

Notes

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Corporate Governance

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Exploration & Development Corp.

- “We will be candid in our reporting, emphasizing the pluses and minuses important in appraising business value. Our guideline is to tell you the business facts that we would want to know if our positions were reversed.”
- “Our policies and communications will be designed to encourage informed, rational behavior by shareholders, that in turn, will tend to produce a stock price that is also rational. “
- “Our requisites for board membership will be business savvy, interest in the job, integrity, and owner-orientation.”
- “We will issue common stock only when we receive as much in business value as we give. We will not issue common stock on a basis inconsistent with the value of the entire enterprise.”
- “In line with owner-orientation, our directors have a major portion of their net worth invested in the company. We eat our own cooking.”

Taken in part from “The Essays of Warren Buffett: Lessons for Corporate America”

Corporate Insurance



- General Liability (including pollution) \$15 Million
- Property (gas plants, wellsites, office) \$135 Million
(includes limited business interruption* coverage)
- Operator's Extra Expense (well control) \$20 Million
- Directors and Officers \$40 Million

* *Business Interruption coverage in place for Sundance area properties (~90% of production base)
15 day wait period before coverage commences
Coverage is based on 3 months net income for each property to an aggregate limit of \$160 million
Beyond 3 months, Peyto expects normal production and cash flow would be restored*

Performance Based Compensation

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Exploration & Development Corp.

- Market Based Compensation
 - compensates employees based on share price performance
 - replaces old stock option plan
- Reserve Value Based Compensation
 - compensates employees for accretive growth in proved producing reserve value per share
- No Management Fees

“The principle behind our performance compensation is to compensate performance which benefits the shareholder. We are confident that our plan is fully aligned to the shareholders. In very simple terms, for every dollar of gain our plan is designed to pay out ten cents or 10%. The performance based compensation is also meant to be transparent.”

Performance Based Compensation

Reserve Value Component

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Exploration & Development Corp.

● Rules

- At the time of payout, a share of the performance based compensation is allocated, based on performance, to employees and key consultants.
- Each year an independent engineering firm calculates the incremental value of the trust's proven producing reserves using the same constant price forecast for the opening and closing valuation and an 8% discount factor. THE EVALUATION IS MEANT TO BE INDEPENDENT OF COMMODITY PRICES.
- The incremental value of the proven producing reserves is adjusted for distributions, debt and equity in order to isolate the net incremental value added on a per share basis.
- The total value of the reserve performance based compensation is 4% of the net incremental value added for the period and is paid out in cash at the end of January.

● Formula

- **Reserve Value performance based compensation Pool = (Incremental Value - Change in Debt + Total Distributions + G&A + Interest) x (Equity Factor) x (4%)**

● Definitions

- Incremental Value - *change in net present value of the proven producing reserves discounted at 8%*
- Change in Debt - *net debt at end of period before performance based compensation, minus net debt at the beginning of the period*
- Total Distributions - *the aggregate of the distributions during the period plus G&A and Interest*
- Equity Factor - *percentage increase of value added on a per share basis divided by the percentage increase added overall, thus if there is no gain on a per share basis the factor would be zero*

Performance Based Compensation

Market Component



● Rules

- At time of grant, a share of the performance based compensation is allocated to employees and key consultants.
- Rights vest over one to three year periods.
- The size is not to exceed 6% of total shares outstanding.
- In December of each year all vested rights are automatically cancelled and, if applicable, paid out in cash.
- Non-employee directors do not participate.

● Formula

- **Market performance based compensation Pool = (Payout Price - Grant Price + Total Distributions) x (Rights)**

● Definitions

- Payout Price - *ten day weighted average price ending December 31st*
- Grant Price - *market price at time of grant*
- Total Distributions - *the aggregate of the distributions subsequent to the date of grant*
- Rights - *number of rights that have vested for the period*

Performance Based Compensation

Market Component (as of June 30, 2015)



Vesting Date	To be valued @ Dec. 31/16		**Valued but not paid	
	Average Grant Price	Number of Rights	Number of Rights	Outstanding Value
12/31/2016	\$ 24.09	1,266,167	1,004,718	\$ 3,107,496
12/31/2017	\$ 24.09	1,266,167	-	\$ -
12/31/2018	\$ 24.09	1,266,166	-	\$ -
Total Unvested Rights O/S	\$ 24.09	3,798,500	1,004,718	\$ 3,107,496
Total Shares O/S (as of Jan. 6, 2016)		159,107,303		
Total Rights as a Percentage of Shares O/S		3.0%		

**Valued on December 31, 2014 (\$34.34)

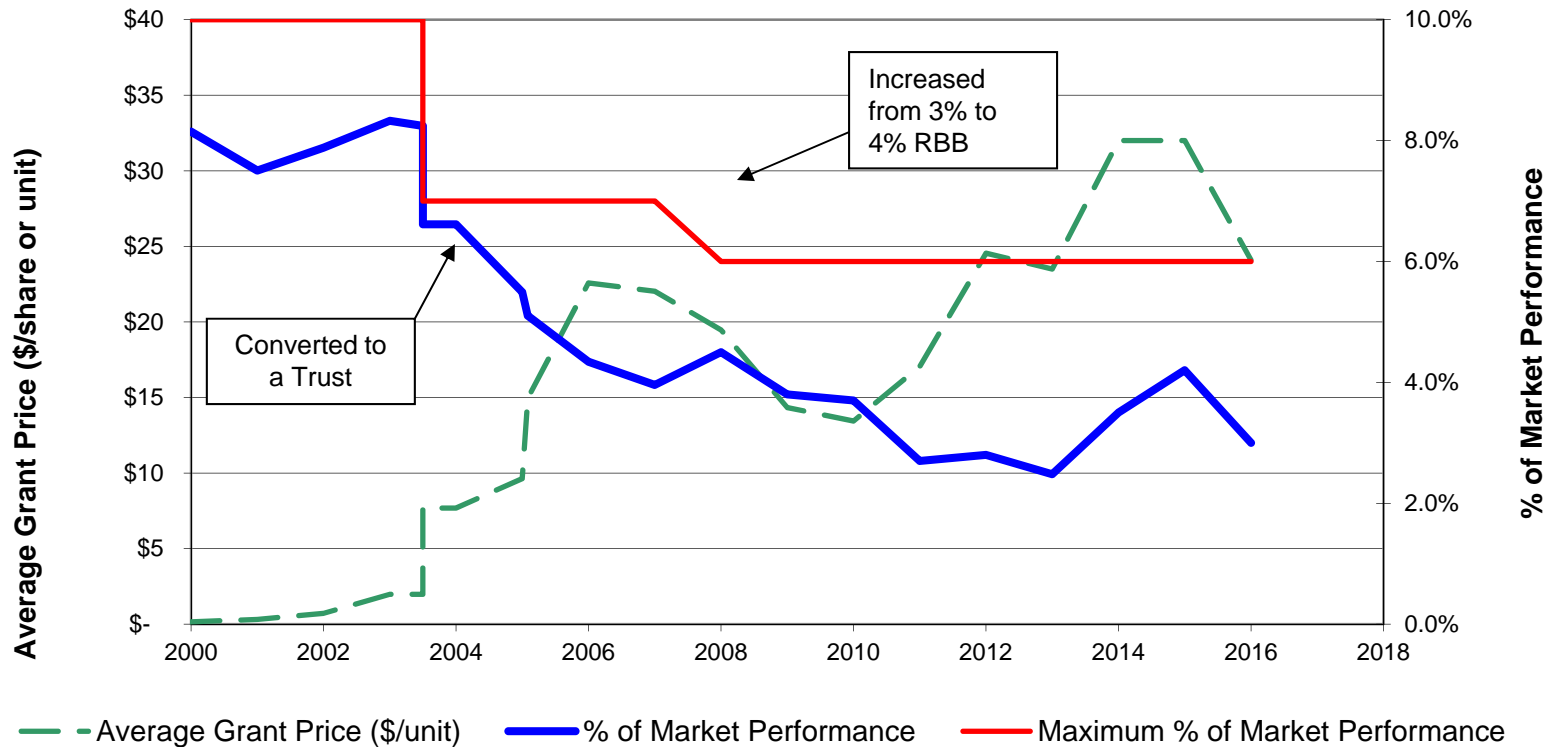
Performance Based Compensation Market Component (2)

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Exploration & Development Corp.

"Before we converted to a trust the market based compensation maximum was set at 10% of the shares outstanding. As a trust the maximum level was set by the board at 6-7% (units outstanding). Since that time, the market based component has fallen from 6.6% at the end of 2003 to 2.5% at the end of 2013."



Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares

Distribution/Dividend History

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Distribution Month	Distribution per Unit	Number of Units O/S	Distribution Month	Distribution per Unit	Number of Units O/S	Distribution Month	Distribution per Unit	Number of Units O/S	Dividend per Share	Number of shares O/S	Dividend per Share	Number of shares O/S	Total Dividend		
Jul-03	\$ 0.075	90,790,244	Jan-06	\$ 0.120	103,450,701	Jul-08	\$ 0.150	105,920,194	Jan-11	\$ 0.060	132,548,444	Jul-13	\$ 0.080	148,758,923	\$ 11,900,714
Aug-03	\$ 0.075	90,790,244	Feb-06	\$ 0.140	103,851,125	Aug-08	\$ 0.150	105,920,194	Feb-11	\$ 0.060	132,810,686	Aug-13	\$ 0.080	148,758,923	\$ 11,900,714
Sep-03	\$ 0.075	90,790,244	Mar-06	\$ 0.140	104,030,035	Sep-08	\$ 0.150	105,920,194	Mar-11	\$ 0.060	133,061,301	Sep-13	\$ 0.080	148,758,923	\$ 11,900,714
Oct-03	\$ 0.075	90,790,244	Apr-06	\$ 0.140	104,481,613	Oct-08	\$ 0.150	105,920,194	Apr-11	\$ 0.060	133,061,301	Oct-13	\$ 0.080	148,758,923	\$ 11,900,714
Nov-03	\$ 0.075	90,790,244	May-06	\$ 0.140	104,592,488	Nov-08	\$ 0.150	105,920,194	May-11	\$ 0.060	133,061,301	Nov-13	\$ 0.080	148,758,923	\$ 11,900,714
Dec-03	\$ 0.075	90,790,244	Jun-06	\$ 0.140	104,649,186	Dec-08	\$ 0.150	105,920,194	Jun-11	\$ 0.060	133,061,301	Dec-13	\$ 0.080	148,758,923	\$ 11,900,714
Jan-04	\$ 0.075	91,450,488	Jul-06	\$ 0.140	104,710,005	Jan-09	\$ 0.150	105,920,194	Jul-11	\$ 0.060	133,061,301	Jan-14	\$ 0.080	148,949,448	\$ 11,915,956
Feb-04	\$ 0.075	91,450,488	Aug-06	\$ 0.140	105,114,637	Feb-09	\$ 0.120	105,920,194	Aug-11	\$ 0.060	133,061,301	Feb-14	\$ 0.080	153,689,448	\$ 12,295,156
Mar-04	\$ 0.075	91,450,488	Sep-06	\$ 0.140	105,251,394	Mar-09	\$ 0.120	105,920,194	Sep-11	\$ 0.060	133,061,301	Mar-14	\$ 0.080	153,690,808	\$ 12,295,265
Apr-04	\$ 0.085	91,450,488	Oct-06	\$ 0.140	105,251,394	Apr-09	\$ 0.120	105,920,194	Oct-11	\$ 0.060	133,061,301	Apr-14	\$ 0.080	153,690,808	\$ 12,295,265
May-04	\$ 0.085	91,450,488	Nov-06	\$ 0.140	105,251,394	May-09	\$ 0.120	105,920,194	Nov-11	\$ 0.060	133,061,301	May-14	\$ 0.100	153,690,808	\$ 15,369,081
Jun-04	\$ 0.085	91,450,488	Dec-06	\$ 0.140	105,251,394	Jun-09	\$ 0.120	114,920,194	Dec-11	\$ 0.060	137,960,301	Jun-14	\$ 0.100	153,690,808	\$ 15,369,081
Jul-04	\$ 0.085	91,450,488	Jan-07	\$ 0.140	105,536,584	Jul-09	\$ 0.120	114,920,194	Jan-12	\$ 0.060	138,357,536	Jul-14	\$ 0.100	153,690,808	\$ 15,369,081
Aug-04	\$ 0.085	91,450,488	Feb-07	\$ 0.140	105,536,584	Aug-09	\$ 0.120	114,920,194	Feb-12	\$ 0.060	138,357,536	Aug-14	\$ 0.100	153,690,808	\$ 15,369,081
Sep-04	\$ 0.085	91,450,488	Mar-07	\$ 0.140	105,712,364	Sep-09	\$ 0.120	114,920,194	Mar-12	\$ 0.060	138,485,956	Sep-14	\$ 0.100	153,690,808	\$ 15,369,081
Oct-04	\$ 0.095	91,450,488	Apr-07	\$ 0.140	105,712,364	Oct-09	\$ 0.120	114,920,194	Apr-12	\$ 0.060	138,485,956	Oct-14	\$ 0.100	153,690,808	\$ 15,369,081
Nov-04	\$ 0.095	91,450,488	May-07	\$ 0.140	105,712,364	Nov-09	\$ 0.120	114,920,194	May-12	\$ 0.060	138,485,956	Nov-14	\$ 0.110	153,690,808	\$ 16,905,989
Dec-04	\$ 0.095	95,450,488	Jun-07	\$ 0.140	105,712,364	Dec-09	\$ 0.120	114,920,194	Jun-12	\$ 0.060	138,485,956	Dec-14	\$ 0.110	153,690,808	\$ 16,905,989
Jan-05	\$ 0.095	96,615,544	Jul-07	\$ 0.140	105,712,364	Jan-10	\$ 0.120	115,116,614	Jul-12	\$ 0.060	138,485,956	Jan-15	\$ 0.110	153,859,728	\$ 16,924,570
Feb-05	\$ 0.110	96,790,544	Aug-07	\$ 0.140	105,712,364	Feb-10	\$ 0.120	115,172,624	Aug-12	\$ 0.060	143,889,963	Feb-15	\$ 0.110	153,859,728	\$ 16,924,570
Mar-05	\$ 0.110	96,790,544	Sep-07	\$ 0.140	105,712,364	Mar-10	\$ 0.120	115,300,675	Sep-12	\$ 0.060	143,889,963	Mar-15	\$ 0.110	153,921,273	\$ 16,931,340
Apr-05	\$ 0.110	96,810,764	Oct-07	\$ 0.140	105,712,364	Apr-10	\$ 0.120	120,982,602	Oct-12	\$ 0.060	143,889,963	Apr-15	\$ 0.110	158,958,273	\$ 17,485,410
May-05	\$ 0.120	96,847,834	Nov-07	\$ 0.140	105,712,364	May-10	\$ 0.120	121,059,946	Nov-12	\$ 0.060	143,889,963	May-15	\$ 0.110	158,958,273	\$ 17,485,410
Jun-05	\$ 0.120	96,888,404	Dec-07	\$ 0.140	105,712,364	Jun-10	\$ 0.120	121,476,477	Dec-12	\$ 0.060	148,518,713	Jun-15	\$ 0.110	158,958,273	\$ 17,485,410
Jul-05	\$ 0.120	96,923,916	Jan-08	\$ 0.1435	105,712,364	Jul-10	\$ 0.120	121,545,852	Jan-13	\$ 0.060	148,673,263	Jul-15	\$ 0.110	158,958,273	\$ 17,485,410
Aug-05	\$ 0.120	96,956,217	Feb-08	\$ 0.140	105,712,364	Aug-10	\$ 0.120	121,946,024	Feb-13	\$ 0.060	148,673,263	Aug-15	\$ 0.110	158,958,273	\$ 17,485,410
Sep-05	\$ 0.120	101,993,139	Mar-08	\$ 0.140	105,920,194	Sep-10	\$ 0.120	122,136,678	Mar-13	\$ 0.060	148,758,923	Sep-15	\$ 0.110	158,958,273	\$ 17,485,410
Oct-05	\$ 0.120	102,031,358	Apr-08	\$ 0.140	105,920,194	Oct-10	\$ 0.120	123,057,561	Apr-13	\$ 0.060	148,758,923	Oct-15	\$ 0.110	158,958,273	\$ 17,485,410
Nov-05	\$ 0.120	102,077,749	May-08	\$ 0.150	105,920,194	Nov-10	\$ 0.120	131,372,061	May-13	\$ 0.080	148,758,923	Nov-15	\$ 0.110	158,958,273	\$ 17,485,410
Dec-05	\$ 0.120	102,333,847	Jun-08	\$ 0.150	105,920,194	Dec-10	\$ 0.120	131,875,382	Jun-13	\$ 0.080	148,758,923	Dec-15	\$ 0.110	158,958,273	\$ 17,485,410
										Accumulated					
										Dist/Div	\$	15.65	\$ 1,859,238,000		

Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
 Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares

Major Share Placements

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Exploration & Development Corp.

Description	Year	Shares (000's)	Issue Price (\$/share)	Net Proceeds (000's)
Initial Capitalization, Founders and Public	1998	22,956	\$ 0.08	\$ 1,676
Rights Offering, Private Placement to Outside Party	1999	26,098	\$ 0.16	\$ 4,021
Private Placement to Outside Party	2000	30,545	\$ 0.38	\$ 11,557
Private Placement, Employees only	2001	4,401	\$ 0.42	\$ 1,747
Private Placement, Employees only	2002	2,837	\$ 1.31	\$ 3,692
Stock Option Buyout, Private Placement, Employees & Directors only	2003	3,954	\$ 7.59	\$ 29,989
Private Placement, Employees only	2003	660	\$ 13.65	\$ 9,013
Public Offering, (Bought Deal)	2004	4,000	\$ 21.33	\$ 80,712
Private Placement, Employees only	2004	1,340	\$ 23.57	\$ 31,586
Public Offering (Bought Deal)	2005	5,000	\$ 30.55	\$ 144,695
DRIP & OTUPP	2005	579	\$ 25.04	\$ 14,383
Private Placement, Employees only	2005	1,082	\$ 25.38	\$ 27,450
DRIP & OTUPP	2006	1,488	\$ 23.14	\$ 34,437
Private Placement, Employees only	2006	312	\$ 22.18	\$ 6,928
Private Placement, Employees only	2007	461	\$ 17.07	\$ 7,867
Private Placement, Employees only	2008	208	\$ 18.92	\$ 3,932
Public Offering (Bought Deal)	2009	9,000	\$ 10.50	\$ 89,393
Private Placement, Employees only	2009	196	\$ 13.89	\$ 2,728
DRIP & OTUPP	2010	3,158	\$ 14.48	\$ 45,722
Public Offering (Bought Deal)	2010	5,566	\$ 13.45	\$ 70,720
Public Offering (Bought Deal)	2010	8,315	\$ 17.30	\$ 137,589
Private Placement, Employees only	2010	656	\$ 18.95	\$ 12,423
Private Placement, Employees only	2011	251	\$ 18.86	\$ 4,727
Public Offering (Bought Deal)	2011	4,899	\$ 23.50	\$ 110,088
Private Placement, Employees only	2011	397	\$ 24.52	\$ 9,705
Private Placement, Employees only	2012	128	\$ 17.22	\$ 2,211
Issuance for Corporate Acquisition (Open Range Energy)	2012	5,404	\$ 20.73	\$ 112,017
Public Offering (Bought Deal)	2012	4,629	\$ 24.85	\$ 110,034
Private Placement, Employees only	2013	155	\$ 22.38	\$ 3,395
Private Placement, Employees only	2013	86	\$ 26.65	\$ 2,274
Public Offering (Bought Deal)	2014	4,720	\$ 34.00	\$ 153,615
Private Placement, Employees only	2014	191	\$ 32.78	\$ 6,245
Private Placement, Employees only	2014	21	\$ 35.20	\$ 752
Private Placement, Employees only	2015	169	\$ 33.30	\$ 5,611
Private Placement, Employees only	2015	62	\$ 34.23	\$ 2,098
Public Offering (Bought Deal)	2015	5,037	\$ 34.25	\$ 165,152
Private Placement, Employees only	2016	149	\$ 25.29	\$ 3,768
		159,107	\$ 9.53	\$ 1,463,912
tax effect				\$ 7,065
				\$ 1,470,977

Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares

Financing (2016)

PEYTO



Exploration & Development Corp.

- **2016**
- \$3,768,969 Private Placement Share Issue (149,030 Shares \$25.29/share) – January 6, 2016
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 56% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2015)

PEYTO



Exploration & Development Corp.

- **2015**
- \$5,625,036 Private Placement Share Issue (168,920 Shares \$33.30/share) – January 7, 2015
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 76% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$2,106,685 Private Placement Share Issue (61,545 Shares \$34.23/share) – March 25, 2015
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the transaction date. The total proceeds from the private placement represents approximately 69% of the after tax cash pay out from the reserve based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve based compensation .
- \$172,517,250 Equity Issue (5,037,000 shares \$34.25/share) – April 16, 2015
 - April 16, 2015 issued 5,037,000 common shares at \$34.25/share for gross proceeds of \$172,517,250. These funds were initially be used to pay down bank debt. Ultimately, the funds allowed Peyto to expand the capital expenditures for the remainder of 2015. This capital expansion was driven by a growing inventory of internally generated drilling projects.
- \$100,000,000CND Private Placement of Senior Unsecured Notes (10 yr., 4.26%) – May 1, 2015
 - Private placement of senior unsecured notes with The Manufacturers Life Insurance Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, United of Omaha Insurance Company , and Mutual of Omaha Insurance Company. The notes have a coupon rate of 4.26% and mature in May, 2025. The notes were issued by way of a private placement and rank equally with Peyto's obligations under its bank facility and existing note purchase agreements.

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2014)



- **2014**
- \$160,480,000 Equity Issue (4,720,000 shares \$34.00/share) – February 5, 2014
 - February 5, 2014 issued 4,720,000 common shares at \$34.00/share for gross proceeds of \$160,480,000. These funds were initially be used to pay down bank debt. Ultimately, the funds allowed Peyto to expand the capital expenditures for the remainder of 2014. This capital expansion was driven by a growing inventory of internally generated drilling projects.
- \$6,245,410 Private Placement Share Issue (190,525 Shares \$32.78/share) – January 8, 2014
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 82% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$751,872 Private Placement Share Issue (21,360 Shares \$35.20/share) – March 17, 2014
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the transaction date. The total proceeds from the private placement represents approximately 64% of the after tax cash pay out from the reserve based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve based compensation.
- \$50,000,000CND Private Placement of Senior Unsecured Notes (8 yr., 3.79%) – July 3, 2014
 - Private placement of senior unsecured notes with New York Life Insurance Company, and New York Life Insurance and Annuity Corporation. The notes have a coupon rate of 3.79% and mature in July, 2022. The notes were issued by way of a private placement and rank equally with Peyto's obligations under its bank facility and existing note purchase agreements.

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2013)

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Exploration & Development Corp.

- **2013**
- \$3,394,852 Private Placement Share Issue (154,550 Shares \$22.38/share) – January 7, 2013
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$2,273,981 Private Placement Share Issue (85,660 Shares \$26.65/share) – March 19, 2013
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the transaction date. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve based compensation.
- \$120,000,000CND Private Placement of Senior Unsecured Notes (7 yr., 4.5%) – December 4, 2013
 - Private placement of senior unsecured notes with a syndicate of lenders. The notes have a coupon rate of 4.5% and mature in December, 2020. The notes were issued by way of a private placement and rank equally with Peyto's obligations under its bank facility and existing note purchase agreements.

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2012) Cont.



- **2012**
- \$110,034,005 Equity Issue (4,628,750 shares \$24.85/share) – November 20, 2012
 - November 20, 2012 issued 4,628,750 common shares at \$24.85/share for gross proceeds of \$115,024,438. These funds were initially be used to pay down bank debt. Ultimately, the funds allowed Peyto to expand the capital expenditures for the remainder of 2012 and 2013. This capital expansion was driven by a growing inventory of internally generated drilling projects.

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2012)

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Exploration & Development Corp.

- **2012**
- \$50,000,000 Private Placement of Senior Secured Notes (10 yr., 4.88%) – September 6, 2012
 - Private placement of senior secured notes with Prudential Investment Management Inc. The notes have a coupon rate of 4.88% and mature on September 6, 2022. Peyto's bank facility was reduced from \$780 to \$730 million in conjunction with the private placement. Total borrowing capacity remained unchanged at \$880 million.
- \$780,000,000 Revolving Line of Credit from Bank – August 15, 2012
 - Subsequent to the acquisition of Open Range, Peyto's syndicate of lenders increased the borrowing base to \$880 million or \$780 million of Revolving Line of Credit (net of the \$100 million of senior secured notes).
- \$112,187,185 Common Share Issuance for Corporate Acquisition – August 14, 2012
 - August 14, 2012 acquisition of Open Range Energy Corp. which exchanged 0.0723 shares of Peyto for each common share of Open Range.
- \$700,000,000 Revolving Line of Credit from Bank – April 27, 2012
 - 2012 mid year review, increased to \$700 million Revolving Line of Credit (from \$625 million) with the Bank of Montreal, Union Bank of California, CIBC, RBC, HSBC, TD, Alberta Treasury Branch, and Canadian Western Bank. Total borrowing capacity, including the senior secured notes, is \$800 million.
- \$2,211,392 Private Placement Share Issue (128,420 Shares \$17.22/share) – March 23, 2012
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$100,000,000 Private Placement of Senior Secured Notes (7 yr., 4.39%) – January 3, 2012
 - Private placement of senior secured notes with Prudential Investment Management Inc. The notes have a coupon rate of 4.39% and mature on January 3, 2019. Peyto's bank facility has been reduced from \$725 to \$625 million in conjunction with the private placement. The syndicate of bank members has been rebalanced to include BMO, Union Bank, RBC, CIBC, HSBC, ATB and CWB. Total borrowing capacity remained unchanged at \$725 million.

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2011)



- **2011**
- \$9,740,202 Private Placement Share Issue (397,235 Shares \$24.52/share)
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$115,126,500 Equity Issue (4,899,000 Units \$23.50/share)
 - Dec 16, 2011 issued 4,899,000 common shares at \$23.50/share for gross proceeds of \$115,126,500. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2011 and 2012. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$725,000,000 Revolving Line of Credit from Bank
 - 2011 mid year review, increased to \$725,000,000 Revolving Line of Credit with the Bank of Montreal, Union Bank of California, CIBC, RBC, BNP Paribas, HSBC, Alberta Treasury Branch, and Canadian Western Bank
- \$4,726,599 Private Placement Share Issue (250,615 Shares \$18.86/share)
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

Financing (2010)



- **2010**
- \$12,423,260 Private Placement Share Issue (655,581 Shares \$18.95/share)
 - Private placement of Common Shares to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$143,840,850 Equity Issue (8,314,500 Units \$17.30/unit)
 - Nov 30, 2010 issued 8,314,500 common units at \$17.30/unit for gross proceeds of \$143,840,850. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2010 and 2011. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$74,862,700 Equity Issue (5,566,000 Units \$13.45/unit)
 - Apr 27, 2010 issued 5,566,000 common units at \$13.45/unit for gross proceeds of \$74,862,700. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2010 and 2011. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$625,000,000 Revolving Line of Credit from Bank
 - 2009 year end review, increased to \$625,000,000 Revolving Line of Credit with the Bank of Montreal, Union Bank of California, BNP Paribas, Alberta Treasury Branch, Royal Bank of Canada, CIBC, Société Général, HSBC, and Canadian Western Bank

*Historical Per Share and Shares Outstanding numbers have been adjusted to reflect the May 27, 2005 2:1 stock split
Peyto Energy Trust converted to a corporation on Dec. 31, 2010 at which point Trust Units were exchanged for shares*

Financing (2009)



- **2009**
- \$2,728,274 Private Placement Unit Issue (196,420 Units \$13.89/unit)
 - Private placement of Trust Units to employees and consultants. Units were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$94,500,000 Equity Issue (9,000,000 Units \$10.50/unit)
 - Jun 26, 2009 issued 9,000,000 common units at \$10.50/unit for gross proceeds of \$94,500,000. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2009 and 2010. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$550,000,000 Revolving Line of Credit from Bank
 - 2008 year end review, increased to \$550,000,000 Revolving Line of Credit with the Bank of Montreal, Union Bank of California, BNP Paribas, Alberta Treasury Branch, Royal Bank of Canada, Société Général, HSBC, and Canadian Western Bank

Financing (2008)



- **2008**
- \$550,000,000 Revolving Line of Credit from Bank
 - 2007 year end review, increased to \$550,000,000 Revolving Line of Credit with the Bank of Montreal, BNP Paribas, Royal Bank of Canada, and the Union Bank of California, Société Général, Alberta Treasury Branch, Fortis Capital (Canada) Ltd.
- \$3,932,144 Private Placement Unit Issue (207,830 Units \$18.92/unit)
 - Private placement of Trust Units to employees and consultants. Units were priced based on the five day weighted average after the year end release. The total proceeds from the private placement represents approximately 96% of the after tax cash pay out from the reserve value based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve value based compensation.

Financing (2007)



- **2007**
- \$525,000,000 Revolving Line of Credit from Bank
 - 2006 year end review, increased to \$525,000,000 Revolving Line of Credit with the Bank of Montreal, BNP Paribas, Royal Bank of Canada, and the Union Bank of California, Société Général, Alberta Treasury Branch, Fortis Capital (Canada) Ltd.
- \$5,042,159 Private Placement Unit Issue (285,190 Units \$17.68/unit)
 - Private placement of Trust Units to employees and consultants. Shares were priced based on the five day weighted average prior to the year end. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- \$2,824,785 Private Placement Unit Issue (175,780 Units \$16.07/unit)
 - Private placement of Trust Units to employees and consultants. Shares were priced based on the five day weighted average after the year end release. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve value based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve value based compensation.

Financing (2006)



- **2006**
- \$6,928,366 Private Placement Unit Issue (312,370 Units \$22.18/unit)
 - Private placement of Trust Units to employees and consultants. Shares were priced based on the five day weighted average prior to the reserves report. The total proceeds from the private placement represents approximately 100% of the after tax cash pay out from the reserve value based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the reserve value based compensation.
- \$450,000,000 Revolving Line of Credit from Bank
 - 2005 year end review, increased to \$450,000,000 Revolving Line of Credit with the Bank of Montreal, BNP Paribas, Royal Bank of Canada, and the Union Bank of California, Société Général, Alberta Treasury Branch

Financing (2005)



- **2005**
- **\$4,500,125 Private Placement Unit Issue (175,000 Units \$25.72/unit)**
 - Private placement of Trust Units to employees and consultants. Units were priced based on the ten day weighted average prior to the reserve report. The total proceeds from the private placement represents approximately 99% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.
- **\$350,000,000 Revolving Line of Credit from Bank**
 - 2004 year end review, increased to \$350,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, BNP Paribas, Royal Bank of Canada, and the Union Bank of California
- **\$152,750,000 Equity Issue (5,000,000 Units \$30.55/unit)**
 - September 8, 2005 issued 5,000,000 common units at \$30.55 for gross proceeds of \$152,750,000. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for the remainder of 2005 and 2006. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- **\$27,450,247 Private Placement Unit Issue (1,081,570 Units \$25.38/unit)**
 - Private placement of Trust Units to employees and consultants. Units were priced based on the last five day weighted average price for 2005. The total proceeds from the private placement represents approximately 99.9% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

Financing (2004)



- **2004**
- \$230,000,000 Revolving Line of Credit from Bank
 - 2003 year end review, increased to \$230,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, National Bank of Canada and the Union Bank of California
- \$300,000,000 Revolving Line of Credit from Bank
 - 2004 mid year review, increased to \$300,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, National Bank of Canada, Royal Bank of Canada, and the Union Bank of California
- \$85,300,000 Equity Issue (4,000,000 Units \$21.33/unit)
 - December 7, 2004 issued 4,000,000 common units at \$21.33 for gross proceeds of \$85,300,000. These funds will initially be used to pay down bank debt. Ultimately, the funds will allow us to expand our capital expenditures for 2005 to \$300,000,000. This capital expansion was driven by our growing inventory of internally generated drilling projects.
- \$27,086,250 Private Placement Unit Issue (1,165,000 Units \$23.25/units)
 - Private placement of Trust Units to employees and consultants. Units were priced based on the last ten day weighted average price for 2004. The total proceeds from the private placement represents approximately 97% of the after tax cash pay out from the market based compensation to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation.

Financing (2003)



- **2003**
- \$180,000,000 Revolving Line of Credit from Bank
 - Increased to \$180,000,000 Revolving Line of Credit with the Bank of Montreal, CIBC, National Bank of Canada and the Union Bank of California
- \$29,813,189 Private Placement Share Issue (3,879,400 shares \$7.69/share)
 - Private placement of Trust Units as part of the Peyto Exploration & Development Corp.'s option buyout. Employees and directors were the only participants. Shares were priced based on the the five day weighted average price from June 24 – June 30, 2003. As a result of the conversion into a Trust, all options were vested and purchased by the company. The option-holder had the right to purchase trust units for the same price that was used to value the option buyout. The option buyout is a one time cash expense in Q2 2003. Because the buyout of the options was paid out in cash, the company will receive a tax expense and was also able to minimize the amount of shares that were ultimately issued.
- \$9,013,095 Private Placement Share Issue (660,300 shares \$13.65/share)
 - Private placement of Trust Units to employees and consultants. Shares were priced based on the last ten day weighted average price for 2003. The total proceeds from the private placement represents approximately 85% of the after tax cash pay out from the market based compensation plan to employees and consultants. Participation in the private placement was voluntary and was not connected with the market based compensation plan.

Financing (2001-2002)



- **2001**
- \$50,000,000 Revolving Line of Credit from Bank
 - Moved from \$25,000,000 Revolving Line of Credit with the National Bank of Canada to a \$50,000,000 Revolving Line of Credit with the Royal Bank of Canada.
- \$60,000,000 Revolving Line of Credit from Bank
 - Increased from \$50,000,000 Revolving Line of Credit with Royal Bank of Canada.
- \$823,500 Flow Through Share Issue (366,000 shares \$2.25/share)
 - Employee bonus plan flow-through share issue. Employee's are given choice of bonus in flow-through shares or cash. Employee's decided to take 90% of bonus in flow-through shares. Shares were priced at a 25% premium to the 10 day weighted average.
- **2002**
- \$100,000,000 Revolving Line of Credit from Bank
 - Moved from \$80,000,000 Revolving Line of Credit with the Royal Bank of Canada to a \$100,000,000 Revolving Line of Credit with the Bank of Montreal.
- \$1,098,630 Flow Through Share Issue (187,800 shares \$5.85/share)
 - Employee bonus plan flow-through share issue. Employee's are given choice of bonus in flow-through shares or cash. Employee's decided to take 99% of bonus in flow-through shares. Shares were priced at a 25% premium to the 10 day weighted average.

Financing (2000)



- **2000**
- \$2,700,000 Convertible Debenture issued to Paramount Resources Ltd.
 - Bears interest at 3% per annum; Convertible at \$0.30/share over five year term. Redeemable after July 1, 2000 if trading price above \$0.42/share. Issued January 2000
- \$7,958,000 Takeover of Largo Resources Inc.
 - Joint venture Partner in Sundance area
 - Issued 13,207,000 shares to Largo Shareholders, February 2000
- \$3,250,000 Sundance Area Property Acquisition from Eclipse Resources Ltd.
 - Joint Venture Partner in Sundance area
 - PEYTO Issued 3,300,000 shares (\$0.15/share) & paid \$1,123,435 in cash, April 2000
- \$15,000,000 Revolving Line of Credit from Bank
- \$2,700,000 Convertible Debenture Converted to 9,000,000 PEYTO Shares
 - Effective August 26, 2000 Paramount Resources Ltd. issued 9,000,000 common shares of PEYTO
- \$4,630,000 Flow-through Issue
 - Issued 4,000,000 shares at \$1.10/share, October 2000
 - Issued 200,000 shares at \$1.15/share, December 2000. Issued only to employees participating in Corporate bonus plan.
- \$25,000,000 Revolving Line of Credit from Bank

Financing (1999)



- **1999**
- \$267,000 Private Placement
 - Issued 2,970,000 shares at \$0.09/share, January 1999
- \$2,073,037 Shareholder Rights Offering
 - Issued 13,108,670 shares, November 1999
- \$2,500,000 P&NG Purchase from Paramount Resources Ltd.
 - Originally Farmed in on two suspended Paramount wells and completed the Cardium formation
 - After two successful completions, agreed to purchase the residual interest in two non-producing wells that PEYTO had re-entered & 1,720 acres of undeveloped land with 8,727,274 shares at \$0.275/share & \$75,000 cash, December 1999
- \$425,000 Flow-through Issue
 - Issued 1,000,000 shares at \$0.425/share, December 1999

Financing (1997-98)



- **1997 (before Peyto Management)**
- \$250,000 Private Placement to JCP Founders
 - Issued 5,000,000 shares at \$0.05/share March 1997
- \$250,000 JCP IPO
 - Issued 2,500,000 shares at \$0.10/share December 1997
- **1998**

October 23, 1998 Peyto Starts at \$0.075/share

- \$254,000 Private Placement
 - Acquired Producing Property in Saskatchewan with 3,388,000 shares at \$0.075/share & \$254,000 in cash, October 1998.
 - Producing property qualified as the JCP's Major Property Acquisition, thus removing the JCP restrictions on the corporation.
 - Ownership, management & control transferred from Desco group to PEYTO group. Desco Resources Ltd. JCP becomes PEYTO Exploration & Development Corp.
- \$415,000 Private Placement
 - Issued 5,534,000 shares at \$0.075/share, November 1998
- \$653,000 Private Placement
 - Issued 6,534,000 flow-through shares at \$0.10/share, December 1998

Officers

PEYTO



Exploration & Development Corp.

Darren Gee, *President, CEO, Director (P.Eng.)*

Professional Engineer, oil & gas reservoir, evaluation, production & exploitation engineering experience since 1989, B.Sc. Mechanical Engineering, University of Alberta. Joined Peyto 2001

Scott Robinson, *Executive Vice President, COO (P.Eng.)*

Professional Engineer, experience in Canada and U.S. in areas of production and reservoir engineering since 1984, B.S. (Honors) Chemistry, University of Denver, M.S. Chemical Engineering, Colorado School of Mines. Joined Peyto 2004

Kathy Turgeon, *Vice President, CFO*

Chartered Accountant, accounting experience since 1990, former Controller of Peyto Energy Trust, B.Comm. University of Calgary. Joined Peyto 2004

David Thomas, *VP Exploration (P. Geol.)*

Professional Geologist, experience in Canada, specifically the Deep Basin of Alberta since 1990. B.Sc. Hon. Geology from Carleton University, M.Sc. Geology from University of Minnesota. Joined Peyto in 2006

Tim Louie, *Vice President, Land (P.Land)*

Professional Landman, oil & gas experience since 1987, formerly Manager of Land at a public oil & gas company, B. Comm. In Petroleum Land Management, U of C. Joined Peyto 2012

Jean-Paul (J.P.) Lachance, *Vice President Exploitation (P.Eng.)*

Professional Engineer, oil & gas reservoir, evaluations, production, exploitation, facilities and operations experience since 1991, B.Sc. In Civil Engineering, University of Waterloo. Joined Peyto in 2011

Lee Curran, *Vice President Drilling and Completions (P.Eng.)*

Professional Engineer, drilling and completion experience since 1995, B.Sc. In Mechanical Engineering, University of Calgary. Joined Peyto in 2006

Todd Burdick, *Vice President Production (P.Eng.)*

Professional Engineer, production operations and pipeline/facilities construction experience since 1988, B.Sc. In Civil Engineering, University of Calgary. Joined Peyto in 2004

Steve Chetner, *Corporate Secretary*

Corporate Secretary to Peyto Exploration & Development Corp. since 2000, Partner of Burnet, Duckworth & Palmer LLP, since 2002; prior thereto, Associate of Burnet, Duckworth & Palmer LLP

Directors



Darren Gee, *President and CEO (2007-present)*

Scott Robinson, *Executive VP Operations and COO*

Don T. Gray, *Chairman, Co-founder (CEO & President 1998-2006)*

Mick MacBean, *Lead Independent Director, Chartered Accountant, Managing Director of TriWest Capital Partners since May 2010*

Stephen Chetner, *Corporate Secretary to Peyto Exploration & Development Corp. since 2000, Partner of Burnet, Duckworth & Palmer LLP, since 2002*

Brian Davis, *Petroleum Engineer, Managing Partner – Oil and Gas Evaluations and Consulting, since 2006*

Greg Fletcher, *Geologist, President Sierra Energy Inc since 1997, Director Calfrac Well Services Ltd, total Energy Service Ltd.*

Advisory

Regarding Forward-Looking Statements

PEYTO



Exploration & Development Corp.

This presentation contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this presentation contains forward looking statements and information concerning Peyto Exploration & Development Corp. ("Peyto") production; reserves, resources and gas in place; undeveloped land holdings; reserve life index; product mix; business strategy; future development and growth prospects, profile targets and rates; prospects; asset base; tax pools; drilling locations and inventory, down-spacing potential; exploration risk; access to capital; future cash flow, value, debt levels and debt to cash flow; capital investment and expenditure programs and the funding thereof; anticipated cash-on-cash yield; net asset value; credit facility; and statements with respect to levels of dividend/distributions to be paid to shareholders, dividend/distribution policy, and the timing of payment of such dividend/distributions.

The forward-looking statements and information are based on certain key expectations and assumptions made by Peyto, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services. Although Peyto believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Peyto can give no assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations.

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Peyto are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this presentation are made as of the date hereof and Peyto undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

The information contained in this presentation does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analyses and reviews of Peyto and of the information contained in this presentation. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors that they consider appropriate in investigating and analyzing Peyto.

Reserves

The recovery and reserve estimates of Peyto's crude oil, natural gas liquids and natural gas reserves provided in the presentation are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein.

Barrels of Oil Equivalent

"Boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Original Gas in Place

Original gas in place includes both discovered and undiscovered resources, and there is no certainty that any portion of the undiscovered resources will be discovered and, if discovered, that any volumes will be economically viable or technically feasible to recover or produce. Original gas in place also includes volumes that have already been produced from such accumulations. Readers should not unduly rely upon estimates of original gas in place in terms of assessing the combined company's reserves or recoverable resources.