PEYTO EXPLORATION & DEVELOPMENT CORP.

Notice of
Annual and Special Meeting of Shareholders
to be held on May 9, 2019

The annual and special meeting of the shareholders of Peyto Exploration & Development Corp. (the "**Corporation**") will be held on the +15 Level, 600 – 3rd Avenue S.W., Calgary, Alberta T2G 0G5, on Thursday, May 9, 2019 at 3:00 p.m. (Calgary time) to:

1. receive and consider the Corporation's financial statements for the year ended December 31, 2018, together with the auditors' report thereon;

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

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

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

5. consider and, if deemed advisable, to approve a non-binding advisory resolution to accept the Corporation's approach to executive compensation;

6. consider and, if deemed advisable, to pass an ordinary resolution ratifying and approving a new fixed number share option plan for the Corporation and approving all unallocated options under such share option plan, as more particularly described under "*Matters to be Acted Upon at the Meeting – Approval of New Share Option Plan*" in the information circular – proxy statement accompanying this notice dated March 29, 2019 (the "**Information Circular**");

7. consider and, if deemed advisable, to pass an ordinary resolution ratifying and approving the 2019 market based bonus plan for the Corporation and ratifying and approving the grant of rights under such 2019 market based bonus plan on January 1, 2019, as more particularly described under "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*" in the Information Circular;

8. consider and, if deemed advisable, to pass an ordinary resolution approving a new form of by-laws of the Corporation, including advance notice provisions, as more particularly described under "*Matters to be Acted Upon at the Meeting – Approval of New Form of By-laws*" in the Information Circular;

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

The specific details of the matters proposed to be put before the meeting are set forth in the Information Circular.

If you are unable to attend the meeting in person, the Corporation requests that you date and sign the enclosed form of proxy and mail it to or deposit it with Computershare, (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. Alternatively, a shareholder may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America) or by internet using the 15 digit control number located at the bottom of your proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. Your proxy or voting instructions must be received no later than 3:00 p.m. (Calgary time) on May 7, 2019 or, if the meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment of the meeting.

Only shareholders of record at the close of business on March 25, 2019 will be entitled to vote at the meeting, unless a shareholder has transferred any common shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders.

DATED at Calgary, Alberta this 29th day of March, 2019.

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

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

PEYTO EXPLORATION & DEVELOPMENT CORP.

Information Circular – Proxy Statement
for the Annual and Special Meeting to be held on May 9, 2019

PROXIES

Solicitation of Proxies

This information circular – proxy statement is furnished in connection with the solicitation of proxies for use at the annual and special meeting of the shareholders of Peyto Exploration & Development Corp. ("**Peyto**" or the "**Corporation**") to be held on Thursday, May 9, 2019 at 3:00 p.m. (Calgary time) on the +15 Level, 600 – 3rd Avenue S.W., Calgary, Alberta T2G 0G5, and at any adjournment thereof. If a shareholder is unable to attend the meeting in person, the Corporation requests that a shareholder date and sign the enclosed form of proxy and mail it to or deposit it with Computershare, (i) by mail using the enclosed return envelope or (ii) by hand delivery to Computershare, 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. Alternatively, a shareholder may vote by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 or 1-416-263-9524 (if outside North America) or by internet using the 15 digit control number located at the bottom of the shareholder's proxy at www.investorvote.com. All instructions are listed in the enclosed form of proxy. A shareholder's proxy or voting instructions must be received no later than 3:00 p.m. (Calgary time) on May 7, 2019 or, if the meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the beginning of any adjournment of the meeting. Only shareholders of record at the close of business on March 25, 2019 will be entitled to vote at the meeting, unless a shareholder has transferred any common shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders.

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

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

Advice to Beneficial Holders of Common Shares

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

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

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

Notice-And-Access

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

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

Revocability of Proxy

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

Persons Making the Solicitation

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

Exercise of Discretion by Proxy

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

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of common shares. As at March 29, 2019, there were 164,874,175 common shares issued and outstanding. As a holder of common shares, you are entitled to one vote for each common share you own.

To the knowledge of the Corporation's directors and officers, as at March 29, 2019, no person or company beneficially owned or controlled or directed, directly or indirectly, more than 10% of the common shares which may be cast at the meeting, except as set forth in the table below:

Name	Number of Common Shares	Percentage of Class
SailingStone Capital Partners LLC(1)(2)	18,743,619	11.4%
Burgundy Asset Management Ltd. (1)(2)	17,151,315	10.4%

Notes:

(1) Based upon information publicly available to the Corporation.

(2) The Corporation understands that each of SailingStone Capital Partners LLC and Burgundy Asset Management Ltd. own or control such common shares on behalf of funds and/or other accounts under their respective management.

As at March 29, 2019, the Corporation's directors and officers, as a group, beneficially owned or controlled or directed, directly or indirectly, approximately 4.4 million common shares or approximately 3% of the issued and outstanding common shares.

QUORUM FOR MEETING

A quorum for the meeting is two or more persons either present in person or represented by proxy and representing in the aggregate not less than 25% of the Corporation's outstanding common shares. If a quorum is not present at the meeting within one-half hour after the time fixed for the holding of the meeting, the meeting will be adjourned to such day being not less than 21 days later and to such place and time as may be determined by the chairman of the meeting. At such meeting, the shareholders present either personally or by proxy shall form a quorum. If the Amended By-laws (as defined herein) are not confirmed by shareholders at the meeting, the quorum for subsequent meetings of shareholders shall revert to the quorum in the Corporation's current by-laws to being two or more persons either present in person or represented by proxy and representing in the aggregate not less than 5% of the Corporation's outstanding common shares. See "*Matters to be Acted Upon at the Meeting – Approval of New Form of By-laws*".

APPROVAL REQUIREMENT

All of the matters to be considered at the meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person or represented by proxy at the meeting. The vote on our approach to executive compensation is advisory and the results will not be binding on the board of directors (the "**Board**") of the Corporation.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

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

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

Donald Gray
Michael MacBean
Brian Davis
Darren Gee
Gregory Fletcher
Kathy Turgeon
John W. Rossall

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the proxy shall not be voted with respect to such vacancy. Mr. Stephen Chetner, a current director, will not be standing for re-election at the meeting. At the 2018 annual meeting of shareholders of the Corporation, the resolution fixing the number of directors to be elected at the meeting was passed with 115,618,421 common shares voted in favour (99.57% of the common shares voted at the meeting).

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

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

Directors' Biographies

The following information relating to the director nominees is based partly on the Corporation's records and partly on information received by the Corporation from the nominees and sets forth the names, ages and cities of residence of the proposed nominees, their committee memberships, the date on which each became a director of the Corporation (as applicable), the present occupations and brief biographies of such persons and the number of common shares owned, controlled or directed by each as at March 29, 2019.

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Donald Gray Scottsdale, Arizona	53	October 1998	948,136
Chairman of the Board **Independent**	Mr. Gray is currently a private investor. Mr. Gray was the former President and Chief Executive Officer of Peyto from 1998 until his retirement in 2006. From May 2007 to September 2017, Mr. Gray was primarily engaged as President of EIQ Capital Corp., a private capital management company. Since September 2017, Mr. Gray has been a private investor. Mr. Gray has also been the Chairman of Gear Energy Ltd., an oil and gas company listed on the Toronto Stock Exchange (the "**TSX**"), since January 2010 and the Chairman of Petrus Resources Ltd., an oil and gas company listed on the TSX, since December 2010. Mr. Gray holds a BSc in petroleum engineering from Texas A&M University and has over 29 years experience in the Canadian oil and gas business in various capacities.		

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Total	**(6/6)**	**100%**

Current Board Directorships	Public Boards
	Gear Energy Ltd.
	Petrus Resources Ltd.

Voting Results of 2018 AGM	Number of Votes	% of Votes
Votes For	89,213,807	76.83%
Votes Withheld	26,907,478	23.17%

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Michael MacBean Calgary, Alberta	51	June 2003	108,510

Lead Director of the Board
Independent

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

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

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Audit Committee (Chair)	(4/4)	100%
	Reserves Committee	(1/1)	100%
	Compensation and Nominating Committee	(1/1)	100%
	Total	**(12/12)**	**100%**

Current Board Directorships	Public Boards
	Source Energy Services Ltd.
	TerraVest Industries Inc.

Voting Results of 2018 AGM	Number of Votes	% of Votes
Votes For	113,796,084	98.00%
Votes Withheld	2,325,201	2.00%

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Brian Davis Houston, Texas	53	August 2006	145,640

Director
Independent

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

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

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Audit Committee	(4/4)	100%
	Reserves Committee (Chair)	(1/1)	100%
	Compensation and Nominating Committee	(1/1)	100%
	Total	**(12/12)**	**100%**
Current Board Directorships	Public Boards		
	N/A		
Voting Results of 2018 AGM	Number of Votes	% of Votes	
Votes For	114,026,754	98.20%	
Votes Withheld	2,094,531	1.80%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Darren Gee Calgary, Alberta	51	January 2007	2,013,959

Director
Non-Independent

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

Mr. Gee was previously the Vice-President, Engineering of Peyto, joining the organization in 2001. Mr. Gee is also a director of Altura Energy Inc., a public oil and gas company. Mr. Gee has over 28 years experience in the Canadian oil and gas business. Mr. Gee has a BSc in mechanical engineering from the University of Alberta and is a member of APEGA.

Board and Committee Membership	Membership	Meeting Attendance (3)	
	Board	(6/6)	100%
	Total	**(6/6)**	**100%**
Current Board Directorships	Public Boards		
	Altura Energy Inc.		
Voting Results of 2018 AGM	Number of Votes	% of Votes	
Votes For	97,383,104	83.86%	
Votes Withheld	18,738,181	16.14%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Gregory Fletcher Calgary, Alberta	70	January 2007	19,000

Director
Independent

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

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

Board and Committee Membership	Membership	Meeting Attendance	
	Board	(6/6)	100%
	Audit Committee	(4/4)	100%
	Reserves Committee	(1/1)	100%
	Compensation and Nominating Committee (Chair)	(1/1)	100%
	Total	**(12/12)**	**100%**
Current Board Directorships	Public Boards		
	Calfrac Well Services Ltd.		
	Whitecap Resources Inc.		
Voting Results of 2018 AGM	Number of Votes	% of Votes	
Votes For	110,478,551	95.14%	
Votes Withheld	5,642,734	4.86%	

Nominee for Election as Director	Age	Director Since (1)	Common Shares Owned, Controlled or Directed (2)
Kathy Turgeon Calgary, Alberta	57	May 2018	90,610

Director
Non-Independent

Ms. Turgeon is the Vice President, Finance and Chief Financial Officer of Peyto since November 2007 and, prior thereto, was the Vice President, Finance of Peyto from January 2006 to November 2007.

Ms. Turgeon was previously the Controller of Peyto from April 2004 to January 2006. Ms. Turgeon has a Bachelor of Commerce Degree from the University of Calgary, holds her CPA-CA designation and is a member of the Chartered Professional Accountants of Alberta.

Board and Committee Membership	Membership	Meeting Attendance (4)(5)	
	Board	(2/6)	33%
	Total	**(2/6)**	**33%**
Current Board Directorships	Public Boards		
	Granite Oil Corp.		
Voting Results of 2018 AGM	Number of Votes	% of Votes	
Votes For	90,008,008	77.51%	
Votes Withheld	26,113,277	22.49%	

Nominee for Election as Director	Age	Director Since [(1)]	Common Shares Owned, Controlled or Directed [(2)]
John W. Rossall Calgary, Alberta	58	Proposed Director	-

Proposed Director
Independent

Mr. Rossall is currently a corporate director and is a board member of Pipestone Energy Corp., a junior oil and gas company listed on the TSX Venture Exchange, and is also a board member of the United Way of Calgary.

Mr. Rossall was previously the Executive Director, North America of Repsol SA (formerly Talisman Energy Inc., an oil and gas company listed on the TSX), from May 2015 to July 2018, Senior Vice President, Canada from September 2012 to May 2015 and a strategic consulting advisor from November 2011 to September 2012. Prior thereto, Mr. Rossall was the President and Chief Executive Officer of ProspEx Resources Ltd., an oil and gas company listed on the TSX, and a member of its board of directors from August 2004 to May 2011. From December 2001 to July 2004, Mr. Rossall was Vice President, North Business Unit of Burlington Resources Canada Ltd. (formerly Canadian Hunter Exploration Ltd.), an oil and gas company listed on the TSX, and prior thereto, Manager, Deep Basin Business Team from November 2000 to December 2001. Mr. Rossall has also served on the board of directors of the Canadian Association of Petroleum Producers from January 2013 to April 2017.

Mr. Rossall earned a Bachelor of Applied Science (Chemical Engineering) degree from the University of Waterloo and also attended the Harvard Business School (Management Development). Mr. Rossall is a professional engineer and a member of APEGA.

Board and Committee Membership	Membership	Meeting Attendance	
	Board	N/A	N/A
	Total	**N/A**	**N/A**
Current Board Directorships	Public Boards		
	Pipestone Energy Corp.		
Voting Results of 2018 AGM	Number of Votes	% of Votes	
Votes For	N/A	N/A	
Votes Withheld	N/A	N/A	

Notes:

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

(2) The information as to common shares beneficially owned, directly or indirectly, is based upon information furnished to Peyto by the nominees. All of the directors meet or exceed the Corporation's minimum share ownership requirement for directors, except Mr. Rossall who will have until May 2022 to meet the Corporation's minimum share ownership requirement assuming he is elected to the Board at the meeting. See "*Statement of Executive Compensation – Director and Officer Equity Ownership*".

(3) Mr. Gee attended all Audit Committee, Reserves Committee and Compensation and Nominating Committee meetings during 2018.

(4) Ms. Turgeon was elected to the Board at the Corporation's annual meeting held on May 10, 2018 and attended all Board meetings during the year ended December 31, 2018 since her appointment.

(5) Ms. Turgeon attended three Audit Committee meetings and one Compensation and Nominating Committee meeting during 2018 since her appointment to the Board.

Experience and Background of Directors

The Board and the Compensation and Nominating Committee review the experience, qualifications and skills of the Corporation's directors to ensure that the composition of the Board and committees and the competencies and skills of the members are in line with those that the Compensation and Nominating Committee considers that the Board and its respective committees should possess.

The Board identifies and evaluates the competencies and skills of the members based on the individual experience and background of each director. This exercise is performed both on an ad-hoc basis and at least annually based on self-assessment by each director whereby each director is asked to rate their experience and background in a variety of key subject areas. This data is compiled into a matrix representing the broad Board skills for current directors. This matrix is maintained to identify areas for strengthening the Board, if any, and address them through the recruitment of new members. See "*Corporate Governance Practices – Item 9 – Assessments*".

The following table outlines the experience and background of, but not necessarily the technical expertise of, the individual members of the Board as of December 31, 2018 based on information provided by such individuals.

		Gray	MacBean	Davis	Gee	Fletcher	Robinson	Turgeon	Rossall[(1)]	**Total**
Enterprise Management	Experience as a President or CEO leading an organization or major business line	✓	✓	✓	✓	✓	✓		✓	7
Business Development	Management or executive experience with responsibility for identifying value creation opportunities	✓	✓	✓	✓	✓	✓	✓	✓	8
Financial Literacy	Ability to critically read and analyze financial statements	✓	✓	✓	✓	✓	✓	✓	✓	8
Corporate Governance	Understanding the requirements of good corporate governance usually gained through experience as a senior executive officer or a Board member of a public organization	✓	✓	✓	✓	✓	✓	✓	✓	8
Change Management	Experience leading a major organizational change or managing a significant merger	✓	✓		✓	✓	✓	✓	✓	7
Operations	Management or executive experience with oil and gas operations	✓			✓	✓	✓	✓	✓	6
Financial Experience	Senior executive experience in financial accounting and reporting and corporate finance	✓	✓		✓	✓		✓	✓	6
Human Resources	Management or executive experience with responsibility for human resources	✓	✓	✓	✓	✓	✓	✓	✓	8
Reserves Evaluation	General experience with or executive responsibility for oil and gas reserves evaluation	✓	✓	✓	✓	✓	✓	✓	✓	8
Risk Evaluation	Management or executive experience in evaluating and managing the variety of risks faced by an organization	✓	✓	✓	✓	✓	✓	✓	✓	8
HS&E Management	Understanding of the regulatory environment surrounding workplace health, safety, environment and social responsibility for the oil and gas industry	✓	✓	✓	✓	✓	✓	✓	✓	7
Legal and Regulatory	Experience in legal and regulatory matters	✓			✓		✓	✓	✓	5
Diversity	Contributes to the Board in a way that enhances perspectives through diversity in gender, ethnic background, geographic origin, experience (industry and public, private and non-profit sectors), etc.	✓	✓	✓	✓	✓	✓	✓	✓	8

Note:

(1) Mr. Rossall is a proposed director of the Corporation. See "*Matters to be Acted Upon at the Meeting – Election of Directors – Directors' Biographies*" for additional information on Mr. Rossall.

Advance Notice Provisions

The Corporation has adopted a new form of by-laws (the "**Amended By-laws**"), subject to confirmation of the Amended By-laws by the shareholders at the meeting, which contain advance notice provisions regarding advance notice of nominations of directors of the Corporation (the "**Advance Notice Provisions**"). The Advance Notice

Provisions provide that advance notice to the Corporation must be made in circumstances where nominations of persons for election to the Board are made by shareholders other than pursuant to: (a) a "proposal" made in accordance with the ABCA; or (b) a requisition of a meeting made pursuant to the ABCA.

The Advance Notice Provisions fix a deadline by which shareholders must submit director nominations to the Chief Financial Officer of the Corporation prior to any annual or special meeting of shareholders and outlines the specific information that a nominating shareholder must include in the written notice to the Chief Financial Officer of the Corporation for an effective nomination to occur. No person nominated by a shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice Provisions.

In the case of an annual meeting of shareholders, notice to the Chief Financial Officer of the Corporation must be made not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10^{th} day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Corporation must be made not later than the close of business on the 15^{th} day following the day on which the first public announcement of the date of the special meeting was made.

If Notice-and-Access Provisions are used for delivery of proxy related materials in respect of a meeting described above and the notice date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the 40^{th} day before the date of the applicable meeting.

In the event of an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof, a new time period shall commence for the giving of timely notice.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Provisions of the Amended By-laws.

If shareholders reject the confirmation of the Amended By-laws at the meeting, these Advance Notice Provisions will cease to have effect immediately following the meeting. See "*Matters to be Acted Upon at the Meeting – Approval of New Form of By-laws*".

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

Personal Bankruptcies

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

Majority Voting for Directors

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

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

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

Risk Oversight by the Board

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

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

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

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

- the integrity of the Corporation's internal controls over financial reporting, disclosure controls and management information systems;
- compliance with significant policies and procedures for the Corporation's operations;

- compliance with the laws and regulations that apply to Peyto;
- the health of the Corporation's corporate documents and records in terms of them being properly prepared, approved and maintained; and
- the structure and integrity of Peyto's health, safety and environmental programs to achieve expectations.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Deloitte LLP, Chartered Professional Accountants, as the Corporation's auditors, to hold office until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. Deloitte LLP was first appointed auditors of the Corporation's predecessor, Peyto Energy Trust, on June 3, 2004. At the 2018 annual meeting of shareholders of the Corporation, this resolution was passed with 119,300,645 common shares voted in favour (99.82% of the common shares voted at the meeting).

It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the appointment of auditors.

Advisory Vote on Executive Compensation

The underlying principle for executive compensation at the Corporation is "pay-for-performance". Management of the Corporation believes that this philosophy achieves the goal of attracting and retaining excellent employees and executive officers, while rewarding the demonstrated behaviors that reinforce our values and help us to deliver on our corporate objectives. For a detailed discussion of our executive compensation program, see "*Statement of Executive Compensation*".

After monitoring recent developments and emerging trends in the practice of holding advisory votes on executive compensation (commonly referred to as "Say-on-Pay"), the Board, as a part of our commitment to corporate governance, has determined to provide shareholders with a "Say-on-Pay" advisory vote at the meeting. The Board believes that it is essential for the shareholders to be well informed of the Corporation's approach to executive compensation and considers this advisory vote to be an integral component of the ongoing process of engagement between the shareholders and the Board.

At the meeting, shareholders will have an opportunity to vote on our approach to executive compensation through consideration of the following advisory resolution:

> "BE IT RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the board of directors of Peyto Exploration & Development Corp. ("**Peyto**"), that the shareholders accept Peyto's approach to executive compensation as more particularly disclosed in the information circular – proxy statement of Peyto dated March 29, 2019."

It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the advisory vote on executive compensation.

As this is an advisory vote, the results will not be binding upon the Board. However, the Compensation and Nominating Committee and the Board will consider the outcome of the vote as part of its ongoing review of the Corporation's approach to executive compensation. We will disclose the results of the shareholder advisory vote as part of our report of voting results to be filed on SEDAR following the meeting.

In the event that the advisory resolution is not approved by a majority of the votes cast at the meeting, the Board will take measures to understand the concerns of shareholders and will review the Corporation's approach to compensation going forward within the context of those concerns.

Approval of New Share Option Plan

Background

On March 29, 2019, the Board approved the adoption of a new fixed number share option plan for the Corporation (the "**New Option Plan**") under which 16,487,418 common shares have been authorized for issuance, subject to ratification and approval of the New Option Plan and approval of all unallocated options under such plan by shareholders at the meeting. The New Option Plan will authorize the Board to grant options to acquire common shares to officers, employees of and consultants to, the Corporation and its subsidiaries or persons providing services on an ongoing basis thereto in the growth and development of the Corporation and its subsidiaries by providing them with the opportunity through options to acquire an increased proprietary interest in the Corporation. Non-employee directors will not be entitled to participate under the New Option Plan.

In adopting the New Option Plan, the Board considered the compensation arrangements of its peer group relative to the Corporation's compensation practices. The Board made the decision to adopt the New Option Plan, as opposed to continuing to utilize the cash based Market Component, to bring Peyto more in line with its peer group, to ensure that the Corporation's compensation practices are aligned with the Corporation's current asset base, head count and operations, to eliminate the complexity of the Market Component, to shift towards long term securities based incentive awards and to focus the organization on shareholder return and per share performance metrics. See "*Statement of Executive Compensation – Compensation Discussion and Analysis*".

If ratified and approved at the meeting, the New Option Plan will replace the Corporation's current market based bonus component (the "**Market Component**") of the Corporation's compensation arrangements. The Market Component was first implemented by the Corporation in 2003. If shareholders approve the New Option Plan at the meeting, the Corporation will not make any further grants under the Market Component. If the New Option Plan is not approved by shareholders at the meeting, then the New Option Plan shall be void and of no force and effect and the Corporation expects that grants will continue under the Market Component. For a description of the Market Component, see "*Statement of Executive Compensation – Compensation Discussion and Analysis – Market Based Bonus*".

As the New Option Plan is a fixed number share option plan, the vesting of any Rights granted under the 2019 Market Based Bonus Plan or the exercise of any options granted under the New Option Plan will not create unallocated grants available for re-issuance under the New Option Plan.

The maximum number of common shares that may be issued under all security based compensation arrangements of the Corporation, being the New Option Plan and the 2019 Market Based Bonus Plan, is 16,487,418 common shares representing 10% of the number of issued and outstanding common shares on the date such plans were adopted by the Board. Currently, there are no options to acquire common shares outstanding and 2,475,000 Rights outstanding, which have been granted pursuant to the 2019 Market Based Bonus Plan (which Rights may be settled in common shares if the 2019 Market Based Bonus Plan and the Rights granted thereunder are approved and ratified by shareholders at the meeting – see "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*"). Up to 14,012,418 common shares will be available for future grants under the New Option Plan, if ratified and approved, and all other security based compensation arrangements, including the Rights granted pursuant to the 2019 Market Based Bonus Plan, if ratified and approved, based on the number of outstanding common shares as at March 29, 2019. If the 2019 Market Based Bonus Plan and the Rights granted thereunder are not approved and ratified at the meeting or, if ratified and approved at the meeting, if any Rights granted under the 2019 Market Based Bonus Plan shall expire, terminate or be cancelled for any reason, such Rights shall be unallocated and be available for the purposes of future grants under the New Option Plan, if ratified and approved, and all other security based compensation arrangements of the Corporation.

Description of the New Option Plan

The full text of the New Option Plan is attached to this information circular – proxy statement as Schedule "A". The following is a summary of certain key provisions of the New Option Plan. This summary is subject to, and qualified by, the specific provisions of the New Option Plan. Capitalized terms used in the summary below and defined in the New Option Plan have the meanings given to them in the New Option Plan.

The New Option Plan permits the granting of options to officers, employees of and consultants to, the Corporation and its subsidiaries, and other persons who provide ongoing management and consulting services to the Corporation and its subsidiaries. The New Option Plan limits the number of common shares that may be subject to options granted and outstanding under the New Option Plan and any other security based compensation arrangements established by the Corporation at 10% of the outstanding common shares at the date of the Board's adoption of the New Option Plan, being 16,487,418 common shares.

Options granted pursuant to the New Option Plan have a term as determined by the Board and vest in such manner as determined by the Board. Options which expire during a blackout period (as defined in the New Option Plan) or within nine business days following the expiration of a blackout period, shall be extended for a period of ten business days after the end of such blackout period. Options granted under the New Option Plan are non-transferable and non-assignable. The New Option Plan does not provide for or contemplate the provision of financial assistance to facilitate the exercise of options and the issuance of common shares. The exercise price of options granted is determined by the Board at the time of grant provided that if at such time the common shares are listed on a stock exchange, the exercise price shall not be less than the volume weighted average trading price per common share on the stock exchange, for the last five (5) consecutive trading days immediately prior to the date of grant or such other minimum price that may be prescribed by such exchange.

The number of common shares that may be issued under the New Option Plan are subject to the following additional limitations: (i) the number of common shares reserved for issuance at any time, pursuant to the New Option Plan and all other established or proposed security based compensation arrangements of the Corporation, to Insiders (as defined in the New Option Plan) of the Corporation shall not exceed 10% of the outstanding common shares; (ii) the number of common shares reserved for issuance to Insiders within any one year, period pursuant to the New Option Plan and all other established or proposed security based compensation arrangements of the Corporation, shall not exceed 10% of the outstanding common shares; and (iii) the number of common shares issued within one year, pursuant to the New Option Plan and all other established or proposed security based compensation arrangements of the Corporation, to any one Insider and such Insider's associates shall not exceed 10% of the outstanding common shares.

In case of death of an optionee, options terminate on the date determined by the Board which may not be more than 12 months from the date of death and, if the optionee ceases to be an officer or employee of, or to provide ongoing management or consulting services to, the Corporation, options terminate on the expiry of a period not in excess of six months as determined by the Board at the time of grant. In each case, the optionee is entitled to exercise those options that the optionee was entitled to exercise on the date of death or the date the optionee ceased to be an officer, or employee of, or to provide ongoing management or consulting services to, the Corporation, as the case may be. An optionee may make an offer ("**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the optionee to the Corporation of any options granted for an amount in cash or in common shares equal to the difference between the fair market value of the common shares underlying the options (if common shares are listed on a stock exchange, fair market value will be the weighted average trading price per common share on an a stock exchange, for the last five (5) consecutive trading days immediately prior to the date of grant or such other minimum price that may be prescribed by such exchange) and the exercise price of such options and the Corporation may, but is not obligated to, accept the Surrender Offer.

If approved by the Board, options may provide that, whenever the shareholders receive a take-over proposal (a "**Take-over Proposal**"), such option may be exercised as to all or any of the common shares in respect of which such option has not previously been exercised (including in respect of common shares not otherwise vested at such time) by the optionee, but any such option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-over Proposal.

In the event of a change of control (as defined in the New Option Plan) prior to the expiry date of any outstanding option: (i) an optionee is terminated without cause in connection with such change of control or within the six (6) months following a change of control, all options held by the optionee shall vest and the optionee shall, if such termination occurs prior to, or at, the effective time of such change of control, be entitled to exercise all options held by the optionee until immediately prior to the effective time of such change of control (or such other time as may be designated by the Board) and, if such termination period occurs following such change of control, the optionee shall be entitled to exercise all options held by such optionee until the date that is 90 days after the optionee's termination date, all options which have not been exercised prior to the required dates as set forth in the New Option Plan shall become null and void and all rights to receive common shares thereunder shall be forfeited by the optionee; or (ii) within six (6) months following a change of control, the optionee voluntarily resigns for an event or events which constitute good reason (as defined in the New Option Plan), all options held by the optionee shall vest and the optionee shall be entitled to exercise all options held by such optionee until the date that is 90 days after the optionee's termination date and after such date all options which have not been exercised shall become null and void and all rights to receive common shares thereunder shall be forfeited by the optionee.

The New Option Plan contains standard adjustment and anti-dilution provisions for changes in the capital structure of the Corporation.

Additionally, the New Option Plan contains a "cashless exercise" feature, which provides that, unless the Board determines otherwise at any time, an option holder may elect to exercise an option by surrendering such option in exchange for the issuance of common shares equal to the number determined by dividing (i) the difference between the market price on the date of exercise and the exercise price of such option by (ii) the market price of the common shares at the date of exercise. If a holder utilizes this "cashless exercise" feature, the full number of common shares underlying the options exercised will be deducted from the number of common shares reserved for issuance under the New Option Plan.

The Board may make certain amendments to the New Option Plan or discontinue the New Option Plan at any time without the consent of the participants as permitted by the provisions of the New Option Plan and, if required, subject to the approval by any exchange on which the common shares are listed. However, the Board may not amend the New Option Plan without shareholder approval with respect to: (i) increasing the number of common shares reserved for issuance under the New Option Plan and all other established or proposed security based compensation arrangements of the Corporation; (ii) increasing the number of common shares reserved for issuance to Insiders or issuable to Insiders in any one year period as set forth in the New Option Plan; (iii) reduce the Exercise Price of any option granted pursuant to the New Option Plan; (iv) extend the expiry date of any outstanding options other than as permitted in the New Option Plan; (v) make any amendment that would reduce the Exercise Price of an outstanding option (including a cancellation and reissue of an option that constitutes a reduction in Exercise Price; (vi) permit a holder of options to transfer or assign options to a new beneficial holder, other than for estate settlement purposes; or (vii) any amendments to the amendments section of the New Option Plan. Other than as listed above, the Corporation may make such amendments to the New Option Plan and any options granted thereunder without the approval of shareholders in accordance with the provisions of the New Option Plan.

Approval Required

At the meeting, shareholders will be asked to consider and, if deemed advisable, to pass the following ordinary resolution (the "**New Option Plan Resolution**"):

> "BE IT RESOLVED as an ordinary resolution of the shareholders of Peyto Exploration & Development Corp. ("**Peyto**") that:

1. the share option plan, substantially as described under the heading "*Matters to be Acted Upon at the Meeting – Approval of New Share Option Plan*" in the information circular – proxy statement of Peyto dated March 29, 2019 is hereby ratified, approved and confirmed;

2. the Board of Directors of Peyto or a duly authorized committee thereof, as referred to in the share option plan, are hereby authorized to issue options to acquire common shares of Peyto pursuant to the share option plan to those eligible to receive such options thereunder;

3. the issuance of all unallocated options under the share option plan is hereby authorized and approved;

4. notwithstanding that this resolution has been passed by the holders of common shares of Peyto, the Board of Directors of Peyto is hereby authorized and empowered to revoke these resolutions, without any further approval of the shareholders of Peyto, at any time if such revocation is considered necessary or desirable by the Board of Directors of Peyto; and

5. any director or officer of Peyto is hereby authorized and directed, for and on behalf of Peyto, to execute (whether under the corporate seal of Peyto or otherwise) and deliver, or cause to be executed and

> delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination."

The New Option Plan Resolution must be approved by a simple majority of the votes cast by the shareholders present in person or represented by proxy at the meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the New Option Plan Resolution.

Approval of 2019 Market Based Bonus Plan

Background

On March 29, 2019, the Board approved the adoption of the 2019 market based bonus plan (the "**2019 Market Based Bonus Plan**") of the Corporation effective January 1, 2019, subject to confirmation of the 2019 Market Based Bonus Plan by shareholders. At the meeting, shareholders will be asked to pass an ordinary resolution ratifying and approving the 2019 Market Based Bonus Plan and ratifying and approving the grant of the 2,475,000 allocations (referred to herein as "**Rights**") effective January 1, 2019 under such plan.

At the time of approval of the grant of Rights on January 1, 2019 pursuant to the Market Component, the Board also determined to shift the Market Component in the future to long term securities based incentive awards. As a result of the transition to securities based incentive awards and pending the adoption of a stock option plan, the Board approved the issuance of common shares on settlement of the Rights granted on January 1, 2019, subject to approval by the TSX and shareholders. In order to set the terms of the issuance of common shares pursuant to the Rights and to comply with the rules of the TSX regarding securities based compensation plans, the Board adopted the 2019 Market Based Bonus Plan. The 2019 Market Based Bonus Plan will be in effect only for the one-time grant of Rights, which were granted on January 1, 2019. No further Rights will be granted under the 2019 Market Based Bonus Plan. The 2,475,000 Rights granted effective January 1, 2019 pursuant to the 2019 Market Based Bonus Plan are substantially the same as the Rights previously granted by the Corporation pursuant to the Market Component except that the Board has the discretion to settle the Rights under the 2019 Market Based Bonus Plan in common shares (either acquired by the Corporation on the TSX or by issuance from treasury) or in cash. See "*Matters to be Acted Upon at the Meeting – Approval of New Option Plan*" and "*Statement of Executive Compensation – Compensation Discussion and Analysis*".

If the 2019 Market Based Bonus Plan and the Rights granted thereunder are not approved and ratified by ordinary resolution of shareholders at the meeting, then the 2019 Market Based Bonus Plan shall be void and of no force and effect and all Rights granted pursuant to the 2019 Market Based Bonus Plan will become subject to the terms of the Corporation's current Market Component bonus plan and will be settled in cash. For a description of the Market Component bonus plan, see "*Statement of Executive Compensation – Compensation Discussion and Analysis – Market Based Bonus*".

The maximum number of common shares that may be issued under all security based compensation arrangements of the Corporation, being the New Option Plan and the 2019 Market Based Bonus Plan, is 16,487,418 common shares representing 10% of the number of issued and outstanding common shares on the date such plans were adopted by the Board. Currently, there are no options to acquire common shares outstanding and 2,475,000 Rights outstanding, which have been issued pursuant to the 2019 Market Based Bonus Plan (which Rights may be settled in common shares if the 2019 Market Based Bonus Plan and the Rights granted thereunder are approved and ratified by shareholders at the meeting). Up to 14,012,418 common shares will be available for future grants under the New Option Plan, if ratified and approved, and all other security based compensation arrangements, including the Rights granted pursuant to the 2019 Market Based Bonus Plan, if ratified and approved, based on the number of outstanding common shares as at March 29, 2019. and the Rights granted thereunder are not approved and ratified at the meeting or, if ratified and approved at the meeting, if any Rights granted under the 2019 Market Based Bonus Plan shall expire, terminate or be cancelled for any reason, such Rights shall be unallocated and be available for the purposes of future grants under the New Option Plan, if ratified and approved, and all other security based compensation arrangements of the Corporation.

Description of the 2019 Market Based Bonus Plan

The full text of the 2019 Market Based Bonus Plan is attached to this information circular – proxy statement as Schedule "B". The following is a summary of certain key provisions of the 2019 Market Based Bonus Plan. This summary is subject to, and qualified by, the specific provisions of the 2019 Market Based Bonus Plan. Capitalized terms used in the summary below and defined in the 2019 Market Based Bonus Plan have the meanings given to them in the 2019 Market Based Bonus Plan.

The purpose of the 2019 Market Based Bonus Plan is to provide officers, consultants, employees and other service providers, as applicable (all of which are hereinafter called "**Service Providers**"), of Peyto with an opportunity to be issued Rights, as designated from time to time by the Board, the future value of which is based on the market value of the common shares and the dividends paid to shareholders. The 2019 Market Based Bonus Plan provides an increased incentive for these Service Providers to contribute to the future success of Peyto, thus enhancing the value of the common shares for the benefit of all the shareholders.

2,475,000 Rights were granted by the Board on January 1, 2019 to Service Providers at the 2019 Plan Grant Price (as defined below), being $7.23, which amounted to Rights representing an aggregate value of $17,894,250 on January 1, 2019 and of which 1,093,400 Rights were granted to insiders of the Corporation. The 2019 Market Based Bonus Plan will only apply to the one-time grant of Rights on January 1, 2019. The allocation of Rights were granted by the Board based on the recommendations of the Compensation and Nominating Committee after consultation with the CEO. No further Rights will be granted pursuant to the 2019 Market Based Bonus Plan.

The 2019 Market Based Bonus Plan provides that the number of common shares issuable under the 2019 Market Based Bonus Plan and all other security based compensation arrangements of the Corporation may not exceed 10% of the total number of issued and outstanding common shares from time to time. The number of common shares that may be issued under the 2019 Market Based Bonus Plan are subject to the following additional limitations: (i) the number of common shares reserved for issuance at any time, pursuant to the 2019 Market Based Bonus Plan and all other established or proposed security based compensation arrangements of the Corporation, to Insiders (as defined in the 2019 Market Based Bonus Plan) of the Corporation shall not exceed 10% of the outstanding common shares; (ii) the number of common shares issued to Insiders within any one year period, pursuant to the 2019 Market Based Bonus Plan and all other established or proposed security based compensation arrangements of the Corporation, shall not exceed 10% of the outstanding common shares; and (iii) the number of common shares issued within any one year period, pursuant to the 2019 Market Based Bonus Plan and all other established or proposed security based compensation arrangements of the Corporation, to any one Insider and such Insider's associates shall not exceed 10% of the outstanding common shares.

Rights granted under the 2019 Market Based Bonus Plan are non-transferable and non-assignable.

The grant price (the "**2019 Plan Grant Price**") per Right is equal to the volume weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding January 1, 2019, which was $7.23.

The Rights granted under the 2019 Market Based Bonus Plan vest as to one-third (1/3) of the total number of Rights granted to a Grantee pursuant to the 2019 Market Based Bonus Plan on each of December 31, 2019, 2020 and 2021 (each, a "**Vesting Date**").

Each vested right shall be valued on the Vesting Date (subject to any black-out period extension as set forth in the 2019 Market Based Bonus Plan) at an amount (the "**Vesting Value**") equal to the sum of: (i) the volume weighted average trading price per Common Share on the TSX for the ten (10) consecutive trading days immediately preceding the Vesting Date (the "**Valuation Price**") less the 2019 Plan Grant Price for such Right; and (ii) the amount of dividends declared by the Corporation per common share from January 1, 2019 to the Vesting Date.

If, on the applicable Vesting Date, the Valuation Price is less than the 2019 Plan Grant Price, no amount shall be payable to the Grantees and the vested Rights shall expire on such date.

If, on the applicable Vesting Date, the Valuation Price is greater than the 2019 Plan Grant Price, the vested Rights shall become subject to payment by the Corporation (subject to any black-out period extension as set forth in the 2019

Market Based Bonus Plan), in its sole and absolute discretion, by any of the following methods, or by a combination of such methods: (i) payment in cash; (ii) payment in common shares acquired by the Corporation on the TSX; or (iii) if approved by the Board, payment in common shares issued from treasury of the Corporation. With respect to any Rights, the Corporation shall not determine whether the payment method shall take the form of cash or common shares , or a combination thereof, until the Vesting Date, or some reasonable time prior thereto. A Grantee shall not have any right to demand to be paid in, or receive, common shares in respect of the Vesting Value underlying a Right, at any time. Notwithstanding any election by the Corporation to settle any Vesting Value, or portion thereof, in common shares, the Corporation reserves the right to change its election in respect thereof at any time up until payment is actually made, and the Grantee shall not have the right, at any time, to enforce settlement in the form of common shares. Where the Corporation elects to pay any amounts pursuant to a Right by acquiring common shares on the TSX, or by issuing common shares from treasury, the common shares shall have a deemed common share value equal to the volume weighted average trading price per common share on the TSX for the ten (10) consecutive trading days immediately preceding the applicable Vesting Date and the number of common shares to be delivered shall be equal to the applicable Vesting Value divided by such deemed common share value.

If the Grantee shall no longer be a Service Provider to, either the Corporation or a subsidiary of the Corporation, all Rights held shall terminate on the date determined by the Board.

The Board may, in its sole discretion, accelerate the Vesting Dates with respect to any Rights. All Rights expire on the applicable Vesting Date regardless of whether they are in the money or not.

The 2019 Market Based Bonus Plan and any Rights granted pursuant to the 2019 Market Based Bonus Plan may be amended, modified or terminated by the Board without approval of the shareholders of the Corporation subject to any required approval of the TSX, provided that any amendment to the 2019 Market Based Bonus Plan that requires approval of the TSX may not be made without such approval. In addition, no amendment to the 2019 Market Based Bonus Plan or Rights granted pursuant to the 2019 Market Based Bonus Plan may be made without the consent of the Grantee, if it adversely alters or impairs any Rights previously granted to such Grantee under the 2019 Market Based Bonus Plan; provided that any amendment to the 2019 Market Based Bonus Plan to allow for the Vesting Value of any Rights to be settled by the issuance of common shares, or to comply with the requirements of the TSX, shall not be considered to adversely alter or impair any Rights previously granted under the 2019 Market Based Bonus Plan and all Grantees are deemed to have consented to such amendments.

Approval Required

At the meeting, shareholders will be asked to consider and, if deemed advisable, to pass the following ordinary resolution (the "**2019 Market Based Bonus Plan Resolution**"):

> "BE IT RESOLVED as an ordinary resolution of the shareholders of Peyto Exploration & Development Corp. ("**Peyto**") that:
>
> 1. the 2019 market based bonus plan, substantially as described under the heading "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*" in the information circular – proxy statement of Peyto dated March 29, 2019, which, for greater certainty, shall on apply to the rights of Peyto granted on January 1, 2019 and under which Peyto can no longer make grants under following January 1, 2019, is hereby ratified, approved and confirmed;
>
> 2. the grant of 2,475,000 rights on January 1, 2019 under the 2019 market based bonus plan by the Board of Directors of Peyto to those eligible to receive such rights thereunder is hereby ratified, approved and confirmed;
>
> 3. notwithstanding that this resolution has been passed by the holders of common shares of Peyto, the Board of Directors of Peyto is hereby authorized and empowered to revoke these resolutions, without any further approval of the shareholders of Peyto, at any time if such revocation is considered necessary or desirable by the Board of Directors of Peyto; and

4. any director or officer of Peyto is hereby authorized and directed, for and on behalf of Peyto, to execute (whether under the corporate seal of Peyto or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination."

The 2019 Market Based Bonus Plan Resolution must be approved by a simple majority of the votes cast by the shareholders present in person or represented by proxy at the meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the 2019 Market Based Bonus Plan Resolution.

Approval of New Form of By-laws

On March 29, 2019, the Board approved the adoption of the Amended By-laws, subject to confirmation of the Amended By-laws by the shareholders. The Amended By-laws have been updated to reflect common current corporate practices, relative to those that were in place when the Corporation's by-laws were originally established, being: (i) the recommendation from Institutional Shareholder Services Inc. on quorum requirements for shareholder meetings to a quorum for shareholder meetings to be 2 persons present, either in person or by proxy, representing 25% of more of the outstanding common shares; (ii) the removal of a second or casting vote for the Chairman of the Board or any other director of the Corporation present at the meeting in the event of an equality of votes at any meeting of shareholders; and (iii) Advance Notice Provisions.

The full text of the Amended By-laws is attached to this information circular – proxy statement as Schedule "C". The following is a summary of the Advance Notice Provisions of the Amended By-laws. This summary is subject to, and qualified by, the specific Advance Notice Provisions of the Amended By-laws.

Purpose of the Advance Notice Provisions of the Amended By-laws

The purpose of the Advance Notice Provisions is to provide shareholders, the Board and management of the Corporation with a clear framework for director nominations to help ensure orderly business at shareholder meetings. Among other things, the Advance Notice Provisions fix a deadline by which shareholders must submit director nominations to the Corporation prior to any annual or special meeting of shareholders. They also specify the information that a nominating shareholder must include in the notice to the Corporation in order for any director nominee to be eligible for election at any annual or special meeting of shareholders.

The directors of the Corporation are committed to:

(a) facilitating an orderly and efficient annual general or special meeting process;

(b) ensuring that all shareholders receive:

  (i) adequate notice of director nominations; and

  (ii) sufficient information in advance of an annual general or special meeting with respect to all director nominees and the ownership interests (including derivatives, hedged positions and other economic incentives and voting interests) of the nominating shareholder in order to assess the qualifications of the proposed nominees for election to the Board and the nature of the nominating shareholder's interest in the Corporation; and

(c) allowing shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

Summary of Terms of the Advance Notice Provisions

The Advance Notice Provisions provide that advance notice to the Corporation must be made in circumstances where nominations of persons for election to the Board are made by shareholders other than pursuant to: (a) a "proposal" made in accordance with the ABCA; or (b) a requisition of a meeting made pursuant to the ABCA.

The Advance Notice Provisions fix a deadline by which shareholders must submit director nominations to the Chief Financial Officer of the Corporation prior to any annual or special meeting of shareholders and outlines the specific information that a nominating shareholder must include in the written notice to the Chief Financial Officer of the Corporation for an effective nomination to occur. No person nominated by a shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the Advance Notice Provisions.

In the case of an annual meeting of shareholders, notice to the Chief Financial Officer of the Corporation must be made not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Corporation must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

If Notice-and-Access Provisions are used for delivery of proxy related materials in respect of a meeting described above and the notice date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the date of the applicable meeting.

In the event of an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof, a new time period shall commence for the giving of timely notice.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Provisions.

Approval Required

In accordance with the ABCA, the Amended By-laws are in effect until they are confirmed, confirmed as amended or rejected by shareholders at the meeting, and if confirmed or confirmed as amended, the Amended By-laws will continue in effect in the form in which they are so confirmed. If shareholders reject the confirmation of the Amended By-laws at the meeting, they will thereafter cease to have effect and the Corporation's current by-laws will remain in place.

At the meeting, shareholders will be asked to consider and, if deemed advisable, to pass the following ordinary resolution:

> "BE IT RESOLVED as an ordinary resolution of the shareholders of Peyto Exploration & Development Corp. ("**Peyto**") that:
>
> 1. pursuant to section 102 of the *Business Corporations Act* (Alberta), the new form of by-laws of Peyto, in the form attached as Schedule "C" to the information circular - proxy statement of Peyto dated March 29, 2019, are hereby adopted and confirmed and the current by-law No. 1 of Peyto is hereby repealed;
>
> 2. notwithstanding that this resolution has been passed by the holders of common shares of Peyto, the Board of Directors of Peyto is hereby authorized and empowered to revoke these resolutions, without any further approval of the shareholders of Peyto, at any time if such revocation is considered necessary or desirable by the Board of Directors of Peyto; and
>
> 3. any director or officer of Peyto is hereby authorized and directed, for and on behalf of Peyto, to execute (whether under the corporate seal of Peyto or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing

resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination."

The above resolution must be approved by a simple majority of the votes cast by the shareholders present in person or represented by proxy at the meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the above resolution.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Role of Compensation and Nominating Committee

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

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

A. Advise the Board on executive compensation matters.

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

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

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

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

F. Review and approve all discretionary compensation granted.

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

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

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

In carrying out its mandate, the risks associated with the Corporation's compensation policies and practices were discussed both by the Compensation and Nominating Committee and the Board, including the risk of executive officers taking inappropriate or excessive risks and the risk of inappropriate focus on short-term goals at the expense of long-term return to shareholders. While no program can fully mitigate these risks, the Compensation and Nominating Committee does not believe the Corporation's compensation programs encourage its executive officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation,: (i) the Corporation's compensation policies and practices are uniform throughout the organization and there are no significant differences in compensation structure among the executive officers; (ii) the overall compensation program is both market and performance based and aligned with the Corporation's business plan and long-term strategies. The compensation package for executive officers consists of fixed (base salary) and variable elements (the Market Component and reserves/value based bonus (the "**Value Component**")), which are all payable in cash (except for the 2,475,000 Rights which have been issued pursuant to the 2019 Market Based Bonus Plan which Rights may be settled in common shares if the 2019 Market Based Bonus Plan and the Rights granted thereunder are approved and ratified by shareholders at the meeting), which are designed to balance short-term goals and the long-term interests of the Corporation and are aimed at creating sustainable value for shareholders. The performance elements are linked to achievement of the Corporation's business goals and are reviewed annually by the Compensation and Nominating Committee; (iii) in exercising its discretion under the Market Component and Value Component, the Compensation and Nominating Committee reviews individual and corporate performance taking into account the long-term interests of the Corporation; (iv) the compensation expense to executive officers is not a significant percentage of the Corporation's revenue; and (v) results of annual performance assessments of executive officers goals, objectives and performance are reviewed and considered in awarding compensation and such discretionary judgement is applied in awarding both discretionary bonuses under the Market Component and Value Component and future compensation.

In adopting the New Option Plan, the Board considered the compensation arrangements of its peer group relative to the Corporation's compensation practices. The Board made the decision to adopt the New Option Plan, as opposed to continuing to utilize the cash based Market Component, to bring Peyto more in line with its peer group, to ensure that the Corporation's compensation practices are aligned with the Corporation's current asset base, head count and operations, to eliminate the complexity of the Market Component, to shift towards long term securities based incentive awards and to focus the organization on shareholder return and per share performance metrics.

At the time of approval of the grant of Rights on January 1, 2019 pursuant to the Market Component, the Board also determined to shift the Market Component in the future to long term securities based incentive awards. As a result of the transition to securities based incentive awards and pending the adoption of a stock option plan, the Board approved the issuance of common shares on settlement of the Rights granted on January 1, 2019, subject to approval by the TSX and shareholders. In order to set the terms of the issuance of common shares pursuant to the Rights and to comply with the rules of the TSX regarding securities based compensation plans, the Board adopted the 2019 Market Based Bonus Plan. The 2019 Market Based Bonus Plan will be in effect only for the one-time grant of Rights, which were granted on January 1, 2019. No further Rights will be granted under the 2019 Market Based Bonus Plan. The 2,475,000 Rights granted effective January 1, 2019 pursuant to the 2019 Market Based Bonus Plan are substantially the same as the Rights previously granted by the Corporation pursuant to the Market Component except that the Board has the discretion to settle the Rights under the 2019 Market Based Bonus Plan in common shares (either acquired by the Corporation on the TSX or by issuance from treasury) or in cash.

See "*Matters to be Acted Upon at the Meeting – Approval of New Option Plan*", "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*", "*Statement of Executive Compensation – Compensation Discussion and Analysis – Market Based Bonus*", "*Statement of Executive Compensation – Compensation Discussion and Analysis – 2019 Market Based Bonus Plan*" and "*Statement of Executive Compensation – Compensation Discussion and Analysis – New Option Bonus*".

Executive and Employee Compensation Principles and Strategy

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

- base salary
- Market Component
- Value Component

If the New Option Plan is approved at the meeting, there will be no further grants of Rights under the Market Component. See "*Matters to be Acted Upon at the Meeting – Approval of New Option Plan*". If ratified and approved by shareholders at the meeting, the 2019 Market Based Bonus Plan will be in effect only for the one-time grant of Rights, which were granted on January 1, 2019. See "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*".

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

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

Currently, the entities included in the Corporation's benchmarking peer group are: Advantage Oil & Gas Ltd., ARC Resources Ltd., Birchcliff Energy Ltd., Bonavista Energy Corporation, Crew Energy Inc., Kelt Exploration Ltd., Nuvista Energy Ltd., Paramount Resources Ltd., Painted Pony Energy Ltd., Seven Generations Ltd., Storm Resources Ltd., Tourmaline Oil Corp., Vermilion Energy Inc. and Whitecap Resources Inc.

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

Base Salaries

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

Market Based Bonus

The purpose of the Market Component is to provide Service Providers, of Peyto with an opportunity to be issued Rights, as designated from time to time by the Board, the future value of which is based on the market value of the common shares and the dividends paid to shareholders. The Market Component provides an increased incentive for these Service Providers to contribute to the future success of Peyto, thus enhancing the value of the common shares for the benefit of all the shareholders.

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

At the beginning of each calendar year, the Board uses its discretion to determine whether to award new Rights, the number of Rights to be awarded, if any, the vesting schedule of such Rights and the allocations. Such new Rights are granted effective January 1 and are issued at the Grant Price (as defined below). In certain circumstances, a new Service Provider may be granted Rights at the time they commence providing services to Peyto, with the Grant Price of such Rights being the market price of the common shares at such time. All Rights that have vested expire at the end of the year regardless of whether they are in the money or not.

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

All Rights granted are valued at December 31 of the year of grant using the formula set forth below, but vest and are paid out equally over three (3) years. Each Right is valued at an amount equal to the sum of: (i) the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the end of the calendar year less the Grant Price for such Right; and (ii) the amount of dividends declared by Peyto per common share from the grant date to the date of valuation. If the Grant Price of such Rights exceeds the value of the Rights on the vesting date, the Market Component is not paid to such holder of Rights for that period. Compensation expenses, amounts paid out and potential payout amounts with respect to Rights granted in each of 2016, 2017 and 2018 are outlined below.

Date of Grant of Rights	# of Rights Granted	Grant Price	Compensation Expense	Date Paid Out	Amount Paid Out or Potential Payout
January 1, 2016	3,798,500	$24.09	$41,340,499	December 31, 2016	$13,915,713
				December 31, 2017	$13,866,813
				December 31, 2018	$13,557,973
January 1, 2017	3,918,500	$33.64	Nil	December 31, 2017	Nil
				December 31, 2018	Nil
				December 31, 2019	Nil
January 1, 2018	3,942,400	$14.67	Nil	December 31, 2018	Nil
				December 31, 2019	Nil
				December 31, 2020	Nil

To date, 48.5 million Rights (inclusive of 2,475,000 Rights granted on January 1, 2019, which shall be subject to the 2019 Market Based Bonus Plan if ratified and approved by shareholders at the meeting and may be settled in common shares at the option of the Board) have been issued, of which 30.2 million have vested (inclusive of 1.2 million Rights vested on December 31, 2018) and the Rights related compensation expenses were paid out shortly thereafter. To date, 15.9 million unvested Rights have been cancelled as a result of the applicable Grant Price exceeding the value of such Rights on the applicable vesting date.

It is the current intention of Peyto to discontinue the issuance of Rights pursuant to the Market Component if the New Option Plan is approved by shareholders at the meeting. If the New Option Plan is not approved by shareholders at the meeting, the Corporation expects to continue to make grants pursuant to the Market Component and to keep the number of Rights outstanding at a number which is no greater than 6% of the issued and outstanding common shares. There are currently 2,475,000 Rights outstanding, notionally representing 1.5% of the issued and outstanding common shares.

2019 Market Based Bonus Plan

For a description of the 2019 Market Based Bonus Plan, see "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*". At the time of approval of the grant of Rights on January 1, 2019 pursuant to the Market Component, the Board also determined to shift the Market Component in the future to long term securities based incentive awards. As a result of the transition to securities based incentive awards and pending the adoption of a stock option plan, the Board approved the issuance of common shares on settlement of the Rights granted on January 1, 2019, subject to approval by the TSX and shareholders. In order to set the terms of the issuance of common shares pursuant to the Rights and to comply with the rules of the TSX regarding securities based compensation plans, the Board adopted the 2019 Market Based Bonus Plan.

If ratified and approved by shareholders at the meeting, the 2019 Market Based Bonus Plan will be in effect only for the one-time grant of Rights, which were granted on January 1, 2019. No further Rights will be granted under the 2019 Market Based Bonus Plan. If the 2019 Market Based Bonus Plan and the Rights granted thereunder are not approved and ratified by shareholders at the meeting, then the 2019 Market Based Bonus Plan shall be void and of no force and effect and all Rights granted pursuant to the 2019 Market Based Bonus Plan will become subject to the terms of the Market Component described above and will be settled in cash.

New Option Plan

For a description of the New Option Plan, see "*Matters to be Acted Upon at the Meeting – Approval of New Option Plan*". In adopting the New Option Plan, the Board considered the compensation arrangements of its peer group relative to the Corporation's compensation practices. The Board made the decision to adopt the New Option Plan, as opposed to continuing to utilize the cash based Market Component, to bring Peyto more in line with its peer group, to ensure that the Corporation's compensation practices are aligned with the Corporation's current asset base, head count and operations, to eliminate the complexity of the Market Component, to shift towards long term securities based incentive awards and to focus the organization on shareholder return and per share performance metrics.

If ratified and approved at the meeting, the New Option Plan will replace the Market Component described above and the Corporation will not make any further grants under the Market Component. If the New Option Plan is not approved by shareholders at the meeting, then the New Option Plan shall be void and of no force and effect and the Corporation expects that grants will continue to be made under the Market Component described above.

Reserves/Value Based Bonus

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

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

Under the Value Component, the bonus pool is comprised of 4% of the annual incremental increase in value, if any, as adjusted to reflect changes in debt, equity, dividends, general and administrative expenses and interest expense, of the Corporation's proven producing reserves calculated using a discount rate of 8%. The change in the Corporation's proven producing reserves is calculated on a calendar year basis. The Corporation's proven producing reserves are calculated by an independent oil and gas reservoir engineer, at the end of a fiscal year, using the following year's constant price forecast for all calculations. The bonuses, if any, under the Value Component are paid in cash. Compensation expense with respect to the Value Component totalled $2.3 million in 2018 (2017 – $1.8 million).

CEO Compensation

The compensation of the CEO is reviewed annually and determined by the Board as a whole on the recommendation of the Compensation and Nominating Committee. The level of CEO compensation is determined by the Board considering all factors which they deem appropriate, including chief executive officer salaries for companies of comparable size, industry, geography and complexity. The grant of incentive awards is determined by the Board, upon recommendation of the Compensation and Nominating Committee, based on consideration such as the Corporation's overall performance, relative shareholder returns and/or other relevant factors.

Mr. Gee's total reported compensation and total realized compensation (amounts actually paid) for the years ended December 31, 2014 to 2018 is highlighted below.

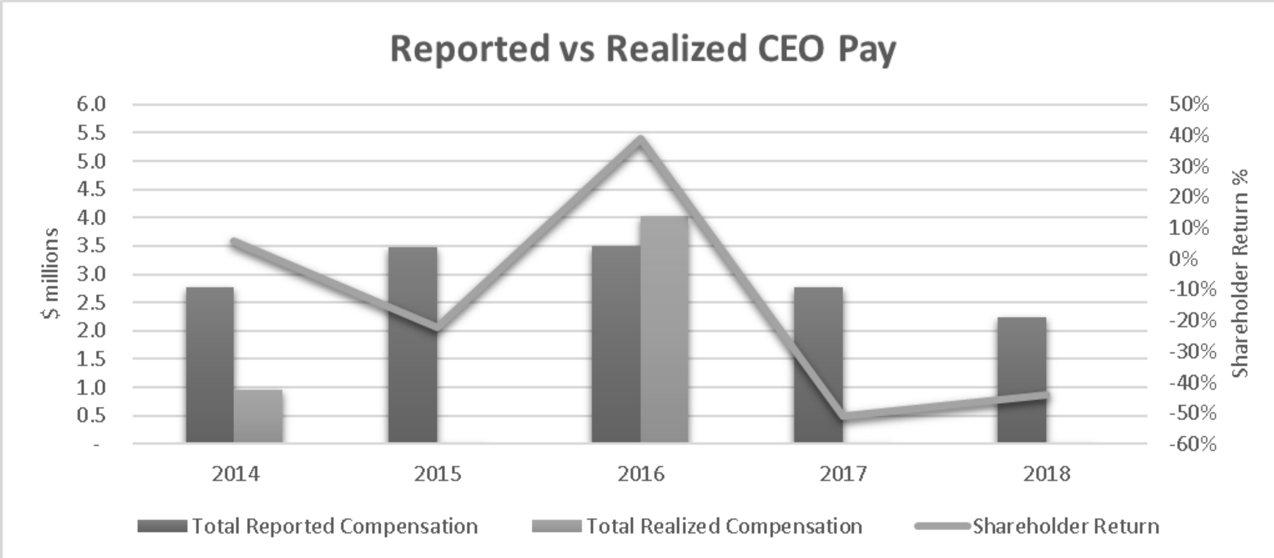
Compensation Component	**2014 ($)**	**2015 ($)**	**2016 ($)**	**2017 ($)**	**2018 ($)**
Base Salary	275,000	285,000	285,000	285,000	285,000
Market Component Paid in the Year	1,378,000	1,378,000	1,662,983	1,341,983	1,341,983
Value Component	486,700	900,000	735,000	120,000	175,000
Fair Value of Rights Granted in the Year	632,000	906,400	812,733	1,031,333	445,667
Total Reported Compensation	**2,771,700**	**3,469,400**	**3,495,716**	**2,778,316**	**2,247,650**
Percentage at Risk	**90%**	**92%**	**92%**	**90%**	**87%**

Compensation Component	**2014 ($)**	**2015 ($)**	**2016 ($)**	**2017 ($)**	**2018 ($)**
Base Salary	275,000	285,000	285,000	285,000	285,000
Market Component(1)	-	-	-	-	-
Value Component	486,700	900,000	735,000	120,000	175,000
Actual Value of Rights Granted in the Year(2)	963,000	-	4,025,950	-	-
Total Realized Compensation	**1,724,700**	**1,185,000**	**5,045,950**	**405,000**	**460,000**

Notes:

(1) The Market Component is excluded as this amount is paid out over three years of the actual value of the Rights granted in the year.
(2) The actual value of Rights is included in the year of grant despite Rights being paid out over a three year period (see "*Statement of Executive Compensation – Compensation Discussion and Analysis – Market Based Bonus*").

The chart below compares Mr. Gee's reported compensation and realized compensation that occurs over time. Amounts in the table below are recognized in the year of grant and not in the year paid to compare reported compensation with realized compensation (amounts actually paid and the fair market value of outstanding Rights).



Notes:

(1) Total Reported Compensation and Total Realized Compensation include salaries and other compensation on an annualized basis for comparative purposes.
(2) Realized Compensation includes actual salaries, Value Component and actual value of Rights granted in the year. All Rights are paid out over a three year period (see "*Statement of Executive Compensation – Compensation Discussion and Analysis – Market Based Bonus*").

As of December 31, 2018, Mr. Gee held 2,053,959 common shares, representing a value of $14,542,030 (based on the closing price of the common shares on the TSX on December 31, 2018, being $7.08) and did not hold any other securities exercisable or convertible into common shares.

Three Year Named Executive Officer Compensation Versus Financial Measures

Over the past three years total Named Executive Officer (as defined below) compensation has decreased and such decreases consisted almost entirely of long-term incentives. Total Named Executive Officer compensation remains a relatively small percentage of both the Corporation's funds from operations and enterprise value.

	2016	2017	2018
Total Named Executive Officer Compensation (millions)	$14.2	$9.1	$9.3
Funds from Operations (millions)	$514.6	$573.7	$473.7
Named Executive Officer Compensation as a % of Funds from Operations	3%	2%	2%
Enterprise Value (billions)	$6.6	$3.8	$2.4
Named Executive Officer Compensation as a % of Enterprise Value	2%	2%	4%
Shareholder Return (annual)	39%	(51)%	(44)%

Compensation Consultant or Advisor

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

Anti-Hedging Policy and Other Restrictions on Trading Activities

The Corporation has adopted a Joint Disclosure, Confidentiality & Trading Policy which, among other things, ensures that executives and directors cannot participate in speculative activity related to the Corporation's securities to artificially protect themselves against declines in share price. The Joint Disclosure, Confidentiality & Trading Policy provides that executive officers and directors are prohibited, at any time, from: (i) entering into a sale of the Corporation's securities that they do not own or have a right to own (a speculative practice, called "selling short", which is done in the belief that the price of a stock is going to fall and the seller will then be able to cover the sale by buying the stock back at a lower price); and (ii) selling a "call option" or buying a "put option" in respect of any the Corporation's securities (as such persons could profit from the Corporation's stock price falling). Executive officers and directors are also prohibited from participating in equity monetization transactions involving any the Corporation's securities that are part of the Corporation's long-term incentive programs which have not vested or the common shares that constitute part or all of the Corporation's requirements under the Corporation's minimum share ownership guidelines. Executive officers and directors are also strictly prohibited from entering into any equity monetization transaction that is the equivalent of "selling short".

Clawback Policy (Recoupment of Incentive Compensation)

The Corporation has adopted a policy regarding recoupment of any incentive payment (including cash payments, Rights granted under the Market Component or the 2019 Market Based Bonus Plan and options granted under the New Option Plan, and the common shares issuable on exercise or vesting thereof, as the case may be), to an executive officer where:

- the payment or grant was predicated upon achieving certain financial results that were subsequently the cause of a substantial restatement of the Corporation's financial statements;
- the Board determines the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or substantially caused the need for substantial restatement of the Corporation's financial statements; and
- a lower incentive compensation payment or grant would have been made to the executive officer based upon the restated financial results.

In such circumstances, the Corporation will seek to recover from such executive officer, in the case of cash incentive payments, the amount by which that executive officer's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results and in the case of equity incentive awards, the number of equity incentive awards by which the executive officer's grant for the relevant period exceeded the lower number of equity incentive awards that would have been granted based on the restated financial results.

Additionally, under the policy in the event that any executive officer is found to have engaged in intentional misconduct, fraud, theft or embezzlement, the Board may in its discretion, to the full extent permitted by applicable laws and to the extent it determines that it is in best interests of Peyto to do so, require the reimbursement of some or all of the after-tax amount of any incentive compensation already paid or awarded in the previous 24 months or forfeiture of any vested or unvested incentive compensation awards regardless of whether or not a restatement of the financial statements of the Corporation has occurred or is required.

Summary

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

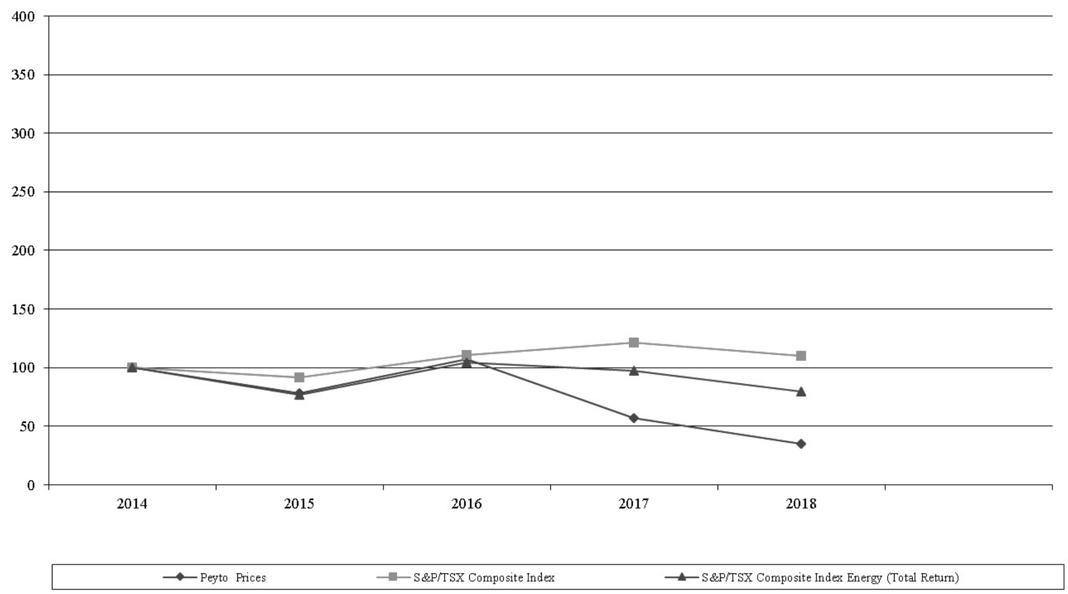
Option-Based Awards

The Corporation does not grant any awards that are payable in securities of the Corporation. All such awards are payable in cash. Please see discussion under "*Compensation Discussion and Analysis – Market Based Bonus*". If the New Option Plan and the 2019 Market Based Bonus Plan are each approved at the meeting, it is expected that the Corporation will issue options in the future pursuant to the New Option Plan, will discontinue any grants under the

Market Component and will have 2,475,000 Rights outstanding pursuant to the 2019 Market Based Bonus Plan. See "*Matters to be Acted Upon at the Meeting – Approval of New Option Plan*" and "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*".

Performance Graph

The following graph illustrates the Corporation's five year cumulative shareholder return, as measured by the closing price of the common shares at the end of each financial year, assuming an initial investment of $100.00 on December 31, 2014, compared to the S&P/TSX Composite Index and the S&P TSX Composite Index Energy, assuming the reinvestment of dividends where applicable.



	Dec. 31, 2014	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2018**
Peyto Exploration & Development Corp.	100	78.25	107.11	56.74	35.14
S&P/TSX Composite Index (1)	100	91.68	111.01	121.11	110.34
S&P/TSX Composite Index Energy (Sector) (1)	100	77.13	104.47	97.14	79.38

Note:

(1) Total Return Index.

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

Summary Compensation Table

The following table sets forth for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 information concerning the compensation paid to the CEO and Chief Financial Officer ("**CFO**") and all of the other executive officers at the end of each of the years ended December 31, 2018, December 31, 2017 and December 31, 2016 whose total compensation was more than $150,000 (each a "**Named Executive Officer**" and collectively, the "**Named Executive Officers**").

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option-Based Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($) Annual Incentive Plans(3)	Non-Equity Incentive Plan Compensation ($) Long-Term Incentive Plans(4)	Pension Value ($)	All Other Compensation(5)	Total Compensation ($)(6)
Darren Gee President and Chief Executive Officer	2018 2017 2016	285,000 285,000 285,000	N/A N/A N/A	445,667 1,031,333 812,733	175,000 120,000 735,000	1,341,983 1,341,983 1,662,983	N/A N/A N/A	- - -	2,247,650 2,778,316 3,495,716
Scott Robinson Executive Vice President, New Ventures(7)	2018 2017 2016	275,000 275,000 275,000	N/A N/A N/A	254,667 942,933 745,933	140,000 120,000 735,000	1,231,683 1,231,683 1,520,583	N/A N/A N/A	- - -	1,901,350 2,569,616 3,276,516
Kathy Turgeon Vice President, Finance and Chief Financial Officer	2018 2017 2016	230,000 230,000 230,000	N/A N/A N/A	201,187 465,573 369,627	80,000 55,000 392,000	610,327 610,327 770,827	N/A N/A N/A	- - -	1,121,514 1,360,900 1,762,453
David Thomas Vice President, Exploration	2018 2017 2016	240,000 240,000 240,000	N/A N/A N/A	299,233 692,467 545,533	133,000 100,000 583,000	900,783 900,783 1,114,783	N/A N/A N/A	- - -	1,573,016 1,933,250 2,483,316
Jean-Paul (JP) Lachance Vice President, Engineering and Chief Operating Officer(8)	2018 2017 2016	248,333 230,000 230,000	N/A N/A N/A	356,533 589,333 467,600	150,000 105,000 550,000	772,100 772,100 954,000	N/A N/A N/A	- - -	1,526,967 1,696,433 2,201,600
Tim Louie Vice President, Land	2018 2017 2016	200,000 200,000 200,000	N/A N/A N/A	148,980 344,760 271,653	45,200 38,000 292,000	448,553 448,553 566,253	N/A N/A N/A	- - -	842,733 1,031,313 1,329,906
Lee Curran Vice President, Drilling and Completions	2018 2017 2016	220,000 220,000 220,000	N/A N/A N/A	254,667 589,333 394,120	133,000 105,000 550,000	650,770 650,770 805,920	N/A N/A N/A	- - -	1,258,437 1,565,103 1,970,040
Todd Burdick Vice President, Production	2018 2017 2016	195,000 195,000 195,000	N/A N/A N/A	197,367 442,000 320,640	106,500 85,000 417,000	529,440 529,440 652,490	N/A N/A N/A	- - -	1,028,307 1,251,440 1,585,130

Notes:

(1) Represents Rights issued pursuant to the Market Component. Such Rights are payable in cash only.

(2) Rights granted January 1, 2016 are fair valued using the Black-Scholes option pricing model on the grant date. The fair value was determined using a risk free rate of 1.0% per annum; expected life of 1 year; volatility of 34.45%; grant price of $24.09; and an exercise price of $24.09 for Rights vesting in one year. Rights granted January 1, 2017 are fair valued using the Black-Scholes option pricing model on the grant date. The fair value was determined using a risk free rate of 0.73% per annum; expected life of 1.0 year; volatility of 32.12%; grant price of $33.80; and an exercise price of $33.80 for Rights vesting in one year. Fair value of Rights vesting on December 31, 2017 are not included in this amount as they are included in the amount under "*Long-Term Incentive Plans*". Rights granted January 1, 2018 are fair valued using the Black-Scholes option pricing model on the grant date. The fair value was determined using a risk free rate of 1.66% per annum; expected life of 1.0 year; volatility of 30.96%; grant price of $14.68; and an exercise price of $14.68 for Rights vesting in one year. Fair value of Rights vesting on December 31, 2018 are not included in this amount as they are included in the amount under "*Long-Term Incentive Plans*".

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

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

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

(6) Total compensation includes both cash and non-cash amounts (as set out under "*Incentive Plan Awards*"). Cash compensation per Named Executive Officer for 2018 was: Darren Gee − $1,801,983; Scott Robinson − $1,646,683; Kathy Turgeon − $920,327; David Thomas − $1,273,783; Jean-Paul Lachance − $1,170,433; Tim Louie − $693,753; Lee Curran − $1,003,770; and Todd Burdick – $830,940 (2017 cash compensation was: Darren Gee − $1,746,983; Scott Robinson − $1,626,683; Kathy Turgeon − $895,327; David Thomas − $1,240,783; Jean-Paul Lachance − $1,107,100; Tim Louie − $686,553; Lee Curran − $975,770; and Todd Burdick – $809,440).

(7) Scott Robinson was appointed Executive Vice President, New Ventures effective February 1, 2018. Prior thereto, Mr. Robinson was Executive Vice President and Chief Operating Officer from August 2006 to February 1, 2018. The salary amount disclosed reflect the total salary received for the year ended December 31, 2018. Mr. Robinson retired from the Corporation on February 1, 2019.

(8) JP Lachance was appointed Vice President, Engineering and Chief Operating Officer effective February 1, 2018. In conjunction with such appointment, Mr. Lachance's salary was increased to $250,000 per annum. Prior thereto, Mr. Lachance was Vice President, Exploitation from September 19, 2011 to February 1, 2018. The salary amount disclosed reflect the total salary received for the year ended December 31, 2018.

Incentive Plan Awards

Please see discussion under "*Compensation Discussion and Analysis – Market Based Bonus*", "*Compensation Discussion and Analysis – 2019 Market Based Bonus Plan*", "*Compensation Discussion and Analysis – New Option Plan*" and "*Compensation Discussion and Analysis – Reserves/Value Based Bonus*" for a description of the Corporation's incentive plan awards.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth for each Named Executive Officer all Rights outstanding at the end of the year ended December 31, 2018. All Rights are payable in cash. As at December 31, 2018, the Corporation did not have any option-based awards or share-based awards outstanding. On January 1, 2019, the Corporation granted 2,475,000 Rights pursuant to the 2019 Market Based Bonus Plan, which Rights may be settled in common shares if the 2019 Market Based Bonus Plan and the Rights granted thereunder are approved and ratified by shareholders at the meeting. See "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*".

	Option-Based Awards				**Share-Based Awards**	
Name	**Number of Securities Underlying Unexercised Options (#)(1)**	**Option Exercise Price ($)(2)**	**Option Expiration Date**	**Value of Unexercised In-The-Money Options(3) ($)**	**Number of Shares or Units of Shares That Have Not Vested (#)**	**Market or Payout Value of Share-Based Awards That Have Not Vested ($)**
Darren Gee	Nil	N/A	N/A	Nil	N/A	N/A
Scott Robinson(4)	Nil	N/A	N/A	Nil	N/A	N/A
Kathy Turgeon	Nil	N/A	N/A	Nil	N/A	N/A
David Thomas	Nil	N/A	N/A	Nil	N/A	N/A
Jean-Paul (JP) Lachance	Nil	N/A	N/A	Nil	N/A	N/A
Tim Louie	Nil	N/A	N/A	Nil	N/A	N/A
Lee Curran	Nil	N/A	N/A	Nil	N/A	N/A
Todd Burdick	Nil	N/A	N/A	Nil	N/A	N/A

Notes:

(1) Represents Rights issued pursuant to the Market Component. Such Rights are payable in cash only.

(2) Represents initial grant price which is equal to the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding January 1, 2017.

(3) Calculated based on the payout formula as set out in "*Compensation Discussion and Analysis – Market Based Bonus*" as at December 31, 2018.

(4) Mr. Robinson retired from the Corporation on February 1, 2019.

Rights Granted During the Year Ended December 31, 2018

The following table sets forth details with respect to all Rights granted pursuant to the Market Component to each Named Executive Officer during 2018. The Rights were granted on January 1, 2018. Given the Grant Price of such Rights was not met, the aggregate potential cash payout of these Rights is $Nil. For more information on the Market Component, please see "*Compensation Discussion and Analysis – Market Based Bonus*".

Name	Rights Granted (#)	Percentage of Total Rights Granted in 2018 (%)	Base Price ($/Security)	Market Value of Securities Underlying Rights on Date of Grant ($)	Expiration Date
Darren Gee	350,000	9	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
Scott Robinson[(1)]	200,000	5	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
Kathy Turgeon	158,000	4	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
David Thomas	235,000	6	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
Jean-Paul (JP) Lachance	280,000	7	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
Tim Louie	117,000	3	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
Lee Curran	200,000	5	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020
Todd Burdick	155,000	4	14.68	14.68	1/3 December 31, 2018 1/3 December 31, 2019 1/3 December 31, 2020

Note:

(1) Mr. Robinson retired from the Corporation on February 1, 2019.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of Rights which vested during the year ended December 31, 2018 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2018. All Rights are payable in cash. As at December 31, 2018, the Corporation did not have any option-based awards or share-based awards outstanding. On January 1, 2019, the Corporation granted 2,475,000 Rights pursuant to the 2019 Market Based Bonus Plan, which Rights may be settled in common shares if the 2019 Market Based Bonus Plan and the Rights granted thereunder are approved and ratified by shareholders at the meeting. See "*Matters to be Acted Upon at the Meeting – Approval of 2019 Market Based Bonus Plan*".

Name	Option-Based Awards – Value Vested During the Year(1) ($)	Share-Based Awards – Value Vested During the Year ($)	Non-Equity Incentive Plan Compensation – Value Earned During the Year(2) ($)
Darren Gee	1,341,983	N/A	175,000
Scott Robinson(3)	1,231,683	N/A	140,000
Kathy Turgeon	610,327	N/A	80,000
David Thomas	900,783	N/A	133,000
Jean-Paul (JP) Lachance	772,100	N/A	150,000
Tim Louie	448,553	N/A	45,200
Lee Curran	650,770	N/A	133,000
Todd Burdick	529,440	N/A	106,500

Notes:

(1) Represents the amounts paid pursuant to the Market Component. Such Rights are payable in cash only.
(2) Represents amounts paid pursuant to the Value Component. Such Rights are payable in cash only.
(3) Mr. Robinson retired from the Corporation on February 1, 2019.

Termination and Change of Control Benefits

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

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

The 2019 Market Based Bonus Plan provides that the Board may, in its sole discretion, accelerate the vesting dates with respect to any Rights granted under such plan.

It is also noted that the change of control provisions under the terms of the New Option Plan provide that, if a grantee is terminated in connection with a "Change of Control" (as defined in the New Option Plan) or voluntary resigns within six (6) months of such Change of Control for "Good Reason" (as such term is defined in the New Option Plan) than all options held by such grantee will vest and be exercisable. Options may also accelerate vesting at the discretion of the Board in the event of a Take-over Proposal (see "*Matters to be Acted Upon at the Meeting – Approval of New Option Plan*"). As at March 29, 2019, there are no options issued pursuant to the New Option Plan.

The following table sets forth the estimated incremental payments the Named Executive Officers would be entitled to had a change of control of the Corporation occurred on December 31, 2018.

Name	Total Incremental Obligation ($) (1)
Darren Gee President and Chief Executive Officer	Nil
Scott Robinson(2) Executive Vice President, New Ventures	Nil
Kathy Turgeon Vice President, Finance and Chief Financial Officer	Nil
David Thomas Vice President, Exploration	Nil
Jean-Paul (JP) Lachance Vice President, Engineering and Chief Operating Officer	Nil
Tim Louie Vice President, Land	Nil
Lee Curran Vice President, Drilling and Completions	Nil
Todd Burdick Vice President, Production	Nil

Notes:

(1) As at December 31, 2018, there were no valued but not yet vested Rights payable to each Named Executive Officer which would be paid out upon a change of control. The table above does not include the amounts earned and paid to each Named Executive Officer pursuant to the Market Component and the Value Component for the year ended December 31, 2018. See "*Statement of Executive Compensation – Summary Compensation Table*" and "*Statement of Executive Compensation – Incentive Plan Awards*" for the amounts paid to each Named Executive Officer pursuant to the Market Component and the Value Component for the year ended December 31, 2018.

(2) Mr. Robinson retired from the Corporation on February 1, 2019.

Directors' Compensation

Peyto's compensation philosophy for directors is to attract and retain qualified individuals and ensure that their interests are aligned with Peyto's shareholders.

Each of the non-executive directors of Peyto receives an annual retainer plus expenses for attending meetings of the Board and committees thereof. The base retainers for each non-executive director of Peyto are $120,000 per annum. Additionally, the Chairman of the Board is entitled to an additional $60,000 annual fee, the Chairman of the Audit Committee is entitled to an additional $20,000 annual fee and the Chairman of each of the Reserves Committee and the Compensation and Nominating Committee is entitled to an additional $10,000 annual fee. The retainers are payable in quarterly installments on September 15, December 15, March 15 and June 15 for each year of service. Half of the retainer is fixed and half is variable, with the variable portion being subject to the following multiplier (the "**Multiplier**"): the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the date of the Corporation's annual meeting of shareholders in a given year plus the dividends paid per common share for that year divided by the weighted average of the per common share closing price of common shares traded through the facilities of the TSX on the ten (10) consecutive trading days immediately preceding the date of the Corporation's annual meeting of shareholders of the previous year. If shareholder value is increased during a given year, the variable portion of the directors' retainer would go up. Conversely, if shareholder value is decreased during the year, the variable portion would go down. The cash payments made to each non-executive director on June 15 of each year is adjusted up or down based on the Multiplier. It is expected that each director will use the after tax portion of the variable portion of their retainer to buy common shares of Peyto on the TSX.

For the 2018 year, pursuant to the required minimum shareholdings for directors as determined by the Board, the required minimum shareholdings for directors was $180,000 in dollar value, with any new director being given three years to achieve such level of ownership. As at December 31, 2018, all directors satisfied the minimum shareholdings requirement. On March 29, 2019, the Board adopted new share ownership guidelines for the Corporation's directors and officers. See "*Statement of Executive Compensation – Director and Officer Equity Ownership*" for a description of the Corporation's new share ownership guidelines for directors and officers.

The following chart highlights all the payments made to the Corporation's directors for the 2018 year:

Name	2018 Fees Earned Fixed ($)[1]	2018 Fees Earned Variable ($)[2]	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Donald Gray	90,000	45,900	-	-	-	-	-	135,900
Michael MacBean	70,000	35,700	-	-	-	-	-	105,700
Brian Davis	65,000	33,150	-	-	-	-	-	98,150
Gregory Fletcher	65,000	33,150	-	-	-	-	-	98,150
Stephen Chetner[3]	60,000	30,600	-	-	29,500	-	-	120,100

Notes:

(1) Amount includes fixed fees earned pursuant to the directors' compensation plan, paid in four equal installments on March 15, 2018, June 15, 2018, September 15, 2018 and December 15, 2018.
(2) Amount includes variable fees earned pursuant to the directors' compensation plan paid on June 15, 2018.
(3) Mr. Chetner will not be standing for re-election at the meeting.

Liability Insurance of Directors and Officers and Indemnification

Peyto maintains directors' and officers' liability insurance coverage, in the amount of $80 million, for losses to Peyto if it is required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. The insurance protects Peyto against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for Peyto. All directors and officers of Peyto are covered by the policy and the amount of insurance applies collectively to all. The cost of this insurance policy is $141,828 per annum.

In addition, Peyto has entered into indemnification agreements with its directors and officers. The indemnification agreements generally require that Peyto indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to Peyto as directors and officers, if the indemnitees acted honestly and in good faith with a view to the best interests of Peyto and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by Peyto.

Director and Officer Equity Ownership

The Board has adopted share ownership guidelines to encourage alignment with the interests of shareholders by requiring its directors and management to build and hold equity in the Corporation in accordance with prescribed guidelines. The Board has determined that each non-executive director must hold a minimum number of common shares representing three times his or her total annual retainer, which minimum level of ownership must be achieved by each new director within three years of such director's appointment or election to the Board. Officers of the Corporation are required, within three years of their executive appointment, to accumulate a multiple of their annual salary in the form of common shares, as follows: CEO (five times); and other executive officers (three times). No share based compensation arrangements are to be counted towards achieving such targets. The valuation of the common shares is determined on an annual basis as the greater of: (i) the adjusted cost base of such common shares; and (ii) the fair market value at the closing trading price of the common shares on the TSX on December 31 or last day on which the common shares traded on such exchange prior to December 31.

The following tables set out the value of the holdings of each of Peyto's directors and officers based on the closing price of the common shares on the TSX on the last trading day of 2018 being $7.08 per common share on December 31, 2018.

Non-Executive Directors

Director	Equity Ownership Guideline		Shareholdings			Guideline Met or Investment Required to Meet Guideline [1]
	Multiple of Annual Compensation	Amount of Annual Compensation Retainer ($)	Common Shares	Holdings as Multiple of Retainer	Market Value of Equity Holdings ($)	
Donald Gray	3x	135,900	948,136	171	23,229,332[3]	Guideline Met
Michael MacBean	3x	105,700	108,510	7x	768,251[2]	Guideline Met
Brian Davis	3x	98,150	145,640	11x	1,031,131[2]	Guideline Met
Gregory Fletcher	3x	98,150	19,000	4x	382,001[3]	Guideline Met
Stephen Chetner[4]	3x	90,600	515,227	78x	7,084,371[3]	Guideline Met

Notes:

(1) Directors have three years from their appointment to meet the target common share ownership.
(2) Valued as at December 31, 2018 based on the closing price on the TSX of $7.08 per common share.
(3) Valued based on the actual cost to purchase such common shares.
(4) Mr. Chetner will not be standing for re-election at the meeting.
(5) Mr. Rossall, a proposed director of the Corporation, does not currently hold any common shares. Mr. Rossall will have until May 2022 to meet the Corporation's minimum share ownership requirement assuming he is elected to the Board at the meeting.

Officers

Officer	Equity Ownership Guideline		Shareholdings			Guideline Met or Investment Required to Meet Guideline [1]
	Multiple of Annual Compensation	Amount of Annual Base Salary ($)	Common Shares	Holdings as Multiple of Retainer	Market Value of Equity Holdings ($)	
Darren Gee	5x	285,000	2,013,959	101x	28,900,312[4]	Guideline Met
Scott Robinson[2]	3x	275,000	358,007	27x	7,358,333[4]	Guideline Met
Kathy Turgeon	3x	230,000	90,610	10x	2,403,883[4]	Guideline Met
David Thomas	3x	240,000	253,872	24x	5,839,056[4]	Guideline Met
JP Lachance	3x	248,333	101,960	12x	2,942,566[4]	Guideline Met
Tim Louie	3x	200,000	56,390	9x	1,865,381[4]	Guideline Met
Todd Burdick	3x	195,000	29,995	5x	992,235[4]	Guideline Met
Lee Curran	3x	220,000	99,015	12x	2,743,706[4]	Guideline Met

Notes:

(1) Executive officers have three years from their appointment to meet the target common share ownership.
(2) Mr. Robinson retired from the Corporation on February 1, 2019.
(3) Valued as at December 31, 2018 based on the closing price on the TSX of $7.08 per common share.
(4) Valued based on the actual cost to purchase such common shares.

The following tables set out each current directors' and officers' equity ownership interest in Peyto and any changes in ownership interests since March 21, 2018.

Non-Executive Directors

	Directors' Equity Ownership and Changes Therein			**Market Value of Equity Holdings as at March 25, 2019 ($)**
	Equity Ownership as at March 21, 2018	**Equity Ownership as at March 25, 2019**	**Net Change in Equity Ownership**	
Director	**Common Shares**	**Common Shares**	**Common Shares**	
Donald Gray	948,136	948,136	-	6,911,911
Michael MacBean	108,510	108,510	-	791,038
Brian Davis	145,640	145,640	-	1,061,716
Gregory Fletcher	19,000	19,000	-	138,510
Stephen Chetner(1)	565,227	515,227	(50,000)	3,756,005

Note:

(1) Mr. Chetner will not be standing for re-election at the meeting.

Officers

	Officers' Equity Ownership and Changes Therein			**Market Value of Equity Holdings as at March 25, 2019 ($)**
	Equity Ownership as at March 21, 2018	**Equity Ownership as at March 25, 2019**	**Net Change in Equity Ownership**	
Officer	**Common Shares**	**Common Shares**	**Common Shares**	
Darren Gee	2,053,959	2,013,959	(40,000)	14,681,761
Kathy Turgeon	110,610	90,610	(20,000)	660,547
David Thomas	253,872	253,872	-	1,850,727
JP Lachance	101,960	110,760	8,800	807,440
Tim Louie	56,390	56,390	-	411,083
Todd Burdick	29,995	29,995	-	218,664
Lee Curran	99,015	99,015	-	721,819

Note:

(1) As Mr. Robinson retired from the Corporation on February 1, 2019, he has not been included in the table above.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans as at December 31, 2018.

Plan Category	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted average exercise price of outstanding Options, warrants and rights ($) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) © (1)
Equity compensation plans approved by securityholders	-	-	-
Equity compensation plans not approved by 38ecurityholders(1)(2)	-	-	-
Total	-	-	-

Note:

(1) On March 29, 2019, the Board adopted each of the New Option Plan and the 2019 Market Based Bonus Plan, each of which are subject to approval by the shareholders at the meeting. The total dilution from the New Option Plan and the 2019 Market Based Bonus Plan is limited, in the aggregate, to 16,487,418 common shares representing 10% of the number of issued and outstanding common shares on the date such plans were adopted by the Board. For a summary of the New Option Plan and the 2019 Market Based Bonus Plan, see "*Matters to be Acted Upon at the Meeting – New Option Plan*" and "*Matters to be Acted Upon at the Meeting – 2019 Market Based Bonus Plan*", respectively.

(2) On January 1, 2019, the Corporation granted 2,475,000 Rights which are subject to the 2019 Market Based Bonus Plan assuming it is approved by shareholders at the meeting. The weighted average price of the outstanding Rights granted on January 1, 2019 is $7.23.

CORPORATE GOVERNANCE PRACTICES

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

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

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

1. **Board of Directors**

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

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

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

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgement. Mr. Gray ceased to be the President and CEO of the Corporation in 2006, which was over 12 years ago. Mr. Chetner is a partner of Burnet, Duckworth & Palmer LLP, a law firm which receives fees for the provision of legal services to the Corporation. Peyto's Compensation and Nominating Committee, as well as the Board as a whole, have reviewed and considered the relationships of each of Messrs. Gray and Chetner to the Corporation, including the statutory guidance with respect to the meaning of independence contained in NI 58-101 and, specifically in respect of Mr. Gray, the period of time that has elapsed since Mr. Gray was an executive officer of the Corporation, and, specifically in respect of Mr. Chetner, the annual billings of his law firm to Peyto, his equity interest in his law firm, his personal financial circumstances and his involvement with other issuers. As a result of such review and consideration, both the Compensation and Nominating Committee and the Board have determined that these relationships do not interfere with the exercise of the independent judgement of either of Messrs. Gray or Chetner in their respective roles as members of the Board. Mr. Chetner will not be standing for re-election at the meeting.

John W. Rossall, a proposed nominee as a director, will be independent, assuming he is elected to the Board at the meeting.

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

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

Kathy Turgeon is not independent as she occupies the position of Vice President, Finance and CFO of the Corporation.

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

A majority of the directors of the Corporation (currently five of seven) are independent (for purposes of NI 58-101).

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgement. Mr. Gray ceased to be the President and CEO of the Corporation in 2006, which was over 12 years ago. Mr. Chetner is a partner of Burnet, Duckworth & Palmer LLP, a law firm which receives fees for the provision of legal services to the Corporation. Peyto's Compensation and Nominating Committee, as well as the Board as a whole, have reviewed and considered the relationships of each of Messrs. Gray and Chetner to the Corporation, including the statutory guidance with respect to the meaning of independence contained in NI 58-101 and, specifically in respect of Mr. Gray, the period of time that has elapsed since Mr. Gray was an executive officer of the Corporation, and, specifically in respect of Mr. Chetner, the annual billings of his law firm to Peyto, his equity interest in his law firm, his personal financial circumstances and his involvement with other issuers. As a result of such review and consideration, both the Compensation and Nominating Committee and the Board have determined that these relationships do not interfere with the exercise of the independent judgement of either of Messrs. Gray or Chetner in their respective roles as members of the Board. Mr. Chetner will not be standing for re-election at the meeting.

John W. Rossall, a proposed nominee as a director, will be independent, assuming he is elected to the Board at the meeting.

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

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

Name of Director	Name of Other Reporting Issuers
Donald Gray	Gear Energy Ltd. Petrus Resources Ltd.
Gregory Fletcher	Calfrac Well Services Ltd. Whitecap Resources Inc.
Mick MacBean	Source Energy Services Ltd. TerraVest Industries Inc.
Darren Gee	Altura Energy Inc.
Kathy Turgeon	Granite Oil Corp.

Note:

(1) John W. Rossall, a proposed nominee as a director, is currently a director of the reporting issuer Pipestone Energy Corp.

The Board's mandate does not specifically prohibit interlocking board positions. The Board prefers to examine each situation on its own merits with a view to examine material relationships which may affect independence. As at March 29, 2019, there were no interlocking board memberships among Peyto's directors.

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

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. In addition, as the Compensation and Nominating Committee is comprised of all the independent directors, other than Donald Gray, it also serves as a forum for discussion amongst independent members of the Board. Further, other meetings of the independent directors may be held from time to time if required. The Chairs of the Board and the Board committees follow up with the President and CEO as necessary with respect to matters requiring management action that are raised at these in-camera meetings. The Chairman of the Board also communicates informally, from time to time, with the independent members. Additionally, the Board also excuses members of management and any non-independent directors from portions of any meeting at which a potential conflict arises or where otherwise appropriate. Eight (8) meetings of the independent directors have been held since the beginning of the Corporation's most recently completed financial year.

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

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

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

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

The attendance record of each of the directors of the Corporation for Board meetings and committee meetings held since January 1, 2018, is as follows:

Name of Director	**Attendance Record**	
Darren Gee [(1)]	8 out of 8	Board Meetings
Don Gray	8 out of 8	Board Meetings
Michael MacBean	8 out of 8	Board Meetings
	4 out of 4	Audit Committee Meetings
	2 out of 2	Reserves Committee Meetings
	1 out of 1	Compensation and Nominating Committee Meetings
Brian Davis	8 out of 8	Board Meetings
	4 out of 4	Audit Committee Meetings
	2 out of 2	Reserves Committee Meetings
	1 out of 1	Compensation and Nominating Committee Meetings
Gregory Fletcher	8 out of 8	Board Meetings
	4 out of 4	Audit Committee Meeting
	2 out of 2	Reserves Committee Meetings
	1 out of 1	Compensation and Nominating Committee Meetings
Stephen Chetner [(2)]	7 out of 8	Board Meetings
Kathy Turgeon [(3)]	4 out of 8 [(4)]	Board Meetings

Notes:

(1) Mr. Gee is not a member of any committees as he is the President and CEO of the Corporation; however, Mr. Gee attended all Audit Committee, Reserves Committee and Compensation and Nominating Committee meetings since January 1, 2018.

(2) Mr. Chetner will not be standing for re-election at the meeting.

(3) Ms. Turgeon is not a member of any committees as she is the Vice President, Finance and CFO of the Corporation; however, Ms. Turgeon attended three Audit Committee meetings, one Reserves Committee meeting and one Compensation and Nominating Committee meeting since her appointment to the Board on May 10, 2018.

(4) Ms. Turgeon was elected to the Board at the Corporation's annual meeting held on May 10, 2018 and has attended all Board meetings since her appointment.

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

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

3. **Position Descriptions**

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

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

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

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

4. **Orientation and Continuing Education**

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

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

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

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

The Corporation also encourages directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his obligations as a director. In February 2007, Michael MacBean received his Chartered Directors (C. Dir) designation from McMaster University. In January 2009, Gregory Fletcher graduated from the Directors' Education Program sponsored by the Institute of Corporate Directors and Haskayne School of Business at the University of Calgary.

5. **Ethical Business Conduct**

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

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

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

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

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

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

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

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

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

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

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

In addition to the Code, the Board has also adopted a "Whistleblower Policy" wherein employees and consultants of the Corporation are provided with the mechanics by which they may raise concerns about incorrect financial reporting, unlawful activities, actions that violate the Code and any other serious improper conduct in a confidential, anonymous process. The Corporation did not receive any complaints under the Whistleblower Policy during the year ended December 31, 2018. A copy of this policy is available on the Corporation's website under the heading "Corporate Responsibility".

6. **Nomination of Directors**

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

The Compensation and Nominating Committee is responsible for recommending suitable candidates as nominees for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Compensation and Nominating Committee is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the Board; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board. On March 29, 2019, the Board adopted the Board Renewal Policy. See item 10 below.

The Board and Compensation and Nominating Committee regularly discuss and evaluate the experience, qualification and skills of our directors with a view to ensuring the appropriate skill and experience profile is represented at the Board and committee level. See "*Matters to be Acted Upon at the Meeting – Election of Directors – Experience and Background of Directors*". Some of the key competencies that the Corporation believes directors should have are: corporate executive experience, capital markets experience, crude oil and natural gas operational experience, crude oil and natural gas contracts and land experience, financial acumen and expertise, and knowledge in the areas of compensation, governance and health, safety and environment. Character and behavioral qualities including credibility, integrity, professionalism and communication skills are also important attributes taken into account when recruiting new directors. The Compensation and Nominating Committee also reviews on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs. The Chairman and CEO from time to time arrange meetings with such candidates to determine interest and availability with a view to making recommendations to the Board if and when appropriate. When necessary, the Compensation and Nominating Committee may engage the services of a search firm to assist them in the identification of director candidates with the necessary skills or experience the Board requires.

The Board has adopted a majority voting policy, which provides that if a nominee for election as a director receives a greater number of votes "withheld" than votes "for" at an uncontested meeting of the shareholders of the Corporation, such nominee shall offer his or her resignation as a director to the Board promptly following the meeting of shareholders at which the director was elected. Upon receiving such offer of resignation, the Compensation and Nominating Committee will consider such offer and make a recommendation to the Board whether to accept it or not. In the absence of special circumstances, it is expected that the Board will accept the resignation consistent with an orderly transition. The director will not participate in any Compensation and Nominating Committee or Board deliberations on the resignation offer. It is anticipated that the Board will make its decision to accept or reject the resignation within 90 days. See "*Matters to be Acted Upon at the Meeting – Election of Directors – Majority Voting for Directors*".

In addition, the Corporation's Amended By-laws, which are subject to confirmation by the shareholders at the meeting, include Advance Notice Provisions designed to: (i) facilitate an orderly and efficient annual meeting or, where the need arises, special meeting, process; (ii) ensure that all shareholders receive adequate notice of director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation. As a whole, these provisions are intended to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors. See "*Matters to be Acted Upon at the Meeting – Approval of Amended By-laws*" for a detailed description of the Advance Notice Provisions.

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

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

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

See item 6(a) above.

7. **Compensation**

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

Compensation of Directors

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

Compensation of Officers

The Chairman of the Compensation and Nominating Committee has ongoing communication with the CEO regarding compensation matters for the upcoming fiscal year. After such background communication, the two meet in person to discuss compensation matters, with the Chairman and the CEO striving to ensure that executive compensation is consistent with the general principles as set forth under the heading "*Statement of Executive Compensation – Compensation Discussion and Analysis – Executive and Employee Compensation Principles and Strategy*". The Chairman and CEO go through the proposed compensation for each executive officer, other than the CEO, including salary and participation levels in the bonus plans. The Chairman then meets with the other members of the Compensation and Nominating Committee and briefs them on the discussions held with the CEO. The full Compensation and Nominating Committee discuss the proposed executive officer compensation, in light of the strategic, operating and financial objectives of the Corporation as well as industry norms and conditions. If general or specific issues are raised, the Compensation and Nominating Committee will debate them. The full Compensation and Nominating Committee then meets with the CEO to discuss such matters and raise any questions or issues they may have regarding executive compensation. In light of the Corporation's size and small number of employees, these meetings allow the Compensation and Nominating Committee to get a sense of the practical issues involved in determining compensation levels for executives. The Compensation and Nominating Committee then deals specifically with setting the compensation of the CEO. The Compensation and Nominating Committee then discusses and debates, as necessary, the specific executive officer compensation proposals. If further clarification is necessary, the Chairman will ask the CEO for information. Once compensation levels are agreed to by the members of the Compensation and Nominating Committee, they are formally approved.

Please also see discussion under the heading "*Statement of Executive Compensation – Compensation Discussion and Analysis – Executive and Employee Compensation Principles and Strategy*", "*Statement of Executive Compensation – Compensation Discussion and Analysis – CEO Compensation*" and "*Statement of Executive Compensation – Compensation Discussion and Analysis – Three Year Named Executive Officer Compensation Versus Financial Measures*".

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

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

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

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

(i) advise the Board on executive compensation matters;

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

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

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

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

(vi) review and approve all discretionary compensation granted;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Compensation and Nominating Committee is responsible by its terms of reference to evaluate the effectiveness of the Board, its committees and individual directors. The Compensation and Nominating Committee has developed a questionnaire that assesses the effectiveness of the Board as a whole, individual Board members and each of the committees of the Board. Assessments are conducted annually. The results of the assessment are summarized by the Corporate Secretary and provided to the Chairman of the Compensation and Nominating Committee as well as the Chairman of the Board. The Chairman of the Compensation and Nominating Committee presents a summary of the results to the Board as a whole and communicates the results of the committee assessment to each committee Chairman. The assessment for 2018 was conducted in the first quarter of 2019.

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

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

On March 29, 2019, the Board adopted the Board Renewal Policy which provides a framework for the Corporation to allow for renewal of the Board by providing for, where appropriate, the "deemed resignation" of a director on the earlier of the director: (i) reaching the age of seventy-five (75); or (ii) having served as a non-executive director of the Corporation for fifteen (15) years since January 1, 2011, being the effective date of the Corporation's conversion from Peyto Energy Trust.

Upon receipt of a "deemed resignation", the Compensation and Nominating Committee will consider whether the continued service of the director would be in the best interests of the Corporation in light of, among other relevant considerations, the individual director's and the Board's competencies and skills, the size of the Board and the composition of the Board in light of Peyto's Board Diversity Policy (as defined below) and will make a recommendation to the Board to accept or reject the deemed resignation of the individual director.

If the Compensation and Nominating Committee recommends that the Board accept the director's deemed resignation, it shall recommend that the deemed resignation be accepted in conjunction with the Corporation's next annual meeting of shareholders or such other date as it reasonably believes will allow for orderly transition. The Board shall consider but is not obligated to follow the recommendation of the Compensation and Nominating Committee.

If the deemed resignation of a director pursuant to the Board Renewal Policy is not accepted, the director shall be deemed to re-submit such resignation on January 1st of each calendar year thereafter.

The Board Renewal Policy is available on the Corporation's website under the heading "Corporate Responsibility".

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

On March 29, 2019, the Board adopted the Board Diversity Policy which recognizes that the nomination and appointment of candidates with multiple perspectives, skills, expertise, industry experience and personal characteristics such as age, gender, ethnicity and other distinctions will contribute to the continued success of the Corporation. This Board Diversity Policy sets out the framework for Peyto's approach to Board diversity and outlines the key criteria for the composition of the Board to promote the Corporation's commitment and aspirational targets to diversity and inclusion.

The Compensation and Nominating Committee oversees the evaluation and assesses and considers the effectiveness, of the Board as a whole, the committees of the Board and the contribution of individual members on a periodic basis. The Compensation and Nominating Committee, in conjunction with the Board, also reviews the experience, qualifications and skills of Peyto's incumbent directors to ensure that the composition of the Board and committees and the competencies of the members are in line with those that the Compensation and Nominating Committee considers that the Board and its respective committees should possess.

In considering suitable candidates for appointment or re-election to the Board, or whether to accept the deemed resignation of a director pursuant to the Board Renewal Policy, and to assist us in attaining our targeted representation, the Compensation and Nominating Committee shall: (i) consider all aspects of diversity including, but not limited to, those described above, in order to enable the Compensation and Nominating Committee to discharge its duties and responsibilities effectively; (ii) assess the skills and backgrounds collectively represented on the Board to ensure that they reflect the diverse nature of the business environment in which Peyto operates; (iii) consider candidates on merit against objective criteria having due regard to the benefits of diversity on the Board; and (iv) engage, as deemed necessary, qualified independent external advisors to identify and assess candidates that meet the Board's skills and diversity criteria.

In addition, the Compensation and Nominating Committee will review the number of women considered or brought forward as potential nominees for board positions when the Board is looking to add additional members or replace existing members and will evaluate the skills, knowledge, experience and character of any such women candidates relative to other candidates to ensure that women candidates are being fairly considered relative to other candidates.

Any search firm engaged to assist the Compensation and Nominating Committee in identifying candidates for appointment to the Board will be specifically directed to include diverse candidates generally, and multiple women candidates in particular.

In addition, each year the Compensation and Nominating Committee will: (i) assess the effectiveness of the Board Diversity Policy and related objectives; (ii) monitor and review the Corporation's progress in achieving its aspirational target for gender diversity; (iii) monitor the implementation of the Board Diversity Policy; and (iv) report to the Board and recommend any revisions that may be necessary.

As all recommendations of director nominees need to be approved by the Compensation and Nominating Committee, the Board has concluded that appropriate measures are in place to ensure that the Board Diversity Policy is effectively implemented.

The Peyto Board Diversity Policy is available on the Corporation's website under the heading "Corporate Responsibility".

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

See item 11.

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

The Board believes that the appointment of executive officers should be made based on each candidate's experience, knowledge, education, management capabilities and competency, as well as the effect of the appointment on the diversity of the Corporation's executive officers as a whole. The Corporation is staffed with a large female contingent (38%) and given its focus on the identification, assessment and development of internal candidates to build leadership capability and strengthen overall succession, the Corporation believes it is poised to ensure it has strong internal female candidates to drive both short and long-term performance. The Corporation's philosophy of development and promotion from within will strengthen its values and culture, aid in retention of talent and provide a diversity of options for succession. See item 14.

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

The Board does not specifically consider the level of female representation in executive officer positions when making such appointments nor does it have targets in respect of appointing women to these positions. In making appointments to executive officer positions, the Board considers each candidate's experience, knowledge, education, management capabilities and competency, as well as the effect of the appointment on the diversity of the Corporation's executive officers as a whole. Also see item 13. As all recommendations of appointments of executive officers need to be approved by the Compensation and Nominating Committee, the Board has concluded that appropriate measures are in place to ensure that the Corporation's approach to executive officer appointments is effectively implemented.

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

There is presently one woman serving on the Board, which represents 14.3% of the Board. There is presently one woman serving in an executive officer position at the Corporation, which represents 14.3% of the number of executive officer positions at the Corporation.

Other Matters Relating to the Board

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

The Board and its committees have access to senior management on a regular basis as Mr. Darren Gee, the President and CEO, and Ms. Kathy Turgeon, the Vice President, Finance and CFO, are directors and attend all meetings of the Board along with other executive officers who are invited to attend such meetings to provide necessary information to facilitate decision making. Additionally, Mr. JP Lachance, the Vice President, Engineering and Chief Operating Officer, attends all meetings of the Board to provide necessary information to facilitate decision making.

Succession Planning

The Corporation spends considerable time and energy on succession planning for its executive officers and other key personnel. The Corporation focuses on developing leadership bench-strength and future management candidates from within the organization. On an annual basis, the executive officers meet to discuss succession planning within the organization and to identify high potential employees for additional leadership development opportunities. The Board takes responsibility for senior officer succession planning and specifically succession planning for the CEO. Succession planning is frequently a part of the Board agenda and in-camera discussions and is discussed formally at least on an annual basis. At these sessions, the Board and the CEO discuss succession plans and candidates for all executive officer positions, including the CEO role. The review includes an assessment of each individual's strengths and development requirements, an estimate as to when such individuals may be prepared to accept such a role change, and any current plans for such individual's career and educational development.

Shareholder Engagement

We communicate with our shareholders in a wide variety of ways, including through the Corporation's website, annual responsibility reports, news releases, annual and quarterly reports, management information circulars, annual information forms, investor presentations, group meetings and industry conferences, annual meetings of shareholders and one-on-one meetings with shareholders. The Corporation holds conference calls for quarterly earnings releases and major corporate developments as soon as practicable after they are publicly disclosed, and such calls are open to be heard by the public. Details of the time, place and method of accessing any such call and instructions as to where are broadly disseminated.

On March 29, 2019, the Board adopted the Shareholder Engagement Policy to formalize its commitment to engaging in constructive communications with our shareholders and to expresses our directors' interest in meeting with key shareholders to discuss specific matters of mutual interest and concern. Shareholders may initiate communication directly with the Board by contacting our Lead Director by mail or email at:

Peyto Exploration & Development Corp.
Attention: Lead Director of the Board
300, 600 – 3rd Avenue S.W.
Calgary, Alberta T2P 0G5

Email: info@peyto.com

The Shareholder Engagement Policy is available on the Corporation's website under the heading "Corporate Responsibility".

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this information circular – proxy statement relate to matters that are not historical facts and may constitute forward-looking statements. These statements are identified by the use of words such as "could", "should", "anticipate", "expect", "will", "may" and similar expressions and statements. Forward-looking statements contained herein include, but are not limited to, statements regarding the Corporation's expected approach to its compensation practices if the New Option Plan and 2019 Market Based Bonus Plan are approved by shareholders at the meeting. These statements are based on certain assumptions and analysis made by Peyto in light of its experience and its perception of historical trends and expected future developments as well as other factors it believes are appropriate in the circumstances. Whether actual results, performance or achievements will conform to Peyto's expectations is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from Peyto's expectations.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, royalties, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, and our ability to access sufficient capital from internal and external sources. The foregoing and other risks are described in more detail in Peyto's management's discussion and analysis for the year ended December 31, 2018 and Peyto's annual information form for the year ended December 31, 2018 under the headings "*Risk Management*" and "*Risk Factors*", respectively, each of which is available at www.sedar.com.

Further, any forward-looking statement is made only as of the date of this information circular – proxy statement, and Peyto undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for Peyto to predict all of these factors or to assess in advance the impact of each such factor on Peyto's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking statements contained in this information circular – proxy statement are expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2018 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management discussion and analysis are available upon request from the Corporation at Suite 300, 600 – 3rd Avenue S.W., Calgary, Alberta T2P 0G5, Attention: Kathy Turgeon, telephone (403) 263-2950, or telecopy (403) 451-4100.

OTHER MATTERS

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

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

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

Dated: March 29, 2019

SCHEDULE "A"

PEYTO EXPLORATION & DEVELOPMENT CORP.

SHARE OPTION PLAN

1. Purpose of Plan

The purpose of this plan is to develop the interest of officers, employees of and consultants to, Peyto Exploration & Development Corp. (the "**Corporation**") and its subsidiaries or persons providing services on an ongoing basis thereto in the growth and development of the Corporation and its subsidiaries by providing them with the opportunity through options to acquire an increased proprietary interest in the Corporation.

2. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

(a) "**associate**" has the meaning set forth in the *Securities Act* (Alberta);

(b) "**Black-Out Period**" means the period during which the relevant Optionee is prohibited from exercising an Option due to trading restrictions imposed by the Corporation pursuant to any policy of the Corporation respecting restrictions on trading that is in effect at that time;

(c) "**Board**" means the board of directors of the Corporation;

(d) "B**usiness Day**" a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are generally not open for business;

(e) "**Change of Control**" means:

(i) the sale to a person or acquisition by a person not affiliated with the Corporation or its subsidiaries of net assets of the Corporation or its subsidiaries having a value greater than 50% of the fair market value of the net assets of the Corporation and its subsidiaries determined on a consolidated basis prior to such sale whether such sale or acquisition occurs by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise;

(ii) any change in the holding, direct or indirect, of shares of the Corporation by a person not affiliated with the Corporation as a result of which such person, or a group of persons, or persons acting in concert, or persons associated or affiliated with any such person or group within the meaning of the *Business Corporations Act* (Alberta), are in a position to exercise effective control of the Corporation whether such change in the holding of such shares occurs by way of takeover bid, reconstruction, reorganization, recapitalization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise if members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change; and for the purposes of this Plan, a person or group of persons holding shares or other securities in excess of the number which, directly or following conversion thereof, would entitle the holders thereof to cast 50% or more of the votes attaching to all shares of the Corporation which, directly or following conversion of the convertible securities forming part of the holdings of the person or group of persons noted above, may be cast to elect directors of the Corporation shall be deemed, other than a person holding such shares or other securities in the ordinary course of business as an investment manager who is not using such holding to exercise effective control, to be in a position to exercise effective control of the Corporation; or

(iii) the winding up or liquidation of the Corporation or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Corporation to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of the Corporation is continued and where the shareholdings or other securityholdings, as the case may be, in the continuing entity and the constitution of the board of directors or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraph (e)(ii) above was applicable to the transaction);

(f) "**Cessation Date**" means the date, subject to Section 8(a), that is the earlier of:

(i) the date of the Optionee's termination or resignation, as the case may be; or

(ii) the date that the Optionee ceases to be in the active performance of the usual and customary day-to-day duties of the Optionee's employment or consultant position or function;

(iii) regardless of whether adequate or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being as Optionee;

(g) "**Common Shares**" means the common shares of the Corporation or, in the event of an adjustment contemplated by Section 12 or 13 hereof, such other securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;

(h) "**Corporation**" means Peyto Exploration & Development Corp., and includes any successor corporation thereof;

(i) "**Exchange**" means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board;

(j) "**Good Reason**" means any materially adverse change by the Corporation without the agreement of an Optionee, in any of the Optionee's duties, powers, rights, salary, title or lines of reporting, such that immediately after such change or series of changes, the responsibilities and status of such Optionee, taken as a whole, are fundamentally diminished compared to those assigned to the Optionee immediately prior to such change or series of changes, or any other reason that would be considered to amount to constructive dismissal by a court of competent jurisdiction in Alberta;

(k) "**Holder**" means a person, a group of persons or persons acting jointly or in concert, or persons associated or affiliated, within the meaning of the *Securities Act* (Alberta), with any such person, group of persons or any of such persons acting jointly or in concert;

(l) "**Insider**" has the meaning set forth in the applicable rules of the Exchange for this purpose;

(m) "**Market Price**" means, as at any date when the Market Price is to be determined, the volume weighted average trading price per Common Share on an Exchange, for the last five (5) consecutive trading days immediately prior to the date of determination, provided that if the Common Shares are not then listed and posted for trading on an Exchange, then the Market Price shall be determined by the Board in its sole discretion acting reasonably and in good faith;

(n) "**Optionees**" means persons to whom Options are granted and which such Options, or a portion thereof, remain unexercised;

(o) "**Options**" means options to purchase Common Shares granted pursuant to the provisions hereof;

(p) "**Participants**" means officers, employees of, and consultants to, the Corporation or its subsidiaries and other Service Providers;

(q) "**Plan**" means this share option plan of the Corporation, as the same may be amended or varied from time to time;

(r) "**Service Provider**" means a person or company engaged by the Corporation or its subsidiaries to provide services for an initial, renewable or extended period of twelve months or more;

(s) "**Shareholders**" means the holders of Common Shares;

(t) "**Surrender Price**" means the closing price of the Common Shares on the Exchange on the date the Options are surrendered to the Corporation in accordance with Section 10 or Section 11 hereof, as applicable, provided that if the Common Shares are not then listed and posted for trading on an Exchange, then the Surrender Price shall be determined by the Board in its sole discretion acting reasonably and in good faith; and

(u) "**Take-over Proposal**" means any proposal or offer by a third party, whether or not subject to a due diligence condition and whether or not in writing, to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 50% of the Corporation's outstanding voting shares whether by way of arrangement, amalgamation, merger, consolidation or other business combination, including any single or multi-step transaction or series of related transactions that is structured to permit such third person to acquire in any manner, directly or indirectly, more than 50% of its outstanding voting shares.

3. Administration

The Plan shall be administered by the Board. The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer the Plan to a committee of the Board. The Board may delegate to any committee of the Board any duties relating to the Plan as the Board may deem advisable, and where so delegated, any reference to the Board in the Plan shall be deemed to be a reference to such committee. In addition, the Board may delegate to one or more of its members or to one or more agents any duties as it may deem advisable, and the Board or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Board or such person may have under the Plan.

4. Granting of Options

Subject to this Section 4, the Board may from time to time designate officers, employees of, and consultants to, the Corporation or its subsidiaries and other Service Providers to whom Options may be granted and the number of Common Shares to be optioned to each, provided that the number of Common Shares to be optioned shall not exceed the limitations provided in Section 5 hereof.

5. Limitations to the Plan

Notwithstanding any other provision of the Plan:

(a) unless otherwise approved by the Shareholders, the aggregate number of Common Shares that may be issued pursuant to the exercise of Options awarded under the Plan and all other established or proposed share compensation arrangements of the Corporation is 10% of the Common Shares outstanding at the date of the Board's adoption of the Plan, being 16,487,418 common shares;

(b) the number of Common Shares reserved for issuance to Insiders, at any time, pursuant to the Plan and all other established or proposed share compensation arrangements of the Corporation, shall not exceed 10% of the outstanding Common Shares;

(c) the number of Common Shares issued to Insiders, within any one year period, pursuant to the Plan and all other established or proposed share compensation arrangements of the Corporation, shall not exceed 10% of the outstanding Common Shares; and

(d) the number of Common Shares issued within any one year period, pursuant to the Plan and all other established or proposed share compensation arrangements of the Corporation, to any one Insider and such Insider's associates shall not exceed 10% of the outstanding Common Shares.

In determining the number of Common Shares issued within any one year period for the purposes of subclauses (b) and (c) above, the number of Common Shares shall be determined on the basis of the number of Common Shares that are outstanding immediately prior to the Common Share issuance, excluding any Common Shares issued pursuant to share compensation arrangements of the Corporation over the preceding one year period.

Options that are cancelled, surrendered, terminated or expire prior to the exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to the Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired Option.

6. Vesting of Options

The Board may, in its sole discretion, determine: (i) the time during which Options shall vest; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Board to the contrary, Options will vest and be exercisable as to one-third (1/3) of the total number of Common Shares subject to the Options on each of the first, second and third anniversaries of the date of grant (computed in each case to the nearest full share) (subject to acceleration of vesting at the discretion of the Board).

7. Option Price

The exercise price of Options granted under the Plan shall be fixed by the Board when such Option is granted, provided that if the Common Shares are listed on a stock exchange, the exercise price of the Options shall not be less than the Market Price or such other minimum price as may be required by the Exchange on which the Common Shares are listed at the time of grant.

8. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring or permitting acceleration of rights of exercise, be such period, as may be determined from time to time by the Board but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five (5) years from the date of grant.

Should the expiry date of an Option fall within a Black-Out Period or within nine trading days following the expiration of a Black-Out Period, such expiry date of the Option shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Black-Out Period, such tenth business day to be considered the expiry date for such Option for all purposes under the Plan. The ten business day period referred to in this paragraph may not be extended by the Board.

Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable. In addition, each Option shall provide that:

(a) upon the death of the Optionee, the Option shall terminate on the date determined by the Board which shall not be more than twelve (12) months from the date of death; and

(b) if the Optionee shall no longer be a director or officer of or be in the employ of, or consultant or other Service Provider to, either the Corporation or a subsidiary of the Corporation (other than by reason of death), the Option shall terminate on the expiry of the period not in excess of six (6) months prescribed by the Board at the time of grant, following the Cessation Date and, in the absence of any determination to the contrary, will be sixty (60) days following the Cessation Date;

provided that the number of Common Shares that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination of the Option shall be the number of Common Shares which the Optionee was entitled to purchase on sixtieth (60^{th}) day following the Cessation Date (other than by reason of death or termination for cause), and on the Cessation Date in the event of termination of the Optionee's service for cause.

The Plan does not confer upon an Optionee any right with respect to continuation of employment or service by the Corporation or any subsidiary thereof, nor does it interfere in any way with the right of the Optionee, the Corporation or a subsidiary thereof to terminate the Optionee's employment or service provision at any time.

Notwithstanding any other provisions contained herein, the Board may, in its sole discretion, accelerate the expiry date or shorten the time period within which Options shall be exercisable in connection with a Change of Control.

9. Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the exercise price unless such exercise is made in accordance with Sections 10 or 11 hereof. The exercise price is payable in lawful money of Canada by cash, cheque, certified cheque, bankers' draft, wire transfer or such other manner of payment acceptable to the Corporation.

10. Exercise for Cash

Notwithstanding anything else contained herein, an Optionee may elect to surrender, in whole or in part, his or her rights under any Option by written notice given to the Corporation stating that such Optionee wishes to surrender his or her Option in exchange for a payment by the Corporation of a cash amount per Option equal to the difference (if positive) between the Surrender Price (as calculated on the date of surrender) and the exercise price of the Option. The Board has the sole discretion to consent to or reject the election of the Optionee to receive cash pursuant to this Section 10. If the Board rejects the election, such Optionee may (i) exercise the Option under Section 9 (read without reference to Section 10); (ii) provided that the Corporation has not rejected a request of such Optionee to exercise any Options pursuant to Section 11 in the previous six (6) months, exercise the Option under Section 11 (the Board may still reject the Optionee's election to exercise pursuant to Section 11); or (iii) retract the request to exercise such Option.

11. Cashless Exercise

Notwithstanding anything else contained herein, an Optionee may elect to surrender, in whole or in part, his or her rights under any Option by written notice given to the Corporation stating that such Optionee wishes to surrender his or her Option in exchange for the issuance of Common Shares equal to the number determined by dividing the Surrender Price (calculated as at the date of surrender) into the difference (if positive) between the Surrender Price (calculated as at the date of surrender) and the exercise price. The Board has the sole discretion to consent to or reject the election of such Optionee to receive Common Shares pursuant to this Section 11. If the Board rejects the election, such Optionee may (i) exercise the Option under Section 9 (read without reference to Section 11); (ii) provided that the Corporation has not rejected a request of such Optionee to exercise any Options pursuant to Section 10 in the previous six (6) months, exercise the Option under Section 10 (the Board may still reject the Optionee's election to exercise pursuant to Section 10); or (ii) retract the request to exercise such Option.

12. Alterations in Shares

In the event, at any time or from time to time, that the share capital of the Corporation shall be consolidated or subdivided prior to the exercise by the Optionee, in full, of any Option in respect of all of the shares granted or the Corporation shall pay a dividend upon the Common Shares by way of issuance to the holders thereof of additional Common Shares, Options with respect to any shares which have not been purchased at the time of any such consolidation, subdivision or stock dividend shall be proportionately adjusted so that the Optionee shall from time to time, upon the exercise of an Option, be entitled to receive the number of shares of the Corporation the Optionee would have held following such consolidation, subdivision or stock dividend if the Optionee had purchased the shares and had held such shares immediately prior to such consolidation, subdivision or stock dividend. Upon any such adjustments being made, the Optionee shall be bound by such adjustments and shall accept the terms of such Options in lieu of the Options previously outstanding.

13. Mergers, Amalgamation and Sale

If the Corporation shall become merged (whether by plan of arrangement or otherwise) or amalgamated in or with another corporation or shall sell the whole or substantially the whole of its assets and undertakings for shares or securities of another corporation or other entity, the Corporation shall, subject to this Section 13, make provision that, upon exercise of an Option during its unexpired period after the effective date of such merger, amalgamation or sale, the Optionee shall receive such number of shares of the continuing successor corporation or other entity in such merger or amalgamation or the securities or shares of the purchasing corporation or other entity as the Optionee would have received as a result of such merger, amalgamation or sale if the Optionee had purchased the shares of the Corporation immediately prior thereto for the same consideration paid on the exercise of the Option and had held such shares on the effective date of such merger, amalgamation or sale and, upon such provision being made, the obligation of the Corporation to the Optionee in respect of the Common Shares subject to the Option shall terminate and be at an end and the Optionee shall cease to have any further rights in respect thereof.

14. Change of Control

In the circumstances where the Corporation has entered into an agreement relating to, or otherwise becomes aware of, a transaction which, if completed, would result in a Change of Control, the Corporation shall give written notice of the proposed transaction to the Participants, together with a description of the effect of such Change of Control on outstanding Options. Such notice shall be given not less than fifteen (15) Business Days prior to the closing of the transaction resulting in the Change of Control. Notwithstanding anything else in the Plan or any agreements entered into between the Corporation and each Optionee to whom an Option is granted hereunder to the contrary, the Board may, in connection with a Change of Control and at its sole option and without the consent of any Participant: (i) take such steps as are necessary or desirable to cause the conversion or exchange or replacement of any outstanding Options into or for, rights or other securities of substantially equivalent value (or greater value), as determined by the Board in its discretion, in any entity participating in or resulting from a Change of Control; or (ii) accelerate the vesting of any or all outstanding Options to provide that such outstanding Options shall be fully vested upon (or immediately prior to) the completion of the transaction resulting in the Change of Control if: (a) the required steps, as determined by the Board in its discretion, are not being taken in connection with such Change of Control to cause the conversion or exchange or replacement of any outstanding Options into or for rights or other securities of substantially equivalent value (or greater value), as determined by the Board in its discretion, in any entity participating in or resulting from a Change of Control; or (b) the Corporation has entered into an agreement relating to a transaction which, if completed, would result in a Change of Control and the counterparty or counterparties to such agreement require that all outstanding Options will be either (x) exercised immediately before the effective time of such transaction, or (y) terminated on or after the effective time of such transaction.

Notwithstanding anything contained herein, in the event of any Change of Control prior to the Expiry Date of any outstanding Option: (i) an Optionee is terminated without cause in connection with such Change of Control or within the six (6) months following a Change of Control, all Options held by the Optionee shall vest and the Optionee shall, if such termination occurs prior to, or at, the effective time of such Change of Control, be entitled to exercise all Options held by the Optionee until immediately prior to the effective time of such Change of Control (or such other time as may be designated by the Board) and, if such termination period occurs following such Change of Control, the Optionee shall be entitled to exercise all Options held by such Optionee until the date that is 90 days after the Cessation Date, all Options which have not been exercised prior to the required dates as set in this paragraph (i) shall become null and void and all rights to receive Common Shares thereunder shall be forfeited by the Optionee; or (ii) within six (6) months following a Change of Control, the Optionee voluntarily resigns for an event or events which constitute Good Reason, all Options held by the Optionee shall vest and the Optionee shall be entitled to exercise all Options held by such Optionee until the date that is 90 days after the Cessation Date and after such date all Options which have not been exercised shall become null and void and all rights to receive common shares thereunder shall be forfeited by the Optionee.

The Board may, in its sole discretion, by Board resolution provide that, whenever the Corporation's Shareholders receive a Take-over Proposal, such Options may be exercised as to all or any of the Common Shares in respect of which such Option has not previously been exercised (including in respect of Common Shares not otherwise vested at such time) by the Participant (the "**Take-over Acceleration Right**"), but any such Option not otherwise vested and deemed only to have vested in accordance with the foregoing may only be exercised for the purposes of tendering to such Take-over Proposal. If for any reason any such Common Shares are not so tendered or, if tendered, are not, for any reason taken up and paid for by the offeree pursuant to the Take-over Proposal, any such Common Shares so purchased by the Participant shall be and shall be deemed to be cancelled and returned to the treasury of the Corporation, and shall be added back to the number of Common Shares, if any, remaining unexercised under the Option (and shall thus be available for exercise of the Option in accordance with the terms thereof) and upon presentation to the Corporation of share certificates representing such Common Shares properly endorsed for transfer back to the Corporation, the Corporation shall refund to the Participant all consideration paid by him or her in the initial purchase thereof. The Take-over Acceleration Right shall commence at such time as is determined by the Board, provided that, if the Board approves the Take-over Acceleration Right but does not determine commencement and termination dates regarding same, the Take-over Acceleration Right shall commence on the date of the Take-over Proposal and end on the earlier of the expiry time of the Option and the tenth (10th) day following the expiry date of the Take-over Proposal. Notwithstanding the foregoing, the Take-over Acceleration Right may be extended for such longer period as the Board may resolve.

15. No Rights as a Shareholder

An Optionee shall not have any of the rights or privileges of a Shareholder in respect of any Common Shares issuable upon exercise of an Option until certificates representing such Common Shares have been issued and delivered.

16. Regulatory Authorities Approvals

The Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Options granted prior to such approval and after listing on any such stock exchange shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

17. Option Agreements

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to Option, the exercise price, the vesting dates, circumstances when vesting of Options may be accelerated, the expiry date and any other terms approved by the Board, all in accordance with the provisions of the Plan. The agreement will be in such form as the Board may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation. Such agreements may also contain such other provisions not inconsistent with the provisions hereof as the Board may determine.

18. Amendment or Discontinuance of the Plan

The Plan and any Options granted pursuant to the Plan may be amended, modified or terminated by the Board without approval of the Shareholders subject to any required approval of the Exchange. Notwithstanding the foregoing, the Plan or any Options may not be amended without shareholder approval to:

(a) increase the number of Common Shares reserved for issuance under the Plan pursuant to Section 5(a) hereof;

(b) increase the number of Common Shares reserved for issuance to Insiders or issuable to Insiders in any one year period pursuant to Section 5(b) hereof;

(c) reduce the Exercise Price of any Option granted pursuant to the Plan;

(d) extend the expiry date of any outstanding Options other than as permitted pursuant to the Plan;

(e) make any amendment that would reduce the Exercise Price of an outstanding Option (including a cancellation and reissue of an Option that constitutes a reduction of the Exercise Price);

(f) permit an Optionee to transfer or assign Options to a new beneficial holder, other than for estate settlement purposes; or

(g) amend this Section 18.

In addition, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Optionee, if it adversely alters or impairs the rights of any Optionee in respect of any Option previously granted to such Optionee under the Plan.

19. Tax Withholding

The Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise), an Optionee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld in respect to any taxable event arising as a result of the Plan, including the grant or exercise of Options granted under the Plan. With respect to required withholding, the Corporation shall have the irrevocable right to (and the Optionee consents to) the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such Optionee (whether arising pursuant to the Optionee providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements satisfactory to the Optionee and the Corporation. In addition, the Corporation may elect in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Common Shares as it determines are required to be sold by the Corporation, as trustee to satisfy the withholding obligation net of selling costs (which costs shall be the responsibility of the Optionee and which shall be and are authorized to be deducted from the proceeds of the sale). The Optionee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of Common Shares. Any reference in the Plan to the issuance of Common Shares or a payment of cash is expressly subject to this Section 19.

20. No Guarantee Regarding Tax Treatment

Participants (or their beneficiaries) shall be responsible for all taxes with respect to any Option under the Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Corporation and the Board make no guarantees to any person regarding the tax treatment of an Option or payments made under the Plan and none of the Corporation, its subsidiaries or any of its employees or representatives shall have any liability to a Participant with respect thereto.

21. Independent Advice

Participants are encouraged to seek tax advice in respect of the grant and exercise of Options and the issuance of the resulting Common Shares. Participants who are not employees, officers or directors of the Corporation (i.e. consultants and other Service Providers) should be aware that the tax consequences of being granted and exercising Options and selling Common Shares may be materially less favourable than the consequences to employees, officers and directors of the Corporation who are granted Options as such and receive the benefit of the "stock option rules" under the *Income Tax Act* (Canada).

22. Effective Time

This Plan shall be effective as of March 29, 2019.

SCHEDULE "B"

PEYTO EXPLORATION & DEVELOPMENT CORP.

(the "**Corporation**")

2019 MARKET BASED BONUS PLAN

1. Purpose of Plan

The purpose of this plan is to provide officers, consultants, employees and other services providers of Peyto (collectively referred to herein as "**Service Providers**") with an increased incentive to contribute to the future success of the Corporation, thus enhancing the value of the common shares of the Corporation (the "**Common Shares")** for the benefit of all shareholders of the Corporation.

This plan will only be effective for a one-time grant to Service Providers on January 1, 2019.

2. Administration

This plan shall be administered by the board of directors of the Corporation (the "**Board**"). The Board may, from time to time, adopt such rules and regulations for administering this plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer this plan to a committee of the Board.

3. Granting and Terms and Conditions of Rights

(a) The Board, on January 1, 2019 (the "**Grant Date**"), may designate Service Providers to whom rights ("**Rights**") may be granted (a "**Grantee**") and the number of Rights to be granted to each, provided that the number of Common Shares to be issued pursuant to all Rights granted hereunder shall not exceed the limitations provided in Section 4 hereof. No Service Provider shall have any right to be granted Rights, except as may be specifically granted by the Board. For certainty, all Rights granted on January 1, 2019 are covered by this plan.

(b) The grant price (the "**Grant Price**") of each Right shall be equal to the volume weighted average trading price per Common Share on the Toronto Stock Exchange (the "**TSX**") for the ten (10) consecutive trading days immediately preceding the Grant Date.

(c) The Rights shall vest (the "**Vested Rights**") as to one-third (1/3) of the total number of Rights granted to a Grantee pursuant to this plan on each of December 31, 2019, 2020 and 2021 (each, a "**Vesting Date**").

(d) Each Vested Right shall be valued on the Vesting Date (subject to any black-out period extension in Section 3(f) hereof) at an amount (the "**Vesting Value**") equal to the sum of: (i) the volume weighted average trading price per Common Share on the TSX for the ten (10) consecutive trading days immediately preceding the Vesting Date (the "**Valuation Price**") less the Grant Price for such Right; and (ii) the amount of dividends declared by the Corporation per Common Share from the Grant Date to the Vesting Date.

(e) If, on the applicable Vesting Date, the Valuation Price is less than the Grant Price, no amount shall be payable to the Grantees and the Vested Rights shall expire on such date.

(f) If, on the applicable Vesting Date, the Valuation Price is greater than the Grant Price, the Vested Rights shall become subject to payment in accordance with Section 3(g) hereof, provided however, that where a Vesting Date of a Right occurs on a date when a holder is subject to a black-out period, or within eleven (11) trading days of the expiry of such black-out period, such Vesting Date shall be extended to a date which is eleven (11) trading days following the end of such black-out period.

(g) On each Vesting Date (or as soon as reasonably practicable following the Vesting Date and subject to any black-out period extension in Section 3(f) hereof), the Corporation shall, at its sole and absolute discretion, have the option of settling the Vesting Value payable on a Vesting Date by either of the following methods, or by a combination of such methods:

(i) payment in cash;

(ii) payment in Common Shares acquired by the Corporation on the TSX; or

(iii) if approved by the Board, payment in Common Shares issued from treasury of the Corporation (subject to any required approval of the TSX and, if required by the policies of the TSX, the shareholders of the Corporation.

With respect to any Rights, the Corporation shall not determine whether the payment method shall take the form of cash or Common Shares, or a combination thereof, until the Vesting Date, or some reasonable time prior thereto. A Grantee shall not have any right to demand to be paid in, or receive, Common Shares in respect of the Vesting Value underlying a Right, at any time. Notwithstanding any election by the Corporation to settle any Vesting Value, or portion thereof, in Common Shares, the Corporation reserves the right to change its election in respect thereof at any time up until payment is actually made, and the Grantee shall not have the right, at any time, to enforce settlement in the form of Common Shares.

Where the Corporation elects to pay any amounts pursuant to a Right by acquiring Common Shares on the TSX, or by issuing Common Shares from treasury, the Common Shares shall have a deemed Common Share value equal to the volume weighted average trading price per Common Share on the TSX for the five (5) consecutive trading days immediately preceding the applicable Vesting Date and the number of Common Shares to be delivered shall be equal to the applicable Vesting Value divided by such deemed Common Share value. If the determination of the number of Common Shares to be delivered to a Grantee in respect of a particular Vesting Date would result in the issuance of a fractional Common Share, the number of Common Shares deliverable on the Vesting Date shall be rounded down to the next whole number of Common Shares.

(h) If the Grantee shall no longer be a Service Provider to, either the Corporation or a subsidiary of the Corporation, all Rights held shall terminate on the date determined by the Board.

(i) Notwithstanding any other provisions contained herein, the Board may, in its sole discretion, accelerate the Valuation Date or Vesting Dates with respect to any Rights.

(j) All Rights expire on the applicable Vesting Date.

For purposes of this Section 3, "**black-out period**" means the period during which the relevant Grantee is subject to trading restrictions imposed by the Corporation pursuant to any policy of the Corporation respecting restrictions on trading that is in effect at that time.

4. Limitations to this Plan

(a) Notwithstanding any other provision of this plan:

(i) unless otherwise approved by the shareholders of the Corporation, the aggregate number of Common Shares that may be issued pursuant to Rights granted under this Plan and all other share compensation arrangements of the Corporation is 10% of the Common Shares outstanding from time to time;

(ii) the number of Common Shares reserved for issuance at any time, pursuant to this plan and all other established or proposed share compensation arrangements of the Corporation, to Insiders (as defined in the applicable rules of the TSX) shall not exceed 10% of the outstanding Common Shares;

(iii) the number of Common Shares issued to Insiders, within any one year period, pursuant to this plan and all other established or proposed share compensation arrangements of the Corporation, shall not exceed 10% of the outstanding Common Shares; and

(iv) the number of Common Shares issued within one any year period, pursuant to this plan and all other established or proposed share compensation arrangements of the Corporation, to any one Insider and such Insider's associates shall not exceed 10% of the outstanding Common Shares.

(b) Each Right shall be personal to the Grantee and shall not be assignable.

(c) This plan does not confer upon a Grantee any right with respect to continuation of employment by the Corporation or any subsidiary thereof, nor does it interfere in any way with the right of the Grantee, the Corporation or a subsidiary thereof to terminate the Grantee's employment or service provision at any time.

5. No Rights as a Shareholder

A Grantee shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Common Shares which may be issuable pursuant to a Right until such Common Shares have been issued.

6. Regulatory Authorities Approvals

Notwithstanding anything contained herein, the issuance of Common Shares from treasury in respect of any Rights granted herein shall be subject to and shall not be made unless approved by the TSX and approved by shareholders of the Corporation in accordance with the requirements of the TSX. For greater certainty, prior to receipt of such approvals, the Corporation shall only be permitted to pay the Vesting Value in respect of any Rights in cash or by the payment in Common Shares acquired by the Corporation on the TSX.

7. Amendment or Discontinuance of this Plan

This plan and any Rights granted pursuant to this plan may be amended, modified or terminated by the Board without approval of the shareholders of the Corporation subject to any required approval of the TSX, provided that any amendment to this plan that requires approval of the TSX may not be made without such approval. In addition, no amendment to this Plan or Rights granted pursuant to this plan may be made without the consent of the Grantee, if it adversely alters or impairs any Rights previously granted to such Grantee under this plan; provided that any amendment to this plan to allow for the Vesting Value of any Rights to be settled by the issuance of Common Shares, or to comply with the requirements of the TSX, shall not be considered to adversely alter or impair any Rights previously granted under this plan and all grantees are deemed to have consented to such amendments.

8. Tax Withholding

The Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise), a Grantee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld in respect to any taxable event arising as a result of this plan, including the grant, vesting or settlement of Rights granted under this plan. With respect to required withholding, the Corporation shall have the irrevocable right to (and the Grantee consents to) the Corporation setting off any amounts required to be withheld, in whole or in part, against any amounts owing by the Corporation to such Grantee (whether arising pursuant to the Grantee providing services on an ongoing basis to the Corporation, pursuant to the settlement of Rights or otherwise), or may make such other arrangements satisfactory to the Grantee and the Corporation. In addition, the Corporation may elect in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Common Shares as it determines are required to be sold by the Corporation, as trustee to satisfy the withholding obligation net of selling costs (which costs shall be the responsibility of the Grantee and which shall be and are authorized to be deducted from the proceeds of the sale). The Grantee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of Common Shares. Any reference in this plan to the issuance of Common Shares or a payment of cash is expressly subject to this Section 8.

9. No Guarantee Regarding Tax Treatment

Grantees (or their beneficiaries) shall be responsible for all taxes with respect to any Right under this plan, whether arising as a result of the grant, vesting or settlement of Rights or otherwise. The Corporation and the Board make no guarantees to any person regarding the tax treatment of a Right or payments made under this plan and none of the Corporation, its subsidiaries or any of its employees or representatives shall have any liability to a Grantee with respect thereto.

10. Independent Advice

Grantees are encouraged to seek tax advice in respect of the grant and vesting of Rights.

This plan shall be effective as of January 1, 2019.

SCHEDULE "C"

PEYTO EXPLORATION & DEVELOPMENT CORP.

GENERAL BY-LAW

AMENDED AND RESTATED BY-LAW NO. 1

A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE AFFAIRS OF

PEYTO EXPLORATION & DEVELOPMENT CORP.

(hereinafter called the "Corporation")

IT IS HEREBY ENACTED as a by-law of the Corporation as follows:

DIVISION ONE
INTERPRETATION

1.01 In the by-laws of the Corporation, unless the context otherwise specifies or requires:

a. "Act" means the *Business Corporations Act* of Alberta, as from time to time amended and every statute that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;

b. "appoint" includes "elect" and vice versa;

c. "articles" means the articles of incorporation or continuance of the Corporation, as from time to time amended or restated;

d. "board" means the board of directors of the Corporation;

e. "business day" means a day which is not a non-business day;

f. "by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

g. "meeting of shareholders" includes an annual and a special meeting of shareholders;

h. "non-business day" means Saturday, Sunday and any other day that is a holiday as from time to time defined in *The Interpretation Act* of Alberta;

i. "Regulations" means the regulations under the Act as published or from time to time amended and every regulation that may be substituted therefore and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefore in the new regulations;

j. "signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by virtue of section 3.01 of this by-law or by a resolution passed pursuant thereto; and

k. "special meeting of shareholders" means a meeting of any particular class or classes of shareholders and a meeting of all shareholders entitled to vote at any annual meeting of shareholders at which special business is to be transacted.

Save as aforesaid, all terms which are contained in the by-laws of the Corporation and which are defined in the Act or the Regulations shall, unless the context otherwise specifies or requires, have the meanings given to such terms in the Act or the Regulations. Words importing the singular number include the plural and vice versa; the masculine shall include the feminine; and the word "person" shall include an individual, partnership, association, body corporate, body politic, trustee, executor, administrator and legal representative.

Headings used in the by-laws are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

DIVISION TWO
BANKING AND SECURITIES

2.01 Banking Arrangements

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefore, shall be transacted with such banks, trust companies or other bodies corporate or organizations or any other persons as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of power as the board may from time to time prescribe or authorize.

2.02 Voting Rights in Other Bodies Corporate

The signing officers of the Corporation may execute and deliver instruments of proxy and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of such voting certificates or evidence of the right to exercise such voting rights. In addition, the board, or failing the board, the signing officers of the Corporation, may direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

DIVISION THREE
EXECUTION OF INSTRUMENTS

3.01 Authorized Signing Officers

Unless otherwise authorized by the board, deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the president, chairman of the board, managing director, any vice-president, any director, secretary, treasurer, any assistant secretary or any assistant treasurer or any other officer created by by-law or by the board. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same, but no instrument is invalid merely because the corporate seal is not affixed thereto.

3.02 Cheques, Drafts and Notes

All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or person or persons, whether or not officers of the Corporation, and in such manner as the board may from time to time designate by resolution.

DIVISION FOUR
DIRECTORS

4.01 Number

The board shall consist of such number of directors as is fixed by the articles, or where the articles specify a variable number, shall consist of such number of directors as is not less than the minimum nor more than the maximum number of directors provided in the articles and as shall be fixed from time to time by resolution of the shareholders.

4.02 Election and Term

Subject to the articles or a unanimous shareholder agreement, the election of directors shall take place at each annual meeting of shareholders and all of the directors then in office, unless elected for a longer period of time (not to exceed the close of the third (3rd) annual meeting of shareholders following election), shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall, subject to the articles or a unanimous shareholder agreement, be the number of directors then in office, or the number of directors whose terms of office expire at the meeting, as the case may be, except that, if cumulative voting is not required by the articles and the articles otherwise permit, the shareholders may resolve to elect some other number of directors. Where the shareholders adopt an amendment to the articles to increase the number or minimum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected. If the articles provide for cumulative voting, each director elected by shareholders (but not directors elected or appointed by creditors or employees) ceases to hold office at the annual meeting and each shareholder entitled to vote at an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors he is entitled to vote for, and he may cast all such votes in favour of one candidate or distribute them among the candidates in any manner. If he has voted for more than one candidate without specifying the distribution among such candidate, he shall be deemed to have divided his votes equally among the candidates for whom he voted.

4.03 Removal of Directors

Subject to the Act and the articles, the shareholders may by ordinary resolution passed at a special meeting remove any director from office, except a director elected by employees or creditors pursuant to the articles or a unanimous shareholder agreement, and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board. However, if the articles provide for cumulative voting, no director shall be removed pursuant to this section where the votes cast against the resolution for his removal would, if cumulatively voted at an election of the full board, be sufficient to elect one or more directors.

4.04 Consent

A person who is elected or appointed a director is not a director unless:

a. he was present at the meeting when he was elected or appointed and did not refuse to act as a director, or

b. if he was not present at the meeting when he was elected or appointed:

    i. he consented in writing to act as a director before his election or appointment or within ten (10) days after it, or

    ii. he has acted as a director pursuant to the election or appointment.

4.05 Vacation of Office

A director of the Corporation ceases to hold office when:

a. he dies or resigns;

b. he is removed in accordance with section 109 of the Act; or

c. he becomes disqualified under subsection 105(1) of the Act.

4.06 Committee of Directors

The directors may appoint from among their number a managing director, who must be a resident Canadian, or a committee of directors, however designated, of which at least one-quarter of the members must be resident Canadians, and subject to section 115 of the Act may delegate to the managing director or such committee any of the powers of the directors. A committee may be comprised of one director.

4.07 Transaction of Business of Committee

Subject to the provisions of this by-law with respect to participation in a meeting, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all of the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Alberta and may be called by any one member of the committee giving notice in accordance with the by-laws governing the calling of meetings of the board.

4.08 Procedure

Unless otherwise determined herein or by the board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

4.09 Remuneration and Expenses

Subject to any unanimous shareholder agreement, the directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

4.10 Vacancies

Subject to the Act, a quorum of the board may fill a vacancy among the directors, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure to elect the number or minimum number of directors required by the articles. If there is not a quorum of directors, or if there has been a failure to elect the number or minimum number of directors required by the articles, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

4.11 Action by the Board

Subject to any unanimous shareholder agreement, the board shall manage or supervise the management of the business and affairs of the Corporation. Notwithstanding a vacancy among the directors, a quorum of directors may exercise all the powers of the directors. If the Corporation has only one director, that director may constitute a meeting.

DIVISION FIVE
MEETING OF DIRECTORS

5.01 Place of Meeting

Meetings of the board may be held at any place within or outside Alberta.

5.02 Notice of Meeting

Unless the board has made regulations otherwise, meetings of the board may be summoned on twenty-four (24) hours' notice, given verbally or in writing, and whether by means of telephone or telegraph, electronic means in accordance with the provisions of the *Electronic Transactions Act*, or any other means of communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including any proposal to:

a. submit to the shareholders any question or matter requiring approval of the shareholders;

b. fill a vacancy among the directors or in the office of auditor;

c. appoint additional directors;

d. issue securities, except in the manner and on the terms authorized by the board;

e. declare dividends;

f. purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the board;

g. pay a commission for the sale of shares;

h. approve a management proxy circular;

i. approve any financial statements to be placed before the shareholders at an annual meeting; or

j. adopt, amend or repeal by-laws.

Provided, however, that a director may in any manner, and either before or after the meeting, waive notice of a meeting and attendance of a director at a meeting of the board shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

For the first meeting of the board to be held immediately following an election of directors no notice of such meeting shall be necessary, and for a meeting of the board at which a director is to be appointed to fill a vacancy in the board, no notice of such meeting shall be necessary to the newly elected or appointed director or directors in order to legally constitute the meeting, provided, in each case, that a quorum of the directors is present.

5.03 Adjourned Meeting

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

5.04 Calling of the Meetings

Meetings of the board shall be held from time to time at such time and at such place as the board, the chairman of the board, the managing director, the president or any two directors may determine. Should more than one of the above-named call a meeting at or for substantially the same time, there shall be only one meeting held and such meeting shall occur at the time and place determined by, in order of priority, the board, any two directors, the chairman, or the president.

5.05 Regular Meetings

The board may, from time to time, appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, and forthwith to each director subsequently elected or appointed, but no other notice shall be required for any such regular meeting except where the Act or this by-law requires the purpose thereof or the business to be transacted thereat to be specified.

5.06 Chairman

The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, managing director or president. If no such officer is present, the directors present shall choose one of their number to be chairman.

5.07 Quorum

Subject to the following section 5.08, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors holding office or such greater number of directors as the board may from time to time determine.

5.08 One-Quarter Canadian Representation at Meetings

Directors shall not transact business at a meeting of directors unless at least one-quarter of the directors present are resident Canadians. Notwithstanding the foregoing, directors may transact business at a meeting of directors when less than one-quarter of the directors present are resident Canadians if:

a. a resident Canadian director who is unable to be present approves in writing or by electronic means, telephone or other communications facilities the business transacted at the meeting; and

b. the number of resident Canadian directors present at the meeting, together with any resident Canadian director who gives his approval under clause (a), totals at least one-quarter of the directors present at the meeting.

5.09 Voting

Questions arising at any meeting of the board shall be decided by a majority of votes, and in the event of any equality of votes, the chairman of the meeting shall be entitled to a second or casting vote.

5.10 Participation in Meeting

A director may participate in a meeting of the board or a committee of the board by electronic means, telephone, or other communication facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a director participating in such meeting by such means is deemed to be present at the meeting.

5.11 Resolution in Lieu of Meeting

Notwithstanding any of the foregoing provisions of this by-law, a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board or a committee of directors is as valid as if it had been passed at a meeting of the board or committee of directors, as the case may be. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

5.12 Amendments to the Act

It is hereby affirmed that the intention of sections 4.06, 5.08 and 7.03, as they relate to Canadian representation, is to comply with the minimum requirements of the Act and in the event that such minimum requirements shall be amended, deleted or replaced such that no, or lesser, requirements with respect to Canadian representation are then in force, such sections shall be deemed to be correspondingly amended, deleted or replaced without any further act of the directors or shareholders of the Corporation.

5.13 Advance Nomination of Directors

a. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:

   i. by or at the direction of the board, including pursuant to a notice of meeting;

   ii. by or at the direction or request of one or more shareholders of the Corporation pursuant to a "proposal" made in accordance with section 136(1) of the Act, or a requisition of the shareholders made in accordance with section 142(1) of the Act; or

   iii. by any person (a "**Nominating Shareholder**") who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this Section 5.13 and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (ii) complies with the notice procedures set forth below in this Section 5.13.

b. In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with Section 5.13(c) below) and in proper written form (in accordance with Section 5.13(d) below) to the Chief Financial Officer of the Corporation at the principal executive offices of the Corporation.

c. To be timely, a Nominating Shareholder's notice (a "**Timely Notice**") to the Chief Financial Officer of the Corporation must be made:

   i. in the case of an annual meeting of shareholders, not less than 30 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10^{th}) day following the Notice Date; and

   ii. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made;

provided that, in either instance, if notice-and-access (as defined in National Instrument 54- 101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described in Section 5.13(c)(i) or Section 5.13(c)(ii) and the Notice Date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the date of the applicable meeting.

In the event of an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof, a new time period shall commence for the giving of a Timely Notice.

d. To be in proper written form, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must set forth:

i. as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (iii) the citizenship of such person; (iv) the number of securities of each class or series of securities in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (v) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (vi) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

ii. as to the Nominating Shareholder giving the notice: (i) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (ii) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (iii) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (iv) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (v) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (vi) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Corporation to (i) determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee, or (ii) satisfy the requirements of applicable stock exchange rules.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

e. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 5.13; provided, however, that nothing in this Section 5.13 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairman. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

f. For purposes of this Section 5.13:

i. "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

ii. "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

g. Notwithstanding any other provision of this Section 5.13, notice given to the Chief Financial Officer of the Corporation pursuant to this Section 5.13 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Chief Financial Officer of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Chief Financial Officer at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

h. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 5.13.

DIVISION SIX
PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

6.01 Conflict of Interest

A director or officer shall not be disqualified from his office, or be required to vacate his office, by reason only that he is a party to, or is a director or officer or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation or a subsidiary thereof. Such a director or officer shall, however, disclose the nature and extent of his interest in the contract or transaction or proposed contract or transaction at the time and in the manner provided by the Act. Subject to the provisions of the Act, a director or officer shall not by reason only of his office be accountable to the Corporation or to its shareholders for any profit or gain realized from such a contract or transaction, and such contract or transaction shall not be void or voidable by reason only of the director's interest therein, provided that the required declaration and disclosure of interest is properly made, the contract or transaction is approved by the directors or shareholders, if necessary, and it was fair and reasonable to the Corporation at the time it was approved and, if required by the Act, the director refrains from voting as a director on the contract or transaction.

Even if the above conditions are not met, a director or officer acting honestly and in good faith shall not be accountable to the Corporation or to its shareholders for any profit realized from a material contract or material transaction for which disclosure is required by the Act, and such contract or transaction shall not be void or voidable by reason only of the director or officer's interest therein, provided that the material contract or material transaction was approved or confirmed by special resolution at a meeting of the shareholders, disclosure of the interest was made to the shareholders in a manner sufficient to indicate its nature before such contract or transaction was approved or confirmed, and such contract or transaction was reasonable and fair to the Corporation at the time it was approved or confirmed.

6.02 Limitation of Liability

Every director and officer of the Corporation, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer, for the time being of the Corporation, shall be liable for the acts, neglects or defaults of any other director or officer or employee or for joining in any act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss, conversion, misapplication or misappropriation of or any damage resulting for any dealings with any moneys, securities or other assets belonging to the Corporation or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the Regulations thereunder or from liability for any breach thereof. The directors, for the time being of the Corporation, shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the board.

No act or proceeding of any director or officer or the board shall be deemed invalid or ineffective by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding or the election, appointment or qualification of such director or officer or board.

6.03 Indemnity

Subject to section 124 of the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or body corporate, if:

a. he acted honestly and in good faith with a view to the best interests of the Corporation; and

b. in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing herein contained shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this section 6.03.

6.04 Insurance

The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 6.03 against any liability incurred by him:

a. in his capacity as a director or officer of the Corporation, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the Corporation; or

b. in his capacity as a director or officer of the another body corporate where he acts or acted in that capacity at the Corporation's request, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the body corporate.

DIVISION SEVEN
OFFICERS

7.01 Election or Appointment

Subject to any unanimous shareholder agreement, the board may, from time to time, appoint a chairman of the board, a president, one or more vice-presidents, a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Except for a managing director and a chairman of the board who must be directors, an officer may, but need not be, a director and one person may hold more than one office.

7.02 Chairman of the Board

The chairman of the board shall, when present, preside at all meetings of the board, committees of directors and at all meetings of shareholders.

If no managing director is appointed, the board may assign to the chairman of the board any of the powers and duties that, by any provision of this by-law, are assigned to the managing director; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

7.03 Managing Director

The managing director, if any, shall be a resident Canadian and shall have, subject to the authority of the board, general supervision of the business and affairs of the Corporation; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify.

7.04 President

The president shall, subject to the authority of the board and the managing director, if any, have such powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office; provided, however, that unless he is a director he shall not preside as chairman at any meeting of the board or of a committee of directors.

7.05 Vice-President

During the absence or disability of the president, his duties shall be performed and his powers exercised by the vice-president or, if there is more than one, by the vice-president designated from time to time by the board or the president; provided, however, that a vice-president who is not a director shall not preside as chairman at any meeting of the board or of a committee of directors. A vice-president shall have such other powers and duties as the board or the president may prescribe.

7.06 Secretary

The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of directors and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer, if any, may specify.

7.07 Treasurer

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions and he shall have such other powers and duties as the board or chief executive officer, if any, or the president may specify.

7.08 General Manager or Manager

If elected or appointed, the general manager shall have, subject to the authority of the board, the managing director, if any, the chief executive officer, if any, and the president, full power to manage and direct the business and affairs of the Corporation (except such matters and duties as by law must be transacted or performed by the board and/or by the shareholders) and to employ and discharge agents and employees of the Corporation and may delegate to him or them any lesser authority. A general manager or manager shall conform to all lawful orders given to him by the board and shall at all reasonable times give to the directors or any of them all information they may require regarding the affairs of the Corporation. Any agent or employee appointed by a general manager or manager shall be subject to discharge by the board.

7.09 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board, the managing director, if any, or the chief executive officer, if any, or the president may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer, if any, or the president otherwise directs.

7.10 Variation of Powers and Duties

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

7.11 Vacancies

If the office of any officer of the Corporation shall be or become vacant by reason of death, resignation, disqualification or otherwise, the board, by resolution, may appoint a person to fill such vacancy.

7.12 Remuneration and Removal

The remuneration of all officers appointed by the board shall be determined from time to time by resolution of the board. The fact that any officer or employee is a director or shareholder of the Corporation shall not disqualify him from receiving such remuneration as may be determined. All officers shall be subject to removal by resolution of the board at any time, with or without cause, notwithstanding any agreement to the contrary, provided however that this right of removal shall not limit in any way such officer's right to damages by virtue of such agreement or any other rights resulting from such removal in law or equity.

7.13 Agents and Attorneys

The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to sub-delegate) of management, administration or otherwise as may be thought fit.

7.14 Conflict of Interest

An officer shall disclose his interest in any material contract or material transaction or proposed material contract or proposed material transaction with the Corporation in accordance with section 6.01.

7.15 Fidelity Bonds

The board may require such officers, employees and agent of the Corporation, as the board deems advisable, to furnish bonds for the faithful discharge of their powers and duties, in such forms and with such surety as the board may from time to time determine.

DIVISION EIGHT
SHAREHOLDERS' MEETINGS

8.01 Annual Meetings

Subject to the Act, the annual meeting of shareholders shall be held at such time and on such day in each year and at such place or places as the board, the chairman of the board, the managing director or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors if required by the Act or the articles, and for the transaction of such other business as may properly be brought before the meeting.

8.02 Special Meetings

The board shall have the power to call a special meeting of shareholders at any time.

8.03 Place of Meetings

Meetings of shareholders shall be held as provided for in the articles, or failing any reference in the articles, at such place in Alberta as the board may determine. Subject to the Act, if the directors or the shareholders of the Corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

8.04 Record Date for Notice

The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, as a record date for the determination of shareholders entitled to notice of or to vote at the meeting. If no record date is fixed, the record date for the determination of the shareholders entitled to receive notice of or to vote at the meeting shall be the close of business on the date immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

8.05 Notice of Meeting

Notice of the time and place of each meeting of shareholders shall be sent not less than twenty-one (21) days and not more than fifty (50) days before the meeting to each shareholder entitled to vote at the meeting, each director and the auditor of the Corporation. Such notice may be sent by electronic means in accordance with the *Electronic Transactions Act*, or by mail addressed to, or may be delivered personally to, the shareholder, at his latest address as shown in the records of the Corporation or its transfer agent, to the director, at his latest address as shown in the records of the Corporation or in the last notice filed pursuant to section 106 or 113 of the Act, or to the auditor, at his most recent address as shown in the records of the Corporation. A notice of meeting of shareholders sent by mail to a shareholder, director or auditor in accordance with the above is deemed to be served on the day on which it was deposited in the mail. A notice of a meeting is not required to be sent to shareholders who are not registered on the records of the Corporation or its transfer agent on the record date as determined according to section 8.04 hereof. Notice of a meeting of shareholders at which special business is to be transacted shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A special meeting and an annual meeting may be convened by one and the same notice and it shall not be an objection to the notice that it only convenes the second meeting contingently on any resolution being passed by the requisite majority at the first meeting.

8.06 Right to Vote

Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in section 8.07 hereof, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except to the extent that such person has transferred any of his shares after the record date set pursuant to section 8.04 hereof, or, if no record date is fixed, after the date on which the list referred to in section 8.07 is prepared, and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than ten (10) days before the meeting that his name be included to vote the transferred shares at the meeting. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at the meeting who at the close of business on the record date, or if no record date is set, at the close of business on the date preceding the date notice is sent, is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

8.07 List of Shareholders Entitled to Notice

The Corporation shall prepare a list of shareholders entitled to receive notice of a meeting, arranged in alphabetical order, and showing the number of shares held by each shareholder in accordance with section 137 of the Act. If a record date for the meeting is fixed pursuant to section 8.04 hereof by the board, the shareholders listed shall be those registered at the close of business on the record date. If no record date is fixed by the board, the shareholders listed shall be those listed at the close of business on the last business day immediately preceding the day on which notice of a meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where its central securities register is maintained and at the place where the meeting is held.

8.08 Meetings Without Notice

A meeting of shareholders may be held without notice at any time and place permitted by the Act:

a. if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and

b. if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such meetings any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to a meeting being held at such place.

8.09 Waiver of Notice

A shareholder and any other person entitled to attend a meeting of shareholders may in any manner waive notice of a meeting of shareholders and attendance of any such person at a meeting of shareholders shall constitute a waiver of notice of the meeting except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

8.10 Chairman, Secretary and Scrutineers

The chairman of the board or, in his absence, the president, if such an officer has been elected or appointed and is present, or otherwise a vice-president who is a shareholder of the Corporation, shall be chairman of any meeting of shareholders. If no such officer is present within fifteen (15) minutes from the time fixed for holding the meeting, or declines to be chairman of the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

8.11 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

8.12 Quorum

A quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or by any other by-law) shall be persons present not being less than two (2) in number and holding or representing not less than twenty-five (25%) per cent of the shares entitled to be voted at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of the meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

8.13 Participation in Meeting

A shareholder or any other person entitled to attend a meeting may participate in a meeting of shareholders by electronic means, telephone or other communication facilities as permit all persons participating in the meeting to hear or otherwise communicate with each other, and a person participating in such a meeting by such means is deemed to be present at the meeting. Subject to the Act, any person participating in a meeting pursuant to this section and entitled to vote at the meeting may vote by electronic means, telephone or other communication facility that the Corporation has made available for that purpose.

8.14 Proxyholders and Representatives

Votes at meetings of the shareholders may be given either personally or by proxy; or, in the case of a shareholder, who is a body corporate or association, by an individual authorized by a resolution of the board or governing body of the body corporate or association to represent it at a meeting of shareholders of the Corporation, upon producing a certified copy of such resolution or otherwise establishing his authority to vote to the satisfaction of the secretary or the chairman.

A proxy shall be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and is valid only at the meeting in respect of which it is given or any adjournment of that meeting. A person appointed by proxy need not be a shareholder.

8.15 Time for Deposit of Proxies

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than forty-eight (48) hours exclusive of Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

8.16 Joint Shareholders

If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholder may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

8.17 Votes to Govern

Except as otherwise required by the Act, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by a majority of the votes cast and in the event of an equality of votes at any meeting of shareholders, neither the chairman of the meeting nor any other director present at the meeting shall be entitled to a second or casting vote in addition to his or her original vote.

8.18 Conduct of Vote

Subject to the Act, voting at a meeting of shareholders shall be by a show of hands, unless a ballot is required or demanded as hereinafter provided, and may be held, subject to the Act, entirely by electronic means, telephone or other communication facility, if the corporation makes such a communication facility available. Every person who is present or otherwise participating in the meeting pursuant to section 8.13 hereof and entitled to vote shall have one vote. Whenever a vote shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of shareholders upon the said question.

8.19 Ballots

On any question proposed for consideration at a meeting of shareholders, a shareholder, proxyholder or other person entitled to vote may demand and the chairman may require that a ballot be taken either before or upon the declaration of the result of any vote. If a ballot is demanded on the election of a chairman or on the question of an adjournment it shall be taken forthwith without an adjournment. A ballot demanded or required on any other question shall be taken in such manner as the chairman shall direct. A demand or requirement for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares that he is entitled to vote at the meeting upon the question, to the number of votes as provided for by the articles or, in the absence of such provision in the articles, to one vote for each share he is entitled to vote. The result of the ballot so taken shall be the decision of the shareholders upon the question. The demand or requirement for a ballot shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the ballot has been demanded or required.

8.20 Adjournment

The chairman at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the time of the adjournment. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as notice for an original meeting but, unless the meeting is adjourned by one or more adjournments for an aggregate of more than ninety (90) day, subsection 149(1) of the Act does not apply.

8.21 Resolution in Lieu of a Meeting

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders; and a resolution in writing dealing with all matters required to be dealt with at a meeting of shareholders and signed by all the shareholders entitled to vote at such meeting, satisfies all the requirements of the Act relating to meetings of shareholders. A copy of every such resolution in writing shall be kept with minutes of the meetings of shareholders. Any such resolution in writing is effective for all purposes at such time as the resolution states regardless of when the resolution is signed and may be signed in counterpart.

8.22 Only One Shareholder

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented constitutes a meeting.

DIVISION NINE
SHARES

9.01 Non-Recognition of Trusts

Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

9.02 Certificates

The shareholder is entitled at his option to a share certificate that complies with the Act or a non-transferable written acknowledgement of his right to obtain a share certificate from the Corporation in respect of the securities of the Corporation held by him. Share certificates and acknowledgements of a shareholder's right to a share certificate, respectively, shall be in such form as described by the Act and as the board shall from time to time approve. A share certificate shall be signed by at least one director or officer of the Corporation or by or on behalf of a registrar, transfer agent or branch transfer agent of the Corporation, or by a trustee who certifies it in accordance with a trust indenture. Any signatures required on the share certificate may be printed or otherwise mechanically reproduced on it.

9.03 Replacement of Share Certificates

The board or any officer or agent designated by the board may in its or his discretion direct the issuance of a new share certificate or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Joint Holders

The Corporation is not required to issue more than one share certificate in respect of a share held jointly by several persons, and delivery of a certificate to one of several joint holders is sufficient delivery to all. Any one of such holders may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such certificate.

DIVISION TEN
TRANSFER OF SECURITIES

10.01 Registration of Transfer

If a share in registered form is presented for registration of transfer, the Corporation shall register the transfer if:

a. the share is endorsed by an appropriate person, as defined in the *Securities Transfer Act* (Alberta);

b. reasonable assurance is given that the endorsement is genuine and effective;

c. the Corporation has no duty to enquire into adverse claims or has discharged any such duty;

d. any applicable law relating to the collection of taxes has been complied with;

e. the transfer is rightful or is to a bona fide purchaser; and

f. the transfer fee, if any, has been paid.

10.02 Transfer Agents and Registrar

The board may from time to time by resolution appoint or remove one or more trust companies registered under the Trust Companies Act as its agent or agents to maintain a central securities register or registers, and an agent or agents to maintain a branch securities register or registers. Agents so appointed may be designated as transfer agent or registrar according to their functions, and a person may be appointed and designated with functions as both registrar and transfer or branch transfer agent. Registration of the issuance or transfer of a security in the central securities register or in a branch securities register is complete and valid registration for all purposes.

10.03 Securities Registers

A central securities register of the Corporation shall be kept at its registered office or at any other place in Alberta designated by the board to record the shares and other securities issued by the Corporation in registered form, showing with respect to each class or series of shares and other securities:

a. the names, alphabetically arranged, and the latest known address of each person who is or has been a holder;

b. the number of shares or other securities held by each holder; and

c. the date and particulars of the issuance and transfer of each share or other security.

A branch securities register or registers may be kept either in or outside Alberta at such place or places as the board may determine. A branch securities register shall only contain particulars of securities issued or transferred at that branch. Particulars of each issue or transfer of a security registered in a branch securities register shall also be kept in the corresponding central securities register.

10.04 Deceased Shareholders

In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

DIVISION ELEVEN
DIVIDENDS AND RIGHTS

11.01 Dividends

Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully-paid shares of the Corporation.

11.02 Dividend Cheques

A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and shall be mailed by prepaid ordinary mail to such registered holder at his address recorded in the Corporation's securities register or registers or such address as such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

11.03 Non-Receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

11.04 Unclaimed Dividends

No dividend shall bear interest against the Corporation. Any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

11.05 Record Date for Dividends and Rights

The board may fix in advance a date, preceding by not more than fifty (50) days the date for the payment of any dividend, as a record date for the determination of the persons entitled to receive payment of such dividend, provided that, unless waived as provided for in the Act, notice of any such record date is given, not less than seven (7) days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada, if any, on which the Corporation's shares are listed for trading. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend shall be at the close of business on the day on which the resolution relating to such dividend is passed by the board.

DIVISION TWELVE
INFORMATION AVAILABLE TO SHAREHOLDERS

12.01 Confidential Information

Except as provided by the Act, no shareholders shall be entitled to obtain information respecting any details or conduct of the Corporation's business which, in the opinion of the directors, it would be inexpedient in the interests of the Corporation to communicate to the public.

12.02 Conditions of Access to Information

The directors may from time to time, subject to rights conferred by the Act, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Corporation or any of them shall be open to the inspection of shareholders and no shareholders shall have any right to inspect any document or book or register or account record of the Corporation except as conferred by statute or authorized by the board or by a resolution of the shareholders.

12.03 Registered Office and Separate Records Office

The registered office of the Corporation shall be at a place within Alberta and at such location therein as the board may from time to time determine. The records office will be at the registered office or at such location, if any, within Alberta, as the board may from time to time determine.

DIVISION THIRTEEN
NOTICES

13.01 Method of Giving Notices

A notice or document required by the Act, the Regulations, the articles or the by-laws to be sent to a shareholders or director of the Corporation may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act*, or by prepaid mail addressed to, or may be delivered personally to:

a. the shareholder at his latest address as shown in the records of the Corporation or its transfer agent; and

b. the director at his latest address as shown in the records of the Corporation or in the last notice filed under section 106 or 113.

A notice or document sent by mail in accordance with the foregoing to a shareholder or director of the Corporation is deemed to be received by him at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the shareholders or director did not receive the notice or document at the time or at all.

13.02 Notice to Joint Shareholders

If two or more persons are registered as joint holders of any share, any notice may be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.

13.03 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholders from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

13.04 Non-Receipt of Notices

If a notice or document is sent to a shareholder in accordance with section 13.01 and the notice or document is returned on two (2) consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notice or documents to the shareholder until the shareholder informs the Corporation in writing of his new address; provided always, that in the event of the return of a notice of a shareholders meeting mailed to a shareholder in accordance with section 13.01 the notice shall be deemed to be received by the shareholder on the date deposited in the mail notwithstanding its return.

13.05 Omissions and Errors

Subject to the Act, the accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

13.06 Signature on Notices

Unless otherwise specifically provided, the signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

13.07 Waiver of Notice

If a notice or document is required by the Act or the Regulations, the articles, the by-laws or otherwise to be sent, the sending of the notice or document may be waived or the time for the notice or document may be waived or abridged at any time with the consent in writing of the person entitled to receive it. The consent of a person entitled to waive the requirement for the sending of a notice or document or to waive or abridge the time for the notice or the document may be sent by electronic means in accordance with the provisions of the *Electronic Transactions Act*.

DIVISION FOURTEEN
MISCELLANEOUS

14.01 Directors to Require Surrender of Share Certificates

The directors in office when a Certificate of Continuance is issued under the Act are hereby authorized to require the shareholders of the Corporation to surrender their share certificate(s), or such of their share certificates as the directors may determine, for the purpose of cancelling the share certificates and replacing them with new share certificates that comply with section 48 of the Act, in particular, replacing existing share certificate with share certificates that are not negotiable securities under the Act. The directors in office shall act by resolution under this section 14.01 and shall in their discretion decide the manner in which they shall require the surrender of existing share certificates and the time within which the shareholders must comply with the requirement and the form or forms of the share certificates to be issued in place of the existing share certificates. The directors may take such proceedings as they deem necessary to compel any shareholder to comply with a requirement to surrender his share certificate or certificates pursuant to this section. Notwithstanding any other provision of this by-law, but subject to the Act, the director may refuse to register the transfer of shares represented by a share certificate that has not been surrendered pursuant to a requirement under this section.

14.02 Financial Assistance to Shareholders, Employees and Others

The Corporation may give financial assistance by means of a loan, guarantee or otherwise to any person for any purpose in accordance with the provisions of the Act and the Regulations including, without limitation, the disclosure requirements specified therein.

14.03 Severability

The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

MADE by the Board the 29th day of March, A.D. 2019.

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

CONFIRMED by the shareholders in accordance with the Act the 9th day of May, A.D. 2019.

PEYTO EXPLORATION & DEVELOPMENT CORP.

Per: ______________________________
Darren Gee
President and Chief Executive Officer

SCHEDULE "D"

PEYTO EXPLORATION & DEVELOPMENT CORP.

MANDATE OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

Strategic Direction, Operating, Capital and Financial Plans

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

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

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

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

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

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

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

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

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

Management and Organization

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

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

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

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

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

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

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

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

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

16. generally provide advice and guidance to management;

Finances and Controls

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

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

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

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

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

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

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

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

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

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

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

28. approve all changes to dividend levels;

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

Governance

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

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

    (a) selecting nominees for election to the Board,

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

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

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

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

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

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

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

Delegation

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

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

Meetings

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

34. minutes of each meeting shall be prepared;

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

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