

Peyto Celebrates 20 Years With Q3 2018 Results

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CALGARY, Nov. 07, 2018 - Peyto Exploration & Development Corp. ("Peyto" or the "Company") is pleased to mark 20 years in the Canadian energy industry with its operating and financial results for the third quarter of the 2018 fiscal year. By strategically delaying capital investments and production additions until the fall, Peyto avoided exposing certain unhedged dry gas production to uneconomic summer prices. As a result, the Company was able to deliver in the quarter a 9% return on equity (ROE), on a trailing twelve month basis, and an 8% return on capital employed (ROCE) while achieving a 71% operating margin ⁽¹⁾ and a 19% profit margin ⁽²⁾. Additional highlights included:

- Production per share down 16%. Voluntary production curtailments and delayed capital investments resulted in third quarter 2018 production of 511 MMcfe/d (85,242 boe/d), down 16% from Q3 2017. As well, completion and pipeline connections were further hampered in September due to wet ground conditions.
- Funds from operations of \$0.66/share. Generated \$110 million in FFO in Q3 2018 down 21% from \$139 million in Q3 2017 (down 21%/share) due primarily to lower production levels. Year to date in 2018, funds from operations of \$374 million have exceeded the combination of capital expenditures (\$120 million) and dividend payments (\$89 million) by \$165 million resulting in reduced debt levels.
- Total cash costs of \$0.94/Mcfe (or \$0.80/Mcfe (\$4.80/boe) excluding royalties). Industry leading total cash costs, including \$0.14/Mcfe royalties, \$0.31/Mcfe operating costs, \$0.19/Mcfe transportation, \$0.03/Mcfe G&A and \$0.27/Mcfe interest, combined with a realized price of \$3.27/Mcfe, resulting in a \$2.33/Mcfe (\$13.97/boe) cash netback, down 6% from \$2.48/Mcfe in Q3 2017. Peyto's realized Q3 2018 natural gas price was 187% of the Alberta (AECO) daily average price.
- Capital investment of \$70 million. A total of 25 gross wells (23.4 net) were drilled in the third quarter, 15 gross wells (13.5 net) were completed, and 17 gross wells (15.5 net) were brought on production. Over the last 12 months the 73 gross (71 net) wells brought on production accounted for 18,000 boe/d at the end of the quarter, which when combined with a trailing twelve month capital investment of \$254 million, equates to an annualized capital efficiency of \$14,000/boe/d. As this efficiency was dominated by the 42 wells added in Q4 2017, Peyto anticipates the 2018 annual capital efficiency will be below \$10,000/boe/d.
- Earnings of \$0.18/share, dividends of \$0.18/share. Earnings of \$30 million were generated in the quarter while dividends of \$30 million were paid to shareholders. Earnings per share were down 33% from Q3 2017, due to lower production and lower cash netbacks, while dividends per share were down 45%. The Company has never incurred a write down nor recorded an impairment of its assets and this quarter represents Peyto's 55th consecutive quarter of earnings.

Third Quarter 2018 in Review

Peyto began the majority of its 2018 capital program in Q3 with three drilling rigs in the Greater Sundance core area ramping up to seven by the end of the quarter. The majority of the capital investment was focused on the more liquids-rich Cardium play with a specific goal to evaluate whether increased completion intensity could improve returns. Extremely wet ground conditions in the later part of the quarter delayed completion and pipeline activity during the quarter. These wells and their associated production will be completed and pipeline connected in the fourth quarter coincident with higher natural gas prices. AECO daily natural gas prices during Q3 2018 continued to be extremely volatile ranging from a high of \$2.41/GJ to a low of negative \$1.31/GJ. Peyto's lean gas production was at times curtailed to ensure any unhedged dry gas volumes were preserved for more profitable winter prices. As the new, more liquids-rich Cardium production was brought online, Company liquid yields continued to climb, ending the quarter at 11% of production or 22 bbl/mmcf, up 25% since the beginning of 2018. Subsequent to the end of the quarter, Peyto commenced drilling of its first Montney exploration well which will help evaluate the 50 net sections of lands purchased during the third quarter. Financial performance in the quarter remained strong resulting in reduced debt levels and an improved balance sheet. The Company continued to advance its market diversification strategy, adding synthetic and physical transportation arrangements, which will result in approximately 30% of 2019 gas volumes being exposed to US based pricing.

Operating Margin is defined as funds from operations divided by revenue before royalties but including

realized hedging gains/losses. 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 (Mcf) 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 Sep 30		%	Nine Months Ended Sep 30	
	2018	2017	Change	2018	2017
Operations					
Production					
Natural gas (mcf/d)	456,197	557,958	-18%	505,760	547,451
Oil & NGLs (bbl/d)	9,209	8,958	3%	9,496	8,952
Thousand cubic feet equivalent (mcf/d @ 1:6)	511,453	611,703	-16%	562,733	601,105
Barrels of oil equivalent (boe/d @ 6:1)	85,242	101,951	-16%	93,789	100,118
Production per million common shares (boe/d)*	517	618	-16%	569	608
Product prices					
Natural gas (\$/mcf)	2.43	2.81	-14%	2.57	2.90
Oil & NGLs (\$/bbl)	61.04	45.92	33%	61.41	47.45
Operating expenses (\$/mcf)	0.31	0.26	19%	0.30	0.27
Transportation (\$/mcf)	0.19	0.17	12%	0.17	0.17
Field netback (\$/mcf)	2.63	2.72	-3%	2.74	2.76
General & administrative expenses (\$/mcf)	0.03	0.03	-	0.05	0.04
Interest expense (\$/mcf)	0.27	0.21	29%	0.25	0.21
Financial (\$000, except per share*)					
Revenue	153,589	182,226	-16%	513,797	549,118
Royalties	6,399	5,165	24%	20,822	24,877
Funds from operations	109,549	139,257	-21%	374,105	412,005
Funds from operations per share	0.66	0.85	-21%	2.27	2.50
Total dividends	29,677	54,408	-45%	89,032	163,200
Total dividends per share	0.18	0.33	-45%	0.54	0.99
Payout ratio (%)	27	39	-31%	24	40
Earnings	29,506	44,818	-34%	107,652	125,000
Earnings per diluted share	0.18	0.27	-33%	0.65	0.76
Capital expenditures	69,716	135,187	-48%	120,148	386,800
Weighted average common shares outstanding	164,874,175	164,874,175	-	164,874,175	164,874,175
As at September 30					
End of period shares outstanding (includes shares to be issued)				164,874,175	164,874,175
Net debt				1,167,672	1,286,000
Shareholders' equity				1,647,059	1,668,000
Total assets				3,584,530	3,691,000

*all per share amounts using weighted average common shares outstanding

	Three Months Ended Sep 30		Nine Months Ended Sep 30	
(\$000 except per share)	2018	2017	2018	2017
Cash flows from operating activities	123,019	142,659	383,920	391,776
Change in non-cash working capital	(14,658)	(4,411)	(13,176)	13,938
Change in provision for performance based compensation	1,188	1,009	3,361	6,335

Funds from operations	109,549	139,257	374,105	412,049
Funds from operations per share	0.66	0.85	2.27	2.50

(1) *Funds from operations (“FFO”)* - Management uses FFO to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, FFO is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that FFO is an important parameter to measure the value of an asset when combined with reserve life. FFO is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, FFO, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that FFO 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. FFO cannot be assured and future dividends may vary.

Exploration & Development

Third quarter 2018 activity was primarily focused in the Greater Sundance area on the Cardium play as shown in the following table:

Zone	Field	Sundance	Nosehill	Wildhay	Ansell	Whitehorse	Kisku/ Kakwa	Brazeau	Total Wells Drilled
Belly River	-	-	-	-	-	-	-	-	-
Cardium	15	-	1	-	-	1	-	-	17
Notikewin	-	1	-	1	-	-	-	-	2
Falher	-	-	-	-	-	-	2	-	2
Wilrich	1	2	-	1	-	-	-	-	4
Bluesky	-	-	-	-	-	-	-	-	-
Total	16	3	1	2	-	1	2	-	25

During the quarter, Peyto evaluated two additional well completion designs for the Cardium in an attempt to increase stimulation intensity. While early results indicate lower initial productivity, these wells continue to cleanup and improve, requiring additional production time to determine if these designs yield greater ultimate reserves and rates of return. Their production performance over the coming months will be analyzed and compared to the current go-forward well design.

The Company will continue to innovate with fracture design in an effort to realize maximum return from its large, liquids-rich, Cardium resource play. As illustrated in the following table, drilling cost per meter have continued at record low levels, while completion cost per stage and per meter of horizontal lateral increased slightly due to the different technologies used. Excluding the Montney exploratory well, Peyto expects that drilling and completion costs in the fourth quarter of 2018 should be the lowest so far in the Company's horizontal drilling history.

	2010	2011	2012	2013	2014	2015	2016	2017	2018 Q1	2018 Q2	2018 Q3
Gross Hz Spuds	52	70	86	99	123	140	126	135	8	7	25
Measured Depth (m)	3,762	3,903	4,017	4,179	4,251	4,309	4,197	4,229	4,091	3,814	4,057
Drilling (\$MM/well)	\$2.76	\$2.82	\$2.79	\$2.72	\$2.66	\$2.16	\$1.82	\$1.90	\$1.74	\$1.54	\$1.65
\$ per meter	\$734	\$723	\$694	\$651	\$626	\$501	\$433	\$450	\$425	\$403	\$407
Completion (\$MM/well)	\$1.36	\$1.68	\$1.67	\$1.63	\$1.70	\$1.21	\$0.86	\$1.00	\$1.15	\$1.31	\$1.29
Hz Length (m)	1,335	1,303	1,358	1,409	1,460	1,531	1,460	1,241	1,415	1,605	1,436
\$ per Hz Length (m)	\$1,017	\$1,286	\$1,231	\$1,153	\$1,166	\$792	\$587	\$803	\$810	\$814	\$896
\$ ‘000 per Stage	\$231	\$246	\$257	\$188	\$168	\$115	\$79	\$81	\$61	\$40	\$44

Capital Expenditures

During the third quarter of 2018, Peyto spent \$37 million on drilling, \$17.5 million on completions, \$5.6 million

on wellsite equipment and tie-ins, \$4.9 million on facilities and major pipeline projects, and \$4.7 million acquiring new Crown lands and seismic, for total capital investments of \$69.7 million.

The \$2.5 million in land acquisition included the purchase of 50.25 net sections of Crown lands containing mostly Montney rights, for an average purchase price of \$64/acre.

Commodity Prices

Average daily AECO natural gas prices were \$1.13/GJ in Q3 2018, up 1% from \$1.12/GJ in the previous quarter but down 18% from the \$1.38/GJ in the prior year. US Henry Hub spot prices were \$US 2.93/MMBTU (equivalent to \$CND 3.64/GJ) up 2% from the previous quarter but effectively the same as a year ago. The inadequacy of the intra-Alberta gas transmission system and the resultant inability to access Alberta storage reservoirs to buffer the supply/demand imbalances, particularly during summer months, continues to create daily market instability and extreme volatility in AECO daily and monthly prices and is the cause of the significant difference between Canadian and US natural gas prices.

On average for Q3 2018, Peyto realized a natural gas price of \$2.43/Mcf (\$2.11/GJ) or 187% of the AECO daily average price. This was the result of a combination of approximately 5% of natural gas production being sold into the daily or monthly spot market at an average of \$1.27/GJ (\$1.46/Mcf) and 95% having been pre-sold at an average hedged price of \$2.15/GJ (prices reported net of TCPL fuel volume deductions).

In the third quarter of 2018, NGL prices continued to justify the operation of Peyto's Oldman deep cut plant, resulting in a blended, realized, oil and natural gas liquids price of \$61.04/bbl, which represented 67% of the \$90.83/bbl average Canadian WTI price. Details of realized commodity prices by component are shown in the following table:

Commodity Prices by Component

		Three Months ended Sept 30	
		2018	2017
AECO monthly	(\$/GJ)	1.28	1.93
AECO daily	(\$/GJ)	1.13	1.38
Henry Hub spot	(\$US/MMBTU)	2.93	2.95
Peyto natural gas – prior to hedging	(\$/GJ)	1.27	2.60
	(\$/mcf)	1.46	2.99
Peyto natural gas – after hedging	(\$/GJ)	2.11	2.45
	(\$/mcf)	2.43	2.81
Condensate (\$/bbl)		78.12	53.77
Propane (\$/bbl)		22.57	23.25
Butane (\$/bbl)		43.85	29.58
Pentane (\$/bbl)		84.68	55.10
Total Oil and natural gas liquids (\$/bbl)		61.04	45.92
Canadian WTI (\$/bbl)		90.83	60.35
Peyto Realized liquids price/Canadian WTI		67%	76%

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

Financial Results

Approximately 46%, or \$1.10/Mcfe, of Peyto's unhedged revenue came from its associated natural gas liquids sales while 54%, or \$1.29/Mcfe, came from natural gas. Natural gas hedging activity contributed \$0.87/Mcfe for total revenue of \$3.27/Mcfe. Liquids production represented 11% of total production but its revenue contribution more than covered all cash costs. Cash costs of \$0.94/Mcfe, included royalties of \$0.14/Mcfe, operating costs of \$0.31/Mcfe, transportation costs of \$0.19/Mcfe, G&A of \$0.03/Mcfe and interest costs of \$0.27/Mcfe. Cash costs per unit of production were higher than the previous quarter and

previous year due to increased royalties, related to higher liquids pricing, higher operating and transportation costs, from reduced production levels, and increased interest rates. For the balance of the year, Peyto expects to lower per unit operating, transportation and interest costs as production volumes begin to increase from the resumption in drilling activity.

Total cash costs, when deducted from realized revenues of \$3.27/Mcfe, resulted in a cash netback of \$2.33/Mcfe or a 71% operating margin. Historical cash costs and operating margins are shown in the following table.

	2015				2016				2017				2018		
(\$/Mcfe)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	4.17	3.81	3.80	3.58	3.24	2.92	3.16	3.38	3.44	3.36	3.24	3.50	3.54	3.20	3.27
Royalties	0.18	0.13	0.15	0.13	0.13	0.10	0.12	0.18	0.19	0.17	0.09	0.15	0.17	0.10	0.14
Operating Costs	0.32	0.31	0.28	0.25	0.23	0.26	0.25	0.26	0.29	0.24	0.26	0.28	0.29	0.30	0.31
Transportation	0.15	0.15	0.16	0.16	0.16	0.17	0.16	0.16	0.17	0.18	0.17	0.16	0.13	0.18	0.19
G&A	0.04	0.04	0.02	0.05	0.03	0.06	0.04	0.03	0.04	0.05	0.03	0.03	0.08	0.05	0.03
Interest	0.20	0.19	0.19	0.16	0.17	0.21	0.19	0.18	0.20	0.21	0.21	0.21	0.24	0.26	0.27
Total Cash Costs	0.89	0.82	0.80	0.75	0.72	0.80	0.76	0.81	0.89	0.85	0.76	0.83	0.91	0.89	0.94
Netback	3.28	2.99	3.00	2.83	2.52	2.12	2.40	2.57	2.55	2.51	2.48	2.67	2.63	2.31	2.33
Operating Margin	79%	78%	79%	79%	78%	73%	76%	76%	74%	75%	76%	76%	74%	72%	71%

Depletion, depreciation and amortization charges of \$1.43/Mcfe, along with a provision for deferred tax and market based bonus payments reduced the cash netback to earnings of \$0.63/Mcfe, or a 19% profit margin. Dividends of \$0.63/Mcfe were paid to shareholders.

Natural Gas Marketing

Peyto continues to make meaningful progress on its market diversification strategy, previously announced in January of this year. This plan is designed to complement the Company's highly successful hedging strategy and endeavors to achieve a target of 40% of natural gas sales linked to AECO based pricing, 40% linked to US-based pricing and 20% sold directly to intra-Alberta industrial markets. As announced last quarter, Peyto has already begun entering into contracts to supply gas to intra-Alberta industrial users post 2022. In the interim, the Company has been actively securing both synthetic and physical transportation arrangements to link gas sales to US-based markets as illustrated in the table below which shows US-based exposure as a percent of Q3 2018 production.

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
NYMEX-AECO Basis ‘000s MMBTU/d	26.5	40	200	200	150.3	125	200	200	150.3	125	200	200	85.6
NYMEX-AECO Basis \$/MMBTU	1.01	0.97	1.45	1.45	1.33	1.23	1.45	1.45	1.33	1.23	1.45	1.45	1.35
Percentage of Q3 2018 Gas Sales	5%	8%	40%	40%	30%	25%	40%	40%	30%	25%	40%	40%	17%

Peyto also continued its practice of layering in future sales in the form of fixed price swaps for both AECO and NYMEX markets, thus smoothing out the volatility in natural gas prices. The following table summarizes the remaining hedged volumes and prices for the upcoming years as of November 6, 2018:

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
AECO Fixed Price Swaps ‘000’s GJ/d	438.6	410	190	190	176.7	170	55	55	38.4	10	10	10	10
AECO Fixed Price Swaps \$/GJ	2.09	2.04	1.61	1.61	1.75	1.83	1.64	1.64	1.77	1.65	1.56	1.56	1.56
NYMEX Fixed Price ‘000’s MMBTU/d			40	40	13.5								
NYMEX Fixed Price \$/MMBTU			2.70	2.70	2.70								

For a real time summary of Peyto's future hedges see:
<http://www.peyto.com/Files/Operations/Marketing/hedges.pdf>

Activity Update

As part of Peyto's strategic capital plan for 2018, the vast majority of the total capital investment was to be deployed in the third and fourth quarter of the year in order to bring on new, unhedged, flush production into stronger winter commodity prices. Since the end of the third quarter, Peyto has been very active drilling and completing wells in its Deep Basin core areas with 16 wells spud, 11 wells completed, and 7 wells brought on stream. Included in this total are 5 Cardium wells in the Greater Sundance and Kakwa areas, which are contributing to a current production level of approximately 86,000 boe/d, comprised of 12% condensate and NGLs. Peyto has 4 more wells to come on production this week, representing an estimated net 1,500 boe/d and a current inventory of 15 drilled but uncompleted wells. With 7 drillings rigs active, including one Montney exploration rig, Peyto expects to drill 28 wells in the fourth quarter and expects 36 wells to be completed and pipeline connected.

New Ventures

As a result of modest propane price strength during this past quarter, Peyto has committed to \$3 million of detailed engineering and long lead time equipment fabrication for its Swanson Gas Plant deep-cut process addition. Commensurate with that step, the Company is undertaking gas gathering pipeline routing of its South Sundance liquids-rich Cardium well development to the Swanson facility. The vertical infrastructure integration will enhance the value of this growing Cardium gas supply. Deep cut liquid yields on typical Cardium wells average between 60 and 75 bbl/MMcf. Final investment decision on the Swanson deep-cut will likely occur in the first quarter of 2019 with a plant startup in early 2020.

The Company will gauge propane market dynamics until Q1 2019 before making any decisions to proceed with a companion Swanson LPG fractionation facility. The project is at the forefront of Peyto's investment opportunities but optimal timing will be targeted as the LPG markets continue to evolve. The AltaGas Ridley Island Propane Export terminal due onstream in Q1 2019, the Interpipe propane dehydrogenation and polypropylene plant, and other emerging projects that are awarded government grants under the second phase of the Alberta Petrochemical Diversification Program will no doubt have influence on Alberta's LPG markets. Peyto will be in a position to capitalize on opportunity outcomes of these market dynamics.

The Company continues its engagement as a potential supply source for numerous other projects at varying stages of development. Close to the Greater Sundance area, certain petrochemical projects are awaiting potential funding awards from the Alberta Petrochemical Diversification Program which closed applications at the beginning of October and from which decisions are imminent. Further afield, supply relationships are being fostered for other intra-Alberta petrochemical ventures and external-Alberta power projects. Lastly, the Company continues active discussion on LNG export projects on both coasts of the country, but particularly with an eye towards the strong call for Asian supply off the coast of British Columbia.

2019 Budget

The current success of Peyto's liquid-rich Cardium resource play combined with relatively stronger NGL pricing in Alberta justifies an increased capital program and Cardium weighting for 2019, despite the expected weakness and volatility in AECO natural gas prices. The Company remains ready to accelerate development of its large, drill-ready inventory of drier gas Spirit River drilling locations should natural gas prices strengthen. Maximization of the return of all future opportunities has always been Peyto's strategy regardless of production outcomes and the Company will continue to optimize the timing of future investments to achieve this goal.

The Board of Directors of Peyto has approved a preliminary 2019 budget which includes a capital program of approximately \$250-\$300 million that involves the drilling of 75-90 gross wells (almost exclusively Cardium with an average 90% working interest), along with associated pipeline and facility investments, which is expected to build between 22,000-24,000 boe/d of new production by year-end 2019. Production for 2018 is expected to exit between 94,000 and 96,000 boe/d, depending on tie-in timing, and the new volume that will be added in 2019 is expected to effectively offset the annual forecast of 25% base decline by the year's end. Funds from operations, based on current strip commodity prices, are forecast to cover this entire capital program, dividend payments and continue to reduce indebtedness.

The future strip for Alberta natural gas prices remains extremely volatile with winter 2018/2019 trading at

approximately \$2.45/GJ followed by summer 2019 at \$1.25/GJ. In contrast for 2019, Canadian WTI, which is a proxy for Cardium condensate production is trading above \$80/bbl or over eight times the energy equivalent of the natural gas price. This results in approximately 40% of Peyto's forecast revenue being derived from liquids production that represents less than 15% of total forecast production. Consistent with past years, and in accordance with Peyto's historical hedging practice, the Company has already fixed approximately 38% of expected revenues through AECO, NYMEX and Canadian WTI fixed price swaps. These strip and hedge prices, when combined with the Company's industry leading cash costs of approximately \$0.85 - \$0.95/Mcfe (\$5.40/boe), are expected to yield cash netbacks of approximately \$13/boe (\$2.15/Mcfe).

Outlook

Although Peyto is planning a slightly increased capital program for 2019, the Company continues to remain focused on maintaining financial flexibility particularly in light of the prevailing economic and market conditions. Relatively low levels of North American natural gas storage have the potential to create much improved winter prices just in time for increasing production from Peyto's strategically timed 2018/2019 capital program. At the same time, condensate and natural gas liquids like butane and propane have very recently experienced unprecedented pricing differentials as the heavy oil industry in Alberta comes under pressure due to restricted market access.

This short term market volatility aside, Peyto's strategy continues to focus on the creation of long term shareholder value; through new exploration initiatives that extend the current, deep inventory of profitable drilling locations, through value enhancing infrastructure investments, and through continued focus on longer term opportunities for market diversification.

Conference Call and Webcast

A conference call will be held with the senior management of Peyto to answer questions with respect to the Q3 2018 financial results on November 8th, 2018 at 9:00 a.m. Mountain Daylight Time (MDT), or 11:00 a.m. Eastern Daylight Time (EDT). To participate, please call 1-844-492-6041 (North America) or 1-478-219-0837 (International). Shareholders and interested investors are encouraged to ask questions about Peyto and its most recent results. Questions can be submitted prior to the call at info@peyto.com. The conference call can also be accessed through the internet <https://edge.media-server.com/m6/p/56wzows6>. The conference call will be archived on the Peyto Exploration & Development website at www.peyto.com.

Management's Discussion and Analysis/Financial Statements

A copy of the third quarter report to shareholders, including the MD&A, unaudited financial statements and related notes, is available at <http://www.peyto.com/Files/Financials/2018/Q32018FS.pdf> and at <http://www.peyto.com/Files/Financials/2018/Q32018MDA.pdf> and will be filed at SEDAR, www.sedar.com at a later date.

Darren Gee
President and CEO
November 7, 2018

Cautionary Statements

Forward-Looking Statements

This news release contains certain forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws that involve substantial known and unknown risks and uncertainties, many of which are beyond Peyto's control. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", or other similar words or statements that certain events "may" or "will" occur are intended to identify forward-looking statements. The projections, estimates and beliefs contained in such forward-looking

statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: the impact of economic conditions in North America and globally; industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities. Management of the Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurances 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 that Peyto will derive from them. As such, undue reliance should not be placed on forward-looking statements. Forward-looking statements contained herein include, but are not limited to, statements regarding: the anticipated 2018 annual capital efficiency; the amount of gas volumes expected to be exposed to US based pricing in 2019; the timing for the Company's analysis of the production results from its Cardium evaluation; expectations regarding future drilling and completion costs; the Company's natural gas marketing diversification strategy; Peyto's hedging program; the Company's drilling and completion program for the remainder of 2018; the benefits of the new strategic pipeline under the Sundance provincial park; future resource opportunities for the Company and expectations for evaluation drilling in the Montney before year end 2018; timing expectations for an investment decision on Peyto's Swanson plant deep cut conversion and other deep cut projects; future supply source opportunities for the Company and potential LNG export projects the Company may become involved with; Peyto's preliminary 2019 budget and new production estimates for year-end 2019, including the Company's expected increased capital program for 2019; expectations for exit production for 2018; pricing expectations for the winter season; and the Company's overall strategy and focus.

The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Peyto's actual financial results, performance or achievement in future periods to differ materially from those expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with: imprecision of reserves estimates; competition from other industry participants; failure to secure required equipment; changes in general global economic conditions including, without limitations, the economic conditions in North America; increased competition; the lack of availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; environmental risks; changes in laws and regulations including, without limitation, the adoption of new environmental and tax laws and regulations and changes in how they are interpreted and enforced; the results of exploration and development drilling and related activities; the ability to access sufficient capital from internal and external sources; and stock market volatility. In addition, to the extent that any forward-looking statements presented herein constitutes future-oriented financial information or financial outlook, as defined by applicable securities legislation, such information has been approved by management of Peyto and has been presented to provide management's expectations used for budgeting and planning purposes and for providing clarity with respect to Peyto's strategic direction based on the assumptions presented herein and readers are cautioned that this information may not be appropriate for any other purpose. Readers are encouraged to review the material risks discussed in Peyto's annual information form for the year ended December 31, 2017 under the heading "Risk Factors" and in Peyto's annual management's discussion and analysis under the heading "Risk Management".

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. 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. The forward-looking statements, including any future-oriented financial information or financial outlook, contained in this news release speak only as of the date hereof and Peyto does not assume any obligation to publicly update or revise them to reflect new information, future events or circumstances or otherwise, except as may be required pursuant to applicable securities laws.

Barrels of Oil Equivalent

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). Peyto uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is

based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

Non-IFRS Measurements

Within this news release references are made to terms commonly used in the oil and gas industry. Funds from operations, funds from operations per share and netbacks do not have any standardized meaning under IFRS and previous GAAP and are referred to as non-IFRS measures. Funds from operations are described in footnote 1 to the first table on page 2 of this news release. Netbacks are a non-IFRS measure that represents the profit margin associated with the production and sale of petroleum and natural gas. Netbacks are per unit of production measures used to assess Peyto's performance and efficiency. The primary factors that produce Peyto's strong netbacks and high margins are a low cost structure and the high heat content of its natural gas that results in higher commodity prices. The Company's calculation of the non-IFRS measures included herein may differ from the calculation of similar measures by other issuers. Therefore, the Company's non-IFRS measures may not be comparable to other similar measures used by other issuers. Non-IFRS measures should only be used in conjunction with the Company's annual audited and interim financial statements. A reconciliation of these measures can be found in Peyto's management's discussion and analysis for the three and nine months ended September 30, 2018.

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