NEWS RELEASE

AUGUST 9, 2017 **SYMBOL: PEY – TSX**

PEYTO ANNOUNCES Q2 2017 RESULTS, MAINTAINS INDUSTRY LEADING CASH COSTS

CALGARY, ALBERTA – Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to present its operating and financial results for the second quarter of the 2017 fiscal year. A 75% operating margin (1) and a 22% profit margin (2) in the quarter delivered an annualized 10% return on equity (ROE) and 8% return on capital employed (ROCE). Additional highlights included:

- **Earnings of $0.24/share, dividends of $0.33/share.** Earnings of $40 million were generated in the quarter while dividends of $54 million were paid to shareholders. Dividend payments represented a before tax payout ratio of 41% of Funds from Operations ("FFO"), down from 53% in Q2 2016. The Company has never incurred a write down or recorded an impairment and this quarter represents Peyto's 50th consecutive quarter of earnings.

- **Funds from operations of $0.81/share.** Generated $133 million in FFO in Q2 2017 up 31% from $102 million in Q2 2016 (29%/share) as 11% higher production was combined with 15% higher commodity prices. For the first half of 2017, funds from operations were 8% higher than capital expenditures, or $21 million of free cashflow (before dividend payments).

- **Total cash costs of $0.85/Mcfe (or $0.68/Mcfe ($4.11/boe) excluding royalties).** Industry leading total cash costs, including $0.17/Mcfe royalties, $0.24/Mcfe operating costs, $0.18/Mcfe transportation, $0.05/Mcfe G&A and $0.21/Mcfe interest, combined with a realized price of $3.36/Mcfe, resulting in a $2.51/Mcfe ($15.04/boe) cash netback, up 18% from $2.12/Mcfe in Q2 2016.

- **Capital investment of $98 million**. A total of 25 gross wells (24 net) were drilled in the second quarter, 24 gross wells (22 net) were completed, and 29 gross wells (26 net) brought on production. Over the last 12 months new wells brought on production accounted for 34,929 boe/d at the end of the quarter, which, when combined with a trailing twelve month capital investment of $495 million, equates to an annualized capital efficiency of $14,160/boe/d. Peyto had 19 gross wells that were waiting on completion and/or tie in representing an expected 11,500 boe/d of behind pipe production which would have reduced the capital efficiency to the $11,000/boe/d target levels

- **Production per share up 9%.** Second quarter 2017 production of 585 MMcfe/d (97,531 boe/d) was up 11% from Q2 2016. The backlog of drilled but uncompleted wells has now been connected with August daily production to date averaging 111,000 boe/d.

Second Quarter 2017 in Review

The plan to take advantage of reduced industry activity and reduced service costs in the second quarter was partly hampered by heavy rains and wet ground conditions that limited the majority of drilling and completion activity to the month of June. Despite the challenging surface conditions Peyto was still able to drill and complete 25 new wells and bring 29 wells on production. Average drilling costs of $1.8 million/well and completion costs of $0.9 million/well were achieved, consistent with 2016 levels. The liquids pipeline constructed in Q1 2017, connecting four of the nine gas plants, was utilized for the last half of the quarter to reduce liquids trucking in the quarter, increasing the Company's realized liquids prices by approximately $2.50/bbl, and reducing road maintenance and environmental emissions. Operating costs were lower as warmer weather reduced chemical consumption and facility utilizations were optimized. Peyto added 13 sections of new land with pre-identified drilling locations to its inventory of future prospects for an average price of $113/acre. A strict focus on cost control improved operating margins resulting in increased year over year returns on capital employed.

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 June 30		%	Six Months Ended June 30		%
	2017	**2016**	Change	**2017**	**2016**	Change
Operations						
Production						
Natural gas (mcf/d)	**535,274**	489,337	*9%*	**542,118**	528,284	*3%*
Oil & NGLs (bbl/d)	**8,319**	6,621	*26%*	**8,949**	6,815	*31%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**585,187**	529,064	*11%*	**595,813**	569,171	*5%*
Barrels of oil equivalent (boe/d @ 6:1)	**97,531**	88,177	*11%*	**99,302**	94,862	*5%*
Production per million common shares (boe/d)*	**592**	545	*9%*	**602**	591	*2%*
Product prices						
Natural gas ($/mcf)	**2.92**	2.60	*12%*	**2.94**	2.85	*3%*
Oil & NGLs ($/bbl)	**48.33**	41.46	*17%*	**48.23**	37.42	*29%*
Operating expenses ($/mcfe)	**0.24**	0.26	*-8%*	**0.26**	0.25	*4%*
Transportation ($/mcfe)	**0.18**	0.17	*6%*	**0.18**	0.16	*13%*
Field netback ($/mcfe)	**2.77**	2.39	*16%*	**2.78**	2.57	*8%*
General & administrative expenses ($/mcfe)	**0.05**	0.06	*-17%*	**0.05**	0.04	*25%*
Interest expense ($/mcfe)	**0.21**	0.21	-	**0.20**	0.19	*5%*
Financial ($000, except per share*)						
Revenue	**178,982**	140,891	*27%*	**366,932**	320,243	*15%*
Royalties	**9,071**	4,874	*86%*	**19,707**	11,859	*66%*
Funds from operations	**133,487**	102,178	*31%*	**272,792**	242,085	*13%*
Funds from operations per share	**0.81**	0.63	*29%*	**1.66**	1.51	*10%*
Total dividends	**54,408**	53,735	*1%*	**108,796**	106,255	*2%*
Total dividends per share	**0.33**	0.33	-	**0.66**	0.66	-
Payout ratio	**41**	53	*-23%*	**40**	44	*-9%*
Earnings	**39,957**	9,102	*339%*	**80,211**	51,045	*57%*
Earnings per diluted share	**0.24**	0.06	*300%*	**0.49**	0.32	*53%*
Capital expenditures	**97,738**	50,634	*93%*	**251,612**	226,397	*11%*
Weighted average common shares outstanding	**164,874,175**	161,845,999	*2%*	**164,837,609**	160,494,262	*3%*
As at June 30						
End of period shares outstanding (includes shares to be issued				**164,874,175**	164,630,168	-
Net debt				**1,218,879**	1,018,796	*20%*
Shareholders' equity				**1,647,133**	1,656,995	*-1%*
Total assets				**3,604,373**	3,389,786	*6%*

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

	Three Months Ended June 30		Six Months Ended June 30	
($000 except per share)	**2017**	2016	**2017**	2016
Cash flows from operating activities	**127,980**	103,123	**249,117**	241,241
Change in non-cash working capital	**2,191**	(9,279)	**18,351**	(10,391)
Change in provision for performance based compensation	**3,316**	8,334	**5,324**	11,235
Funds from operations	**133,487**	102,178	**272,792**	242,085
Funds from operations per share	**0.81**	0.63	**1.66**	1.51

(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 dividends may vary.

Exploration & Development

Second quarter 2017 activity was primarily focused in the Greater Sundance area as wet conditions limited access in Brazeau and other areas during the quarter. Four drilling rigs were active during April and May, while nine rigs were drilling during June. The second quarter drilling activity was entirely focused on the Spirit River group of formations including the Notikewin, Falher and Wilrich. In total, 25 horizontal wells were drilled as shown in the following table:

Zone	Field Sundance	Nosehill	Wildhay	Ansell	Berland	Kisku/ Kakwa	Brazeau	Total Wells Drilled
Belly River								
Cardium								
Notikewin	2	2		1			3	8
Falher	1			1			1	3
Wilrich	9	1		3			1	14
Bluesky								
Total	12	3		5			5	25

Horizontal well drilling costs in Q2 2017 were in line with Q1 and with 2016 average costs despite the wetter conditions and delays associated with spring breakup. Completion costs (per meter of horizontal lateral) were down from Q1 2017 due to lower service costs and lower completion intensity in the Sundance area versus the Brazeau area. The following table illustrates the progression of cost optimization designed to contribute to lower overall development costs and ultimately greater returns:

	2010	2011	2012	2013	2014	2015	2016	2017 Q1	2017 Q2
Gross Hz Spuds	52	70	86	99	123	140	126	**40**	**25**
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,309	4,197	**4,313**	**4,143**
Drilling ($MM/well)	$2.76	$2.82	$2.79	$2.72	$2.66	$2.16	$1.82	**$1.82**	**$1.89**
$ per meter	$734	$723	$694	$651	$626	$501	$433	**$423**	**$457**
Completion ($MM/well)	$1.36	$1.68	$1.67	$1.63	$1.70	$1.21	$0.86	**$1.09**	**$0.96**
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,460	**1,547**	**1,498**
$ per Hz Length (m)	$1,017	$1,286	$1,231	$1,153	$1,166	$792	$587	**$705**	**$641**
$ '000 per Stage	$231	$246	$257	$188	$168	$115	$79	**$83**	**$76**

Capital Expenditures

During the second quarter of 2017, Peyto spent $48 million on drilling, $21 million on completions, $9 million on wellsite equipment and tie-ins, $17 million on facilities and major pipeline projects, and $2 million on new Crown lands and seismic, for total capital investments of $98 million.

In addition to the 25 gross (24 net) horizontal wells drilled, 24 gross (23 net) wells were completed and 29 gross (26 net) wells were equipped and tied in. Peyto completed construction and commissioned its Greater Sundance liquids pipeline in the second quarter and installed a 6 km, 10" gathering line in West Brazeau, which crosses the Nordegg river and connects several new locations to the Brazeau gathering system.

Peyto also purchased 13 sections of new Crown land at sales in the second quarter, mostly in the Greater Sundance area, for an average purchase price of $113/acre.

Commodity Prices

Average daily AECO natural gas prices were $2.64/GJ in Q2 2017, up slightly from $2.58/GJ the quarter before but up significantly from the $1.33/GJ in Q2 2016. US Henry Hub spot prices increased in a similar fashion. A return to historical norms for natural gas storage helped improve supply demand fundamentals contributing to the increase.

On average for Q2 2017, Peyto realized a natural gas price of $2.54/GJ or $2.92/Mcf. This was the result of a combination of approximately 17% of natural gas production being sold in the daily or monthly spot market at an average of $2.59/GJ ($2.99/Mcf) and 83% having been pre-sold at an average hedged price of $2.52/GJ (prices reported net of TCPL fuel charges).

In the second quarter of 2017, lower realized liquid propane prices combined with a progressively increasing carbon tax, which was imposed on Peyto's Oldman deep cut plant, resulted in less propane recoveries than in Q1 2017. As a result, Peyto's Q2 2017 blended, realized, oil and natural gas liquids price was $48.33/bbl, which represented 78% of the $61.95/bbl average Canadian Light Sweet posted price. Details of realized commodity prices by component are shown in the following table:

Commodity Prices by Component

		Three Months ended June 30	
		2017	2016
AECO monthly	($/GJ)	**2.63**	1.18
AECO daily	($/GJ)	**2.64**	1.33
Henry Hub spot	($US/MMBTU)	**3.08**	2.14
Natural gas – prior to hedging	($/GJ)	**2.59**	1.21
	($/mcf)	**2.99**	1.38
Natural gas – after hedging	($/GJ)	**2.54**	2.26
	($/mcf)	**2.92**	2.60
Oil and natural gas liquids ($/bbl)			
Condensate ($/bbl)		**57.60**	47.83
Propane ($/bbl)		**13.39**	0.40
Butane ($/bbl)		**30.81**	19.52
Pentane ($/bbl)		**59.93**	50.67
Total Oil and natural gas liquids ($/bbl)		**48.33**	41.46
Cnd Light Sweet stream ($/bbl)		**61.95**	54.70

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

Financial Results

Approximately 20%, or $0.69/Mcfe, of Peyto's revenue come from its liquids sales while 80%, or $2.67/Mcfe, came from natural gas. This liquids revenue covered all cash costs but royalties. Cash costs of $0.85/Mcfe, included royalties of $0.17/Mcfe, operating costs of $0.24/Mcfe, transportation costs of $0.18/Mcfe, G&A of $0.05/Mcfe and interest costs of $0.21/Mcfe. Cash costs were lower than the previous quarter due to reductions in operating costs and royalties, partially offset by increases in transportation, G&A and interest. These total cash costs, when deducted from realized revenues of $3.36/Mcfe, resulted in a cash netback of $2.51/Mcfe or a 75% operating margin. Historical cash costs and operating margins are shown in the following table. Going forward, Peyto expects per unit cash costs will continue to trend towards $0.80/Mcfe levels for the balance of 2017.

	2015				**2016**				**2017**	
($/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**
Revenue	4.17	3.81	3.80	3.58	3.24	2.92	3.16	3.38	**3.44**	**3.36**
Royalties	0.18	0.13	0.15	0.13	0.13	0.10	0.12	0.18	**0.19**	**0.17**
Operating Costs	0.32	0.31	0.28	0.25	0.23	0.26	0.25	0.26	**0.29**	**0.24**
Transportation	0.15	0.15	0.16	0.16	0.16	0.17	0.16	0.16	**0.17**	**0.18**
G&A	0.04	0.04	0.02	0.05	0.03	0.06	0.04	0.03	**0.04**	**0.05**
Interest	0.20	0.19	0.19	0.16	0.17	0.21	0.19	0.18	**0.20**	**0.21**
Total Cash Costs	0.89	0.82	0.80	0.75	0.72	0.80	0.76	0.81	**0.89**	**0.85**
Netback	3.28	2.99	3.00	2.83	2.52	2.12	2.40	2.57	**2.55**	**2.51**
Operating Margin	79%	78%	79%	79%	78%	73%	76%	76%	**74%**	**75%**

Depletion, depreciation and amortization charges of $1.38/Mcfe, along with a provision for deferred tax and market based bonus payments reduced the cash netback to earnings of $0.75/Mcfe, or a 22% profit margin. Dividends of $1.02/Mcfe were paid to shareholders.

Natural Gas Marketing

Peyto's practice of layering in future sales in the form of fixed price swaps, and thus smoothing out the volatility in natural gas prices, continued throughout the quarter. For the balance of 2017, approximately 68% of gas volumes have been hedged to protect against increased AECO volatility. The following table summarizes the remaining hedged volumes and prices for the upcoming years as of August 9, 2017:

	Future Sales		Average Price (CAD)	
	GJ	Mcf	$/GJ	$/Mcf
2017	70,490,000	61,295,652	2.61	3.00
2018	107,630,000	93,591,304	2.55	2.93
2019	13,550,000	11,782,609	2.47	2.85
2020	910,000	791,304	2.47	2.84
Total	192,580,000	167,460,870	2.57	2.95

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

In order to deal with restricted access to take-away capacity, Peyto has arranged for excess firm transportation on the NGTL system north of the James River receipt point of up to 120% of Peyto's forecasted natural gas sales for the remainder of the year. Specific monthly excess service is projected to offset the outage forecast provided by NGTL and safeguard against potential curtailments due to limited capacity. Beyond 2017, Peyto has secured new firm transportation to accommodate its expected production growth.

Activity Update

Following an unusually wet spring breakup, continuous operations were resumed in late June and have continued through July and into August. The backlog of uncompleted wells accumulated during Q1 and carried through Q2 was effectively eliminated over this period. Consequently, Peyto's has recently reached record daily production levels in excess of 115,000 BOE/d.

Peyto continues to run 9 drilling rigs (4 in Brazeau, 5 in Greater Sundance) and since the end of the second quarter has spud 18 gross (16.5 net) wells, completed 16 gross (16 net) wells, and tied in 22 gross (21.5 net) wells. Peyto now expects to drill and tie-in 80 wells in the second half of 2017. Included in this second half drilling will be step out Wilrich and Notikewin tests on newly acquired lands in south Brazeau, as well as Wilrich step outs in a new emerging area called Whitehorse. The Company has recently tied in 3 wells to a third-party processing facility in Whitehorse and is encouraged by the early results. Infrastructure plans for the Whitehorse area will be finalized in early 2018 and will likely include construction of a Peyto facility to process area volumes.

In addition, the site for the new Brazeau East gas plant is now ready, with the construction timeline aligned with the fall drilling and tie-in schedule. Pending installation of the first 70 mmcf/d of equipment, the Brazeau area will have over 210 mmcf/d of processing capacity.

Summer gas prices have been extremely volatile and although Peyto has an active hedging program, some volumes are still sold on the daily index. Ownership and operatorship of 99% of the production and processing facilities provides the flexibility to actively manage the daily volumes to ensure profit margins are preserved.

Outlook

While natural gas prices have deteriorated of late, Management expects prices will improve entering the fall for the winter heating season. The current and future 5 year strip for AECO natural gas price is below $2.40/GJ and is insufficient to sustain current Canadian gas production levels which would result in a tightening of supply and demand. That said, the Company has reviewed the economic returns of its remaining 2017 capital program in light of the weaker price forecast and is confident the remaining drilling program continues to make the economic return hurdle and deliver full cycle value creation for shareholders.

As always, Peyto's focus will be on maximizing efficiency and minimizing both capital and cash costs throughout its business. This laser like focus on profitability is unwavering and will continue to be used to direct capital to the highest return opportunities within Peyto's portfolio. This portfolio of opportunities is growing, as Peyto adds new Crown lands with identified drilling locations at historically low cost per acre. The Company's operation and financial flexibility, quality asset base and strong balance sheet position Peyto to continue to be opportunistic in this environment.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the Q2 2017 financial results on August 10th, 2017 at 9:00 a.m. Mountain Daylight Time (MDT), or 11:00 a.m. Eastern Daylight Time (EDT). Please see the press release for conference call details. To participate, please call 1-844-492-6041 (North America) or 1-478-219-0837 (International). Shareholders and interested investors are encouraged to ask questions about Peyto and its most recent results. Questions can be submitted prior to the call at info@peyto.com. The conference call can also be accessed through the internet at http://edge.media-server.com/m/p/m67ombbn. 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 second quarter report to shareholders, including the MD&A, audited financial statements and related notes, is available at http://www.peyto.com/Files/Financials/2017/Q22017MDandA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
August 9, 2017

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)

	June 30 2017	December 31 2016
Assets		
Current assets		
Cash	4,235	2,102
Accounts receivable	75,145	94,813
Due from private placement *(Note 6)*	-	4,930
Derivative financial instruments *(Note 8)*	25,265	-
Prepaid expenses	32,448	13,385
	137,093	115,230
Long-term derivative financial instruments *(Note 8)*	5,030	-
Property, plant and equipment, net *(Note 3)*	3,462,250	3,347,859
	3,467,280	3,347,859
	3,604,373	3,463,089
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	107,571	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)*	12,179	6,854
	137,886	302,416
Long-term debt *(Note 4)*	1,205,000	1,070,000
Long-term derivative financial instruments *(Note 8)*	-	31,465
Provision for future performance based compensation (Note 7)	6,848	4,499
Decommissioning provision *(Note 5)*	142,953	127,763
Deferred income taxes	464,553	386,012
	1,819,354	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)	(27,809)	776
Accumulated other comprehensive (loss) income *(Note 6)*	25,405	(106,754)
	1,647,133	1,540,934
	3,604,373	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 June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Revenue				
Oil and gas sales	182,097	86,444	379,133	222,647
Realized (loss) gain on hedges *(Note 8)*	(3,115)	54,447	(12,201)	97,596
Royalties	(9,071)	(4,874)	(19,707)	(11,859)
Petroleum and natural gas sales, net	**169,911**	**136,017**	**347,225**	**308,384**
Expenses				
Operating	13,018	12,732	28,703	25,273
Transportation	9,742	8,190	19,209	16,859
General and administrative	2,646	2,853	4,959	4,710
Future performance based compensation *(Note 7)*	4,305	12,533	7,674	17,088
Interest	11,018	10,063	21,563	19,456
Accretion of decommissioning provision *(Note 5)*	715	543	1,465	1,147
Depletion and depreciation *(Note 3)*	73,731	76,635	153,775	166,594
Gain on disposition of assets *(Note 3)*	-	-	-	(12,668)
	115,175	**123,549**	**237,348**	**238,459**
Earnings before taxes	**54,736**	**12,468**	**109,877**	**69,925**
Income tax				
Deferred income tax expense	14,779	3,366	29,666	18,880
Earnings for the period	**39,957**	**9,102**	**80,211**	**51,045**
Earnings per share *(Note 6)*				
Basic and diluted	**$0.24**	**$0.06**	**$0.49**	**$0.32**

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	
	2017	2016	**2017**	2016
Earnings for the period	**39,957**	9,102	**80,211**	51,045
Other comprehensive income (loss)				
Change in unrealized gain (loss) on cash flow hedges	36,879	(110,733)	168,839	(15,178)
Deferred tax (expense) recovery	(10,798)	44,598	(48,881)	30,449
Realized loss (gain) on cash flow hedges	3,115	(54,446)	12,201	(97,596)
Comprehensive income (loss)	**69,153**	(111,479)	**212,370**	(31,280)

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	
	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)	(5,402)
Share capital, end of period	**1,649,537**	1,642,006

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 (deficit), beginning of period	**776**	103,339
Earnings for the period	80,211	51,045
Dividends *(Note 6)*	(108,796)	(106,255)
Retained earnings (deficit), end of period	**(27,809)**	48,129

Accumulated other comprehensive income, beginning of period	**(106,754)**	49,185
Other comprehensive loss (income)	132,159	(82,325)
Accumulated other comprehensive (loss) income, end of period	**25,405**	(33,140)

Total equity	**1,647,133**	1,656,995

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	
	2017	2016	**2017**	2016
Cash provided by (used in)				
operating activities				
Earnings	**39,957**	9,102	**80,211**	51,045
Items not requiring cash:				
Deferred income tax	14,779	3,366	29,666	18,880
Depletion and depreciation	73,731	76,635	153,775	166,594
Accretion of decommissioning provision	715	543	1,465	1,147
Gain on disposition of assets	-	-	-	(12,668)
Long term portion of future performance based compensation	989	4,198	2,351	5,852
Change in non-cash working capital related to operating activities	(2,191)	9,279	(18,351)	10,391
	127,980	103,123	**249,117**	241,241
Financing activities				
Issuance of common shares	-	172,507	7,574	180,144
Issuance costs	-	(7,381)	(26)	(7,399)
Cash dividends paid	(54,408)	(53,142)	(108,769)	(105,631)
Increase (decrease) in bank debt	70,000	(95,000)	135,000	-
	15,592	16,984	**33,779**	67,114
Investing activities				
Additions to property, plant and equipment	(97,738)	(50,634)	(251,612)	(226,397)
Change in prepaid capital	3,770	233	(2,829)	7,733
Change in non-cash working capital relating to investing activities	(45,369)	(47,991)	(26,322)	(64,234)
	(139,337)	(98,392)	**(280,763)**	(282,898)
Net increase in cash	**4,235**	21,715	**2,133**	25,457
Cash, beginning of period	**-**	3,742	**2,102**	-
Cash, end of period	**4,235**	25,457	**4,235**	25,457
The following amounts are included in cash flows from operating activities:				
Cash interest paid	**15,597**	13,764	**25,209**	19,407
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 8, 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	251,612
Decommissioning provision additions	13,725
Prepaid capital	2,829
At June 30, 2017	**5,169,689**
Accumulated depletion and depreciation	
At December 31, 2016	(1,553,664)
Depletion and depreciation	(153,775)
At June 30, 2017	**(1,707,439)**
Carrying amount at December 31, 2016	3,347,859
Carrying amount at June 30, 2017	**3,462,250**

During the three and six month periods ended June 30, 2017, Peyto capitalized $1.4 million and $3.5 million (2016 - $0.9 million and $3.1 million) of general and administrative expense directly attributable to exploration and development activities.

4. Long-term debt

	June 30, 2017	December 31, 2016
Bank credit facility	685,000	550,000
Senior unsecured notes	520,000	520,000
Balance, end of the period	**1,205,000**	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 June 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. $150 million has been drawn under this shelf facility.

Total interest expense for the three and six month periods ended June 30, 2017 was $11.0 million and $21.6 million (2016 - $10.1 million and $19.5 million) and the average borrowing rate for the period was 3.7% 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	7,775
Accretion of decommissioning provision	1,465
Change in discount rate and estimates	5,950
Balance, June 30, 2017	**142,953**
Current	-
Non-current	142,953

Peyto has estimated the net present value of its total decommissioning provision to be $143.0 million as at June 30, 2017 ($127.8 million at December 31, 2016) based on a total future undiscounted liability of $273.7 million ($258.2 million at December 31, 2016). At June 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 2.13 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, June 30, 2017	**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	
	2017	2016	**2017**	2016
Weighted average common shares basic and diluted	**164,874,175**	161,845,999	**164,837,609**	160,494,262

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 six month periods ended June 30, 2017, Peyto declared and paid dividends of $0.33 and $0.66 per common share ($0.11 per common share for the months of January to June 2017), totaling $54.4 million and $108.8 million respectively (2016 - $0.33 and $0.66 ($0.11 per common share for the months of January to June 2016), totaling $53.7 million and $106.3 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 equally over a three year period. Compensation is calculated as the number of vested rights multiplied by the total of the market appreciation (over the price at the date of grant) and associated dividends of a common share for that period.

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

	June 30, 2017	June 30, 2016
Share price	$23.52-$33.80	$24.09-$34.68
Exercise price (net of dividends)	$22.77-$33.14	$23.43-$33.02
Expected volatility	27.3%	38.9%
Option life	0.50 years	0.50 years
Risk-free interest rate	1.10%	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 June 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 June 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 June 30, 2017:

Natural Gas Period Hedged	**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
November 1, 2017 to March 31, 2018	Fixed Price	115,000 GJ	$2.50/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	110,000 GJ	$2.3425/GJ to $2.625/GJ
April 1, 2019 to March 31, 2020	Fixed Price	10,000 GJ	$2.445/GJ to $2.50/GJ

As at June 30, 2017, Peyto had committed to the future sale of 206,815,000 gigajoules (GJ) of natural gas at an average price of $2.57 per GJ or $2.96 per mcf. Had these contracts been closed on June 30, 2017, Peyto would have realized a net gain in the amount of $30.3 million. If the AECO gas price on June 30, 2017 were to decrease by $0.10/GJ, the financial derivative asset would decrease by approximately $20.7 million. An opposite change in commodity prices rates would result in an opposite impact.

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

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
August 2 – 31,2017	Fixed Price	20,000 GJ	$1.81/GJ
August 3 – 31,2017	Fixed Price	30,000 GJ	$1.80/GJ
September 1, 2017 to October 31,2017	Fixed Price	5,000 GJ	$1.935/GJ
November 1, 2017 to March 31, 2018	Fixed Price	10,000 GJ	$2.60/GJ to $2.6625/GJ
April 1, 2018 to March 31, 2019	Fixed Price	10,000 GJ	$2.385/GJ to $2.415/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 June 30		Six Months ended June 30		As at June 30	
2017	2016	**2017**	2016	**2017**	2016
151.3	288.4	**211.0**	650.6	**227.7**	427.4

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 June 30, 2017:

	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Interest payments(1)	7,900	22,085	19,890	17,695	12,295	26,645
Transportation commitments	19,901	45,577	39,955	28,160	24,016	92,733
Operating leases	1,042	2,197	2,197	2,197	2,197	11,360
Other	157	-	-	-	-	-
Total	29,000	69,859	62,042	48,052	38,508	130,738

(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

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

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