

PEYTO

Exploration & Development Corp.

Press Release

Monday, August 23, 1999

Peyto Exploration & Development Corp.'s Second Quarter 1999 Report

PEYTO Exploration & Development Corp. is pleased to present its second quarter financial and operating results for the period ended June 30, 1999.

Quarterly Review

From the previous quarter, production climbed 72% to 41 barrels of oil and natural gas liquids and 594 thousand cubic feet (mcf) of natural gas per day. For the quarter, operating income climbed 294% to \$106,677. Product prices averaged \$18.77 per barrel for oil and \$2.93 per mcf for gas with associated operating costs of \$2.19 per barrel of oil and \$0.66 per mcf of gas. At the end of the period, Peyto had a working capital surplus of \$354,834 with no debt. Peyto's capital spending totaled \$(92,374) for the quarter.

During the quarter, Peyto tied-in and brought on production its first operated well. Peyto also completed the sale of its Hanlan property to Rio Alto Exploration Ltd. for net proceeds of \$833,336.

Activity Update

In July 1999, Peyto successfully re-completed two more operated gas wells. Both wells will be tied-in and on production in the fall of 1999.

Outlook

The company will continue to develop its large inventory of low risk development and exploitation projects in West Central Alberta. For further information on the company, visit Peyto's web site located at www.peyto.com.

Don T. Gray, P. Eng.
President & CEO
August 19, 1999

financial statements

Balance Sheet

(Unaudited)

As at June 30	1999	1998
ASSETS		
Current assets		
Cash and short-term investments	\$ (15,365)	\$ 435,156
Accounts receivable	1,412,950	-
Prepaid expenses	11,653	-
	1,409,238	435,156
Petroleum & natural gas properties		
Petroleum & natural gas properties	1,370,580	-
Production equipment and other	208,855	-
	1,579,435	-
Less accumulated depreciation and depletion		
Petroleum & natural gas properties	61,977	-
Production equipment and other	14,626	-
	76,603	-
	1,502,832	-
Total assets	\$ 2,912,070	\$ 435,156
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,054,404	\$ 2,500
Future site restoration	6,568	-
Future income tax	202,690	(30,269)
Shareholders' equity		
Share capital	1,755,942	462,402
Retained earnings (deficit)	(107,534)	523
	1,648,408	462,925
Total liabilities and equity	\$ 2,912,070	\$ 435,156

financial statements

Statement of Operations and Retained Earnings

(Unaudited)

Six Months Ended		
June 30	1999	1998
Revenue		
Oil and gas sales	\$ 341,448	\$ -
Royalties	(118,507)	-
Interest income	4,966	6,600
	227,907	6,600
Expenses		
Production	80,005	-
General and administrative	137,134	6,007
Interest	2,427	-
Depletion, depreciation and Site restoration	59,169	-
	278,735	6,007
Net income (loss) for the period	(50,828)	593
Retained earnings (deficit), Beginning of period	(56,706)	(70)
Retained earnings (deficit), End of period	\$ (107,534)	\$ 523
Common shares outstanding	13,108,671	3,750,000
Earnings (loss) per share	\$(0.00)	\$0.00

financial statements

Statement of Cash Flows

(Unaudited)

Six Months Ended June 30	1999	1998
Cash provided by (used in) Operating Activities		
Net income (loss) for the period	\$ (50,828)	\$ 593
Items not requiring cash		
Depletion, depreciation and Site restoration	59,169	-
Cash flow from operations	8,341	593
Change in non-cash working capital balances related to operating activities	(357,290)	2,500
	(348,949)	3,093
Cash provided by (used in) Financing Activities		
Issue of common shares	296,460	-
Share issue costs	9,601	(4,597)
	306,061	(4,597)
Cash provided by (used in) Investing Activities		
Additions to petroleum and Natural gas properties	(997,163)	-
Net increase in cash and short-term investments	(1,040,051)	(1,504)
Cash and short-term investments, beginning of period	1,024,686	436,660
Cash and short-term investments, end of period	\$ (15,365)	\$ 435,156
Cash flow per share	\$0.00	\$0.00

corporate information

Management

Don T. Gray
President and Chief Executive Officer

Marc Villéger
Vice-President, Exploration

Sandra Brick
Controller

Directors

Rick Braund
Chairman of the Board

Don T. Gray
Director, Secretary

Mike Broadfoot
Director

Bill Petrie
Director

Brian Craig
Director

Auditors

Grant Thornton

Solicitors

Blake, Cassels & Graydon

Bankers

National Bank of Canada

Transfer Agent

Montreal Trust Company of Canada

Head Office

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Stock Listing Symbol: PEY

Alberta Stock Exchange

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