

PEYTO

Exploration & Development Corp.

2018



Highlights

	Three Months Ended Dec 31			Twelve Months Ended Dec 31		
	2018	2017	% Change	2018	2017	% Change
Operations						
Production						
Natural gas (mcf/d)	458,792	595,885	-23%	493,921	559,663	-12%
Oil & NGLs (bbl/d)	10,273	10,479	-2%	9,692	9,337	4%
Thousand cubic feet equivalent (mcf/d @ 1:6)	520,430	658,759	-21%	552,070	615,684	-10%
Barrels of oil equivalent (boe/d @ 6:1)	86,738	109,793	-21%	92,012	102,614	-10%
Production per million common shares (boe/d)*	526	666	-21%	558	622	-10%
Product prices						
Natural gas (\$/mcf)	2.43	2.87	-15%	2.54	2.89	-12%
Oil & NGLs (\$/bbl)	44.83	56.52	-21%	56.98	50.02	14%
Operating expenses (\$/mcf)	0.33	0.28	18%	0.31	0.27	15%
Transportation (\$/mcf)	0.19	0.16	19%	0.17	0.16	6%
Field netback (\$/mcf)	2.39	2.91	-18%	2.66	2.80	-5%
General & administrative expenses (\$/mcf)	0.04	0.03	33%	0.05	0.04	25%
Interest expense (\$/mcf)	0.27	0.21	29%	0.26	0.21	24%
Financial (\$000, except per share*)						
Revenue	145,109	211,799	-31%	658,906	760,956	-13%
Royalties	5,801	9,232	-37%	26,622	34,104	-22%
Funds from operations	99,635	161,672	-38%	473,740	573,721	-17%
Funds from operations per share	0.60	0.98	-38%	2.87	3.48	-18%
Total dividends	29,677	54,408	-45%	118,709	217,612	-45%
Total dividends per share	0.18	0.33	-45%	0.72	1.32	-45%
Payout ratio	30	34	-12%	25	38	-34%
Earnings	21,458	51,547	-58%	129,110	176,575	-27%
Earnings per diluted share	0.13	0.31	-58%	0.78	1.07	-27%
Capital expenditures	112,215	134,411	-17%	232,363	521,210	-55%
Weighted average common shares outstanding	164,874,175	164,874,175	-	164,874,175	164,856,042	-
As at December 31						
Net debt				1,224,422	1,327,440	-8%
Shareholders' equity				1,680,462	1,722,978	-2%
Total assets				3,688,852	3,844,714	-4%

*all per share amounts using weighted average common shares outstanding

(\$000 except per share)	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
	2018	2017	2018	2017
Cash flows from operating activities	102,559	143,568	486,478	535,344
Change in non-cash working capital	(3,955)	6,444	(17,131)	20,381
Change in provision for performance based compensation	(12,527)	(4,024)	(9,165)	2,312
Performance based compensation	13,558	15,684	13,558	15,684
Funds from operations	99,635	161,672	473,740	573,721
Funds from operations per share	0.60	0.98	2.87	3.48

(1) Operating Margin is defined as Funds from Operations divided by Revenue before Royalties but including realized hedging gains (losses).

(2) Profit Margin is defined as Net Earnings for the year divided by Revenue before Royalties but including realized hedging gains (losses).

Natural gas volumes recorded in thousand cubic feet (Mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcf) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead. (3) Funds from operations - Management uses funds from operations to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations cannot be assured and future dividends may vary.