PEYTO EXPLORATION & DEVELOPMENT CORP.

Notice of
Annual Meeting of Shareholders
to be held on May 11, 2017

The annual meeting of the shareholders of Peyto Exploration & Development Corp. (the "**Corporation**") will be held at the Calgary Telus Convention Centre, 120 – 9th Avenue S.W., Calgary, Alberta T2G 0P3, on Thursday, May 11, 2017 at 3:00 p.m. (Calgary time) to:

1. receive and consider the Corporation's financial statements for the year ended December 31, 2016, together with the auditors' report thereon;

2. fix the number of directors of the Corporation to be elected at the meeting at seven (7);

3. elect seven (7) directors of the Corporation;

4. appoint the auditors and authorize the directors to fix their remuneration as such; and

5. transact such other business as may properly be brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the information circular – proxy statement accompanying this notice.

If you are unable to attend the meeting in person, the Corporation requests that you date and sign the enclosed form of proxy and mail it to or deposit it with Computershare, (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. Alternatively, a shareholder may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received no later than 3:00 p.m. (Calgary Time) on May 9, 2017 or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the meeting.

Only shareholders of record at the close of business on March 22, 2017 will be entitled to vote at the meeting, unless a shareholder has transferred any common shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders.

DATED at Calgary, Alberta this 22nd day of March, 2017.

By order of the Board of Directors of
Peyto Exploration & Development Corp.

(signed) "*Darren Gee*"
President and Chief Executive Officer

PEYTO EXPLORATION & DEVELOPMENT CORP.

Information Circular – Proxy Statement
for the Annual Meeting to be held on May 11, 2017

PROXIES

Solicitation of Proxies

This information circular – proxy statement is furnished in connection with the solicitation of proxies for use at the annual meeting of the shareholders of Peyto Exploration & Development Corp. ("**Peyto**" or the "**Corporation**") to be held on Thursday, May 11, 2017 at 3:00 p.m. (Calgary time) at the Calgary Telus Convention Centre, 120 – 9th Avenue S.W., Calgary, Alberta T2G 0P3, and at any adjournment thereof. If a shareholder is unable to attend the meeting in person, the Corporation requests that a shareholder date and sign the enclosed form of proxy and mail it to or deposit it with Computershare, (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. Alternatively, a shareholder may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America) or by internet using the 15 digit control number located at the bottom of the shareholder's proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. A shareholder's proxy or voting instructions must be received no later than 3:00 p.m. (Calgary Time) on May 9, 2017 or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before the beginning of any adjournment of the meeting. Only shareholders of record at the close of business on March 22, 2017 will be entitled to vote at the meeting, unless a shareholder has transferred any common shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

The persons named in the enclosed form of proxy are officers of the Corporation. **As a shareholder, you have the right to appoint a person, who need not be a shareholder, to represent you at the meeting. To exercise this right, you should insert the name of the desired representative in the blank space provided on the form of proxy and strike out the other names of the nominees of management.**

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your common shares in your own name. Only proxies deposited by shareholders whose names appear on the Corporation's records as the registered holders of common shares can be recognized and acted upon at the meeting. If common shares are listed in an account statement provided by your broker, then in almost all cases those common shares will not be registered in your name on the Corporation's records. Such common shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such common shares are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Common shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your common shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your common shares are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternatively, you can call their toll-free telephone number or visit their internet site to vote your common shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of common shares to be represented at the meeting. **If you receive a**

voting instruction form from Broadridge it cannot be used as a proxy to vote common shares directly at the meeting as the proxy must be returned to Broadridge well in advance of the meeting in order to have the common shares voted.

Notice-And-Access

Peyto has elected to use the "notice-and-access" provisions (the "**Notice-and-Access Provisions**") under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") for the meeting in respect of the mailing of the Corporation's meeting materials, annual financial statements and management's discussion and analysis to the beneficial holders of common shares (i.e., a shareholder who holds their shares in the name of a broker or an agent) but not in respect of mailings to registered holders of the common shares (i.e., a shareholder whose name appears on the Corporation's records as a holder of common shares). The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to shareholders by allowing a reporting issuer to post its information circular in respect of a meeting of its shareholders and related materials online.

Peyto has also elected to use procedures known as "stratification" in relation to the Corporation's use of the Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of an information circular and, if applicable, a paper copy of financial statements and related management's discussion and analysis ("**Financial Information**"), to some shareholders together with a notice of a meeting of its shareholders. In relation to the meeting, registered holders of the common shares will receive a paper copy of the notice of the meeting, this information circular – proxy statement and a form of proxy and the Corporation's financial statements and related management's discussion and analysis whereas all beneficial holders of common shares will receive a notice containing information prescribed by the Notice-and-Access Provisions and a voting instruction form. Peyto intends to pay for intermediaries to deliver proxy-related materials to objecting beneficial owners of common shares. Furthermore, a paper copy of the Financial Information in respect of the Corporation's most recently completed financial year was mailed to those registered and beneficial holders of common shares who previously requested to receive such information.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy to attends personally at the meeting you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited either at the Corporation's head office at any time up to and including the last business day before the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of the management of the Corporation. Pursuant to NI 54-101, arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy-related materials to the beneficial owners of the common shares. The Corporation will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by the Corporation's directors, officers and employees who will not be remunerated therefor.

Exercise of Discretion by Proxy

The common shares represented by the form of proxy in favour of management nominees will be voted on any poll at the meeting. Where you specify a choice with respect to any matter to be acted upon, the common shares will be voted on any poll in accordance with the specification so made. If no direction is given, your common shares will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of common shares. As at March 22, 2017, there were 164,874,175 common shares issued and outstanding. As a holder of common shares, you are entitled to one vote for each common share you own.

To the knowledge of the Corporation's directors and officers, as at March 22, 2017 no person or company beneficially owned or controlled or directed, directly or indirectly, more than 10% of the common shares which may be cast at the meeting.

As at March 22, 2017, the Corporation's directors and officers, as a group, beneficially owned or controlled or directed, directly or indirectly, approximately 5.0 million common shares or approximately 3% of the issued and outstanding common shares.

QUORUM FOR MEETING

A quorum for the meeting is two or more persons either present in person or represented by proxy and representing in the aggregate not less than 5% of the Corporation's outstanding common shares. If a quorum is not present at the meeting within one-half hour after the time fixed for the holding of the meeting, the meeting will be adjourned to such day being not less than 21 days later and to such place and time as may be determined by the chairman of the meeting. At such meeting, the shareholders present either personally or by proxy shall form a quorum.

APPROVAL REQUIREMENT

All of the matters to be considered at the meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person or represented by proxy at the meeting.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

At the meeting, the shareholders will be asked to fix the number of directors of the Corporation to be elected at the meeting at seven (7) and to elect seven (7) directors.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing the board of directors (the "**Board**") of the Corporation at seven (7) members, and in favour of the election as directors, until the next annual meeting of shareholders of the Corporation, of the seven (7) nominees set forth below:

Donald Gray
Michael MacBean
Brian Davis
Darren Gee
Gregory Fletcher
Stephen Chetner
Scott Robinson

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the proxy shall not be voted with respect to such vacancy.

The form of proxy provided by management of the Corporation accompanying this information circular – proxy statement provides for individual voting on directors rather than slate voting.

As described below under "*Majority Voting for Directors*", the election of each individual director of the Corporation will be effected by an ordinary resolution requiring the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person or represented by proxy at the meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the election of each of the persons specified above.

Directors' Biographies

The following information relating to the director nominees is based partly on the Corporation's records and partly on information received by the Corporation from the nominees and sets forth the names, ages and cities of residence of the proposed nominees, their committee memberships, the date on which each became a director of the Corporation, the present occupations and brief biographies of such persons and the number of common shares owned, controlled or directed by each as at March 22, 2017.

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Donald Gray Scottsdale, Arizona	51	October 1998	948,136

Chairman of the Board
Independent

Mr. Gray is currently a private investor and President of EIQ Capital Corp., a private capital management company, since May 2007.

Mr. Gray was the former President and Chief Executive Officer of Peyto from 1998 until his retirement in 2006. Mr. Gray has been primarily engaged as President of EIQ Capital Corp., a private capital management company, since May 2007. Mr. Gray has also been the Chairman of Gear Energy Ltd., an oil and gas company listed on the Toronto Stock Exchange (the "**TSX**"), since January 2010 and the Chairman of Petrus Resources Ltd., an oil and gas company listed on the TSX, since December 2010. Mr. Gray holds a BSc in petroleum engineering from Texas A&M University and has over 29 years experience in the Canadian oil and gas business in various capacities.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Total	**(6/6)**	**100%**
Current Board Directorships	Public Boards		
	Gear Energy Ltd.		
	Petrus Resources Ltd.		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	87,162,162	77.00%	
Votes Withheld	26,039,659	23.00%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Michael MacBean Calgary, Alberta	49	June 2003	108,510

Lead Director of the Board
Independent

Mr. MacBean is the Senior Managing Director of TriWest Capital Partners, a private equity firm since April 2010.

Mr. MacBean is the Chairman of the Audit Committee of Peyto. Mr. MacBean is primarily engaged as the Senior Managing Director of TriWest Capital Partners, a private equity firm. From October 1998 to April 2010, Mr. MacBean was the Chief Executive Officer of Diamond Energy Services LP, a partnership engaged in the energy services sector. From 1995 through 1998, Mr. MacBean served as Controller and subsequently Senior Investment Analyst for ARC Financial Corporation. During this time Mr. MacBean also served as Vice-President, Finance for ARC Energy Trust. Prior to 1995, Mr. MacBean was the Manager of Financial Reporting and Taxation for Mannville Oil & Gas Ltd. Mr. MacBean holds a Bachelor of Commerce Degree from the University of Saskatchewan, holds his CPA, CA designation and is a member of the Chartered Professional Accountants Alberta. In February 2007, Mr. MacBean received his Chartered Directors (C.Dir) designation from McMaster University.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Audit Committee (Chair)	(5/5)	100%
	Reserves Committee	(2/2)	100%
	Compensation and Nominating Committee	(1/1)	100%
	Total	**(14/14)**	**100%**
Current Board Directorships	Public Boards		
	N/A		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	106,852,875	94.39%	
Votes Withheld	6,347,946	5.61%	

Nominee for Election as Director	**Age**	**Director Since** (1)	**Common Shares Owned, Controlled or Directed** (2)
Brian Davis Houston, Texas	51	August 2006	145,340

Director
Independent

Mr. Davis is the Managing Partner of Oil and Gas Evaluations and Consulting, an independent oil and gas engineering consultancy firm based in Houston, Texas, since July 1994.

Mr. Davis is the Chairman of the Reserves Committee of Peyto. Mr. Davis has been primarily engaged as the Managing Partner of Oil and Gas Evaluations and Consulting, an independent oil and gas engineering consultancy firm based in Houston, Texas, since July 1994. Through his experience at Oil and Gas Evaluations and Consulting, Mr. Davis has acquired significant experience and exposure to accounting and financial issues. Mr. Davis holds a BSc in petroleum engineering from Texas A&M University.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Audit Committee	(5/5)	100%
	Reserves Committee (Chair)	(2/2)	100%
	Compensation and Nominating Committee	(1/1)	100%
	Total	**(14/14)**	**100%**
Current Board Directorships	Public Boards		
	N/A		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	106,851,875	94.39%	
Votes Withheld	6,348,946	5.61%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Darren Gee Calgary, Alberta	49	January 2007	2,033,959

Director
Non-Independent

Mr. Gee is the President and Chief Executive Officer of Peyto since January 2007 and President of Peyto since August 2006.

Mr. Gee was previously the Vice-President, Engineering of Peyto, joining the organization in 2001. Mr. Gee is also a director of Altura Energy Inc., a public oil and gas company. Mr. Gee has over 27 years experience in the Canadian oil and gas business. Mr. Gee has a BSc in mechanical engineering from the University of Alberta and is a member of APEGA.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Total	**(6/6)**	**100%**
Current Board Directorships	Public Boards		
	Altura Energy Inc.		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	91,469,460	80.80%	
Votes Withheld	21,731,360	19.20%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Gregory Fletcher Calgary, Alberta	69	January 2007	17,000

Director
Independent

Mr. Fletcher is the President of Sierra Energy Inc., a private oil and gas production company, since 1997.

Mr. Fletcher is the Chairman of the Compensation and Nominating Committee of Peyto. Mr. Fletcher is primarily engaged as the President of Sierra Energy Inc., a private oil and gas production company that he founded in 1997. Mr. Fletcher is also a director of Calfrac Well Services Ltd., an oilfield services company listed on the TSX, a director of Total Energy Services Inc., an oilfield services company listed on the TSX, and Whitecap Resources Inc., an oil and gas company listed on the TSX. Mr. Fletcher holds a BSc in geology from the University of Calgary. In January 2009, Mr. Fletcher graduated from the Directors' Education Program sponsored by the Institute of Corporate Directors and Haskayne School of Business at the University of Calgary.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Audit Committee	(5/5)	100%
	Reserves Committee	(2/2)	100%
	Compensation and Nominating Committee (Chair)	(1/1)	100%
	Total	**(14/14)**	**100%**
Current Board Directorships	Public Boards		
	Total Energy Services Inc.		
	Calfrac Well Services Ltd.		
	Whitecap Resources Inc.		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	89,641,582	79.19%	
Votes Withheld	23,559,239	20.81%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Stephen Chetner Calgary, Alberta	50	May 2009	645,627

Director
Independent

Mr. Chetner is a Partner at Burnet, Duckworth & Palmer LLP, Barristers and Solicitors.

Mr. Chetner has over 21 years of corporate securities legal experience. Mr. Chetner has an LLB from the University of Western Ontario and an LLM from the University of London (U.K.). Mr. Chetner is also the Corporate Secretary of Peyto.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Total	**(6/6)**	**100%**
Current Board Directorships	Public Boards		
	N/A		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	74,973,880	66.23%	
Votes Withheld	38,226,941	33.77%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Scott Robinson Calgary, Alberta	56	May 2010	488,007

Director
Non-Independent

Mr. Robinson is the Executive Vice-President and Chief Operating Officer of Peyto since August 2006.

Mr. Robinson was previously the Vice-President, Operations of Peyto commencing in 2004. Mr. Robinson has a Bachelor of Science Degree from the University of Denver, a Masters of Science Degree in Engineering from the Colorado School of Mines and is a member of APEGA.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Total	**(6/6)**	**100%**
Current Board Directorships	Public Boards		
	N/A		
Voting Results of 2016 AGM	Number of Votes	% of Votes	
Votes For	86,540,381	76.45%	
Votes Withheld	26,660,439	23.55%	

Notes:

(1) The period of time served as a director or officer of the Corporation includes, where applicable, the period of time served as a director of the Corporation's predecessors, Peyto Exploration & Development Corp., a corporation amalgamated on January 1, 2011, Peyto Energy Administration Corp., former administrator of Peyto Energy Trust (the "**Trust**"), and Peyto Exploration & Development Corp, a corporation amalgamated under the *Business Corporations Act* (Alberta) (the "**ABCA**"), prior thereto.

(2) The information as to common shares beneficially owned, directly or indirectly, is based upon information furnished to Peyto by the nominees. All of the directors meet or exceed the Corporation's minimum share ownership requirement for directors. See "*Statement of Executive Compensation – Directors' Compensation*".

Experience and Background of Directors

The following table outlines the experience and background of, but not necessarily the technical expertise of, the individual members of the Board as of December 31, 2016 based on information provided by such individuals.

		Gray	MacBean	Davis	Gee	Fletcher	Chetner	Robinson	**Total**
Enterprise Management	Experience as a President or CEO leading an organization or major business line	✓	✓	✓	✓	✓		✓	6
Business Development	Management or executive experience with responsibility for identifying value creation opportunities	✓	✓	✓	✓	✓	✓	✓	7
Financial Literacy	Ability to critically read and analyze financial statements	✓	✓	✓	✓	✓	✓	✓	7
Corporate Governance	Understanding the requirements of good corporate governance usually gained through experience as a senior executive officer or a Board member of a public organization	✓	✓	✓	✓	✓	✓	✓	7
Change Management	Experience leading a major organizational change or managing a significant merger	✓	✓		✓	✓		✓	5
Operations	Management or executive experience with oil and gas operations	✓			✓	✓		✓	4
Financial Experience	Senior executive experience in financial accounting and reporting and corporate finance	✓	✓		✓	✓			4
Human Resources	Management or executive experience with responsibility for human resources	✓	✓	✓	✓	✓	✓	✓	7
Reserves Evaluation	General experience with or executive responsibility for oil and gas reserves evaluation	✓	✓	✓	✓	✓	✓	✓	7
Risk Evaluation	Management or executive experience in evaluating and managing the variety of risks faced by an organization	✓	✓	✓	✓	✓	✓	✓	7
HS&E Management	Understanding of the regulatory environment surrounding workplace health, safety, environment and social responsibility for the oil and gas industry	✓	✓		✓	✓	✓	✓	6
Legal and Regulatory	Experience in legal and regulatory matters	✓			✓		✓	✓	4
Diversity	Contributes to the Board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc	✓	✓	✓	✓	✓	✓	✓	7

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, no proposed director is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) while such person was acting in that capacity, or within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Darren Gee, a director, President and Chief Executive Officer of Peyto, was a director of Endurance Energy Ltd. ("**Endurance**"), a private corporation engaged in the exploration and production of natural gas. Mr. Gee resigned as a director of Endurance on September 1, 2015. Nine months after Mr. Gee's resignation, Endurance filed for creditor protection under the *Companies Creditors' Arrangement Act* on May 30, 2016.

No proposed director (or any personal holding company of such person), has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

Personal Bankruptcies

No proposed director (or any personal holding company of such person), has, within the 10 years preceding the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Majority Voting for Directors

The Board has adopted a policy stipulating that if the number of common shares voted in favour of the election of a particular director nominee at a shareholders' meeting is less than the number of common shares voted and withheld from voting for that nominee, the nominee will submit his resignation to the Board within five days of the meeting, with the resignation to take effect upon acceptance by the Board. The Compensation and Nominating Committee will consider the director nominee's offer to resign and will make a recommendation to the Board as to whether or not to accept the resignation. The Compensation and Nominating Committee will be expected to accept the resignation except in special circumstances requiring the applicable director to continue to serve on the Board. In considering whether or not to accept the resignation, the Compensation and Nominating Committee will consider all factors that it deems relevant including, without limitation, the stated reasons why shareholders "withheld" votes from the election of that nominee, the existing Board composition, the length of service and the qualifications of the director whose resignation has been tendered, the director's contributions to the Corporation and attendance at previous meetings, the Corporation's compensation and nominating policies and such other skills and qualities as the Compensation and Nominating Committee deems to be relevant.

The Board will consider the Compensation and Nominating Committee's recommendation and make a decision as to whether to accept the director's offer to resign within 90 days of the date of the meeting, which it will announce by way of a press release, including, if the Board elects, the reasons for rejecting the resignation offer. In considering whether to accept the director's offer of resignation, the Board will consider the factors considered by the Compensation and Nominating Committee and such additional factors it considers to be relevant. No director who is required to tender his resignation shall participate in the deliberations or recommendations of the Compensation and Nominating Committee or the Board. The Board shall accept the resignation absent any exceptional circumstances.

If a director's offer of resignation is accepted, subject to any corporate law restrictions, the Board may leave the resultant vacancy unfilled until the next annual general meeting. Alternatively, at the Board's discretion, it may fill the vacancy through the appointment of a new director whom the Board considers appropriate or it may call a special meeting of shareholders at which there will be presented nominees supported by the Board to fill the vacant position or positions. The foregoing policy does not apply in circumstances involving contested director elections.

Minimum Shareholdings for Directors

The Board has determined that each director must hold a minimum number of common shares representing not less than $180,000 in dollar value, which minimum level of ownership must be achieved by each new director within three years of such director's appointment or election to the Board.

Risk Oversight by the Board

The Board must have a good understanding of the principal risks the Corporation faces in its business in order to provide proper oversight and guidance to management. Management must be diligent about identifying all of the Corporation's principal risks, establishing appropriate risk management practices and implementing an appropriate system to manage risks effectively to support our long-term viability.

The Board reviews and assesses the following as part of its risk oversight duties:

- the material risks that affect the Corporation's strategic plan;
- how Peyto's compensation structure affects risk-taking behaviour; and
- the Corporation's risk appetite and tolerance.

The Board also oversees management's system of controls either directly or through its committees:

- the integrity of the Corporation's internal controls over financial reporting, disclosure controls and management information systems;
- compliance with significant policies and procedures for the Corporation's operations;
- compliance with the laws and regulations that apply to Peyto;
- the health of the Corporation's corporate documents and records in terms of them being properly prepared, approved and maintained; and
- the structure and integrity of Peyto's health, safety and environmental programs to achieve expectations.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Deloitte LLP, Chartered Professional Accountants, Chartered Accountants, as the Corporation's auditors, to hold office until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. Deloitte LLP was first appointed auditors of the Corporation's predecessor, the Trust, on June 3, 2004.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Role of Compensation and Nominating Committee

The Compensation and Nominating Committee is comprised of Messrs. Fletcher, MacBean and Davis. These directors are considered independent from Peyto for the purposes of National Instrument 58-201 – *Corporate Governance Guidelines*. See "*Matters to be Acted Upon at the Meeting – Election of Directors – Directors' Biographies*" for the relevant education and experience of each member of the Compensation and Nominating Committee that enables each member to make decisions on the suitability of Peyto's compensation policies and practices.

The purpose of the Compensation and Nominating Committee is to assist the Board in fulfilling its responsibilities relating to compensation matters, particularly those relating to compensation of the Corporation's executive officers as well as matters dealing with the nomination of Board members and the overall functioning of the Board. The role of the Compensation and Nominating Committee includes human resources matters in the sense of the establishment and maintenance of an overall compensation plan to attract, reward and keep talented people and in the sense of ensuring that the Board is comprised of appropriate individuals to serve the Corporation's needs. In addition, the Compensation and Nominating Committee attempts to design the Corporation's compensation in a manner that will foster longer-term value creation. In carrying out its mandate in respect of compensation matters, the Compensation and Nominating Committee is expected to:

A. Advise the Board on executive compensation matters.

B. Review and recommend a compensation philosophy, guidelines and plans for the Corporation's executives and employees.

C. Review and approve corporate goals and objectives relevant to Chief Executive Officer ("**CEO**") compensation.

D. Evaluate the CEO's performance in light of those goals, and make recommendations to the Board with regard to the CEO's compensation based on this evaluation.

E. In consultation with the CEO, review and approve non-CEO compensation, incentive-compensation plans, and equity-based plans.

F. Review and approve all discretionary compensation granted.

G. Review and approve fees to be paid to members of the board of directors.

H. Review executive compensation disclosure before it is publicly disclosed.

The Compensation and Nominating Committee meets from time to time each year for the purpose of, among other things, reviewing the overall compensation policy of Peyto. The Compensation and Nominating Committee makes recommendations to the Board on salaries of executive officers, bonus allocations and directors' compensation. The Board reviews all recommendations of the Compensation and Nominating Committee relating to compensation matters before final approval.

In carrying out its mandate, the risks associated with the Corporation's compensation policies and practices were discussed both by the Compensation and Nominating Committee and the Board, including the risk of executive officers taking inappropriate or excessive risks and the risk of inappropriate focus on short-term goals at the expense of long-term return to shareholders. While no program can fully mitigate these risks, the Compensation and Nominating Committee does not believe the Corporation's compensation programs encourage its executive officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation,: (i) the Corporation's compensation policies and practices are uniform throughout the organization and there are no significant differences in compensation structure among the executive officers; (ii) the overall compensation program is both market and performance based and aligned with the Corporation's business plan and long-term strategies. The compensation package for executive officers consists of fixed (base salary) and variable elements (market based bonus (the "**Market Component**") and reserves/value based bonus (the "**Value Component**")) which are designed to balance short-term goals and the long-term interests of the Corporation and are aimed at creating sustainable value for shareholders. The performance elements are linked to achievement of the Corporation's business goals and are reviewed annually by the Compensation and Nominating Committee; (iii) in exercising its discretion under the Market Component and Value Component, the Compensation and Nominating Committee reviews individual and corporate performance taking into account the long-term interests of the Corporation; (iv) the compensation expense to executive officers is not a significant percentage of the Corporation's revenue; and (v) results of annual performance assessments of executive officers goals, objectives and performance are reviewed and considered in awarding compensation and such discretionary judgement is applied in awarding both discretionary bonuses under the Market Component and Value Component and future compensation.

Executive and Employee Compensation Principles and Strategy

The Corporation's compensation policies are founded on the principle that executive and employee compensation should be consistent with shareholders' interests and, therefore, the compensation strategy employed is weighted towards variable or performance based compensation. The objectives of the policies are to attract and retain a high quality management and employee team and to motivate performance by tying a significant portion of compensation to performance measures. The current elements of the Corporation's executive and employee compensation policies are consistent with the Corporation's business strategy of creating shareholder value by efficiently developing and producing oil and gas reserves, while distributing a portion of the Corporation's cash to shareholders through dividends. The Compensation and Nominating Committee evaluates these objectives on an ongoing basis. The Corporation's compensation plan consists of the following items:

- base salary
- Market Component
- Value Component

In keeping with the objectives stated above, the Corporation generally pays base salaries at the median of entities of similar size. The variable or performance based compensation consists of the Market Component and Value Component which are described in detail below. The Market Component rewards participants for the performance of the common shares and the dividends paid to shareholders, while the Value Component rewards participants for accretive growth in oil and natural gas reserve value. The Compensation and Nominating Committee reviews all three components in assessing the compensation of individual executive officers and of Peyto employees as a whole. The Corporation does not have a pension plan or other form of formal retirement compensation.

When determining executive compensation, including the assessment of the competitiveness of the Corporation's executive compensation practices, the CEO and the Compensation and Nominating Committee utilize compensation survey information provided by various companies including Mercer Human Resource Consulting Ltd. ("**Mercer**"), an independent human resource consulting firm, in addition to other compensation information obtained by the CEO and the Compensation and Nominating Committee from public disclosure documents of comparable issuers. The Corporation accesses Mercer's survey results every two years. Information provided by Mercer is based on Mercer's annual survey of compensation practices within the Canadian oil and gas industry, which reflects the prior fiscal year's compensation determinations. In addition, the Compensation and Nominating Committee reviews compensation information available in the public domain with respect to companies considered to be in the Corporation's peer group. In selecting a benchmarking group for comparison purposes, the CEO and the Compensation and Nominating Committee consider the entities with which the Corporation competes for talent and, from that group, selects benchmarking group members based on a comparison of broad corporate measures such as annual production, annual revenue and number of employees.

Currently, the entities included in the Corporation's benchmarking peer group are: Advantage Oil & Gas Ltd., ARC Resources Ltd., Baytex Energy Corp., Birchcliff Energy Ltd., Bonavista Energy Corporation, Crescent Point Energy Corp., Enerplus Corp., Paramount Resources Ltd., Seven Generations Ltd., Tourmaline Oil Corp., Trilogy Energy Corp. Vermilion Energy Inc. and Whitecap Resources Inc.

The CEO is responsible for making recommendations to the Compensation and Nominating Committee with respect to compensation levels for all executive officers, other than the CEO. In making such recommendations, the CEO analyzes a number of factors including the performance of the individual executive officer, level of responsibility, experience, expertise and the leadership role undertaken. The CEO's compensation is determined by the Board upon recommendation by the Compensation and Nominating Committee. A description of each element of the Corporation's compensation is set forth below.

Base Salaries

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's or employee's primary duties and responsibilities. The Corporation's policy is that salaries for its executive officers and other employees are competitive within its industry and generally set at the median salary level among entities its size. The rationale, as set forth above, is to focus compensation on variable or performance based compensation.

Market Based Bonus

The purpose of the Market Component is to provide officers, consultants, employees and other service providers, as applicable (all of which are hereinafter called "**Service Providers**"), of Peyto with an opportunity to be issued allocations of the Market Component (referred to herein as "**Rights**"), as designated from time to time by the Board, the future value of which is based on the market value of the common shares and the dividends paid to shareholders. The Market Component provides an increased incentive for these Service Providers to contribute to the future success of Peyto, thus enhancing the value of the common shares for the benefit of all the shareholders.

Rights are granted by the Board from time to time, in its sole discretion, to Service Providers. No Service Provider shall have any right to be granted Rights, except as may be specifically granted by the Board. The allocation of Rights are granted by the Board based on the recommendations of the Compensation and Nominating Committee after consultation with the CEO. The amount of Rights allocated to each executive officer, other than the CEO, is not set in relation to any formula or specific criteria but is primarily the result of a subjective determination by the CEO based on an assessment of an individual's roles and responsibilities with Peyto. Allocations made to the CEO are determined by the Board on the advice of the Compensation and Nominating Committee. Given the small number of employees at Peyto, this manner of allocation remains optimal. All payments under the Market Component are paid in cash.

At the beginning of each calendar year, the Board uses its discretion to determine whether to award new Rights, the number of Rights to be awarded, if any, the vesting schedule of such Rights and the allocations. Such new Rights are granted effective January 1 and are issued at the Grant Price (as defined below). In certain circumstances, a new

Service Provider may be granted Rights at the time they commence providing services to Peyto, with the Grant Price of such Rights being the market price of the common shares at such time. All Rights that have vested expire at the end of the year regardless of whether they are in the money or not.

The grant price (the "**Grant Price**") per Right is equal to the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the date of grant of the Rights.

All Rights granted are valued at December 31 of the year of grant using the formula set forth below, but vest and are paid out equally over three (3) years. Each Right is valued at an amount equal to the sum of: (i) the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the end of the calendar year less the Grant Price for such Right; and (ii) the amount of dividends declared by Peyto per common share from the grant date to the date of valuation. If the Grant Price of such Rights exceeds the value of the Rights on the vesting date, the Market Component is not paid to such holder of Rights for that period. Compensation expenses with respect to Rights vested for December 31, 2014 totalled $13.3 million, for December 31, 2015 totalled $12.6 million and for December 31, 2016 totalled $17.0 million. For the 2014 grants, the aggregate potential payout is $9.7 million, of which $3.2 million was paid out on December 31, 2014, $3.2 million paid out on December 31, 2015, with the balance vesting and was paid out on December 31, 2016. For the 2015 grants, the aggregate potential payout is $Nil. For the 2016 grants, the aggregate potential payout is $41.7 million, of which $13.9 million was paid out on December 31, 2016, $13.9 million will vest and be paid out on December 31, 2017, with the balance vesting and to be paid out on December 31, 2018.

To date, 42.0 million Rights (inclusive of 3.8 million Rights granted on January 1, 2017) have been issued, of which 30.7 million have vested (inclusive of 2.3 million Rights vested on December 31, 2016) and the Rights related compensation expenses were paid out shortly thereafter. To date, 5.0 million unvested Rights have been cancelled as a result of the applicable Grant Price exceeding the value of such Rights on the applicable vesting date.

It is the current intention of Peyto to keep the number of Rights outstanding at a number which is no greater than 6% of the issued and outstanding common shares. There are currently 6.3 million Rights outstanding, notionally representing 1.5% of the issued and outstanding common shares.

Reserves/Value Based Bonus

The principal purpose of the Value Component is to advance the interests of Peyto by providing for bonuses for key employees and directors of Peyto who are designated as participants thereunder. The overriding philosophy of the Value Component is to reward participants for accretive oil and natural gas reserve value growth, which is a result of Peyto's exploration and development program. The Value Component is designed to recognize individual performance that has played a role in creating incremental value per common share but not to reward for increases in commodity prices. Peyto believes that the change in value of the Corporation's proven producing reserves is the best measure of performance of an oil and gas company.

The Value Component is administered by the CEO, who selects the participants, other than the CEO, in the Value Component among key employees of Peyto and allocates participation points to each such participant. The amount of participation in the Value Component is not set in relation to any formula or specific criteria but is the result of a subjective determination by the CEO and is approved by the Compensation and Nominating Committee and the Board, with the use of the Corporation's independent engineering firm's calculation of the incremental value of the Corporation's proven producing reserves using the same constant price forecast for the opening and closing valuation and an 8% discount factor. This incremental value is adjusted for dividends, debt and equity in order to isolate the net incremental value added on a per share basis and assists the CEO in making his recommendation. Recommendations regarding the allocations made by the CEO are reviewed by the Compensation and Nominating Committee. Allocations and payments made to the CEO are determined by the Board on the advice of the Compensation and Nominating Committee. Given the small number of employees at Peyto, this manner of allocation remains optimal.

Under the Value Component, the bonus pool is comprised of 4% of the annual incremental increase in value, if any, as adjusted to reflect changes in debt, equity, dividends, general and administrative expenses and interest expense, of the Corporation's proven producing reserves calculated using a discount rate of 8%. The change in the Corporation's proven producing reserves is calculated on a calendar year basis. The Corporation's proven producing reserves are calculated by an independent oil and gas reservoir engineer, at the end of a fiscal year, using the following year's constant price forecast for all calculations. The bonuses, if any, under the Value Component are paid in cash. Compensation expense with respect to the Value Component totalled $8.8 million in 2016 (2015 - $10.8 million).

Compensation Consultant or Advisor

At no time in the previous two completed financial years of the Corporation, has a compensation consultant or advisor been formally retained by the Corporation to assist the Board or the Compensation and Nominating Committee to determine the compensation of the executive officers of the Corporation.

Short Sales, Puts, Calls and Options

The Corporation's Joint Disclosure, Confidentiality & Trading Policy provides that no director, officer or employee of the Corporation shall knowingly sell, directly or indirectly, a security of the Corporation if such person selling such security does not own or has not fully paid for the security to be sold. In addition, the Joint Disclosure, Confidentiality & Trading Policy provides that no director, officer or employee of the Corporation shall, directly or indirectly, buy or sell a call or put in respect of a security of the Corporation. Notwithstanding these prohibitions, directors, officers and employees of the Corporation may sell a common share which such person does not own if such person owns another security convertible into common shares or an option or right to acquire common shares sold and, within ten (10) days after the sale, such person: (i) exercises the conversion privilege, option or right and delivers the common share so associated to the purchaser; or (ii) transfers the convertible security, option or right, if transferable to the purchaser.

Summary

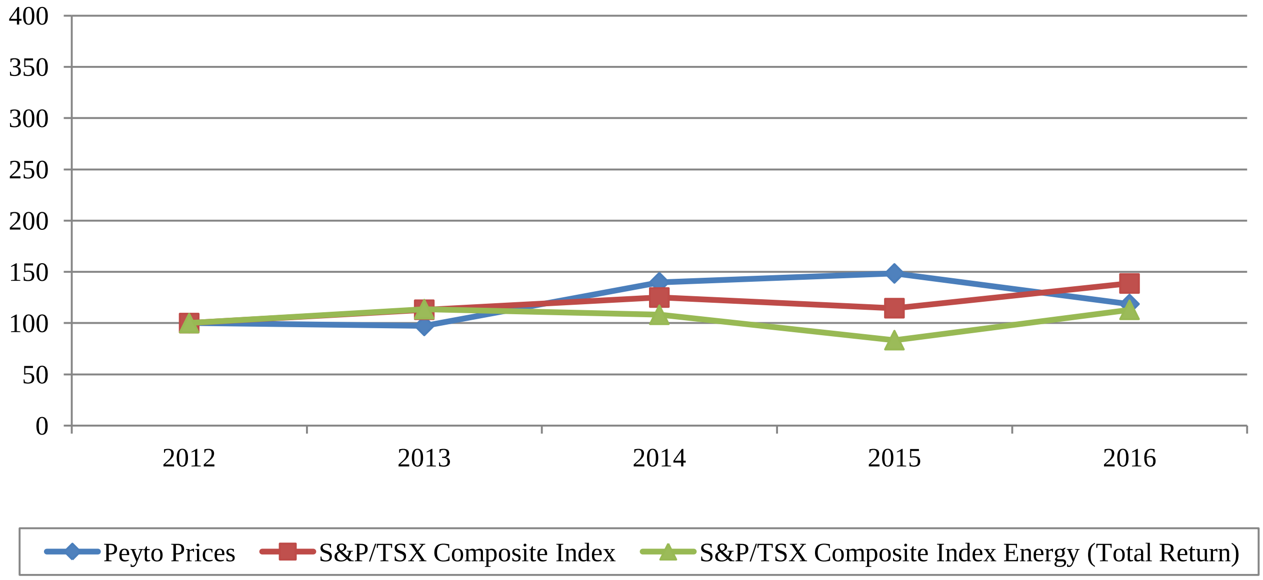
The Board believes that generating long-term shareholder value is enhanced by compensation based upon corporate performance achievements. Through the programs described above, a significant portion of the compensation for all employees, including executive officers, is based on corporate performance and generating shareholder value, as well as industry-competitive pay practices.

Option-Based Awards

Please see discussion under "*Compensation Discussion and Analysis – Market Based Bonus*".

Performance Graph

The following graph illustrates the Corporation's five year cumulative shareholder return, as measured by the closing price of the common shares at the end of each financial year, assuming an initial investment of $100.00 on December 31, 2012, compared to the S&P/TSX Composite Index and the S&P TSX Composite Index Energy, assuming the reinvestment of dividends where applicable.



	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
Peyto Exploration & Development Corp.	100	97.21	139.85	148.46	118.61
S&P/TSX Composite Index (1)	100	112.99	124.92	114.53	138.67
S&P/TSX Composite Index Energy (Sector) (1)	100	113.61	108.14	83.40	112.97

Note:

(1) Total Return Index.

As the price of common shares at year-end is a determining factor regarding the payment of the Market Component, the total compensation of the Named Executive Officers (as defined below) is affected by increases and decreases in the price of the common shares.

Summary Compensation Table

The following table sets forth for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 information concerning the compensation paid to the CEO and Chief Financial Officer ("**CFO**") and all of the other executive officers at the end of each of the years ended December 31, 2016, December 31, 2015 and December 31, 2014 whose total compensation was more than $150,000 (each a "**Named Executive Officer**" and collectively, the "**Named Executive Officers**").

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option-Based Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation(5)	Total Compensation ($)(6)
					Annual Incentive Plans(3)	Long-Term Incentive Plans(4)			
Darren Gee President and Chief Executive Officer	2016 2015 2014	285,000 285,000 275,000	N/A N/A N/A	812,733 906,400 632,000	735,000 900,000 486,700	1,662,983 1,378,000 1,378,000	N/A N/A N/A	- - -	3,495,716 3,469,400 2,771,700
Scott Robinson Executive Vice-President and Chief Operating Officer	2016 2015 2014	275,000 275,000 265,000	N/A N/A N/A	745,933 824,000 568,800	735,000 900,000 486,700	1,520,583 1,240,200 1,240,200	N/A N/A N/A	- - -	3,276,516 3,239,200 2,560,700

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option-Based Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($) Annual Incentive Plans(3)	Long-Term Incentive Plans(4)	Pension Value ($)	All Other Compensation(5)	Total Compensation ($)(6)
Kathy Turgeon Vice-President, Finance and Chief Financial Officer	2016 2015 2014	230,000 230,000 220,000	N/A N/A N/A	369,627 412,000 316,000	392,000 492,000 246,400	770,827 653,767 653,767	N/A N/A N/A	- - -	1,762,453 1,787,767 1,436,167
David Thomas Vice-President, Exploration	2016 2015 2014	240,000 240,000 228,000	N/A N/A N/A	545,533 604,267 421,333	583,000 831,000 419,700	1,114,783 848,200 848,200	N/A N/A N/A	- - -	2,483,316 2,523,467 1,917,233
Jean-Paul (JP) Lachance Vice-President, Exploitation	2016 2015 2014	230,000 230,000 220,000	N/A N/A N/A	467,600 521,867 358,133	550,000 695,000 356,300	954,000 713,923 713,923	N/A N/A N/A	- - -	2,201,600 2,160,790 1,648,356
Tim Louie Vice-President, Land	2016 2015 2014	200,000 200,000 192,000	N/A N/A N/A	271,653 302,133 231,733	292,000 372,000 186,500	566,253 494,697 521,613	N/A N/A N/A	- - -	1,329,906 1,368,830 1,131,846
Lee Curran Vice-President, Drilling and Completions(7)	2016 2015	220,000 220,000	N/A N/A	394,120 439,467	550,000 648,000	805,920 630,800	N/A N/A	- -	1,970,040 1,938,267
Todd Burdick Vice-President, Production(8)	2016 2015	195,000 195,000	N/A N/A	320,640 357,067	417,000 517,000	652,490 478,907	N/A N/A	- -	1,585,130 1,547,974

Notes:

(1) Represents Rights issued pursuant to the Market Component.

(2) Rights granted January 1, 2016 are fair valued using the Black-Scholes option pricing model on the grant date. The fair value was determined using a risk free rate of 1.0% per annum; expected life of 1 year; volatility of 34.45%; grant price of $24.09; and an exercise price of $24.09 for Rights vesting in one year. Fair value of Rights vesting on December 31, 2016 are not included in this amount as they are included in the amount under "*Long-Term Incentive Plans*".

(3) Represents the amounts paid pursuant to the Value Component.

(4) Represents the amounts paid pursuant to the Market Component.

(5) The value of perquisites received by each of the Named Executive Officers, including property or other personal benefits provided to the Named Executive Officers that are not generally available to all employees, were not in the aggregate greater than $50,000 or 10% of the Named Executive Officer's total salary for the financial year.

(6) Total compensation includes both cash and non-cash amounts (as set out under "*Option-Based Awards*"). Cash compensation per Named Executive Officer for 2016 was: Darren Gee − $2,682,983; Scott Robinson − $2,530,583; Kathy Turgeon − $1,392,827; David Thomas − $1,937,783; Jean-Paul Lachance − $1,734,000; Tim Louie − $1,058,253; Lee Curran − $1,575,920; and Todd Burdick − $1,264,490 (2015 cash compensation: Darren Gee − $2,563,000; Scott Robinson − $2,415,200; Kathy Turgeon − $1,375,767; David Thomas − $1,919,200; Jean-Paul Lachance − $1,638,923; Tim Louie − $1,066,697; Lee Curran − $1,498,800; and Todd Burdick – $1,190,907).

(7) Lee Curran was appointed Vice President, Drilling and Completions on January 1, 2015.

(8) Todd Burdick was appointed Vice President, Production on January 1, 2015.

Incentive Plan Awards

Please see discussion under "*Compensation Discussion and Analysis – Market Based Bonus*" and "*Compensation Discussion and Analysis – Reserves/Value Based Bonus*" for a description of the Corporation's incentive plan awards.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth for each Named Executive Officer all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2016.

	Option-Based Awards				Share-Based Awards	
Name	**Number of Securities Underlying Unexercised Options (#)[(1)]**	**Option Exercise Price ($)[(2)]**	**Option Expiration Date**	**Value of Unexercised In-The-Money Options[(3)] ($)**	**Number of Shares or Units of Shares That Have Not Vested (#)**	**Market or Payout Value of Share-Based Awards That Have Not Vested ($)**
Darren Gee	243,333	24.09	December 31, 2017	2,683,967	N/A	N/A
Scott Robinson	223,333	24.09	December 31, 2017	2,463,367	N/A	N/A
Kathy Turgeon	110,667	24.09	December 31, 2017	1,220,653	N/A	N/A
David Thomas	163,333	24.09	December 31, 2017	1,801,567	N/A	N/A
Jean-Paul (JP) Lachance	140,000	24.09	December 31, 2017	1,544,200	N/A	N/A
Tim Louie	81,333	24.09	December 31, 2017	897,107	N/A	N/A
Lee Curran	118,000	24.09	December 31, 2017	1,301,540	N/A	N/A
Todd Burdick	96,000	24.09	December 31, 2017	1,058,880	N/A	N/A

Notes:

(1) Represents Rights issued pursuant to the Market Component.
(2) Represents initial grant price which is equal to the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding January 1, 2016, January 1, 2017 and January 1, 2018, respectively.
(3) Calculated based on the payout formula as set out in "*Compensation Discussion and Analysis – Market Based Bonus*" as at December 31, 2016.

Rights Granted During the Year Ended December 31, 2016

The following table sets forth details with respect to all Rights granted pursuant to the Market Component to each Named Executive Officer during 2016. The Rights were granted on January 1, 2016, except as noted. For more information on the Market Component, please see "*Compensation Discussion and Analysis - Market Based Bonus*".

Name	Rights Granted (#)	Percentage of Total Rights Granted in 2016 (%)	Base Price ($/Security)	Market Value of Securities Underlying Rights on Date of Grant ($)	Expiration Date
Darren Gee	365,000	10	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018
Scott Robinson	335,000	9	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018
Kathy Turgeon	166,000	4	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018
David Thomas	245,000	6	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018
Jean-Paul (JP) Lachance	210,000	6	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018

Name	Rights Granted (#)	Percentage of Total Rights Granted in 2016 (%)	Base Price ($/Security)	Market Value of Securities Underlying Rights on Date of Grant ($)	Expiration Date
Tim Louie	122,000	3	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018
Lee Curran	177,000	5	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018
Todd Burdick	144,000	4	24.09	24.09	1/3 December 31, 2016 1/3 December 31, 2017 1/3 December 31, 2018

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards and share-based awards which vested during the year ended December 31, 2016 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2016.

Name	Option-Based Awards – Value Vested During the Year(1) ($)	Share-Based Awards – Value Vested During the Year ($)	Non-Equity Incentive Plan Compensation – Value Earned During the Year(2) ($)
Darren Gee	1,662,983	N/A	735,000
Scott Robinson	1,520,583	N/A	735,000
Kathy Turgeon	770,827	N/A	392,000
David Thomas	1,114,783	N/A	583,000
Jean-Paul (JP) Lachance	954,000	N/A	550,000
Tim Louie	566,253	N/A	292,000
Lee Curran	805,920	N/A	550,000
Todd Burdick	652,490	N/A	417,000

Notes:

(1) Represents the amounts paid pursuant to the Market Component.
(2) Represents amounts paid pursuant to the Value Component.

Termination and Change of Control Benefits

The Corporation does not have employment agreements with any of the Named Executive Officers and the Named Executive Officers do not have any contractual rights to receive specified payments in the event of termination. The Market Component and Value Component do provide for certain payments to be made to the Named Executive Officers in the event of a change of control of the Corporation. The following are the change of control provisions in the Market Component and Value Component:

- any valued but not yet vested and paid out Rights under the Market Component will be paid out to the Named Executive Officers, less required withholdings, immediately prior to the change of control;
- any unvalued Rights under the Market Component will be valued at the price established by the change of control transaction and all such Rights will accelerate, vest and be paid out to the Named Executive Officers, less required withholdings, immediately prior to the change of control; and
- any payout of bonuses to the Named Executive Officers under the Value Component will be at the discretion of Peyto's CEO and the Board.

The following table sets forth the estimated incremental payments the Named Executive Officers would be entitled to had a change of control of the Corporation occurred on December 31, 2016.

Name	Total Incremental Obligation ($) (1)
Darren Gee President and Chief Executive Officer	2,683,967
Scott Robinson Executive Vice-President and Chief Operating Officer	2,463,367
Kathy Turgeon Vice-President, Finance and Chief Financial Officer	1,220,653
David Thomas Vice-President, Exploration	1,801,567
Jean-Paul (JP) Lachance Vice-President, Exploitation	1,544,200
Tim Louie Vice-President, Land	897,107
Lee Curran Vice-President, Drilling and Completions	1,301,540
Todd Burdick Vice-President, Production	1,058,880

Note:

(1) Represents the valued but not yet vested Rights payable to each Named Executive Officer which would be paid out upon a change of control. The table above does not include the amounts earned and paid to each Named Executive Officer pursuant to the Market Component and the Value Component for the year ended December 31, 2016. See "*Statement of Executive Compensation – Summary Compensation Table*" and "*Statement of Executive Compensation – Incentive Plan Awards*" for the amounts paid to each Named Executive Officer pursuant to the Market Component and the Value Component for the year ended December 31, 2016.

Directors' Compensation

Peyto's compensation philosophy for directors is to attract and retain qualified individuals and ensure that their interests are aligned with Peyto's shareholders. Prior to the changes made in mid-2014, as described below, each of the non-executive directors of Peyto received an annual retainer plus expenses for attending meetings of the Board and committees thereof. The amount of the retainers depended on committee membership, undertaking the role of Chairman of the Board, undertaking the role of a committee chair and other relevant factors considered by the Compensation and Nominating Committee and previously ranged from $72,500 to $117,000 per annum. The annual retainer was paid in cash at year end. In order to align this retainer to shareholders' interests, half of the retainer was fixed and half was variable. The variable portion was subject to the following multiplier (the "**Multiplier**"): the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the date of the Corporation's annual meeting of Shareholders in a given year plus the dividends paid per common share for that year divided by the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the date of the Corporation's annual meeting of Shareholders of the previous year. If shareholder value is increased during a given year, the variable portion of the directors' retainer would go up. Conversely, if shareholder value is decreased during the year, the variable portion would go down.

In early 2014, the Compensation and Nominating Committee hired Lane Caputo Compensation Inc. ("**Lane**"), an independent executive and director compensation consulting firm, to analyze the structure and level of non-executive director compensation and to make recommendations in respect thereof. Lane chose a peer group similar to that used for Peyto's executive compensation as listed above. Lane concluded that the structure was fine but the historical level of total compensation paid to non-executive directors was in the bottom quartile of its peer group and recommended that Peyto increase the compensation paid to non-executive directors to market competitive levels. After consulting with Lane, the Compensation and Nominating Committee recommended, and the Board approved, an increase in non-executive directors' fees that would, in a year with a significant increase in share price, put Peyto's non-executive directors' compensation closer to the 25th percentile of its peer group. Accordingly, the base retainers for each non-executive director of Peyto were increased to $120,000 per annum. Additionally, the Chairman of the Board is entitled to an additional $60,000 annual fee, the Chairman of the Audit Committee is entitled to an additional $20,000 annual fee and the Chairman of each of the Reserves Committee and the Compensation and Nominating Committee is entitled to an additional $10,000 annual fee. Commencing on May 27, 2014, the retainers are payable in quarterly installments on September 15, December 15, March 15 and June 15 for each year of service. Consistent with Peyto's previous non-executive directors' compensation policy, half of the retainer is fixed and half is variable, with the variable portion being subject to the Multiplier. The formula for the Multiplier is the same, however, the timing of the calculation of the Multiplier for the variable portion of each non-executive director's annual base retainer was changed to correspond to the annual election of directors, from the ten (10) consecutive trading days immediately preceding December 31 of each year to the ten (10) consecutive trading days immediately preceding the date of the meeting of shareholders at which directors are elected in a given year. The cash payments made to each non-executive director on June 15 of each year is adjusted up or down based on the Multiplier. It is expected that each director will use the after tax portion of the variable portion of their retainer to buy common shares of Peyto on the TSX.

For the 2016 year, the non-executive directors were paid pursuant to the new compensation plan described above.

For the 2016 year, pursuant to the required minimum shareholdings for directors as determined by the Board, the required minimum shareholdings for directors was $180,000 in dollar value, with any new director being given three years to achieve such level of ownership. All directors satisfy the minimum shareholdings requirement.

Lane did not provide any other services to the Corporation or any of its directors or executive officers other than the compensation services described above.

The following chart highlights all the payments made to the Corporation's directors for the 2016 year:

Name	2016 Fees Earned Fixed ($)(1)	2016 Fees Earned Variable ($)(2)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Donald Gray	90,000	86,498	-	-	-	-	-	176,498
Michael MacBean	70,000	67,276	-	-	-	-	-	137,276
Brian Davis	65,000	62,471	-	-	-	-	-	127,471
Gregory Fletcher	65,000	62,471	-	-	-	-	-	127,471
Stephen Chetner	60,000	57,665	-	-	112,000	-	-	229,665

Notes:

(1) Amount includes fixed fees earned pursuant to the directors' compensation plan, paid in four equal installments on March 15, 2016, June 15, 2016, September 15, 2016 and December 15, 2016.

(2) Amount includes variable fees earned pursuant to the new directors' compensation plan, paid on June 15, 2016.

Liability Insurance of Directors and Officers

Peyto maintains directors' and officers' liability insurance coverage, in the amount of $80 million, for losses to Peyto if it is required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. The insurance protects Peyto against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for Peyto. All directors and officers of Peyto are covered by the policy and the amount of insurance applies collectively to all. The cost of this insurance policy is $125,360 per annum.

Director and Officer Equity Ownership

The following tables set out each current directors' and officers' equity ownership interest in Peyto and any changes in ownership interests since March 24, 2016.

Directors

	Directors' Equity Ownership and Changes Therein			Market Value of Equity Holdings as at March 20, 2017 ($)
	Equity Ownership as at March 24, 2016	Equity Ownership as at March 20, 2017	Net Change in Equity Ownership	
Director	**Common Shares**	**Common Shares**	**Common Shares**	
Donald Gray	900,721	948,136	47,415	25,855,669
Michael MacBean	108,510	108,510	-	2,959,068
Brian Davis	145,640	145,340	(300)	3,963,422
Gregory Fletcher	17,000	17,000	-	463,590
Stephen Chetner	663,237	645,627	(17,610)	17,606,248
Scott Robinson	475,257	488,007	12,750	13,307,951
Darren Gee	1,984,269	2,033,959	49,690	55,466,062

Officers

	Officers' Equity Ownership and Changes Therein			Market Value of Equity Holdings as at March 20, 2017 ($)
	Equity Ownership as at March 24, 2016	Equity Ownership as at March 20, 2017	Net Change in Equity Ownership	
Officer	**Common Shares**	**Common Shares**	**Common Shares**	
Darren Gee	1,984,269	2,033,959	49,690	55,466,062
Scott Robinson	475,257	488,007	12,750	13,307,951
Kathy Turgeon	97,710	110,610	12,900	3,016,335
David Thomas	229,910	253,872	23,962	6,923,089
JP Lachance	79,560	101,960	22,400	2,780,449
Tim Louie	43,750	56,390	12,640	1,537,755
Todd Burdick	18,240	29,995	11,755	817,964
Lee Curran	83,515	99,015	15,500	2,700,139

CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires that if management of an issuer solicits proxies from its securityholders for the purpose of electing directors that certain prescribed disclosure respecting corporate governance matters be included in its management information circular. The TSX also requires listed companies to provide, on an annual basis, the corporate governance disclosure which is prescribed by NI 58-101.

The prescribed corporate governance disclosure for the Corporation is that contained in Form 58-101F1 which is attached to NI 58-101 ("**Form 58-101F1 Disclosure**").

Set out below is a description of the Corporation's current corporate governance practices, relative to the Form 58-101F1 Disclosure.

1. **Board of Directors**

   (a) **Disclose the identity of directors who are independent.**

The following five directors of the Corporation are independent (for purposes of NI 58-101):

Donald Gray (Chairman)
Michael MacBean (Lead Director)
Brian Davis
Gregory Fletcher
Stephen Chetner

(b) **Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Darren Gee is not independent as he occupies the position of President and CEO of the Corporation.

Scott Robinson is not independent as he occupies the position of Executive Vice-President and Chief Operating Officer of the Corporation.

(c) **Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the Board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the directors of the Corporation (currently five of seven) are independent.

(d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

Name of Director	Name of Other Reporting Issuers
Donald Gray	Gear Energy Ltd. Petrus Resources Ltd.
Gregory Fletcher	Total Energy Services Inc. Calfrac Well Services Ltd. Whitecap Resources Inc.
Darren Gee	Altura Energy Inc.

(e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.**

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. In addition, as the Compensation and Nominating Committee is comprised of all the independent directors, other than Donald Gray, it also serves as a forum for discussion amongst independent members of the Board. Further, other meetings of the independent directors may be held from time to time if required. The Chairman of the Board also communicates informally, from time to time, with the independent members. Six (6) meetings of the independent directors have been held since the beginning of the Corporation's most recently completed financial year.

(f) **Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.**

The Chairman of the Board is Donald Gray, who is an independent member of the Board. The Chairman presides at all meetings of the Board and, unless otherwise determined, at all meetings of shareholders and acts to enforce the rules of order in connection with such meetings. The Chairman is to provide overall leadership to the Board without limiting the principle of collective responsibility and the ability of the Board to function as a unit. The Chairman is to endeavour to fulfill his Board responsibilities in a manner that will ensure that the Board is able to function independently of management and is to consider, and allow for, when appropriate, a meeting of independent directors, so that Board meetings can take place without management being present. The Chairman is also to endeavour to ensure that reasonable procedures are in place to allow directors to engage outside advisors at the expense of the Corporation in appropriate circumstances.

Notwithstanding that the Chairman of the Board is independent, Michael MacBean, an independent member of the Board, has been appointed as Lead Director. Among other things, the Lead Director assists the Chairman in endeavouring to ensure that the Board leadership responsibilities are conducted in a manner that will ensure that the Board is able to function independently of management.

(g) **Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for Board meetings and committee meetings held since January 1, 2016, is as follows:

Name of Director	**Attendance Record**	
Darren Gee	6 out of 6	Board Meetings
Don Gray	6 out of 6	Board Meetings
Michael MacBean	6 out of 6	Board Meetings
	5 out of 5	Audit Committee Meetings
	2 out of 2	Reserves Committee Meetings
	1 out of 1	Compensation and Nominating Committee Meetings
Brian Davis	6 out of 6	Board Meetings
	5 out of 5	Audit Committee Meetings
	2 out of 2	Reserves Committee Meetings
	1 out of 1	Compensation and Nominating Committee Meetings
Gregory Fletcher	6 out of 6	Board Meetings
	5 out of 5	Audit Committee Meeting
	2 out of 2	Reserves Committee Meetings
	1 out of 1	Compensation and Nominating Committee Meetings
Stephen Chetner	6 out of 6	Board Meetings
Scott Robinson	6 out of 6	Board Meetings

2. **Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.**

The mandate of the Board is attached to this information circular – proxy statement at Schedule "A".

3. **Position Descriptions**

(a) **Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.**

The Board has developed written position descriptions for the Chairman of the Board as well as the Chairman of each of the committees of the Board. The position descriptions are available on the Corporation's website under the heading "Corporate Responsibility".

(b) **Disclose whether or not the Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board and Chief Executive Officer have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the Chief Executive Officer.**

The Board, with the input of the CEO, has developed a written position description for the CEO. The position description is available on the Corporation's website under the heading "Corporate Responsibility".

4. **Orientation and Continuing Education**

(a) **Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

As new directors join the Board, management provides these individuals with the Corporation's corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures are a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation, limited turnover of the directors and the experience and expertise of the members of the Board.

(b) **Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

Presentations are made regularly to the Board and committees to educate and inform them of changes within the Corporation and on appropriate other subjects such as regulatory and industry requirements and standards, capital markets, commodity pricing and corporate governance. The Audit Committee has quarterly presentations on emerging trends and issues in the accounting and audit fields from management and the auditor of the Corporation is present at all audit committee meetings. The Board has quarterly presentations on operational results and technical and regulatory issues pertaining to reserves evaluation from management and the independent reserves evaluator is present at a minimum of one of the Board meetings each year. The Board also receives quarterly updates from Burnet, Duckworth & Palmer LLP on material changes in securities regulation and other corporate matters. Management provides the Board with an annual update on corporate governance "best practices" from third party publications as well as quarterly reports on new legislation or regulation relating to health, safety and environmental matters.

The Corporation also encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. In February 2007, Michael MacBean received his Chartered Directors (C. Dir) designation from

McMaster University. In January 2009, Gregory Fletcher graduated from the Directors' Education Program sponsored by the Institute of Corporate Directors and Haskayne School of Business at the University of Calgary.

5. **Ethical Business Conduct**

(a) **Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct and Ethics for directors, officers and employees (the "**Code**").

(i) **disclose how a person or company may obtain a copy of the code;**

A copy of the Code may be obtained by contacting the Manager, Human Resources of the Corporation at (LHamaliuk@peyto.com) and is also available on SEDAR at www.sedar.com or on the Corporation's website under the heading "Corporate Responsibility".

(ii) **describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and**

The Board monitors compliance with the Code by requiring each of the executive officers of the Corporation to affirm in writing on an annual basis his or her agreement to abide by the Code, as to his or her ethical conduct and with respect to any conflicts of interest. Please also see item 5(c) below for a discussion of the Corporation's whistleblower policy.

(iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

(b) **Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party.

(c) **Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.**

In addition to the Code, the Board has also adopted a "Whistleblower Policy" wherein employees and consultants of the Corporation are provided with the mechanics by which they may raise concerns about incorrect financial reporting, unlawful activities, actions that violate the Code and any other serious improper conduct in a confidential, anonymous process. A copy of this policy is available on the Corporation's website under the heading "Corporate Responsibility".

6. **Nomination of Directors**

(a) **Describe the process by which the Board identifies new candidates for Board nomination.**

The Compensation and Nominating Committee is responsible for recommending suitable candidates as nominees for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Compensation and Nominating Committee is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the Board; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board. The Compensation and Nominating Committee also monitors the age of the directors to ensure that the Corporation's informally adopted mandatory retirement age of 75 is upheld.

The Compensation and Nominating Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

(b) **Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.**

The Compensation and Nominating Committee, which is responsible for nominating directors, is comprised of only independent directors.

(c) **If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a) above.

7. **Compensation**

(a) **Describe the process by which the Board determines the compensation for the issuer's directors and officers.**

Compensation of Directors

The Compensation and Nominating Committee conducts a yearly review of directors' compensation having regard to various reports on current trends in directors' compensation and compensation data for directors of reporting issuers of comparative size to the Corporation.

Compensation of Officers

The Chairman of the Compensation and Nominating Committee has ongoing communication with the CEO regarding compensation matters for the upcoming fiscal year. After such background communication, the two meet in person to discuss compensation matters, with the Chairman and the CEO striving to ensure that executive compensation is consistent with the general principles as set forth under the heading "*Statement of Executive Compensation – Compensation Discussion and Analysis – Executive and Employee Compensation Principles and Strategy*". The Chairman and CEO go through the proposed compensation for each executive officer, other than the CEO, including salary and participation levels in the bonus plans. The Chairman then meets with the other members of the Compensation and Nominating Committee and briefs them on the discussions held with the CEO. The full Compensation and Nominating Committee discuss the proposed executive officer compensation, in light of the strategic, operating and financial objectives of the Corporation as well as industry norms and conditions. If general or specific issues are raised, the Compensation and

Nominating Committee will debate them. The full Compensation and Nominating Committee then meets with the CEO to discuss such matters and raise any questions or issues they may have regarding executive compensation. In light of the Corporation's size and small number of employees, these meetings allow the Compensation and Nominating Committee to get a sense of the practical issues involved in determining compensation levels for executives. The Compensation and Nominating Committee then deals specifically with setting the compensation of the CEO. The Compensation and Nominating Committee then discusses and debates, as necessary, the specific executive officer compensation proposals. If further clarification is necessary, the Chairman will ask the CEO for information. Once compensation levels are agreed to by the members of the Compensation and Nominating Committee, they are formally approved.

Please also see discussion under the heading "*Statement of Executive Compensation – Compensation Discussion and Analysis – Executive and Employee Compensation Principles and Strategy*".

(b) **Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.**

The Compensation and Nominating Committee is comprised entirely of independent directors.

(c) **If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The Compensation and Nominating Committee's responsibility is to formulate and make recommendations to the Board in respect of compensation issues relating to directors and officers of the Corporation. Without limiting the generality of the foregoing, the Compensation and Nominating Committee has the following duties:

(i) advise the Board on executive compensation matters;

(ii) review and recommend a compensation philosophy, guidelines and plans for the Corporation's executives and employees;

(iii) review and approve corporate goals and objectives relevant to CEO compensation;

(iv) evaluate the CEO's performance in light of those goals, and make recommendations to the Board with regard to the CEO's compensation based on this evaluation;

(v) in consultation with the CEO, review and approve non-CEO compensation, incentive-compensation plans, and equity-based plans;

(vi) review and approve all discretionary compensation granted;

(vii) review and approve fees to be paid to members of the Board;

(viii) review executive compensation disclosure before it is publicly disclosed; and

(ix) be the forum for meetings of all independent directors of the Corporation.

The Compensation and Nominating Committee is required to be comprised of at least three directors, or such greater number as the Board may determine from time to time. All members of the Compensation and Nominating Committee are required to be independent, as such term is defined for this purpose under applicable securities law requirements. Pursuant to the mandate and terms of reference of the Compensation and Nominating Committee, meetings of the Compensation and

Nominating Committee are to take place at least two times per year and at such other times as the Chairman of the Compensation and Nominating Committee may determine.

(d) **If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.**

A compensation consultant or advisor has not, at any time since the beginning of the Corporation's most recently completed financial year, been retained to assist in determining compensation for any of the Corporation's directors and officers. Peyto does participate in the Mercer Total Compensation Survey for the Energy Sector.

8. **Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

In addition to the Audit Committee and the Compensation and Nominating Committee, the Corporation has established a Reserves Committee. The Reserves Committee is comprised of three directors, each of whom is independent.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"), including:

(i) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities, including reviewing its procedures for complying with disclosure requirements and restrictions set forth under applicable securities law requirements;

(ii) reviewing the Corporation's procedures for providing information to the independent evaluator;

(iii) meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the Reserves Data (as defined in NI 51-101) (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);

(iv) reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;

(v) providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities law requirements including any reports of the independent engineer and of management in connection therewith;

(vi) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and

(vii) generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

9. **Assessments – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how**

the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

The Compensation and Nominating Committee is responsible by its terms of reference to evaluate the effectiveness of the Board, its committees and individual directors. The Compensation and Nominating Committee has developed a questionnaire that assesses the effectiveness of the Board as a whole, individual Board members and each of the committees of the Board. Assessments are conducted annually. The results of the assessment are summarized by the Corporate Secretary and provided to the Chairman of the Compensation and Nominating Committee as well as the Chairman of the Board. The Chairman of the Compensation and Nominating Committee presents a summary of the results to the Board as a whole and communicates the results of the committee assessment to each committee Chairman.

10. **Director Term Limits and Other Mechanisms of Board Renewal**

The Board does not believe that fixed term limits are in the best interest of the Corporation. Therefore it has not specifically adopted term limits or other mechanisms for board renewal, other than the mandatory retirement age of 75 for any Board member, which has been informally adopted by, and is monitored by, the Compensation and Nominating Committee.

However, when considering nominees for the Board, the Compensation and Nominating Committee reviews the skills and experience of the current directors of the Corporation to assess whether the Board's skills and experience need to be strengthened in any area. In addition to considering the skills and experience of the Board, the Compensation and Nominating Committee also assesses the knowledge and character of all nominees to the Board and other factors such as independence of the directors to ensure that the Board is operating effectively and independently of management. The Compensation and Nominating Committee considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election of the directors of the Corporation. The Compensation and Nominating Committee considers the benefits of regular renewal in the context of the needs of the Board at the time and the benefits of the institutional knowledge of the Board members.

11. **Policies Regarding the Representation of Women on the Board**

The Board has not adopted a written policy relating to the identification and nomination of female directors nor does it have targets regarding the number of women on the Board. The Board believes that director nominations should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the Board at the time. The Corporation is committed to a meritocracy and believes that considering the broadest group of individuals with the skills, knowledge, experience and character required to provide the leadership needed to achieve its business objectives is in the best interests of the Corporation and its stakeholders, without reference to their age, gender, race, ethnicity or religion. While the Board recognizes the benefits of diversity at the Board level and in assessing candidates and selecting nominees for the Board, diversity will also be considered by the Compensation and Nominating Committee and the Board will not compromise the principles of a meritocracy.

12. **Consideration of the Representation of Women in the Director Identification and Selection Process**

As a result of the Corporation's commitment to meritocracy, the level of representation of women on the Board is not specifically considered in identifying and nominating candidates for election to the Board. See item 11.

13. **Consideration Given to the Representation of Women in Executive Officer Appointments**

As a result of the Corporation's commitment to meritocracy, the level of representation of women in executive officer positions is not considered when making executive officer appointments. See item 14.

14. **Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

The Board does not specifically consider the level of female representation in executive officer positions when making such appointments nor does it have targets in respect of appointing women to these positions. Similar to the Board's approach in considering director nominations, in making appointments to executive officer positions, the Board considers each candidate's experience, knowledge, education, management capabilities and competency, as well as the effect of the appointment on the diversity of the Corporation's executive officers as a whole.

15. **Number of Women on the Board and in Executive Officer Positions**

There are presently no women serving on the Board. There is presently one woman serving in an executive officer position at the Corporation, which represents 12.5% of the number of executive officer positions at the Corporation.

Other Matters Relating to the Board

The Board holds regularly scheduled meetings at least quarterly to perform its responsibilities. The Board and members of management hold strategic planning sessions annually and revisit the strategic plan at each quarterly meeting of the Board. Significant operational decisions and all decisions relating to: (i) the acquisition and disposition of properties in excess of limits established by the Board from time to time; (ii) the approval of capital expenditure budgets; (iii) the establishment of credit facilities; (iv) issuances of additional common shares or debt; and (v) the determination of the amount of the monthly dividends, are made by the Board.

The Board and its committees have access to senior management on a regular basis as Mr. Darren Gee, the President and CEO, and Mr. Scott Robinson, the Executive Vice-President and Chief Operating Officer, are directors and attend all meetings of the Board along with other executive officers who are invited to attend such meetings to provide necessary information to facilitate decision making.

The Corporation spends considerable time and energy on succession planning for its executive officers and other key personnel. The Corporation focuses on developing leadership bench-strength and future management candidates from within the organization. On an annual basis, the executive officers meet to discuss succession planning within the organization and to identify high potential employees for additional leadership development opportunities. The Board takes responsibility for senior officer succession planning and specifically succession planning for the CEO. Succession planning is frequently a part of the Board agenda and in-camera discussions and is discussed formally at least on an annual basis. At these sessions, the Board and the CEO discuss succession plans and candidates for all executive officer positions, including the CEO role.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Neither the Corporation, nor any director or executive officer of the Corporation, any proposed nominee for election as a director of the Corporation, nor any associate of any of the foregoing, is, or has at any time since the beginning of the Corporation's last completed financial year, been indebted to the Corporation, nor is or has the indebtedness of any such persons to another entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of the Corporation, any proposed director of the Corporation, any securityholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding common shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Management is not aware of any material interest of any director or executive officer or anyone who has held office as such since the beginning of the Corporation's last financial year, any proposed nominee for election as a director or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, save as is disclosed herein.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2016 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management discussion and analysis are available upon request from the Corporation at Suite 300, 600 – 3rd Avenue S.W., Calgary, Alberta T2P 0G5, Attention: Kathy Turgeon, telephone (403) 263-2950, or telecopy (403) 451-4100.

OTHER MATTERS

Management of the Corporation knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual meeting. However, if any other matter properly comes before the meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

The contents and the sending of this information circular – proxy statement have been approved by the Board.

Shareholders are encouraged to contact management of the Corporation or members of the Board with respect to any questions or concerns regarding the Corporation, its business, operations and/or governance matters. Darren Gee, the Corporation's President and CEO, may be reached by telephone at (403) 237-8911; Kathy Turgeon, the Corporation's Vice President, Finance and Chief Financial Officer, may be reached by telephone at (403) 263-2950; and Michael MacBean, the Corporation's Lead Director, may be reached by telephone at (403) 225-1144. Additionally, shareholders may call Lydia Hamaliuk, Manager, Human Resources for the Corporation, at 1-844-847-9706 (toll free in North America) or (403) 261-6081 (for outside of North America).

Dated: March 22, 2017

SCHEDULE "A"

PEYTO EXPLORATION & DEVELOPMENT CORP.

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "**Board**") of Peyto Exploration & Development Corp. (the "**Corporation**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of the Corporation. In general terms, the Board will:

A. in consultation with the chief executive officer of the Corporation (the "**CEO**"), define the principal objective(s) of the Corporation;

B. supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objective(s) as defined by the Board;

C. discharge the duties imposed on the Board by applicable laws; and

D. for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

Without limiting the generality of the foregoing, the Board will perform the following duties:

Strategic Direction, Operating, Capital and Financial Plans

1. require the CEO to present annually to the Board a yearly business plan for the Corporation's business, which plans must:

   (a) be designed to achieve the Corporation's principal objectives,

   (b) identify the principal strategic and operational opportunities and risks of the Corporation's business, and

   (c) be approved by the Board as a pre-condition to the implementation of such plans;

2. review progress towards the achievement of the goals established in the strategic, operating and capital plans;

3. identify the principal risks of the Corporation's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks;

4. approve the annual operating and capital plans, as may be amended from time to time;

5. approve issuances of additional common shares of the Corporation or other securities to the public;

6. monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;

Management and Organization

7. appoint the CEO and determine the terms of the CEO's employment with the Corporation;

8. in consultation with the CEO, develop a position description for the CEO;

9. evaluate the performance of the CEO at least annually;

10. in consultation with the CEO, establish the limits of management's authority and responsibility in conducting the Corporation's business;

11. in consultation with the CEO, appoint all officers of the Corporation and approve the terms of each officer's employment with the Corporation;

12. receive annually from the CEO the CEO's evaluation of the performance of each senior officer;

13. approve any proposed significant change in the management organization structure of the Corporation;

14. approve all retirement plans, if any, for officers and employees of the Corporation;

15. in consultation with the CEO, establish a communications/disclosure policy for the Corporation;

16. generally provide advice and guidance to management;

Finances and Controls

17. use reasonable efforts to ensure that the Corporation maintains appropriate systems to manage the risks of the Corporation's business;

18. monitor the appropriateness of the Corporation's capital structure;

19. ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis;

20. in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of the Corporation and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;

21. require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by the Corporation and its officers and employees;

22. require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;

23. review insurance coverage of significant business risks and uncertainties;

24. review and approve the Corporation's hedging program;

25. review and approve material contracts to be entered into by the Corporation;

26. recommend to the shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors;

27. review dividend levels, based on information from and consultation with management;

28. approve all changes to dividend levels;

29. take all necessary actions to gain reasonable assurance that all financial information made public by the Corporation (including the Corporation's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance;

Governance

30. in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;

31. facilitate the continuity, effectiveness and independence of the Board by, amongst other things,

    (a) selecting nominees for election to the Board,

    (b) appointing a Chairman of the Board who is not a member of management,

    (c) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate,

    (d) defining the mandate of each committee of the Board,

    (e) ensuring that processes are in place and are utilized to assess the size of the Board, the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director,

    (f) review the orientation and education program for new members to the Board to ensure that it is adequate and effective, and

    (g) establishing a system to enable any director to engage an outside adviser at the expense of the Corporation;

32. review annually the adequacy and form of the compensation of directors.

Delegation

The Board shall determine the composition of all committees and ensure that such composition is in compliance with all applicable laws.

The Board may delegate its duties to and receive reports and recommendations from any committee of the Board.

Meetings

33. the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;

34. minutes of each meeting shall be prepared;

35. the CEO or his designate(s) may be present at all meetings of the Board;

36. Vice Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.