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,309	4,231	4,269	**4,238**
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,460	1,444	**1,420**
Drilling ($MM/well)	$2.763	$2.823	$2.789	$2.720	$2.660	$2.159	$1.916	$1.790	**1,807**
$ per meter	$734	$723	$694	$651	$626	$501	$453	$419	**$426**
Completion ($MM/well)	$1.358	$1.676	$1.672	$1.625	$1.702	$1.212	$0.910	$0.669	**$0.750**
$ per meter	$361	$429	$416	$389	$400	$281	$215	$157	**$175**

Capital Expenditures

Capital investments in the third quarter of 2016 totalled $113.6 million, comprised of $64.1 million for drilling, $26.9 million for completions, $13.2 million for wellsite equipment and well connections, $3.8 million for major pipelines and facilities, and $5.4 million for new seismic data and undeveloped land.

In total, 40 wells (92% Working Interest) were spud in the quarter, 38 horizontal wells and 2 vertical wells, and 37 wells (95% WI) were completed. Despite challenging ground conditions, Peyto was able to install wellsite equipment and pipelines to connect 41 wells (93% WI) and place them on production. Facility and pipeline investments of $3.8 million included the construction of two water source facilities at Brazeau. Finally, a total of 13 undeveloped sections (96% WI) of land were added in the quarter, acquired from other operators for $4.8 million or an average of $596/acre. These lands have an internal estimate of over 40 development locations that will be added to Peyto's existing inventory of Deep Basin locations.

Commodity Prices

US (Henry Hub) natural gas prices continued to climb throughout the quarter finishing above $3USD/MMBTU. Alberta (AECO) natural gas prices effectively did the same, except for a two week period in the middle of the quarter when prices collapsed due to an interruption in TCPL's mainline service at East Gate. By the end of the quarter however, AECO prices were approaching a high for 2016 at $2.75CAD/GJ.

The average third quarter 2016 AECO daily natural gas price was $2.20/GJ up 66% from the previous quarter but down 20% from the same period in 2015, while the average AECO monthly price was $2.09/GJ, up 75% from the previous quarter but down 22% from the prior year. As Peyto had committed 87% of its production to the monthly price, Peyto realized a volume weighted average natural gas price of $2.08/GJ or $2.39/Mcf, after the TCPL fuel charge and prior to a $0.49/Mcf hedging gain.

As a result of the Company's hedging strategy, approximately 81% of Peyto's natural gas production received a fixed price of $2.59/GJ, or $2.99/Mcf, when including hedges that were put in place over the previous 24 months, while the balance received the blended daily and monthly price of $2.08/GJ, resulting in an after-hedge price of $2.50/GJ or $2.88/Mcf.

Greater competition for fractionation and transportation of natural gas liquids has resulted in realized propane prices improving to the point where extracting propane from the gas stream and condensing it into liquid form is once again profitable. As a result, during the quarter Peyto began adjusting the operating conditions of the refrigeration process at its owned and operated processing facilities in order to recover more liquid propane and butane. The result was a 16% increase in total liquids yield as well a change in the blended realized liquids prices. Peyto realized an oil and natural gas liquids price of $39.76/bbl in Q3 2016 for its blend of condensate, pentane, butane and propane, which represented 73% of the $54.82/bbl average Canadian Light Sweet posted price, down from 76% in Q2 2016 and Q3 2015, as shown in the following table.

Commodity Prices by Component

Three Months ended	**Sept 30 2016**	Jun 30 2016	Sept 30 2015
Natural gas – after hedging ($/mcf)	**2.88**	2.60	3.50
Natural gas – after hedging ($/GJ)	**2.50**	2.26	3.06
AECO monthly ($/GJ)	**2.09**	1.18	2.66
Oil and natural gas liquids ($/bbl)			
Condensate ($/bbl)	**47.95**	47.83	49.49
Propane ($/bbl)	**6.51**	0.40	(8.02)
Butane ($/bbl)	**20.25**	19.52	19.24
Pentane ($/bbl)	**49.15**	50.67	50.70
Total Oil and natural gas liquids ($/bbl)	**39.76**	41.46	41.69
Canadian Light Sweet postings ($/bbl)	**54.82**	54.70	54.70

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

Financial Results

Peyto's realized natural gas price combined with realized liquids prices, resulted in unhedged revenues for the third quarter of $2.71/Mcfe ($3.16/Mcfe including hedging gains). Royalties of $0.12/Mcfe, operating costs of $0.25/Mcfe, transportation costs of $0.16/Mcfe, G&A of $0.04/Mcfe and interest expense of $0.19/Mcfe, all combined for total cash costs of $0.76/Mcfe ($4.54/boe). When Q3 2016 total cash costs of $0.76/Mcfe were deducted from realized revenues, it resulted in a cash netback of $2.40/Mcfe or a 76% operating margin.

Depletion, depreciation and amortization charges of $1.54/Mcfe, along with a provision for deferred tax and market based bonus payments reduced the cash netback to earnings of $0.43/Mcfe, or a 14% profit margin. Dividends of $1.02/Mcfe were paid to shareholders.

On October 24, 2016, Peyto closed an issuance of CAD $100 million of senior unsecured notes. The notes were issued by way of a private placement and rank equally with Peyto's obligations under its bank facility and existing note purchase agreements. The notes have a coupon rate of 3.7% and mature in October 24, 2023. Peyto now has CAD $520 million of outstanding senior unsecured notes, representing approximately 50% of the Company's net debt, at coupon rates ranging from 3.7% to 4.88%.

Natural Gas Marketing

As a result of increased Alberta natural gas price volatility, caused in part by continued transportation constraints on the NGTL/TCPL systems in the form of both periodic curtailments of take-away capacity and dramatic price impact through mainline capacity interruptions, Peyto's Board of Directors has approved an increase to the hedging limit for future natural gas sales from 65% to 85% for the forecasted winter 2016/17 and Summer 2017. As a result, Peyto has been and will be increasing the frequency of future sales to achieve this new target.

The following table summarizes the remaining hedged volumes and prices for the upcoming years as of November 9, 2016.

	Future Sales		Average Price (CAD)	
	GJ	Mcf	$/GJ	$/Mcf
2016	31,200,000	27,130,435	2.62	3.02
2017	167,685,000	145,813,043	2.58	2.96
2018	58,820,000	51,147,826	2.50	2.87
Total	258,164,411	224,091,304	2.56	2.95

**prices and volumes in mcf use Peyto's historic heat content premium of 1.15.*

Activity Update

Peyto is continuing its aggressive 2016 development program with 9 drilling rigs and 5 completion spreads active across its core areas. Four rigs are drilling in the heart of Sundance while 2 rigs are drilling on the east side of Sundance in the Edson and Ansell areas. The remaining 3 rigs are drilling in the Brazeau area.

So far, 18 wells (93% WI) have been drilled in the fourth quarter with another 16 wells (92% WI) expected to be drilled by the end of the year. Fifteen wells (90% WI) have been completed and 10 wells (87% WI) have been brought on production. Pad drilling has resulted in a backlog of completions (15 wells on 8 pads) which will to be resolved by December with the expectation that essentially all Q4 drills will be completed and on production by year end.

Production is currently fluctuating between 100,000 and 105,000 boe/d level with approximately 3,000 boe/d of additional volume behind pipe. Ongoing firm service curtailments on the NGTL system and anomalously high NGTL pipeline pressures are negatively affecting Peyto's ability to take full advantage of its production capability. Peyto expects production to grow to the 110,000-115,000 boe/d level by year end with the completions that lie ahead and with reliable take away performance on the NGTL system.

Propane prices continue to recover with further price improvements occurring in mid-October giving rise to additional enhancements to plant propane recovery levels including the resumption of the Oldman deep cut plant operation. Total company liquids recovery has been increased from a Q3 average of 13.6 bbl/MMcf sales gas to a present level above 16.0 bbl/MMcf.

The original 2016 budget announced last November projected the drilling of 130 to 145 wells (95% WI) for approximately $600 to $650 million. Peyto is currently on track to drill 131 wells (95% WI) for total capital investment of approximately $475 million, approximately 20% less than originally planned.

2017 Budget

The Board of Directors of Peyto has approved a preliminary 2017 budget which includes a capital program expected to range between $550 and $600 million. The capital program involves drilling between 145 and 160 wells (average of 94% working interest), along with associated pipeline and facility investments to accommodate the growing production base. The 9 drilling rigs currently contracted are deemed sufficient for this level of activity and are expected to be split with 5 rigs in the Greater Sundance area and 4 rigs drilling in Brazeau.

The 2017 drilling locations will be selected from Peyto's large, internal inventory of profitable drilling locations and, based on the current strip price for natural gas and liquids, are all forecast to achieve the Company's strict rate of return hurdle. These locations are expected to add between 47,500 and 52,500 boe/d of new working interest production, for a cost of approximately $11,500/boe/d, based on anticipated service costs and activity levels. A portion of the new production will offset an internal forecast of 36% base decline, while a portion will grow overall 2017 production from an expected 2016 exit level of 112,000 boe/d to between 120,000 boe/d and 125,000 boe/d.

The 2017 plan includes approximately $100 million in major gas plant and pipeline investments that will increase Peyto's capacity in owned and operated infrastructure to over 950 mmcf/d. This includes a $60 million investment in a new, sweet gas plant at Brazeau East. This plant will be constructed in two phases; the first phase will include the installation of a refrigeration train and 6 compressors capable of 70 mmcf/d, while the second phase will include a second refrigeration process and 4 additional compressors. There will be the option to add additional compression in the future as required. Phase 1 of the Brazeau East gas plant is expected to be installed during the first quarter and operational by June 2017. Phase 2 is planned for later in the year as drilling plans progress.

In the Greater Sundance area Peyto has plans to install a liquids pipeline system in Q1 2017 for $15 million. This dual pipeline system will link the Oldman, Oldman North, Nosehill and Swanson gas plants for collection and transportation of both condensate and LPG production. The proposed pipeline will effectively eliminate expensive trucking costs while achieving a reduction in greenhouse gas emissions associated with trucking these products to sales. Liquids product pricing is also expected to be enhanced as a result of this pipeline system.

The future strip for Alberta natural gas prices is currently forecast to average approximately $2.55/GJ in 2017, along with Canadian Light Sweet oil prices of approximately $65/bbl. In accordance with Peyto's historical hedging practice, the Company has already forward sold approximately 63% of 2017 forecast gas production at an average price of $2.58/GJ. These prices, when adjusted for Peyto's historic NGL and heat content premiums of approximately 130% and combined with the Company's industry leading cash costs of approximately $0.75/Mcfe ($4.50/boe), should yield cash netbacks of approximately $16/boe, and give Peyto the ability to fund its dividend and the majority of the capital program from internally generated FFO. For the remainder of the funding requirements for the capital program, Peyto has available capacity within its bank lines and working capital, while continuing to maintain a strong balance sheet.

Outlook

Peyto remains committed to its strategy as a leading natural gas explorer and producer especially as demand for natural gas in North America continues to grow each year. With a strict focus on maximizing returns, the Company is encouraged that it has more opportunities for profitable investment today than ever before. While the competition for traditional gas markets has increased, Peyto remains confident it can compete as one of a select few operators than can demonstrate real and consistent profitability at current market prices. In many ways, the challenges of today are no different than those that have been successfully navigated in the past with a consistent focus on execution, risk management and cost control.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the 2016 third quarter financial results on Thursday, November 10th, 2016, at 9:30 a.m. Mountain Standard Time (MST), or 11:30 a.m. Eastern Standard Time (EST). To participate, please call 1-416-340-2220 (Toronto area) or 1-866-225-6564 for all other participants. The conference call will also be available on replay by calling 1-905-694-9451 (Toronto area) or 1-800-408-3053 for all other parties, using passcode 5941123. The replay will be available at 11:00 a.m. MST, 1:00 p.m. EST Thursday, November 10th, 2016 until midnight EDT on Thursday, November 17th, 2016. The conference call can also be accessed through the internet at http://www.gowebcasting.com/8090. After this time the conference call will be archived on the Peyto Exploration & Development website at www.peyto.com .

Management's Discussion and Analysis

A copy of the third quarter report to shareholders, including the MD&A, audited financial statements and related notes, is available at http://www.peyto.com and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
November 9, 2016

Certain information set forth in this document and Management's Discussion and Analysis, including management's assessment of Peyto's future plans and operations, capital expenditures and capital efficiencies, 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 Peyto will derive there from. In addition, Peyto is providing future oriented financial information set out in this press release for the purposes of providing clarity with respect to Peyto's strategic direction and readers are cautioned that this information may not be appropriate for any other purpose. Other than is required pursuant to applicable securities law, Peyto does not undertake to update forward looking statements at any particular time. To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Peyto Exploration & Development Corp.

Condensed Balance Sheet *(unaudited)*

(Amount in $ thousands)

	September 30 2016	December 31 2015
Assets		
Current assets		
Cash	33,097	-
Accounts receivable	73,359	85,525
Due from private placement *(Note 6)*	-	3,769
Derivative financial instruments *(Note 8)*	-	65,169
Prepaid expenses	17,848	12,992
	124,304	167,455
Property, plant and equipment, net *(Note 3)*	3,319,567	3,190,059
	3,319,567	3,190,059
	3,443,871	3,357,514
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	121,550	144,402
Dividends payable *(Note 6)*	18,109	17,486
Derivative financial instruments *(Note 8)*	16,516	-
Provision for future performance based compensation *(Note 7)*	22,348	1,998
	178,523	163,886
Long-term debt *(Note 4)*	1,045,000	1,045,000
Long-term derivative financial instruments *(Note 8)*	15,051	2,299
Provision for future performance based compensation (Note 7)	10,707	-
Decommissioning provision *(Note 5)*	152,020	118,882
Deferred income taxes	403,710	403,890
	1,626,488	1,570,071
Equity		
Share capital *(Note 6)*	1,641,999	1,467,264
Shares to be issued *(Note 6)*	-	3,769
Retained earnings	16,615	103,339
Accumulated other comprehensive (loss) income *(Note 6)*	(19,754)	49,185
	1,638,860	1,623,557
	3,443,871	3,357,514

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	
	2016	2015	**2016**	2015
Revenue				
Oil and gas sales	144,301	146,993	366,947	443,774
Realized gain on hedges *(Note 8)*	23,894	23,223	121,490	82,456
Royalties	(6,382)	(6,489)	(18,241)	(20,356)
Petroleum and natural gas sales, net	**161,813**	163,727	**470,196**	505,874
Expenses				
Operating	13,254	12,665	38,526	40,672
Transportation	8,647	7,085	25,506	20,302
General and administrative	2,133	822	6,843	4,331
Future performance based compensation *(Note 7)*	13,969	5,518	31,057	10,596
Interest	9,864	8,642	29,320	26,221
Accretion of decommissioning provision *(Note 5)*	538	633	1,685	1,760
Depletion and depreciation *(Note 3)*	82,157	76,623	248,750	237,555
Gain on disposition of assets *(Note 3)*	-	-	(12,668)	-
	130,562	111,988	**369,019**	341,437
Earnings before taxes	**31,251**	51,739	**101,177**	164,437
Income tax				
Deferred income tax expense	8,437	14,392	27,318	70,282
Earnings for the period	**22,814**	37,347	**73,859**	94,155
Earnings per share *(Note 6)*				
Basic and diluted	**$0.14**	$0.23	**$0.46**	$0.60

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	
	2016	2015	**2016**	2015
Earnings for the period	**22,814**	37,347	**73,859**	94,155
Other comprehensive income (loss)				
Change in unrealized gain (loss) on cash flow hedges	42,232	(7,660)	27,053	(54,409)
Deferred tax (expense) recovery	(4,951)	2,068	25,498	14,690
Realized (gain) on cash flow hedges	(23,894)	(23,223)	(121,490)	(82,456)
Comprehensive income (loss)	**36,201**	8,532	**4,920**	(28,020)

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	
	2016	2015
Share capital, beginning of period	**1,467,264**	1,292,398
Common shares issued by private placement	7,644	7,732
Equity offering	172,500	172,517
Common shares issuance costs (net of tax)	(5,409)	(5,387)
Share capital, end of period	**1,641,999**	1,467,260

Shares to be issued, beginning of period	**3,769**	5,625
Shares issued	(3,769)	(5,625)
Shares to be issued, end of period	**-**	-

Retained earnings, beginning of period	**103,339**	173,927
Earnings for the period	73,859	94,155
Dividends *(Note 6)*	(160,583)	(155,693)
Retained earnings, end of period	**16,615**	112,389

Accumulated other comprehensive income, beginning of period	**49,185**	79,986
Other comprehensive loss	(68,939)	(39,719)
Accumulated other comprehensive (loss) income, end of period	**(19,754)**	40,267

Total equity	**1,638,860**	1,619,916

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Cash Flows *(unaudited)*

(Amount in $ thousands)

See accompanying notes to the financial statements

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Cash provided by (used in) operating activities				
Earnings	22,814	37,347	73,859	94,155
Items not requiring cash:				
Deferred income tax	8,437	14,392	27,318	70,282
Depletion and depreciation	82,157	76,623	248,750	237,555
Accretion of decommissioning provision	538	633	1,685	1,760
Gain on disposition of assets	-	-	(12,668)	-
Long term portion of future performance based compensation	4,855	526	10,708	913
Change in non-cash working capital related to operating activities	10,256	9,754	20,647	(4,941)
	129,057	139,275	**370,299**	399,724
Financing activities				
Issuance of common shares	-	-	180,144	180,249
Issuance costs	(10)	-	(7,409)	(7,380)
Cash dividends paid	(54,328)	(52,456)	(159,960)	(155,113)
Increase (decrease) in bank debt	-	50,000	-	(65,000)
Issuance of senior unsecured notes	-	-	-	100,000
	(54,338)	(2,456)	**12,775**	52,756
Investing activities				
Additions to property, plant and equipment	(113,571)	(176,618)	(339,968)	(431,338)
Change in prepaid capital	(1,567)	7,721	6,166	(6,158)
Change in non-cash working capital relating to investing activities	48,059	32,078	(16,175)	(14,984)
	(67,079)	(136,819)	**(349,977)**	(452,480)
Net increase (decrease) in cash	**7,640**	-	**33,097**	-
Cash, beginning of period	**25,457**	-	**-**	-
Cash, end of period	**33,097**	-	**33,097**	-

The following amounts are included in cash flows from operating activities:				
Cash interest paid	**9,140**	9,402	**28,547**	24,050
Cash taxes paid	**-**	-	**-**	-

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 8, 2016.

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, 2015 and 2014.

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, 2015 and 2014.

(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 and the Company is currently evaluating the impact of the standard on its 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 and the Company is currently evaluating the impact of the standard on Peyto's financial statements.

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, 2015	4,416,643
Additions	350,785
Decommissioning provision additions	31,453
Prepaid capital	(6,166)
At September 30, 2016	**4,792,715**
Accumulated depletion and depreciation	
At December 31, 2015	(1,226,584)
Depletion and depreciation	(246,564)
At September 30, 2016	**(1,473,148)**
Carrying amount at December 31, 2015	3,190,059
Carrying amount at September 30, 2016	**3,319,567**

During the nine months ended September 30, 2016, the Company closed an asset swap arrangement. For purposes of determining a gain on disposition, the estimated fair value was based on the fair value of the assets received. The Company recorded a gain of $12.7 million for the nine months ended September 30, 2016.

During the three and nine month periods ended September 30, 2016, Peyto capitalized $1.6 million and $4.7 million (2015 - $3.0 million and $6.8 million) of general and administrative expense directly attributable to exploration and development activities.

4. Long-term debt

	September 30, 2016	December 31, 2015
Bank credit facility	625,000	625,000
Senior unsecured notes	420,000	420,000
Balance, end of the period	**1,045,000**	1,045,000

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, 2016.

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.

On October 24, 2016 Peyto closed an issuance of CAD $100 million of senior unsecured notes. The notes were issued by way of private placement pursuant to the amended and restated 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 3.7% and mature in October 24, 2023. Interest will be paid semi-annually in arrears. After the issuance of these notes, the shelf facility is fully drawn at $250 million.

Peyto's total borrowing capacity after the issuance of the senior, unsecured notes on October 24, 2016 is $1.52 billion of which the credit facility is $1.0 billion.

Total interest expense for the three and nine month periods ended September 30, 2016 was $9.9 million and $29.3 million (2015 - $8.6 million and $26.2 million) and the average borrowing rate for the period was 3.7% and 3.6% (2015– 3.6% and 3.6%).

5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2015	**118,882**
New or increased provisions	13,266
Accretion of decommissioning provision	1,685
Change in discount rate and estimates	18,187
Balance, September 30, 2016	**152,020**
Current	-
Non-current	152,020

Peyto has estimated the net present value of its total decommissioning provision to be $152.0 million as at September 30, 2016 ($118.9 million at December 31, 2015) based on a total future undiscounted liability of $254.1 million ($239.0 million at December 31, 2015). At September 30, 2016 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 2064. The Bank of Canada's long term bond rate of 1.66 per cent (2.15 per cent at December 31, 2015) and an inflation rate of 2.0 per cent (2.0 per cent at December 31, 2015) 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, 2015	**158,958,273**	**1,467,264**
Common shares issued by private placement	281,270	7,644
Equity offering	5,390,625	172,500
Common share issuance costs, (net of tax)	-	(5,409)
Balance, September 30, 2016	**164,630,168**	**1,641,999**

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

	Three Months ended September 30		Nine Months ended September 30	
	2016	2015	**2016**	2015
Weighted average common shares basic and diluted	**164,630,168**	158,958,273	**161,882,961**	156,994,934

On December 31, 2015, Peyto completed a private placement of 149,030 common shares to employees and consultants for net proceeds of $3.8 million ($25.29 per share). These common shares were issued January 6, 2016.

On March 15, 2016, Peyto completed a private placement of 132,240 common shares to employees and consultants for net proceeds of $3.9 million ($29.30 per common share).

On May 18, 2016, Peyto completed a public offering for 5,390,625 common shares at a price of $32.00 per common share, for net proceeds of $165.6 million.

Dividends
During the three and nine month periods ended September 30, 2016, 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 2016, totaling $54.3 million and $160.6 million respectively (2015 - $0.33 and $0.99 ($0.11 per common share for the months of January to September 2015), totaling $52.5 million and $155.7 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, 2016	September 30, 2015
Share price	$36.82	$27.75
Exercise price (net of dividend)	$23.10	$33.35
Expected volatility	36.1%	31%
Option life	0.25 years	0.25 years
Risk-free interest rate	0.51%	0.52%

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, 2016.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2015.

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, 2016, 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, 2016:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
April 1, 2015 to October 31, 2016	Fixed Price	5,000 GJ	$2.855/GJ
April 1, 2015 to March 31, 2017	Fixed Price	50,000 GJ	$2.83/GJ to $3.05/GJ
May 1, 2015 to March 31, 2017	Fixed Price	5,000 GJ	$2.82/GJ
November 1, 2015 to March 31, 2017	Fixed Price	40,000 GJ	$2.84/GJ to $2.975/GJ
December 1, 2015 to March 31, 2017	Fixed Price	5,000 GJ	$2.55/GJ
January 1, 2016 to March 31, 2018	Fixed Price	5,000 GJ	$2.54/GJ
April 1, 2016 to October 31, 2016	Fixed Price	50,000 GJ	$2.40/GJ to $3.43/GJ
April 1, 2016 to March 31, 2017	Fixed Price	95,000 GJ	$2.58/GJ to $3.01/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
June 1, 2016 to October 31, 2016	Fixed Price	20,000 GJ	$1.52/GJ to $1.63/GJ
July 1, 2016 to October 31, 2016	Fixed Price	5,000 GJ	$1.73/GJ
July 1, 2016 to March 31, 2017	Fixed Price	10,000 GJ	$2.30/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
September 1, 2016 to October 31, 2016	Fixed Price	15,000 GJ	$2.12/GJ to $2.14/GJ
November 1, 2016 to March 31, 2017	Fixed Price	175,000 GJ	$2.34/GJ to $3.00/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	115,000 GJ	$2.23/GJ to $2.845/GJ
April 1, 2017 to March 31, 2018	Fixed Price	60,000 GJ	$2.65/GJ to $2.945/GJ
April 1, 2017 to October 31, 2018	Fixed Price	10,000 GJ	$2.585/GJ to $2.745/GJ
November 1, 2017 to March 31, 2018	Fixed Price	15,000 GJ	$2.91/GJ to $3.0425/GJ
April 1, 2018 to October 31, 2018	Fixed Price	25,000 GJ	$2.39/GJ to $2.465/GJ

As at September 30, 2016, Peyto had committed to the future sale of 262,455,000 gigajoules (GJ) of natural gas at an average price of $2.56 per GJ or $2.94 per mcf. Had these contracts been closed on September 30, 2016, Peyto would have realized a net loss in the amount of $31.6 million. If the AECO gas price on September 30, 2016 were to decrease by $0.10/GJ, the financial derivative liability would decrease by approximately $26.2 million. An opposite change in commodity prices rates would result in an opposite impact.

Subsequent to September 30, 2016 Peyto entered into the following contracts:

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
April 1, 2017 to October 31, 2017	Fixed Price	20,000 GJ	$2.60/GJ to $2.86GJ
April 1, 2017 to March 31, 2018	Fixed Price	25,000 GJ	$2.75/GJ to $3.025/GJ
April 1, 2017 to October 31, 2018	Fixed Price	15,000 GJ	$2.40/GJ to $2.565/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	
2016	2015	**2016**	2015	**2016**	2015
98.6	436.2	**579.1**	1,327	**344.3**	597.6

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, 2016:

	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Interest payments(1)	4,830	18,385	18,385	16,190	13,995	27,840
Transportation commitments	8,704	35,651	39,309	31,930	24,602	98,700
Operating leases	265	2,279	2,032	2,032	2,032	12,567
Methanol	-	1,582	-	-	-	-
Total	13,799	57,897	59,726	50,152	40,629	139,107

(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.

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

Stephen Chetner
Corporate Secretary

Tim Louie
Vice President, Land

David Thomas
Vice President, Exploration

Jean-Paul Lachance
Vice President, Exploitation

Todd Burdick
Vice President, Production

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
Union Bank, 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

Transfer Agent

Computershare

Head Office

300, 600 – 3 Avenue SW
Calgary, AB
T2P 0G5
Phone: 403.261.6081
Fax: 403.451.4100
Web: www.peyto.com
Stock Listing Symbol: PEY.TO
Toronto Stock Exchange