CALGARY, ALBERTA--(Marketwired - Nov 12, 2015) - Peyto Exploration & Development Corp. (TSX:PEY) ("Peyto" or the "Company") is pleased to present its operating and financial results for the third quarter of the 2015 fiscal year. The Company achieved record low costs and again improved operational execution to deliver a 79% operating margin (1) and a 22% profit margin (2). Additional highlights included:

- Earnings of $0.23/share, dividends of $0.33/share. Earnings of $37 million were generated in the quarter (inclusive of the 20% increase in Alberta corporate tax rates) while dividends of $52 million were paid to shareholders. The third quarter 2015 represents the 43rd consecutive quarter of positive earnings from which Peyto's sustainable dividends are funded. Since inception Peyto has generated $1.93 billion in cumulative earnings and paid $1.81 billion in cumulative dividends and distributions to shareholders.
- Funds from operations per share of $0.85. Generated $135 million in Funds from Operations ("FFO") in Q3 2015 down 19% (22% per share) from $167 million in Q3 2014 due to a 23% reduction in realized commodity prices, partially offset by a 22% reduction in cash costs.
- Capital investment of $177 million. A record 40 gross wells (39 net) were drilled in the third quarter. In total, new wells brought on production over the last 12 months accounted for 40,370 boe/d at the end of the quarter, which, when combined with a trailing twelve month capital investment of $612 million, equates to an annualized capital efficiency of $15,150/boe/d.
- Record low cash costs of $0.80/Mcfe ($0.65/mcfe or $3.92/boe excluding royalties). Total cash costs, including $0.15/mcfe royalties, $0.28/mcfe operating costs, $0.16/mcfe transportation, $0.02/mcfe G&A and $0.19/mcfe interest, were again the lowest in Company history. This 22% decrease from $1.02/mcfe in Q3 2014 was primarily due to decreased royalties and operating costs. Lower realized commodity prices, combined with these lower cash costs, resulted in a cash netback of $3.00/Mcfe ($18.00/boe) or a 79% operating margin.
- Production per share up 1%. Third quarter 2015 production increased 5% from 466 MMcfe/d (77,592 boe/d) in Q3 2014 to 487 MMcfe/d (81,208 boe/d) in Q3 2015. Continued interruptible and firm service curtailments on TransCanada's ("TCPL") Nova Gas Transmission system during the quarter deferred an average of 65 MMcfe/d (10,750 boe/d) in the third quarter. Subsequent to quarter end, daily production has reached as high as 104,000 boe/d.

Third Quarter 2015 in Review

Peyto maintained its resource development momentum with 10 active drilling rigs working throughout the third quarter. A record number of wells were drilled and completed in the quarter with 40 gross (39 net) wells drilled and 37 gross (35 net) wells completed. Capital cost savings from reduced industry activity and lower service rates continued in the quarter with average drilling and completion costs of $3.3 million per well down approximately 25% from $4.4 million in 2014. In Q3, a greater proportion of wells were drilled in the Brazeau and Ansell areas, where additional road and lease construction capital was required, which was responsible for the $0.2 million increase in average drilling and completion costs from Q2 2015. Average drilling times of 18.6 days from spud to rig release resulted in improved rig productivity from previous years. These ongoing improvements in drilling performance and cost savings continue to drive down the full-cycle cost to add new production, which is expected to average approximately $12,000/boe/d by the end of 2015. Production for the quarter of 81,208 boe/d was impacted by ongoing TCPL pipeline capacity constraints. A total of 10,750 boe/d of production was shut in or curtailed from older wells as the Company directed the take-away limitations at pre-2015 wells in preference to new 2015 wells so that capital efficiency could be determined. A 13% reduction in operating cost was realized in the quarter which helped preserve operating margins despite the year-over-year reduction in commodity prices. Notwithstanding the increase in corporate tax rates, the strong financial and operating performance delivered $37 million in quarterly earnings, an annualized Return on Capital Employed (ROCE) of 8%, and an annualized Return on Equity (ROE) of 8%.

1. *Operating Margin is defined as funds from operations divided by revenue before royalties but including realized hedging gains/losses.*
2. *Profit Margin is defined as net earnings for the quarter divided by revenue before royalties but including realized hedging gains/losses.*

Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (Mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading, particularly if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

	Three Months ended September 30		%		Nine Months ended September 30		%	
	2015	2014	Change		2015	2014	Change	
Operations								
Production								
Natural gas (mcf/d)	455,137	420,538	*8*	*%*	451,829	399,431	*13*	*%*
Oil & NGLs (bbl/d)	5,352	7,502	*-29*	*%*	6,543	7,482	*-13*	*%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	487,250	465,550	*5*	*%*	491,084	444,323	*11*	*%*

Barrels of oil equivalent (boe/d @ 6:1)	81,208	77,592	*5*	*%*	81,847	74,054	*11*	*%*
Production per million common shares (boe/d)*	511	505	*1*	*%*	521	484	*8*	*%*
Product prices								
Natural gas ($/mcf)	3.57	4.18	*-15*	*%*	3.68	4.33	*-15*	*%*
Oil & NGLs ($/bbl)	41.69	71.01	*-41*	*%*	40.58	76.21	*-47*	*%*
Operating expenses ($/mcfe)	0.28	0.32	*-13*	*%*	0.31	0.36	*-14*	*%*
Transportation ($/mcfe)	0.16	0.13	*23*	*%*	0.15	0.13	*15*	*%*
Field netback ($/mcfe)	3.21	4.12	*-22*	*%*	3.32	4.27	*-22*	*%*
General & administrative expenses ($/mcfe)	0.02	0.02	-		0.03	0.03	-	
Interest expense ($/mcfe)	0.19	0.20	*-5*	*%*	0.20	0.21	*-5*	*%*
Financial ($000, except per share*)								
Revenue	170,216	210,640	*-19*	*%*	526,230	627,476	*-16*	*%*
Royalties	6,489	14,578	*-55*	*%*	20,356	50,128	*-59*	*%*
Funds from operations	134,513	166,988	*-19*	*%*	414,349	489,351	*-15*	*%*
Funds from operations per share	0.85	1.09	*-22*	*%*	2.64	3.20	*-18*	*%*
Total dividends	52,456	46,107	*14*	*%*	155,693	125,645	*24*	*%*
Total dividends per share	0.33	0.30	*10*	*%*	0.99	0.82	*21*	*%*
Payout ratio	39	28	*39*	*%*	38	26	*46*	*%*
Earnings	37,347	68,893	*-46*	*%*	94,154	193,181	*-51*	*%*
Earnings per diluted share	0.23	0.45	*-49*	*%*	0.60	1.26	*-52*	*%*
Capital expenditures	176,618	180,024	*-2*	*%*	431,338	510,692	*-16*	*%*
Weighted average common shares outstanding	158,958,273	153,690,808	*3*	*%*	156,994,934	152,763,770	*3*	*%*
As at September 30								
End of period shares outstanding					158,958,273	153,690,808	*3*	*%*
Net debt					1,021,105	937,611	*9*	*%*
Shareholders' equity					1,619,916	1,434,754	*13*	*%*
Total assets					3,259,579	2,913,345	*12*	*%*

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

	Three Months ended September 30		Nine Months ended September 30	
($000 except per share)	2015	2014	2015	2014
Cash flows from operating activities	139,275	150,763	399,724	449,386
Change in non-cash working capital	(9,754)	12,330	4,941	22,853
Change in provision for performance based compensation	4,992	3,895	9,684	17,112
Funds from operations	134,513	166,988	414,349	489,351
Funds from operations per share	0.85	1.09	2.64	3.20

(1) Funds from operations - Management uses funds from operations to analyze the operating performance of its energy assets.

In order to facilitate comparative analysis, funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations cannot be assured and future dividends may vary.

Exploration & Development

Peyto continued to focus its drilling activity for the third quarter within the Greater Sundance, Brazeau, and Ansell areas. In the Ansell area, seismic data acquired this past winter was used to identify numerous multiple zone opportunities and has set the stage for ongoing development activity for the next several quarters. Currently, some of the Company's most profitable wells are coming from this area. Total drilling in the quarter, by formation and area, is shown in the following table:

	Field							Total Wells Drilled
Zone	Sundance	Nosehill	Wildhay	Ansell/Minehead	Berland	Kisku/Kakwa	Brazeau	
Cardium								
Notikewin	5			1				6
Falher	3	2		6			1	12
Wilrich	5	2	3	4			6	20

Bluesky	1			1				2
Total	14	4	3	12			7	40

The Company also increased drilling activity in the Brazeau area, following up some excellent well results from earlier in the year. Continued cost improvements and increasing well productivity at Brazeau are driving a dramatic growth in area production as well as improvements in per well returns.

While the average horizontal laterals in Q3 were slightly shorter than past quarters this year, the trend to longer wells with longer laterals continues in 2015 as illustrated in the following table.

	2010	2011	2012	2013	2014	2015 Q1	2015 Q2	2015 Q3
Gross Spuds	52	70	86	99	123	31	34	40
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,416	4,289	4,308
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,516	1,483
Drilling ($MM/well)	$ 2.763	$ 2.823	$ 2.789	$ 2.720	$ 2.660	$ 2.446	$ 2.045	$ 2.111
$ per meter	$ 734	$ 723	$ 694	$ 651	$ 626	$ 555	$ 477	$ 490
Completion ($MM/well)	$ 1.358	$ 1.676	$ 1.672	$ 1.625	$ 1.702	$ 1.440	$ 1.049	$ 1.202
$ per meter	$ 361	$ 429	$ 416	$ 389	$ 400	$ 330	$ 245	$ 279

Capital Expenditures

Capital expenditures for the third quarter of 2015 totalled $177 million, comprised of $88 million of drilling, $44 million of completions, $15 million of wellsite equipment and tie-ins, $32 million of facilities and pipelines, $4 million in land and seismic, and $6 million in dispositions. A total of 40 gross (39 net) wells were drilled in the quarter, 37 gross (35.2 net) wells completed and 32 gross (30.7 net) wells equipped and tied in.

Facility advancements during the third quarter included a compressor addition at Brazeau, increasing capacity to 50 MMcf/d, and the Swanson gas plant expansion, increasing capacity from 65 MMcf/d to over 105 MMcf/d. Refrigeration capacity additions at the Swanson gas plant were sized such that, over the next two years, additional compression can be added to increase throughput by another 35 MMcf/d.

Peyto acquired an additional 19 section of new land in the quarter for $4.2 million, bringing total lands acquired for the year to 51 sections for a total of $8.5 million, or an average of $260/acre. The Company also disposed of 5 sections of minor, non-core lands in the quarter, totalling $6.1 million.

Commodity Prices

Alberta (AECO) natural gas prices improved slightly from Q2 2015 while Canadian Light Sweet oil prices retreated from the previous quarter back to Q1 2015 levels as both commodities remained under pressure from excess North American supply. The average third quarter 2015 Alberta (AECO) daily and monthly natural gas prices were $2.75/GJ and $2.66/GJ, respectively, up from $2.53/GJ in the previous quarter, but down from $3.81/GJ and $4.00/GJ, respectively, in Q3 2014. As Peyto had committed 89% of its production to the monthly price, Peyto realized a volume weighted average natural gas price of $2.66/GJ or $3.02/mcf, prior to any hedging gain.

As a result of the Company's hedging strategy, approximately 65% of Peyto's natural gas production received a fixed price of $3.38/GJ from hedges that were put in place over the previous 24 months, while the balance received the blended daily and monthly price of $2.66/GJ, resulting in an after-hedge price of $3.11/GJ, or $3.57/mcf, equating to a $0.55/mcf hedging gain.

Peyto realized an oil and natural gas liquids price of $41.69/bbl in Q3 2015 for its blend of condensate, pentane, butane and propane, which represented 76% of the $54.70/bbl average Canadian Light Sweet posted price, as shown in the following table. The blended realized liquids price was again impacted by negative propane prices in the quarter. These negative propane prices are now expected to persist for the remainder of the year and into 2016. Peyto is continuing to optimize its plant processes to leave as much propane in the gas stream as possible in order to realize a higher blended price for its NGLs, as evidenced in the drop in propane production from 1,654 boe/d in Q3 2014 to 289 boe/d in Q3 2015.

Commodity Prices by Component

	Three Months ended September 30		Nine Months ended September 30	
	2015	2014	2015	2014
Natural gas - after hedging ($/mcf)	3.50	4.18	3.73	4.33
Natural gas - after hedging ($/GJ)	3.06	3.67	3.25	3.78

AECO monthly ($/GJ)	2.66	4.00	2.66	4.31
Oil and natural gas liquids ($/bbl)				
Condensate ($/bbl)	49.49	90.58	55.14	98.05
Propane ($/bbl)	(8.22)	24.82	(1.64)	28.73
Butane ($/bbl)	19.24	56.50	23.92	55.44
Pentane ($/bbl)	50.70	93.13	54.09	100.76
Total Oil and natural gas liquids ($/bbl)	41.69	71.01	40.58	76.21
Canadian Light Sweet postings ($/bbl)	54.70	97.75	58.64	100.58

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

Financial Results

Combining Peyto's realized natural gas and liquids prices resulted in a blended price of $3.80/mcfe (including a hedge gain of $0.52/mcfe) or $22.80/boe for Q3 2015. Royalties of $0.15/mcfe, Operating costs of $0.28/mcfe, Transportation of $0.16/mcfe, G&A of $0.02/mcfe and interest costs of $0.19/mcfe all combined for total cash costs of $0.80/mcfe ($4.79/boe) which is the lowest in Company history.

Depletion, depreciation and amortization charges of $1.71/mcfe for Q3 2015 were slightly higher than the $1.65/mcfe charges in Q3 2014, while the provision for future tax and future performance based compensation was lower, resulting in earnings of $0.83/mcfe or a 22% profit margin. Third quarter 2015 earnings of $0.83/mcf were below dividend payments for the quarter of $1.17/mcfe. At times dividend payments might exceed earnings, however, over the long term Peyto has balanced dividend payments with earnings generated by the Company.

Fundamental to Peyto's profitability is cost control, which endeavors to preserve cash netbacks and profits throughout the commodity price cycle so that those profits might be enjoyed by all stakeholders. As illustrated in the following table, over the last 3.75 years, during which Alberta natural gas prices have averaged $3.05/GJ, Peyto has generated on average $3.40/mcfe in funds from operations, and after accounting for a blended historical and future cost of reserves replacement (ie. Depletion, Depreciation & Amortization) had $1.64/mcfe in profit to share with stakeholders. Approximately two thirds of that profit was allocated to shareholders in the form of dividends, 27% to the governments of Alberta and Canada in the form of future tax, and 7% to the employees of Peyto.

Netbacks per unit of production

($/mcfe)	2012	2013	2014	YTD 2015	*Average*		Q3 2015
Gross Sales Price	3.66	4.32	5.44	3.31	*4.18*		3.28
Hedging Gain	0.55	0.11	(0.40)	0.62	*0.22*		0.52
Net Sales Price	4.21	4.43	5.04	3.93	*4.40*		3.80
Total Cash Costs	(1.05)	(1.06)	(1.08)	(0.83)	*(1.01)*		(0.80)
Cash Netback	3.16	3.37	3.96	3.10	*3.40*		3.00
D, D & A	(1.77)	(1.74)	(1.75)	(1.78)	*(1.76)*		(1.71)
Profit for stakeholders	1.39	1.63	2.21	1.32	*1.64*		1.29
Dividends to shareholders	(1.04)	(1.01)	(1.05)	(1.16)	*(1.07)*	*66 %*	(1.17)
Performance Compensation to employees	(0.10)	(0.17)	(0.12)	(0.08)	*(0.12)*	*7 %*	(0.12)
Future Tax to governments	(0.37)	(0.36)	(0.52)	(0.52)	*(0.44)*	*27 %*	(0.33)
Balance	(0.12)	0.09	0.52	(0.44)	*0.01*		(0.33)

Marketing

Peyto's practice of layering in future sales in the form of fixed price swaps, and thus smoothing out the volatility in gas prices, continued throughout the quarter. The following table summarizes the remaining hedged volumes and prices for the upcoming years as of November 12, 2015.

	Future Sales		Average Price (CAD)	
	GJ	Mcf	$/GJ	$/Mcf
2015	18,285,000	15,900,000	3.24	3.72
2016	95,695,000	83,213,043	3.05	3.50
2017	31,760,000	27,617,391	2.87	3.30
2018	3,600,000	3,130,435	2.86	3.29
Total	149,340,000	129,860,870	3.04	3.49

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

The Company targets to have approximately 65% of its natural gas production forward sold at any given time in order to improve the confidence of funding streams for capital planning purposes.

Activity Update

Firm service restrictions continued to be in place on much of the TCPL system throughout October, however, Peyto was able to secure additional temporary firm service allowing for all previously restricted production to flow for the last 11 days of October. This has allowed Peyto to fully test productive capability from both base wells and all new drilling for this year. Sales from the start of October increased from 83,500 boe/d to an estimated average of 102,000 boe/d by the end of the month. TransCanada is currently forecasting additional constraints for the first three weeks of November prior to predicted increases in their system capacity. The predicted increases should help alleviate restrictions in Peyto's production towards the end of 2015 and into 2016.

Peyto's development program, meanwhile, is adding new productive capability at an ever increasing pace. Improvements in capital efficiency and rig productivity means Peyto is developing more reserves and production with less capital and equipment than in previous years. The 10 drilling rigs currently operating in Peyto's Deep Basin core areas released a record 16 gross wells in October, bringing the year to date total to 118 gross (112.5 net) wells drilled. The Swanson gas plant expansion was also completed and commissioned in October, increasing processing capacity from 65 MMcf/d to over 105 MMcf/d. Over the balance of the fourth quarter, additional compressors will be added at Brazeau and Swanson, increasing capacity at those facilities by 10 and 17 MMcf/d respectively. By the end of 2015, Peyto will own and operate a total of 9 gas processing facilities, capable of over 730MMcf/d (130,000 boe/d), along with 1600 km of gas gathering system in the Alberta Deep Basin.

Drilling for the remainder of 2015 will be focused across Peyto's Deep Basin core areas with two rigs working in Brazeau, two in Minehead/Ansell, and six in the Greater Sundance area.

2016 Budget

The Board of Directors of Peyto has approved a preliminary 2016 budget which includes a capital program expected to range between $600 and $650 million. The capital program involves drilling between 130 gross (124 net) and 145 gross (137 net) horizontal wells, along with associated pipeline and facility investments to accommodate the growing production base. The 10 drilling rigs currently contracted are deemed sufficient for this level of activity with the expectation of a minimal amount of disruption during the traditional spring breakup period.

The 2016 drilling locations will be selected from Peyto's multi-year, internal inventory of profitable drilling locations and are all forecast to achieve Peyto's rate of return hurdles at current strip commodity prices. These locations are estimated to add between 45,000 and 50,000 boe/d of new working interest production, for a cost of approximately $12,000 - $13,000/boe/d, based on current service costs. Considering the expected 2016 commodity prices and industry activity levels, Peyto anticipates working with its suppliers to further reduce costs by an additional 10%, thereby enhancing returns and reducing the cost to add new production even further. A portion of the new production will offset an initial forecast of 35% base decline, while a portion will grow overall 2016 production from an expected 2015 exit level of 100,000 boe/d to between 110,000 boe/d and 115,000 boe/d.

The 2016 facility and pipeline investments of up to $85 million will continue to strengthen and expand Peyto's wholly owned and controlled infrastructure resulting in a 15,000 boe/d capacity increase. This includes a $50 million investment in the expansion of existing gas plants at Swanson and Brazeau. An additional $25 million will be invested into large capacity extensions of existing gathering systems with some of those extensions connecting strategic growth areas for future development. Other components of the facility investment include an $8 million investment into a Greater Sundance area water recycling and disposal facility which will help to reduce future completion costs.

Alberta natural gas prices are currently forecast to average approximately $2.50/GJ in 2016, along with Canadian Light Sweet oil prices of $60/bbl. In accordance with Peyto's historical hedging practice, the Company has already forward sold approximately 40% of 2016 forecast gas production at an average price of $3.05/GJ. These prices, when adjusted for Peyto's historic NGL and heat content premiums of approximately 130% and combined with the Company's industry leading cash costs of approximately $0.80/Mcfe ($4.80/boe), should yield cash netbacks of approximately $16/boe to $17/boe, and give Peyto the ability to fund its dividend and the majority of the capital program from internally generated FFO. For remainder of the funding for the capital program, Peyto has available capacity within its bank lines and working capital, while continuing to maintain a strong balance sheet.

Outlook

Peyto has successfully executed one of the largest resource development programs in Company history this year, delivering superior returns on capital invested, despite the challenges in the industry caused by transportation restrictions and low commodity prices. Commodity prices that have averaged $2.65/GJ for AECO natural gas and $58/bbl for Canadian light sweet oil this year are forecast to stay at these levels for most of 2016. Peyto looks to continue to take advantage of low industry activity and consequently low service costs, in a typical counter cyclical manner, to accelerate investment in 2016 and to once again deliver superior returns. While the typical 100,000 boe/d producer would be burdened with a larger staff size and inefficient processes, Peyto with its 50 full time employees remains extremely lean and nimble, able to quickly react to changes in the investment environment as it unfolds. As always, capital investments will only be pursued if Peyto's high risk-adjusted return objectives can be met.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the 2015 third quarter on Thursday, November 12th, 2015, at 9:00 a.m. Mountain Standard Time (MST), or 11:00 a.m. Eastern Standard Time (EST). To participate, please call 1-416-340-2218 (Toronto area) or 1-866-223-7781 for all other participants. Shareholders and interested investors are encouraged to ask questions about Peyto and its most recent results. Alternatively, questions can be submitted to info@peyto.com or by calling Jim Grant, Investor Awareness at (403) 451-4102.

The conference call will also be available on replay by calling 1-905-694-9451 (Toronto area) or 1-800-408-3053 for all other parties, using passcode 2633824. The replay will be available at 11:00 a.m. MST, 1:00 p.m. EST, Thursday, November 12th, 2015 until midnight EST on Thursday, November 19th, 2015. The conference call can also be accessed and replayed through the internet at http://www.gowebcasting.com/6952. After this time the conference call will be archived on the Peyto Exploration & Development website at www.peyto.com.

Management's Discussion and Analysis

A copy of the third quarter report to shareholders, including the MD&A, audited financial statements and related notes, is available at http://www.peyto.com/news/Q32015MDandA.pdf and will be filed at SEDAR, www.sedar.com at a later date.

Shareholders are encouraged to visit the Peyto website at www.peyto.com where there is a wealth of information designed to inform and educate investors. A monthly President's Report can also be found on the website which follows the progress of the capital program and the ensuing production growth, along with video and audio commentary from Peyto's senior management.

Darren Gee, President and CEO

November 12, 2015

Certain information set forth in this document and Management's Discussion and Analysis, including management's assessment of Peyto's future plans and operations, capital expenditures and capital efficiencies, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Peyto will derive there from. In addition, Peyto is providing future oriented financial information set out in this press release for the purposes of providing clarity with respect to Peyto's strategic direction and readers are cautioned that this information may not be appropriate for any other purpose. Other than is required pursuant to applicable securities law, Peyto does not undertake to update forward looking statements at any particular time.

Peyto Exploration & Development Corp.
Condensed Balance Sheet*(unaudited)*
(Amount in Cdn$ thousands)

	September 30 2015	December 31 2014
Assets		
Current assets		
Accounts receivable	72,627	98,699
Due from private placement *(Note 6)*	-	5,625
Derivative financial instruments *(Note 8)*	51,174	93,387
Prepaid expenses	20,302	20,386
	144,103	218,097
Long-term derivative financial instruments *(Note 8)*	-	11,677
Property, plant and equipment, net *(Note 3)*	3,115,476	2,897,291
	3,115,476	2,908,968
	3,259,579	3,127,065

Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	136,549	192,312
Dividends payable *(Note 6)*	17,485	16,906
Provision for future performance based compensation *(Note 7)*	17,908	8,225
	171,942	217,443
Long-term debt *(Note 4)*	960,000	925,000
Provision for future performance based compensation *(Note 7)*	1,937	1,024
Long-term derivative financial instruments *(Note 8)*	519	-
Decommissioning provision *(Note 5)*	120,819	100,815
Deferred income taxes	384,446	330,847
	1,467,721	1,357,686
Equity		
Share capital *(Note 6)*	1,467,260	1,292,398
Shares to be issued *(Note 6)*	-	5,625
Retained earnings	112,389	173,927
Accumulated other comprehensive loss *(Note 6)*	40,267	79,986
	1,619,916	1,551,936
	3,259,579	3,127,065

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Income Statement *(unaudited)*

(Amount in Cdn$ thousands except earnings per share amount)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenue				
Oil and gas sales	146,993	223,123	443,774	693,538
Realized gain (loss) on hedges *(Note 8)*	23,223	(12,483)	82,456	(66,062)
Royalties	(6,489)	(14,578)	(20,356)	(50,128)
Petroleum and natural gas sales, net	163,727	196,062	505,874	577,348
Expenses				
Operating	12,665	13,905	40,672	43,195
Transportation	7,085	5,659	20,302	15,902
General and administrative	822	949	4,331	3,087
Future performance based compensation *(Note 7)*	5,518	3,831	10,596	22,231
Interest	8,642	8,560	26,221	25,812
Accretion of decommissioning provision *(Note 5)*	633	477	1,760	1,452
Depletion and depreciation *(Note 3)*	76,623	70,824	237,555	208,085
	111,988	104,205	341,437	319,764
Earnings before taxes	51,739	91,857	164,437	257,584
Income tax				
Deferred income tax expense	14,392	22,964	70,282	64,403
Earnings for the period	37,347	68,893	94,155	193,181
Earnings per share *(Note 6)*				
Basic and diluted	$ 0.23	$ 0.45	$ 0.60	$ 1.26

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.

Condensed Statement of Comprehensive Income (Loss) *(unaudited)*

(Amount in Cdn$ thousands)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Earnings for the period	37,347	68,893	94,155	193,181
Other comprehensive income				

Change in unrealized (loss) gain on cash flow hedges	(7,660)	12,923	(54,409)	(52,048)
Deferred tax (expense) recovery	2,068	(6,352)	14,690	(3,504)
Realized (gain) loss on cash flow hedges	(23,223)	12,483	(82,456)	66,062
Comprehensive income (loss)	8,532	87,947	(28,020)	203,691

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.
Condensed Statement of Changes in Equity *(unaudited)*
(Amount in Cdn$ thousands)

	Nine months ended September 30	
	2015	2014
Share capital, beginning of period	1,292,398	1,130,069
Common shares issued by private placement	7,732	6,997
Equity offering	172,517	160,480
Common shares issuance costs (net of tax)	(5,387)	(5,162)
Share capital, end of period	1,467,260	1,292,384
Shares to be issued, beginning of period	5,625	6,245
Shares issued	(5,625)	(6,245)
Shares to be issued, end of period	-	-
Retained earnings, beginning of period	173,927	86,975
Earnings for the period	94,155	193,181
Dividends declared *(Note 6)*	(155,693)	(125,645)
Retained earnings, end of period	112,389	154,511
Accumulated other comprehensive income, beginning of period	79,986	(22,651)
Other comprehensive loss	(39,719)	10,510
Accumulated other comprehensive income (loss), end of period	40,267	(12,141)
Total equity	1,619,916	1,434,754

See accompanying notes to the financial statements.

Peyto Exploration & Development Corp.
Condensed Statement of Cash Flows *(unaudited)*
(Amount in Cdn$ thousands)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Cash provided by (used in)				
operating activities				
Earnings	37,347	68,893	94,155	193,181
Items not requiring cash:				
Deferred income tax	14,392	22,964	70,282	64,403
Depletion and depreciation	76,623	70,824	237,555	208,085
Accretion of decommissioning provision	633	477	1,760	1,452
Long term portion of future performance based compensation	526	(65)	913	5,118
Change in non-cash working capital related to operating activities	9,754	(12,330)	(4,941)	(22,853)
	139,275	150,763	399,724	449,386
Financing activities				
Issuance of common shares	-	-	180,249	167,477
Issuance costs	-	-	(7,380)	(6,883)
Cash dividends paid	(52,456)	(46,107)	(155,113)	(122,177)
Increase (decrease) in bank debt	50,000	60,000	(65,000)	10,000
Issuance of senior unsecured notes	-	-	100,000	-
	(2,456)	13,893	52,756	48,417
Investing activities				
Additions to property, plant and equipment	(176,618)	(180,024)	(431,338)	(510,692)
Change in prepaid capital	7,721	1,917	(6,158)	1,569
Change in non-cash working capital relating to investing activities	32,078	35,304	(14,984)	33,173

	(136,819)	(142,803)	(452,480)	(475,950)
Net increase (decrease) in cash	-	21,853	-	21,853
Cash, beginning of period	-	-	-	-
Cash, end of period	-	21,853	-	21,853
The following amounts are included in cash flows from operating activities:				
Cash interest paid	9,402	11,165	24,050	24,625
Cash taxes paid	-	-	-	-

See accompanying notes to the financial statements

Peyto Exploration & Development Corp.
Notes to Condensed Financial Statements *(unaudited)*
For the three and nine months ended September 30, 2015 and 2014
(Amount in Cdn$thousands, except as otherwise noted)

1. Nature of operations

Peyto Exploration & Development Corp. ("Peyto" or the "Company") is a Calgary based oil and natural gas company. Peyto conducts exploration, development and production activities in Canada. Peyto is incorporated and domiciled in the Province of Alberta, Canada. The address of its registered office is 1500, 250 - 2nd Street SW, Calgary, Alberta, Canada, T2P 0C1.

These financial statements were approved and authorized for issuance by the Audit Committee of Peyto on November 10, 2015.

2. Basis of presentation

The condensed financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's consolidated financial statements as at and for the years ended December 31, 2014 and 2013.

Significant Accounting Policies

(a) Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of the condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the condensed financial statements.

Except as disclosed below, all accounting policies and methods of computation followed in the preparation of these financial statements are the same as those disclosed in Note 2 of Peyto's financial statements as at and for the years ended December 31, 2014 and 2013.

Standards issued but not yet effective

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied by Peyto on January 1, 2018 and the Company is currently evaluating the impact of the standard on its financial statements.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The standard is required to be adopted for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by Peyto on January 1, 2018 and the Company is currently evaluating the impact of the standard on Peyto's financial statements.

3. Property, plant and equipment, net

Cost	
At December 31, 2014	3,800,736
Additions	431,338
Decommissioning provision additions	18,244
Prepaid capital	6,158
At September 30, 2015	4,256,476
Accumulated depletion and depreciation	
At December 31, 2014	(903,445)
Depletion and depreciation	(237,555)
At September 30, 2015	(1,141,000)
Carrying amount at December 31, 2014	2,897,291
Carrying amount at September 30, 2015	3,115,476

During the three and nine month periods ended September 30, 2015, Peyto capitalized $3.0 million and $6.8 million (2014 - $2.5 million and $7.3 million) of general and administrative expense directly attributable to exploration and development activities.

4. Long-term debt

	September 30, 2015	December 31, 2014
Bank credit facility	540,000	605,000
Senior unsecured notes	420,000	320,000
Balance, end of the period	960,000	925,000

As at September 30, 2015, The Company has a syndicated $1.0 billion extendible unsecured revolving credit facility with a stated term date of April 26, 2017. The bank facility is made up of a $30 million working capital sub-tranche and a $970 million production line. Borrowings under the facility bear interest at Canadian bank prime or US base rate, or, at Peyto's option, Canadian dollar bankers' acceptances or US dollar LIBOR loan rates, plus applicable margin and stamping fees. The total stamping fees range between 50 basis points and 215 basis points on Canadian bank prime and US base rate borrowings and between 150 basis points and 315 basis points on Canadian dollar bankers' acceptance and US dollar LIBOR borrowings. The undrawn portion of the facility is subject to a standby fee in the range of 30 to 63 basis points.

On May 1, 2015, Peyto issued CDN $100 million senior unsecured notes pursuant to a note purchase agreement. The notes were issued by way of private placement and rank equally with Peyto's obligations under its bank facility. The notes have a coupon rate of 4.26% and mature on May 1, 2025. Interest is paid semi-annually in arrears.

The terms and conditions of the remaining CDN $320 million remain unchanged from December 31, 2014.

Peyto is subject to the following financial covenants as defined in the credit facility and note purchase agreements:

- Long-term debt plus the average working capital deficiency (surplus) at the end of the two most recently completed fiscal quarters adjusted for non-cash items not to exceed 3.0 times trailing twelve month net income before non-cash items, interest and income taxes;
- Long-term debt and subordinated debt plus the average working capital deficiency (surplus) at the end of the two most recently completed fiscal quarters adjusted for non-cash items not to exceed 4.0 times trailing twelve month net income before non-cash items, interest and income taxes;
- Trailing twelve months net income before non-cash items, interest and income taxes to exceed 3.0 times trailing twelve months interest expense;
- Long-term debt and subordinated debt plus the average working capital deficiency (surplus) at the end of the two most recently completed fiscal quarters adjusted for non-cash items not to exceed 55 per cent of the book value of shareholders' equity and long-term debt and subordinated debt.

Peyto is in compliance with all financial covenants at September 30, 2015.

Total interest expense for the three and nine month periods ended September 30, 2015 was $8.6 million and $26.2 million (2014 - $8.6 million and $25.8 million) and the average borrowing rate for the periods was 3.6% and 3.6% (2014- 3.9% and 4.1%).

5. Decommissioning provision

The following table reconciles the change in decommissioning provision:

Balance, December 31, 2014	100,815
New or increased provisions	16,063
Accretion of decommissioning provision	1,760
Change in discount rate and estimates	2,181
Balance, September 30, 2015	120,819
Current	-
Non-current	120,819

Peyto has estimated the net present value of its total decommissioning provision to be $120.8 million as at September 30, 2015 ($100.8 million at December 31, 2014) based on a total future undiscounted liability of $246.9 million ($214.1 million at December 31, 2014). At September 30, 2015 management estimates that these payments are expected to be made over the next 50 years with the majority of payments being made in years 2040 to 2064. The Bank of Canada's long term bond rate of 2.21 per cent (2.33 per cent at December 31, 2014) and an inflation rate of two per cent (two per cent at December 31, 2014) were used to calculate the present value of the decommissioning provision.

6. Share capital

Authorized: Unlimited number of voting common shares

Issued and Outstanding

Common Shares (no par value)	Number of Common Shares	Amount $
Balance, December 31, 2014	153,690,808	1,292,398
Common shares issued by private placement	230,465	7,732
Equity offering	5,037,000	172,517
Common share issuance costs, (net of tax)	-	(5,387)
Balance, September 30, 2015	158,958,273	1,467,260

Earnings per common share has been determined based on the following:

	Three Months ended September 30		Nine Months ended September 30	
	2015	2014	2015	2014
Weighted average common shares basic and diluted	158,958,273	148,758,923	156,994,934	148,730,485

On December 31, 2014, Peyto completed a private placement of 168,920 common shares to employees and consultants for net proceeds of $5.6 million ($33.30 per share). These common shares were issued January 7, 2015.

On March 25, 2015, Peyto completed a private placement of 61,545 common shares to employees and consultants for net proceeds of $2.1 million ($34.25 per common share).

On April 16, 2015, Peyto completed a public offering for 5,037,000 common shares at a price of $34.25 per common share, for net proceeds of $165.2 million.

Dividends

During the three and nine month periods ended September 30, 2015, Peyto declared and paid dividends of $0.33 and $0.99 per common share ($0.11 per common share), totaling $52.5 million and $155.7 million respectively (2014 - $0.30 and $0.82 ($0.08 per common share per month for January to April and $0.10 per common share for the months of May and September), totaling $35.7 million and $95.2 million respectively).

Comprehensive income

Comprehensive income consists of earnings and other comprehensive income ("OCI"). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge. "Accumulated other comprehensive income" is an equity category comprised of the cumulative amounts of OCI.

Accumulated hedging gains

Gains and losses from cash flow hedges are accumulated until settled. These outstanding hedging contracts are recognized in earnings on settlement with gains and losses being recognized as a component of net revenue. Further information on these contracts is set out in Note 8.

7. Future performance based compensation

Peyto awards performance based compensation to employees annually. The performance based compensation is comprised of reserve and market value based components.

Reserve based component

The reserves value based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, equity, dividends, general and administrative costs and interest, of proved producing reserves calculated using a constant price at December 31 of the current year and a discount rate of 8%.

Market based component

Under the market based component, rights with a three year vesting period are allocated to employees. The number of rights outstanding at any time is not to exceed 6% of the total number of common shares outstanding. At December 31 of each year, all vested rights are automatically cancelled and, if applicable, paid out in cash. Compensation is calculated as the number of vested rights multiplied by the total of the market appreciation (over the price at the date of grant) and associated dividends of a common share for that period.

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

	September 30, 2015		September 30, 2014	
Share price	$27.75-$34.34		$22.58-$35.34	
Exercise price	$21.70-$33.35		$19.91-$31.60	
Expected volatility	31	%	23	%
Option life	0.25 years		0.25 years	
Dividend yield	0	%	0	%
Risk-free interest rate	0.52	%	1.12	%

8. Financial instruments

Financial instrument classification and measurement

Financial instruments of the Company carried on the condensed balance sheet are carried at amortized cost with the exception of cash and financial derivative instruments, specifically fixed price contracts, which are carried at fair value. There are no significant differences between the carrying amount of financial instruments and their estimated fair values as at September 30, 2015.

The Company's areas of financial risk management and risks related to financial instruments remained unchanged from December 31, 2014.

The fair value of the Company's cash and financial derivative instruments are quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 - quoted prices in active markets for identical financial instruments.
- Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and value drivers are observable in active markets.
- Level 3 - valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company's cash and financial derivative instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

Fair values of financial assets and liabilities

The Company's financial instruments include cash, accounts receivable, financial derivative instruments, due from private placement, current liabilities, provision for future performance based compensation and long term debt. At September 30, 2015, cash and financial derivative instruments are carried at fair value. Accounts receivable, due from private placement, current liabilities and provision for future performance based compensation approximate their fair value due to their short term nature. The carrying value of the long term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Commodity price risk management

Peyto uses derivative instruments to reduce its exposure to fluctuations in commodity prices. Peyto considers all of these transactions to be effective economic hedges for accounting purposes.

Following is a summary of all risk management contracts in place as at September 30, 2015:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
April 1, 2015 to October 31, 2015	Fixed Price	80,000 GJ	$2.75- $3.91/GJ
April 1, 2015 to March 31, 2016	Fixed Price	190,000 GJ	$2.7525- $4.05/GJ
April 1, 2015 to October 31, 2016	Fixed Price	5,000 GJ	$2.855/GJ
April 1, 2015 to March 31, 2017	Fixed Price	50,000 GJ	$2.83/GJ to $3.05/GJ
May 1, 2015 to October 31, 2015	Fixed Price	15,000 GJ	$2.50/GJ to $2.60 /GJ
May 1, 2015 to March 31, 2017	Fixed Price	5,000 GJ	$2.82/GJ
November 1, 2015 to March 31, 2016	Fixed Price	75,000 GJ	$2.78/GJ- $3.11/GJ
November 1, 2015 to March 31, 2017	Fixed Price	40,000 GJ	$2.84/GJ -$2.975/GJ
April 1, 2016 to October 31, 2016	Fixed Price	35,000 GJ	$3.05/GJ-$ 3.43/GJ
April 1, 2016 to March 31, 2017	Fixed Price	70,000 GJ	$2.81/GJ- $3.01/GJ
November 1, 2016 to March 31, 2017	Fixed Price	5,000 GJ	$2.95/GJ
April 1, 2017 to October 31, 2017	Fixed Price	15,000 GJ	$2.74/GJ to $2.795/GJ
April 1, 2017 to March 31, 2018	Fixed Price	5,000 GJ	$2.945/GJ

As at September 30, 2015, Peyto had committed to the future sale of 140,700,000 gigajoules (GJ) of natural gas at an average price of $3.11 per GJ or $3.58 per mcf. Had these contracts been closed on September 30, 2015, Peyto would have realized a net gain in the amount of $50.7 million. If the AECO gas price on September 30, 2015 were to increase by $1/GJ, the unrealized gain would decrease by approximately $140.7 million. An opposite change in commodity prices rates would result in an opposite impact on other comprehensive income.

Subsequent to September 30, 2015 Peyto entered into the following contracts:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
November 1, 2015 to March 31, 2016	Fixed Price	5,000 GJ	$2.625GJ
December 1, 2015 to March 31, 2016	Fixed Price	5,000 GJ	$2.5275/GJ
January 1, 2016 to March 31, 2016	Fixed Price	5,000 GJ	$2.62/GJ
April 1, 2016 to March 31, 2017	Fixed Price	25,000 GJ	$2.58/GJ to $2.700/GJ
April 1, 2017 to March 31, 2018	Fixed Price	35,000 GJ	$2.825/GJ to $2.875/GJ

9. Related party transactions

Certain directors of Peyto are considered to have significant influence over other reporting entities that Peyto engages in commercial transactions with. Such services are provided in the normal course of business and at market rates. These directors are not involved in the day to day operational decision making of the Company. The dollar value of the transactions between Peyto and each of the related reporting entities is summarized below:

Director	Company	Description
Don Gray	Petrus Resources Ltd.	Chairman of the Board
Mick MacBean	NCSG Hauling & Rigging Ltd. (subsidiary of NCSG Crane and Heavy Haul) [1]	Director, NCSG Crane and Heav
Stephen Chetner	Burnet Duckworth & Palmer LLP	Partner

[1] was not a related party until August 2014

10. Commitments

In addition to those recorded on the Company's balance sheet, the following is a summary of Peyto's contractual obligations and commitments as at September 30, 2015:

	2015	2016	2017	2018	2019	Thereafter
Interest payments[1]	4,830	18,385	18,385	18,385	16,190	41,835
Transportation commitments	6,109	24,441	23,857	32,782	29,299	116,649
Operating leases	600	1,914	1,654	1,295	1,295	9,062
Other	1,065	2,130	-	-	-	-
Total	12,604	46,870	43,896	52,462	46,784	167,546

(1) Fixed interest payments on senior unsecured notes

11. Contingencies

On October 31, 2013, Peyto was named as a party to a statement of claim received with respect to transactions between Poseidon Concepts Corp. and Open Range Energy Corp. The allegations against New Open Range contained in the claim described above are based on factual matters that pre-existed the Company's acquisition of New Open Range. The Company has not yet been required to defend this action. If it is required to defend the action, the Company intends to aggressively protect its interests and the interests of its Shareholders and will seek all available legal remedies in defending the actions.

Officers

Darren Gee
President and Chief Executive Officer

Scott Robinson
Executive Vice President and Chief Operating Officer

Kathy Turgeon
Vice President, Finance and Chief Financial Officer

Lee Curran
Vice President, Drilling and Completions

Stephen Chetner
Corporate Secretary

Tim Louie
Vice President, Land

David Thomas
Vice President, Exploration

Jean-Paul Lachance
Vice President, Exploitation

Todd Burdick
Vice President, Production

Directors

Don Gray, Chairman
Stephen Chetner
Brian Davis
Michael MacBean, Lead Independent Director
Darren Gee
Gregory Fletcher
Scott Robinson

Auditors

Deloitte LLP

Solicitors

Burnet, Duckworth & Palmer LLP

Bankers

Bank of Montreal
Union Bank, Canada Branch
Royal Bank of Canada
Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Bank of Nova Scotia
HSBC Bank Canada
Alberta Treasury Branches
Canadian Western Bank

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