

PEYTO ENERGY TRUST

Notice of Annual and Special Meeting of Unitholders to be held on May 16, 2006

The annual and special meeting of the unitholders of Peyto Energy Trust will be held in the Sheraton South Room of the Sheraton Suites Calgary Eau Claire located at 255 Barclay Parade Avenue S.W., Calgary, Alberta on Tuesday, May 16, 2006 at 2:30 p.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2005, together with the auditors' report thereon;
2. fix the number of directors of Peyto Exploration & Development Corp. to be elected at the meeting at six (6) members;
3. elect six (6) directors of Peyto Exploration & Development Corp.;
4. appoint the auditors and authorize the directors to fix their remuneration as such;
5. to re-appoint Valiant Trust Company as the Trustee for both Peyto Energy Trust and Peyto Operating Trust for a term of three (3) years; and
6. 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-proxy statement accompanying this notice.

If you are unable to attend the meeting in person we request that you date and sign the enclosed form of proxy and mail it to or deposit it with our Corporate Secretary, c/o Valiant Trust Company, Suite 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1. In order to be valid and acted upon at the meeting, forms of proxy must be returned to the aforesaid address 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 27, 2006 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.

DATED at Calgary, Alberta this 19th day of April, 2006.

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

(signed) "*Donald Gray*"
President and Chief Executive Officer

PEYTO ENERGY TRUST

Information Circular-Proxy Statement
for the Annual and Special Meeting to be held on May 16, 2006

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 16, 2006 in the Sheraton South Room of the Sheraton Suites Calgary Eau Claire located at 255 Barclay Parade Avenue S.W., Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be addressed to and reach Valiant Trust Company, Suite 310, 606 – 4th 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 27, 2006 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 27, 2006, there were 104,030,034 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 27, 2006 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 27, 2006, our directors and officers, as a group, beneficially owned, directly or indirectly, or exercised control over 20.4 million trust units or approximately 20% 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 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

Re-Appointment of Trustee of Peyto Energy Trust and Peyto Operating Trust

The Trust Indentures of both Peyto Energy Trust and Peyto Operating Trust provide that the Unitholders shall, at each third meeting of Unitholders, re-appoint or appoint a successor Trustee. Accordingly, Unitholders will consider an ordinary resolution to re-appoint Valiant Trust Company as Trustee of both Peyto Energy Trust and

Peyto Operating Trust to hold office until the end of the third next meeting of Unitholders. Valiant Trust Company has been Trustee of both Peyto Energy Trust and Peyto Operating Trust since their respective formations.

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 six (6) members and to elect six (6) directors.

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing the board of directors at six (6) members, and in favour of the election as directors, until the next annual meeting of unitholders of Peyto Energy Trust, of the six (6) nominees set forth below:

Rick Braund
 Donald Gray
 Brian Craig
 John Boyd
 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 27, 2006, 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
Rick Braund Calgary, Alberta	Chairman of Buck Oil Ltd., a private oil and gas company, since 1999	October, 1998	2,514,015
Donald Gray Calgary, Alberta	President and Chief Executive Officer of Peyto since October 1998	October, 1998	4,775,979
Brian Craig ⁽¹⁾⁽²⁾⁽³⁾ 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	October, 1998	552,796
John Boyd ⁽³⁾ Western Australia, Australia	Private Investor	July, 2002	8,906,176

Name	Principal occupation	Year became director	Number of trust units beneficially owned directly or indirectly or over which control or direction is exercised
Michael MacBean ⁽¹⁾⁽²⁾⁽³⁾ Swift Current, Saskatchewan	Chief Executive Officer of Diamond Energy Services Inc., an oil services company since October 1998	June, 2003	221,500
C. Ian Mottershead ⁽¹⁾⁽²⁾⁽³⁾ 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	July, 2003	270,456

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 and nominating 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.

DIRECTORS' AND OFFICERS' COMPENSATION

Compensation and Nominating Committee

The Compensation and Nominating 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 and Nominating 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 and Nominating 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 and Nominating 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. The Compensation and Nominating Committee evaluates these objectives on an ongoing

basis. 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 provides 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, while the Rights granted in 2005 generally vest in three years. 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 a stock option and the cash payouts under the Market Component. The gain realized by a holder of stock options is 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, 12.3 million Rights (inclusive of 1.9 million Rights granted in 2006) have been issued of which 2.0 million vested on December 31, 2004 and 1.9 million vested on December 31, 2005 and were paid out shortly thereafter. To date, 1.9 million unvested Rights have been cancelled. Compensation expense with respect to Rights vested December 31, 2004 totalled \$44.6 million and December 31, 2005 totalled \$45.0 million. Effective January 1, 2006, 1.6 million Rights were issued, with such Rights vesting in their entirety on December 31, 2008. 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 4.5 million Rights outstanding, notionally representing 4% 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 and Nominating 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 \$12.8 million in 2005 (2004 – \$8.3 million).

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 and Nominating 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 and Nominating 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 2005, 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 proven producing reserve value. The bonus granted under the market based bonus vests over a three year period. Over the last three financial years, 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, 2005, 2004 and 2003.

Name and principal position	Fiscal year	Annual compensation			Long-term compensation			All other compensation (\$)
		Salary (\$)	Bonus (\$) ⁽³⁾	Other annual compensation (\$)	Awards		Payouts	
					Securities under options /SARS granted (#) ^{(4) (8)}	Restricted trust units or restricted share trust units (\$)	LTIP payouts (\$) ⁽⁵⁾	
Donald Gray President and Chief Executive Officer	2005	210,000	15,302,021	Nil	120,000	Nil	N/A	Nil
	2004	210,000	13,419,509	Nil	297,000	Nil	N/A	Nil
	2003	210,000	4,925,911	Nil	990,000/801,000	Nil	11,423,333	Nil
Darren Gee Vice President, Engineering	2005	145,000	8,860,842	Nil	320,000	Nil	N/A	Nil
	2004	145,000	7,209,332	Nil	224,000	Nil	N/A	Nil
	2003	145,000	2,556,524	Nil	500,000/402,000	Nil	5,827,331	Nil
Scott Robinson Vice President, Operations ⁽²⁾	2005	165,000	5,561,910	Nil	340,000	Nil	N/A	Nil
	2004	165,000	4,181,378	Nil	200,000	Nil	N/A	Nil
	2003	-	-	-	-	-	-	-
Sandra Brick ⁽⁷⁾ Vice President, Finance	2005	145,000	5,074,692	Nil	220,000	Nil	N/A	Nil
	2004	145,000	4,874,679	Nil	144,000	Nil	N/A	Nil
	2003	145,000	1,619,612	Nil	250,000/252,000	Nil	2,611,698	Nil
Kenneth Veres ⁽⁶⁾ Vice President, Exploration	2005	126,000	1,532,284	Nil	240,000	Nil	N/A	Nil
	2004	-	-	-	-	-	-	-
	2003	-	-	-	-	-	-	-

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 in 2006 pursuant to both the Market Based Bonus and Reserves Based Bonus.
- (4) 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.
- (6) On March 7, 2005 Mr. Kenneth Veres was hired as Vice President, Exploration at a salary of \$150,000, on an annualized basis.
- (7) Retired from her position as Vice President, Finance on January 1, 2006.
- (8) 2003 and 2004 are prior to the 2 for 1 trust unit split which was effective May 31, 2005.

Rights Granted During the Year Ended December 31, 2005

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 2005.

Name	Rights Granted (#)	Percentage of total rights granted to employees in 2005 (%)	Base Price (\$/security)	Market value of securities underlying rights on date of grant (\$/security)	Expiration Date
Donald Gray	60,000	4	\$23.77	\$23.77	December 31, 2007
Kenneth Veres	360,000	26	\$23.77	\$23.77	December 31, 2005 to December 31, 2007
Darren Gee	140,000	10	\$23.77	\$23.77	December 31, 2007
Scott Robinson	140,000	10	\$23.77	\$23.77	December 31, 2007
Sandra Brick	100,000	7	\$23.77	\$23.77	December 31, 2007

Rights Vested During the Year Ended December 31, 2005 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 five (5) day weighted average trading price immediately preceding year end of the trust units of \$25.38 and the aggregate amount of distributions paid as at December 31, 2005.

Name	Securities acquired on exercise (#)	Rights Vested (#)	Aggregate Value Realized (\$) ⁽¹⁾	Balance of Rights at Year End (#) Vested/Unvested		Value of In-The-Money Rights at Year End (\$) Vested/Unvested	
Donald Gray	-	534,000	14,595,021	-	120,000	-	1,366,974
Kenneth Veres	-	120,000	445,284	-	240,000	-	890,568
Darren Gee	-	268,000	7,324,842	-	320,000	-	3,941,588
Scott Robinson	-	200,000	4,025,910	-	340,000	-	4,583,579
Sandra Brick	-	168,000	4,591,692	-	220,000	-	2,654,281

Note:

- (1) Included as part of the annual bonus as set forth in the annual compensation table above.

Director and Officer Equity Ownership

The following tables set out each Directors' and Officers' equity ownership interest in Peyto Energy Trust and any changes in the ownership interest since March 20, 2005.

Directors

	Directors' Equity Ownership and Changes Therein			Market Value of Equity Holdings as at March 27, 2006 (\$)
	Equity Ownership as at March 20, 2005 ⁽¹⁾	Equity Ownership as at March 27, 2006	Net Change in Equity Ownership	
Director	Trust Units	Trust Units	Trust Units	
Rick Braund	2,576,898	2,514,015	(62,883)	66,118,595
Donald Gray	4,130,650	4,775,979	645,329	125,608,248
Brian Craig	602,796	552,796	(50,000)	14,538,535

	Directors' Equity Ownership and Changes Therein			Market Value of Equity Holdings as at March 27, 2006 (\$)
	Equity Ownership as at March 20, 2005 ⁽¹⁾	Equity Ownership as at March 27, 2006	Net Change in Equity Ownership	
Director	Trust Units	Trust Units	Trust Units	
John Boyd	8,805,800	8,906,176	100,376	234,232,429
Michael MacBean	220,000	221,500	1,500	5,825,450
C. Ian Mottershead	256,048	270,456	14,408	7,112,993

Note:

- (1) Adjusted for the 2 for 1 trust unit split which was effective May 31, 2005.

Officers

	Officers' Equity Ownership and Changes Therein			Market Value of Equity Holdings as at March 27, 2006 (\$)
	Equity Ownership as at March 20, 2005 ⁽¹⁾	Equity Ownership as at March 27, 2006	Net Change in Equity Ownership	
Officer	Trust Units	Trust Units	Trust Units	
Darren Gee	1,051,208	1,294,408	243,200	34,042,930
Scott Robinson	149,740	298,817	149,077	7,858,887
Glenn Booth ⁽²⁾	-	24,280	24,280	638,564
Sandra Brick ⁽³⁾	823,224	890,806	67,582	23,428,198
Kenneth Veres	-	39,480	39,480	1,038,324
Kathy Turgeon ⁽⁴⁾	7,800	39,570	31,770	1,040,691
Stephen Chetner	494,400	528,485	34,085	13,899,156

Notes:

- (1) Adjusted for the 2 for 1 trust unit split which was effective May 31, 2005.
(2) Became an insider on July 7, 2005.
(3) Ceased to be an insider on January 1, 2006.
(4) Became an insider on January 1, 2006.

Directors

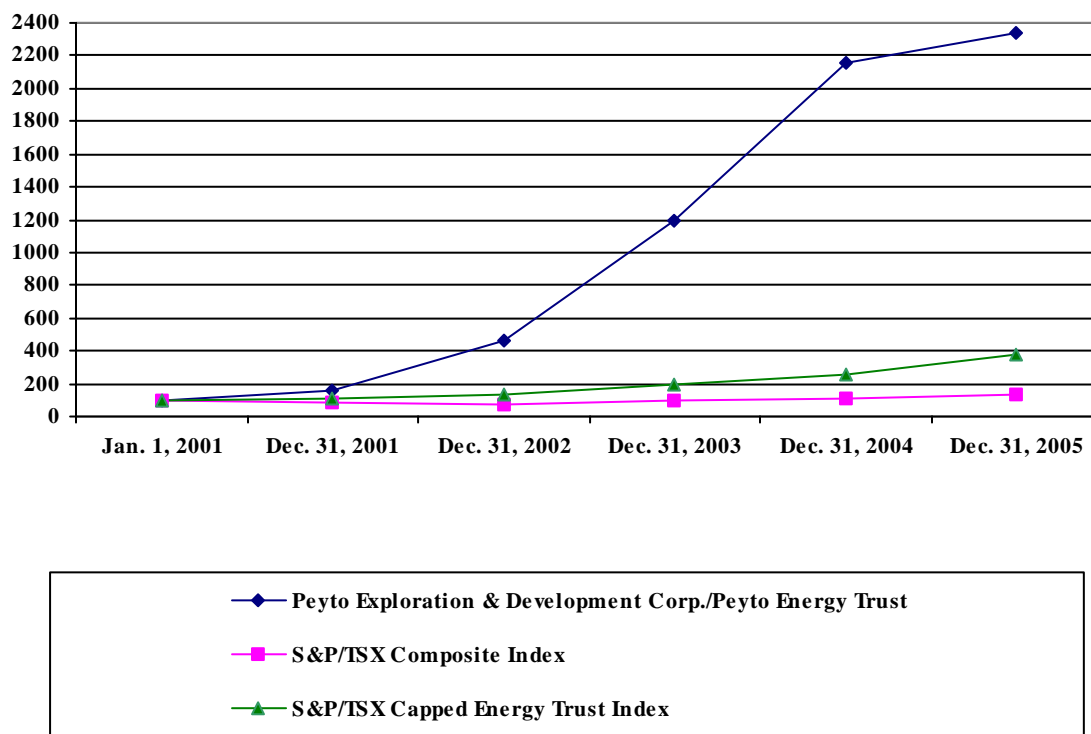
Each of the directors of Peyto Exploration & Development Corp. with the exception of Mr. Donald Gray and Mr. Rick Braund, who are employees or consultants of Peyto Exploration & Development Corp., receive an annual retainer plus expenses of attending meetings of the board of directors. The retainers 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 and Nominating 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 \$62,200 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, 2005, assuming an initial investment of \$100 on January 1, 2001, compared to the S&P/TSX Composite Index and the S&P/TSX Capped Energy Trust Index, assuming the reinvestment of distributions.



	Jan. 1, 2001	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005
Peyto Exploration & Development Corp./Peyto Energy Trust ⁽¹⁾	100	164.05	460.74	1,194.38	2,153.31	2,334.08
S&P/TSX Composite Index ⁽²⁾	100	87.43	76.55	97.01	111.06	137.85
S&P/TSX Capped Energy Trust Index ⁽³⁾	100	112.34	133.81	195.90	255.68	381.94

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.

CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101, entitled "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 Toronto Stock Exchange 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 Peyto Exploration & Development Corp. (the "Corporation"), the administrator of Peyto Energy Trust, 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 four directors of the Corporation are independent (for purposes of NI 58-101):

C. Ian Mottershead (Chairman)
John Boyd
Michael MacBean
Brian Craig

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

Don Gray is not independent as he occupies the position of President and Chief Executive Officer of the Corporation.

Rick Braund is not independent as he acts for the Corporation, in various capacities, in the Land Department.

(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 (four of the six) are independent.

(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):

<u>Name of Director</u>	<u>Name of Other Reporting Issuers</u>
Brian Craig	Solium Capital Inc.

(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, it also serves as a forum for discussion amongst independent members of the Board. In addition, other meetings of the independent directors may be held from time to time if required. The Chairman of the board also communicates informally, from time to time, with the independent members. Five (5) 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 C. Ian Mottershead, 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 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.

- (g) **Disclose the attendance record of each directors 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, 2005, is as follows:

Name of Director	Attendance Record	
C. Ian Mottershead	4 out of 4	Board Meetings
	4 out of 4	Audit Committee Meetings
	1 out of 1	Reserves Committee Meetings
	2 out of 2	Compensation and Nominating Committee Meetings
Don Gray	4 out of 4	Board Meetings
Rick Braund	3 out of 4	Board Meetings
Brian Craig	4 out of 4	Board Meetings
	3 out of 4	Audit Committee Meetings
	1 out of 1	Reserves Committee Meetings
	2 out of 2	Compensation and Nominating Committee Meeting
John Boyd	4 out of 4	Board Meetings
	2 out of 2	Compensation and Nominating Committee Meetings
Michael MacBean	4 out of 4	Board Meetings
	4 out of 4	Audit Committee Meetings
	1 out of 1	Reserves Committee Meetings
	2 out of 2	Compensation and Nominating Committee Meetings

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 as Schedule "A".

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 of Directors has developed written position descriptions for the Chairman of the Board as well as the Chairman of each of the committees of the Board.

- (b) **Disclose whether or not the board and Chief Executive Officer have developed a written position description for the Chief Executive. 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 Chief Executive Officer of the Corporation, has developed a written position description for the Chief Executive Officer.

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.**

While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation has historically provided such orientation and education on an informal basis. As new directors have joined the Board, management has provided these individuals with 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 have proved to be 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.**

No formal continuing education program currently exists for the directors of the Corporation; however, the Corporation 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.

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 Investor Relations department of the Corporation at (jgrant@peyto.com) and is also available on SEDAR at www.sedar.com.

- (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 that each of the senior 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 5(c) below for a discussion of the 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 *Business Corporations Act* (Alberta), 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.

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 for 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 boardroom; 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.

The Compensation and Nominating Committee is also to review 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.

- (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 nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a).

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 Chief Executive Officer 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 Chief Executive Officer striving to ensure that the executive compensation is consistent with the general principles as set forth under the heading "Board of Directors Report on Compensation". The Chairman and Chief Executive Officer go through the proposed executive compensation for each executive, 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 Chief Executive Officer. The full Compensation and Nominating Committee discusses the proposed executive 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 Chief Executive Officer 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 the executives. The Compensation and Nominating Committee then deals specifically with setting the compensation of the Chief Executive Officer. The Compensation and Nominating Committee then discusses and debates, as necessary, the specific executive compensation proposals. If further clarification is necessary, the Chairman will ask the Chief Executive Officer for information. Once the levels are agreed to by the members of the Compensation and Nominating Committee, they are formally approved.

Please also see discussion under the heading "Board of Directors Report on Compensation".

- (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 to for 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 Chief Executive Officer compensation.
- (iv) evaluate the Chief Executive Officer's performance in light of those goals, and make recommendations to the Board with regard to the Chief Executive Officer's compensation based on this evaluation.
- (v) in consultation with the Chief Executive Officer, review and approve non-Chief Executive Officer 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 of directors.
- (viii) review executive compensation disclosure before it is publicly disclosed.
- (ix) review distribution levels, based on information from and consultation with management.
- (x) approve all changes to distribution levels.
- (xi) 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 Committee are required to be independent, as such term is defined for this purpose under applicable securities requirements. Pursuant to the mandate and terms of reference of the Compensation and Nominating Committee, meetings of the Committee are to take place at least two times per year and at such other times as the Chair 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 or consultant 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.

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.

Other than the audit, compensation and nominating committees, the Corporation has established a Reserves Committee.

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 its disclosure requirements and restrictions set forth under applicable securities 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 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, committees and individual directors. The Committee has recently begun work in developing the methodologies to be used to evaluate the Board and individual directors. It will complete its first assessments in fiscal 2006.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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 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*. 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, 2005 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 – 1st Street S.W., Calgary, Alberta, T2P 5H1, Attention: Kathy Turgeon, telephone (403) 263-2950, 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, 2006

SCHEDULE "A"

PEYTO EXPLORATION & DEVELOPMENT CORP.

MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") of Peyto Exploration & Development Corp. (the "Corporation"), as administrator of Peyto Energy Trust (the "Trust"), 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 trust units of the Trust 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. develop a system under which succession to senior management positions will occur in a timely manner;
14. approve any proposed significant change in the management organization structure of the Corporation;
15. approve all retirement plans, if any, for officers and employees of the Corporation;
16. in consultation with the CEO, establish a communications/disclosure policy for the Corporation;
17. generally provide advice and guidance to management;

Finances and Controls

18. use reasonable efforts to ensure that the Corporation maintains appropriate systems to manage the risks of the Corporation's business;
19. monitor the appropriateness of the Corporation's capital structure;
20. ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
21. 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;
22. 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;
23. require that the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
24. review insurance coverage of significant business risks and uncertainties;
25. review the Trust's hedging program and provide input to the Board;
26. review and approve material contracts to be entered into by the Corporation;
27. recommend to the shareholders of the Corporation a firm of chartered accountants to be appointed as the Corporation's auditors;
28. 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

29. in consultation with the Chairman of the Board, develop a position description for the Chairman of the Board;
30. 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;
31. 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

32. the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
33. minutes of each meeting shall be prepared;
34. the CEO or his designate(s) may be present at all meetings of the Board;
35. Vice Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board.