

## **PEYTO ENERGY TRUST**

Information Circular-Proxy Statement  
for the Annual and Special Meeting to be held on May 17, 2005

### **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 unitholders of Peyto Energy Trust to be held on Tuesday, May 17, 2005 in MacLeod Hall A of the Telus Convention Centre, South Building, located at 120 – 9<sup>th</sup> Avenue S.E., Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be addressed to and reach Valiant Trust Company, Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2P 1T1, not less than 24 hours before the time for holding the meeting or any adjournment thereof. Only unitholders of record at the close of business on March 18, 2005 will be entitled to vote at the meeting, unless that unitholder has transferred any trust units subsequent to that date and the transferee unitholder, not later than 10 days before the meeting, establishes ownership of the trust units and demands that the transferee's name be included on the list of unitholders.

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 Peyto Exploration & Development Corp. As a unitholder you have the right to appoint a person, who need not be a unitholder, 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 or submit another appropriate proxy.

#### **Advice to Beneficial Holders of Trust Units**

The information set forth in this section is of significant importance to you if you do not hold your trust units in your own name. Only proxies deposited by unitholders whose names appear on our records as the registered holders of trust units can be recognized and acted upon at the meeting. If trust units are listed in your account statement provided by your broker, then in almost all cases those trust units will not be registered in your name on our records. Such trust units will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such trust units are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms. Trust units 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 trust units.

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 trust units are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered unitholders. However, its purpose is limited to instructing the registered unitholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communication ("ADP"). ADP 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. Alternately, you can call their toll-free telephone number or visit their internet site to vote your trust units. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of trust units to be represented at the meeting. If you receive a voting instruction form from ADP it cannot be used as a proxy to vote trust units directly at the meeting as the proxy must be returned to ADP well in advance of the meeting in order to have the trust units voted.

#### **Revocability of Proxy**

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy 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 our 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 our management. We 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 our directors, officers and employees who will not be remunerated therefore.

### **Exercise of Discretion by Proxy**

The trust units represented by 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 trust units will be voted on any poll in accordance with the specification so made. If you do not provide instructions your trust units 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 UNITS AND PRINCIPAL HOLDERS THEREOF**

We are authorized to issue an unlimited number of trust units without nominal or par value which may be issued for such consideration as may be determined by resolution of the board of directors. As at March 20, 2005, there were 48,395,272 trust units issued and outstanding. As a holder of trust units you are entitled to one vote for each trust unit you own.

To the knowledge of our directors and officers, as at March 20, 2005 no person or company beneficially owned, directly or indirectly, or exercised control or direction, over more than 10% of the trust units.

As at March 20, 2005, our directors and officers, as a group, beneficially owned, directly or indirectly, or exercised control over 10,142,852 trust units or approximately 21% of the issued and outstanding trust units.

## **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 5% of our outstanding trust units. 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 unitholders present either personally or by proxy shall form a quorum.

## **APPROVAL REQUIREMENT**

All of the matters to be considered at the meeting, other than the special resolution regarding the trust unit split, are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of unitholders present in person or represented by proxy at the meeting.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Election of Directors

At the meeting, the unitholders will be asked to fix the number of directors of Peyto Exploration & Development Ltd. to be elected at the meeting at seven (7) members 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 of directors at seven (7) members, and in favour of the election as directors, until the next annual meeting of unitholders of Peyto Energy Trust, of the seven (7) nominees set forth below:

Rick Braund  
 Donald Gray  
 Brian Craig  
 John Boyd  
 Roberto Bosdachin  
 Michael MacBean  
 C. Ian Mottershead

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.

The names and municipalities of residence of all of the persons nominated for election as directors, the approximate number of trust units beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them, the dates on which they became directors, and their principal occupations, as of March 20, 2005, were as follows:

Name	Principal occupation	Year became director	Number of trust units beneficially owned directly or indirectly or over which control or direction is exercised
<b>Rick Braund</b> Calgary, Alberta	Chairman of Buck Oil Ltd., a private oil and gas company, since 1999	<b>October, 1998</b>	1,288,449
<b>Donald Gray</b> Calgary, Alberta	President and Chief Executive Officer of Peyto since October 1998	<b>October, 1998</b>	2,065,325
<b>Brian Craig</b> <sup>(1)(2)(3)</sup> Calgary, Alberta	President and Chief Executive Officer of Solium Capital Inc., a publicly traded technology company since May 2002; prior thereto, Mr. Craig was President and Chief Executive Officer of StormWorks Inc. from January 2000 to May 2002; prior thereto, Mr. Craig was the President of Radiant Energy, a private consulting firm, from January 1998 to January 2002	<b>October, 1998</b>	301,398

Name	Principal occupation	Year became director	Number of trust units beneficially owned directly or indirectly or over which control or direction is exercised
<b>John Boyd</b> <sup>(3)</sup> Western Australia, Australia	Private Investor	<b>July, 2002</b>	4,402,900
<b>Roberto Bosdachin</b> Calgary, Alberta	Vice President of Exploration of Peyto since April 2000; prior thereto, Mr. Bosdachin was a senior staff geologist with Calihou Petroleum from October 1998 to April 2000	<b>May, 2005</b>	587,470
<b>Michael MacBean</b> <sup>(1)(2)(3)</sup> Swift Current, Saskatchewan	Chief Executive Officer of Diamond Energy Services Inc., an oil services company since October 1998	<b>June, 2003</b>	110,000
<b>C. Ian Mottershead</b> <sup>(1)(2)(3)</sup> Vancouver, British Columbia	Private Investor since June, 2003; prior thereto, Mr. Mottershead was an officer of Phillips, Hager & North Investment Management Ltd., a Canadian investment manager, from July 1980 to June 2003	<b>July, 2003</b>	128,024

Notes:

- (1) Member of the audit committee, which is required under the *Business Corporations Act* (Alberta).
- (2) Member of the reserve committee.
- (3) Member of the compensation committee.
- (4) We do not have an executive committee.

The information as to voting securities beneficially owned, directly or indirectly, is based upon information furnished to us by the nominees.

### Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of Deloitte & Touche LLP, Chartered Accountants, as our auditors, to hold office until the next annual meeting of the unitholders and to authorize the directors to fix their remuneration as such. Deloitte & Touche LLP was first appointed auditor of Peyto Energy Trust on June 3, 2004.

### Trust Unit Split

The Board of Directors of Peyto Exploration & Development Corp. has resolved, subject to the unitholders' approval, that the issued and outstanding trust units of the Trust be subdivided on a 2 for 1 basis.

The Board of Directors of Peyto Exploration & Development Corp. feel that having a greater number of trust units available at a reduced price per trust unit will increase the public's interest in Peyto Energy Trust's business. It is also anticipated that the availability of more trust units will stabilize the market price of Peyto Energy Trust's trust units and result in a broader distribution. The proposed special resolution is as follows:

BE IT RESOLVED as a Special Resolution of Unitholders of Peyto Energy Trust pursuant to Section 10.5(b) of the trust indenture of Peyto Energy Trust dated May 22, 2003 that:

1. The issued and outstanding Units shall be subdivided on a 2 for 1 basis and additional certificates shall be issued and delivered to the holders of each such issued and outstanding trust unit to evidence the number of units held by such holders as result of such subdivision.
2. The Board of Directors are authorized to revoke this resolution before it is acted upon without further approval of the unitholders.
3. Any single officer or director of Peyto Exploration & Development Corp. be and is hereby authorized and instructed to execute all such instruments and carry out all such acts as are necessary to give effect to the foregoing.

***Vote Required for the Special Resolution***

Adoption of the Special Resolution by the unitholders will require the affirmative vote of at least 66  $\frac{2}{3}$ % of the votes cast by such holders at the Meeting. The Special Resolution proposes that the directors may revoke the resolution before it is acted upon without further approval of the unitholders.

***Record Date for Subdivision***

Pursuant to the rules of the Toronto Stock Exchange, a record date for the subdivision has been fixed as the close of business May 31, 2005 or such other date as may be approved by the Board of Directors and publicly announced by Peyto Energy Trust. Pursuant to the Toronto Stock Exchange rules, the trust units will commence trading on a subdivided basis at the opening of business on the second trading day preceding the record date for the unit split; namely May 27, 2005.

***Delivery of Trust Unit Certificates***

Trust unit certificates for the additional trust units to be issued on subdivision will be forwarded by prepaid mail to each unitholder of Peyto Energy Trust within approximately five business days of the record date for the unit split at the address of such unitholder as it appears on the register of unitholders on that date. Unitholders who hold their trust units in street form should insure they are registered as unitholders prior to the record date if they wish to receive the new certificates directly.

**DIRECTORS' AND OFFICERS' COMPENSATION**

**Compensation Committee**

The compensation committee is comprised of Messrs. Mottershead, Craig, MacBean and Boyd. None of these directors are executive officers or employees of Peyto Exploration & Development Corp. The compensation committee meets from time to time each year for the purpose of, among other things, reviewing the overall compensation policy of Peyto Exploration & Development Corp. The compensation committee makes recommendations to the board of directors on salaries of officers, bonus allocations and directors' compensation. The board of directors reviews all recommendations of the compensation committee relating to compensation matters before final approval.

## **Board of Directors Report on Compensation**

TO: The Unitholders of Peyto Energy Trust

### ***Executive and Employee Compensation Strategy***

Our compensation policies are founded on the principal that executive and employee compensation should be consistent with unitholders' interests and, therefore, the compensation strategy employed is weighted towards variable or performance based compensation. The objectives of the program are to attract and retain a high quality management and employee team and to motivate performance by tying a significant portion of the compensation to performance measures. We pay base salaries at or slightly below the median of our industry peers. We do not have a pension plan or other form of formal retirement compensation. Our compensation plan consists of the following items:

- base salary
- market based bonus
- reserves or value based bonus

The compensation of all our employees, including executive officers, is consistent with the above policies. A description of the criteria used in each element of compensation is set forth below.

### ***Base Salaries***

Our policy is that salaries for our executive officers and other employees are competitive within our industry and generally set at or slightly below the median salary level among entities our size.

### ***Market Based Bonus***

The purpose of the market based bonus (the "Market Component") is to provide officers, consultants, employees and other service providers, as applicable (all of which are hereinafter called "Service Providers"), of Peyto Energy Trust and any of its subsidiaries, including Peyto Exploration & Development Corp., with an opportunity to be issued allocations of the Market Component (referred to herein as "Rights"), as designated from time to time by the board of directors of Peyto Exploration & Development Corp., the value of which will be based primarily on the market value of the trust units and the distributions paid to unitholders. The Market Component will provide an increased incentive for these Service Providers to contribute to the future success of Peyto Energy Trust, thus enhancing the value of the trust units for the benefit of all the unitholders. The Market Component is meant to mirror, to the extent possible, Peyto Exploration & Development Corp.'s previously outstanding option plan, with the exception that all payments are made in cash.

Rights shall be granted by the board of directors from time to time, at 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 of directors.

The grant price ("Grant Price") per Right in respect of Rights granted shall be generally equal to the weighted average of the per trust unit closing price of trust units traded through the facilities of the Toronto Stock Exchange on the five (5) consecutive trading days immediately preceding the date of grant. The Rights will have vesting schedules as is determined by the board of directors, in their sole discretion. The Rights issued in 2003 and 2004 vest equally (as to  $\frac{1}{3}$  per year) over three (3) years on December 31 of each year. At the end of each year, the vested Rights will be paid out based on the formula set forth in the following paragraph. At the beginning of each calendar year, the board of directors of Peyto Exploration & Development Corp. will use its discretion to determine whether to award new Rights, the number of Rights awarded, if any, the vesting schedule of such Rights and the allocations. For any particular year, the number of new Rights granted shall not exceed the number of Rights that vested on December 31 of the previous year. Such new Rights will be granted effective January 1 and will be issued at a Grant Price equal to the Year End Market Price (as defined below). In certain circumstances, a new Service Provider may be granted Rights at the time they commence providing services, the Grant Price of such Rights shall

be the market price of the trust units at such time. All Rights that have vested will expire at the end of the year regardless of whether they are in the money or not.

Upon the vesting of each Right, Peyto Energy Trust shall pay to the holder of such Right an amount equal to 1.33 multiplied by the sum of (i) the weighted average of the per trust unit closing price of trust units traded through the facilities of the Toronto Stock Exchange on the five (5) consecutive trading days immediately preceding the end of the calendar year ("Year End Market Price") less the Grant Price for such Right and (ii) the amount of the cash distributed by Peyto Energy Trust per trust unit from the Grant Date to the date of vesting. For greater certainty, the sum calculated in (i) above may be negative if the weighted average trading price is less than the Grant Price. The 1.33 multiplier is being utilized to neutralize the difference in tax treatment from the exercise of stock options pursuant to the previously existing stock option plan and the cash payouts under the Market Component. The gain realized by a holder of stock options under the previously existing option plan was taxed at the capital gains rate of 50%. The gain realized by a holder of Rights under the Market Component will be taxed at 100%.

To date, 4,728,600 Rights (inclusive of 752,300 Rights granted in 2005) have been issued of which 1,001,000 vested on December 31, 2003 and 1,000,000 vested on December 31, 2004 and were paid out shortly thereafter. To date, 354,000 unvested Rights have been cancelled. Compensation expense with respect to Rights vested December 31, 2003 totalled \$17.2 million and December 31, 2004 totalled \$44.6 million. Effective January 1, 2005, 467,300 Rights were issued, with such Rights vesting in their entirety on December 31, 2007. It is the current intention of Peyto Energy Trust to keep the number of Rights outstanding at a number, which is no greater than 7% of the issued and outstanding trust units. There are currently 2,373,600 Rights outstanding, notionally representing 4.9% of the issued and outstanding trust units.

#### ***Reserves/Value Based Bonus***

The principal purpose of the Reserves/Value Based Component ("Value Component") is to advance the interests of Peyto Energy Trust and its subsidiaries by providing for bonuses for key employees and directors of Peyto Exploration & Development Corp. and its subsidiaries who are designated as participants thereunder. The goal in implementing the Value Component is to attract and retain such key employees and directors, make their compensation competitive with other opportunities, and provide them with an incentive to strive to achieve the financial and business objectives of Peyto Energy Trust and its subsidiaries. The overriding philosophy of the Value Component is to reward the designated employees for accretive value generation. The Value Component is designed to recognize individual performance that has played a role in creating incremental value per trust unit but not to reward for increases in commodity prices.

The Value Component will be administered by the Chief Executive Officer of Peyto Exploration & Development Corp., who will select the participants in the Value Component from among key employees of Peyto Exploration & Development Corp. and its subsidiaries and will allocate participation points to each such participant. Recommendations regarding the allocations made by the Chief Executive Officer will be reviewed by the compensation committee of the board of directors. Allocations and payments made to the Chief Executive Officer will be determined by the board of directors of Peyto Exploration & Development Corp. Under the Value Component, the bonus pool is comprised of 3% of the annual incremental increase in value, if any, as adjusted to reflect changes in debt, equity and distributions, of Proven Producing Reserves calculated using a discount rate of 8%. The change in Proven Producing Reserves will be calculated on a calendar year basis. The Proven Producing Reserves shall be 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 shall be paid in cash. Compensation expense with respect to the Value Component totalled \$8.3 million in 2004 (2003 – Nil).

#### ***Chief Executive Officer Compensation***

The compensation of the Chief Executive Officer of Peyto Exploration & Development Corp. is based on the same principles as our overall compensation strategy. Accordingly, a significant portion of the Chief Executive Officer's compensation is tied to performance measures. The base salary and bonus allocations made to the Chief Executive Officer reflect the role and responsibilities inherent in the position of Chief Executive Officer.

Given the unique nature of Peyto Exploration & Development Corp.'s business, the Compensation Committee did not place significant emphasis on external compensation comparisons. However, comparison to other executives employed by Peyto Exploration & Development Corp. was considered by the Compensation Committee. Given the nature of Peyto Exploration & Development Corp.'s business development and the roles adopted by the executive team, the Chief Executive Officer's overall compensation was, for the fiscal year end 2004, higher than other executives employed by Peyto Exploration & Development Corp. If either the nature of Peyto Exploration & Development Corp.'s operations or the role played by the Chief Executive Officer changes, the level of the Chief Executive Officer's compensation, relative to other executives, may also change.

The bonuses awarded by Peyto Exploration & Development Corp. reward executives for performance on several dimensions, namely, the increase in market price of Peyto Energy Trust's trust units, the amount of cash distributions paid on the trust units as well as growth in reserve value. For the most recently completed financial year, Peyto Energy Trust grew on all these performance parameters and the Chief Executive Officer compensation reflects this growth.

### Summary

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

Board Members: C. Ian Mottershead  
Brian Craig  
Michael MacBean  
John Boyd

### Compensation of Named Executive Officers

The following table sets forth information concerning the compensation paid to our Chief Executive Officer, Vice President, Finance and the next three highest paid executive officers for the years ended December 31, 2004, 2003 and 2002.

Name and principal position	Fiscal year	Annual compensation			Long-term compensation			All other compensation (\$)
		Salary (\$)	Bonus (\$) <sup>(3)</sup>	Other annual compensation (\$)	Awards		Payouts	
					Securities under options /SARS granted (#) <sup>(4)</sup>	Restricted trust units or restricted share trust units (\$)	LTIP payouts (\$) <sup>(5)</sup>	
Donald Gray President and Chief Executive Officer	2004	210,000	13,419,509	Nil	327,000	Nil	N/A	Nil
	2003	210,000	4,925,911	Nil	990,000/801,000	Nil	11,423,333	Nil
	2002	165,000	275,000	Nil	990,000	Nil	N/A	Nil
Roberto Bosdachin Vice President, Exploration	2004	150,000	7,956,421	Nil	350,000	Nil	N/A	Nil
	2003	150,000	2,950,736	Nil	473,333/450,000	Nil	5,073,563	Nil
	2002	125,000	275,000	Nil	506,667	Nil	N/A	Nil
Darren Gee Vice President, Engineering	2004	145,000	7,209,332	Nil	294,000	Nil	N/A	Nil
	2003	145,000	2,556,524	Nil	500,000/402,000	Nil	5,827,331	Nil
	2002	120,000	175,000	Nil	500,000	Nil	N/A	Nil

Name and principal position	Fiscal year	Annual compensation			Long-term compensation			All other compensation (\$)
		Salary (\$)	Bonus (\$) <sup>(3)</sup>	Other annual compensation (\$)	Awards		Payouts	
					Securities under options /SARS granted (#) <sup>(4)</sup>	Restricted trust units or restricted share trust units (\$)	LTIP payouts (\$) <sup>(5)</sup>	
Scott Robinson Vice President, Operations <sup>(2)</sup>	2004 2003 2002	165,000 - -	4,181,378 - -	Nil - -	270,000 - -	Nil - -	N/A - -	Nil - -
Sandra Brick Vice President, Finance	2004 2003 2002	145,000 145,000 106,667	4,874,679 1,619,612 75,000	Nil Nil Nil	194,000 250,000/252,000 250,000	Nil Nil Nil	N/A 2,611,698 N/A	Nil Nil Nil

Notes:

- (1) The value of perquisites and other personal benefits received by the named executive officers is not greater than \$50,000 and 10% of the total salary and bonus for the period.
- (2) On January 1, 2004 Mr. Scott Robinson was hired as Vice President, Operations at a salary of \$165,000, on an annualized basis.
- (3) Such amounts have been paid pursuant to both the Market Based Bonus and Reserves Based Bonus.
- (4) For the 2002 fiscal year, this number represents the options to acquire common shares of Peyto Exploration & Development Corp. For the 2003 fiscal year, the first number represents the options to acquire common shares of Peyto Exploration & Development Corp. prior to the reorganization into a trust and the second number represents Rights issued pursuant to the Market Based Bonus. For 2004, the number represents Rights issued pursuant to the Market Based Bonus.
- (5) Represents the payout of intrinsic value of stock options cancelled and purchased pursuant to the reorganization into a trust.

#### Rights Granted During the Year Ended December 31, 2004

Rights issued pursuant to the Market Based Bonus are listed below, as their value depends, in part, on the market price of the trust units. For more information on the Market Based Bonus, please see "Board of Directors Report on Compensation – Market Based Bonus".

The following table sets forth details with respect to all Rights granted pursuant to the Market Based Bonus to our Chief Executive Officer, Vice President, Finance and the next three highest paid executive officers during 2004.

Name	Rights Granted (#)	Percentage of total rights granted to employees in 2004 (%)	Base Price (\$/security)	Market value of securities underlying rights on date of grant (\$/security)	Expiration Date
Donald Gray	30,000	3	27.30	27.30	December 31, 2006
Roberto Bosdachin	130,000	13	27.30	27.30	December 31, 2006
Darren Gee	90,000	9	27.30	27.30	December 31, 2006
Scott Robinson	300,000	31	25.30	25.30	December 31, 2005 to December 31, 2007
Sandra Brick	60,000	6	27.30	27.30	December 31, 2006

### Rights Vested During the Year Ended December 31, 2004 and Year End Values

The following table sets forth with respect to our Chief Executive Officer, Vice President, Finance and the next three highest paid executive officers, the number of Rights vested pursuant to the Market Based Bonus, and the number of unvested Rights and their value based upon the 5 day weighted average trading price immediately preceding year end of the trust units of \$47.54 and the aggregate amount of distributions paid as at December 31, 2004.

Name	Securities acquired on exercise (#)	Rights Vested (#)	Aggregate Value Realized (\$)	Balance of Rights at Year End (#)		Value of In-The-Money Rights at Year End (\$)	
				Vested/Unvested		Vested/Unvested	
Donald Gray	-	267,000	12,467,047	-	297,000	-	13,355,922
Roberto Bosdachin	-	150,000	7,003,959	-	280,000	-	10,855,750
Darren Gee	-	134,000	6,256,870	-	224,000	-	8,923,495
Scott Robinson	-	100,000	3,228,916	-	200,000	-	6,457,832
Sandra Brick	-	84,000	3,922,217	-	144,000	-	5,699,967

### Directors

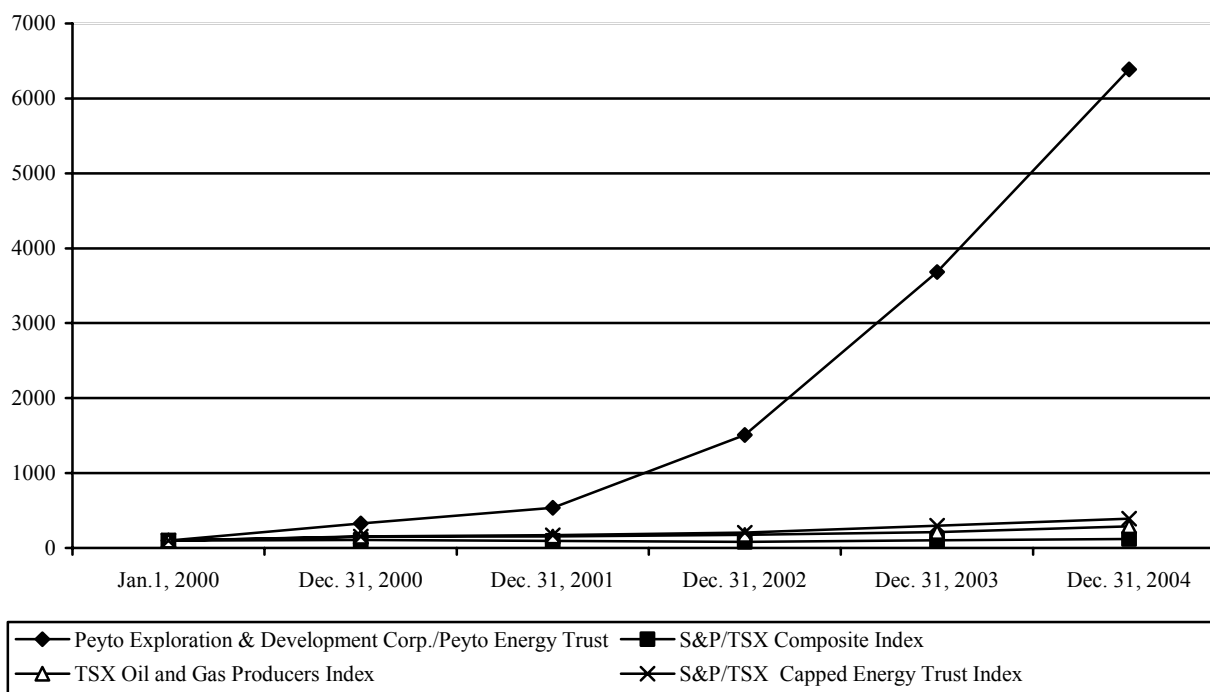
Each of the directors of Peyto Exploration & Development Corp. with the exception of Mr. Donald Gray and Mr. Rick Braund, who are employees or consultants of Peyto Exploration & Development Corp., receive an annual retainer plus expenses of attending meetings of the board of directors. The retainers range from \$20,000 per annum to \$40,000 per annum depending on committee membership, undertaking the role of a committee chair and other relevant factors considered by the compensation committee.

### Liability Insurance of Directors and Officers

Peyto Exploration & Development Corp. maintains directors' and officers' liability insurance coverage for losses to Peyto Exploration & Development Corp. 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 Exploration & Development Corp. against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for Peyto Exploration & Development Corp. All directors and officers of Peyto Exploration & Development Corp. are covered by the policy and the amount of insurance applies collectively to all. The cost of this insurance is \$60,000 per annum.

### Performance Graph

The following graph illustrates our five year cumulative unitholder return, as measured by the closing price of the trust units at December 31, 2004, assuming an initial investment of \$100 on January 1, 2000, compared to the S&P/TSX Composite Index, the TSX Oil and Gas Producers Index and the S&P/TSX Capped Energy Trust Index, assuming the reinvestment of distributions.



	Jan. 1, 2000	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Peyto Exploration & Development Corp./Peyto Energy Trust <sup>(1)</sup>	100	327	536	1,507	3,682	6,385
S&P/TSX Composite Index <sup>(2)</sup>	100	107	94	82	104	119
TSX Oil and Gas Producers Index	100	147	152	176	212	291
S&P/TSX Capped Energy Trust Index <sup>(3)</sup>	100	153	172	205	299	391

## Notes:

- (1) Represents common shares of Peyto Exploration & Development Corp. prior to July 4, 2003 when the trust units of Peyto Energy Trust commenced trading on the Toronto Stock Exchange following the reorganization.
- (2) The S&P/TSX Composite Index was previously called the TSX 300 Index.
- (3) The S&P/TSX Capped Energy Trust Index was previously called the S&P/TSX Canadian Energy Trust Index.

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following summary also addresses each of the guidelines of the Toronto Stock Exchange with respect to corporate governance including an explanation of any divergence from the stated guidelines.

The board of directors and management believes in the importance of good corporate governance and its effectiveness in promoting enhanced unitholder value. The Toronto Stock Exchange has required that listed corporations disclose their approach to corporate governance, making particular reference to the guidelines set out in the December 1994 report of the Toronto Stock Exchange Committee on Corporate Governance. When a corporation's corporate governance system differs from these guidelines, it is required to give an explanation of the differences. The guidelines contained in the Toronto Stock Exchange report are not mandatory and the Toronto Stock Exchange report recognizes that the unique characteristics of individual corporations will result in varying degrees of compliance with such guidelines. The board of directors and management will continue to monitor the current initiatives of the securities regulatory authorities in Canada with respect to corporate governance in order to ensure that our corporate governance practice complies with all applicable legal requirements.

Toronto Stock Exchange Corporate Governance Guidelines	Do we comply?	Comments
<p>2. Board should explicitly assume responsibility for stewardship of the corporation, and specifically for:</p> <p>(a) adoption of a strategic planning process;</p> <p>(b) identification of principal risks of the corporation's business and ensure the implementation of appropriate risk-management systems;</p> <p>(c) succession planning and monitoring senior management;</p> <p>(d) communication policy; and</p> <p>(e) integrity of internal control and management systems.</p>	Yes	<p>The board has full plenary powers and the statutory responsibilities to oversee the conduct of our business and to supervise management which is responsible for the day-to-day conduct of our business. The board's fundamental objectives are to enhance and preserve long-term unitholder value and to ensure that we meet our objectives on an ongoing basis. The board has acknowledged its responsibility for our stewardship, including responsibility for:</p> <ul style="list-style-type: none"> <li>• the appointment of executive officers and for succession planning;</li> <li>• the identification of our principal business risks and ensuring the implementation of appropriate systems to manage these risks;</li> <li>• the approving of all financings and significant acquisitions or dispositions;</li> <li>• ensuring the implementation and integrity of our internal control and management information systems;</li> <li>• approval and monitoring our strategic planning;</li> <li>• monitoring compliance with all significant policies and procedures and applicable laws and regulations; and</li> <li>• ensuring timely and accurate reporting to unitholders of financial and other matters in accordance with applicable law</li> </ul>
3. Majority of directors should be unrelated.	Yes	Four of the seven members of the board are unrelated.
4. Disclose for each director whether he or she is related, and how that conclusion was reached.	Yes	<p>Mr. Gray, Mr. Braund and Mr. Bosdachin are considered "inside" and "related" directors as they hold the position of President and CEO, Landman and Vice President, Exploration, respectively.</p> <p>All of the other directors are considered to be "outside" and "unrelated" directors as they have no</p>

<b>Toronto Stock Exchange Corporate Governance Guidelines</b>	<b>Do we comply?</b>	<b>Comments</b>
5. Appoint a committee composed exclusively of non-management directors, the majority of whom are unrelated, with the responsibility of proposing new board nominees and assessing directors.	No	business relationship with us other than ownership of trust units.  This function is handled by the board of directors as a whole.
6. Implement a process for assessing the effectiveness of the board, its committees and individual directors.	No	The board of directors periodically assesses the effectiveness of the board, its committees and the individual directors.
7. Provide orientation and education programs for new directors.	Yes	We provide orientation to new directors on an <i>ad hoc</i> basis upon them being invited to join the board of directors based upon the director's background and knowledge of our operations.
8. Examine the size of the board with a view to effectiveness and consider reducing the size of the Board.	Yes	The board of directors periodically examines the size of the board with respect to the view of its effectiveness. The board of directors believes that its current size is appropriate at this time.
9. Review compensation of directors in light of risks and responsibilities.	Yes	The board of directors annually reviews the compensation of directors.
10. (a) Committees should generally be composed of non-management directors; and	Yes	All committees of the board are composed exclusively of non-management directors.
(b) a majority of committee members should be unrelated.	Yes	All committees of the board are composed exclusively of non-management directors.
11. Appoint a committee responsible for approach to corporate governance issues.	No	Given the size of the board of directors, we believe that the matters can be handled by the board as a whole.

Toronto Stock Exchange Corporate Governance Guidelines	Do we comply?	Comments
12. (a) Define limits to management's responsibilities by developing mandates for: <ul style="list-style-type: none"> <li>• the board; and</li> <li>• the CEO.</li> </ul>	Yes	The President and CEO is accountable to the board for meeting corporate objectives. The board has delegated to the President and CEO the responsibility for the day-to-day management of our business, subject to compliance with plans and objectives approved from time to time by the board.
(b) The board should approve the CEO's corporate objectives.	Yes	All plans and corporate objectives are approved by the board.
13. Establish procedures to enable the board to function independently of management.	No	The board has functioned, and is of the view that it can continue to function, independently of management. The Chairman is an "outside" and "unrelated" director. The board and any committee can and do meet in the absence of management at their discretion.
14. (a) Establish an audit committee with a specifically defined mandate.	Yes	The board has established an audit committee which is responsible for reviewing audit functions and the preparation of financial statements and reviewing and recommending for approval to the board all public disclosure information such as financial statements and prospectuses. The audit committee also ensures that management has effective internal control systems and meets from time-to-time with external auditors without management present.
(b) All members of the audit committee should be non-management directors.	Yes	All of the members of the audit committee are non-management directors.
15. Implement a system to enable individual directors to engage outside advisors, at the corporation's expense.	Yes	Individual directors may engage outside advisors, at our expense, in appropriate circumstances.

#### **Other Activities of the Board of Directors of Peyto Exploration & Development Corp.**

The board of directors of Peyto Exploration & Development Corp. holds regularly scheduled meetings to perform its responsibilities, including those specific responsibilities deleted to it under the trust indenture or adopted by the board.

The board of directors and its committees have access to senior management on a regular basis and Mr. Gray, President and Chief Executive Officer, is a director and attends all meetings of the board of directors along with other executive officers who are invited to attend directors meetings to provide necessary information to facilitate decision-making activities. The board of directors, in part, performs its mandate of responsibilities through the activities of its three committees: the Audit Committee, the Reserves Committee and the Compensation

Committee, all of which are comprised entirely of unrelated directors. The Reserves Committee's responsibilities include reviewing the annual evaluation reports on the oil and gas reserves of the trust subsidiaries, periodically reviewing the qualifications, experience and independence of the consulting engineering firms reporting to the trust's oil and natural gas reserves and meeting with the engineers employed or otherwise retained by the trust's subsidiaries who prepare such reports.

#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Except as set forth in the tables below, neither the Trustee, nor any director or executive officer of any subsidiary of Peyto Energy Trust, is, or has at any time since the beginning of Peyto Energy Trust's last completed financial year, been indebted to Peyto Energy Trust or any of its subsidiaries, 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 Peyto Energy Trust or any of its subsidiaries.

#### Aggregate Indebtedness

Purpose	To Peyto Exploration & Development Corp.	To Another Entity
<b>Securities Purchases</b>		
Scott Robinson	\$100,000	N/A

#### Indebtedness of Directors and Executive Officers Under Securities Purchase and Other Programs

Name and Principal Position	Involvement of Peyto Exploration & Development Corp.	Largest Amount of Indebtedness Outstanding During the Year Ended December 31, 2004	Amount Outstanding as at March 20, 2005	Security for Indebtedness	Amount Forgiven During the Year Ended December 31, 2004
<b>Securities Purchase</b>					
Scott Robinson Vice President, Operations	Lender	\$100,000	Nil	Trust Units	Nil

#### 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 Peyto Exploration & Development Corp., any securityholder who beneficially owns, directly or indirectly, or exercise control or direction over more than 10% of the outstanding trust units, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of Peyto Energy Trust or in any proposed transaction which has materially affected or would materially affect Peyto Energy Trust or any of its subsidiaries.

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

Our 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 our last financial year 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.

**ADDITIONAL INFORMATION**

Additional information relating to Peyto Energy Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information in respect of Peyto Energy Trust and its affairs is provided in Peyto Energy Trust's annual audited comparative financial statements for the year ended December 31, 2004 and the related management's discussion and analysis. Copies of Peyto Energy Trust's financial statements and related management discussion and analysis are available upon request from Peyto Exploration & Development Corp. at Suite 2900, 450 – 1<sup>st</sup> Street S.W., Calgary, Alberta, T2P 5H1, Attention: Sandra Brick, telephone (403) 261-6902, or telecopy (403) 261-8976.

**OTHER MATTERS**

The management of Peyto Exploration & Development Corp. 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 our directors.

Dated: April 19, 2005

(signed) "*Donald Gray*"  
President and Chief Executive Officer  
Peyto Exploration & Development Corp.