

PEYTO ENERGY TRUST

**Notice of
Annual Meeting of Unitholders
to be held on Thursday, June 3, 2004**

The annual meeting of the unitholders of Peyto Energy Trust will be held in the Imperial Room of the Hyatt Regency Hotel, 700 Centre Street S.E., Calgary, Alberta on Thursday, June 3, 2004 at 2:30 p.m. (Calgary time) to:

1. receive and consider our financial statements for the year ended December 31, 2003, together with the auditors' report thereon;
2. fix the number of directors of Peyto Exploration & Development Corp. to be elected at the meeting at seven (7) members;
3. elect seven (7) directors of Peyto Exploration & Development Corp.;
4. appoint the auditors and to authorize the directors to fix their remuneration as such; and
5. 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 510, 550 – 6th Avenue S.W., Calgary, Alberta T2P 0S2. 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 April 29, 2004 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 3rd day of May, 2004.

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 Meeting to be held on June 3, 2004

PROXIES

Solicitation of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies for use at the annual meeting of the unitholders of Peyto Energy Trust to be held on Thursday, June 3, 2004 in the Imperial Room of the Hyatt Regency Hotel, located at 700 Centre Street S.E., Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be addressed to and reach Valiant Trust Company, Suite 510, 550 – 6th Avenue S.W., Calgary, Alberta T2P 0S2, 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 April 29, 2004 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 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 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 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 April 29, 2004, there were 45,725,272 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 April 29, 2004 no person or company beneficially owned, directly or indirectly, or exercised control or direction, over more than 10% of the trust units.

As at April 29, 2004, our directors and officers, as a group, beneficially owned, directly or indirectly, or exercised control over 9,784,425 trust units or approximately 21.4% 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

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 of the seven (7) nominees set forth below:

Rick Braund
 Donald Gray
 Brian Craig
 John Boyd
 Stephen Chetner
 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 April 29, 2004, 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	1,314,549
Donald Gray Calgary, Alberta	President and Chief Executive Officer of Peyto since October 1998	October, 1998	2,090,555
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	362,703

Name	Principal occupation	Year became director	Number of trust units beneficially owned directly or indirectly or over which control or direction is exercised
John Boyd ⁽¹⁾⁽²⁾⁽³⁾ Western Australia, Australia	Private Investor	July, 2002	4,174,500
Stephen Chetner Calgary, Alberta	Partner of Burnet, Duckworth & Palmer LLP, since 2002; prior thereto, Associate of Burnet, Duckworth & Palmer LLP	December, 2000	244,600
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	110,000
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	120,324

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. This appointment changes the Trust's auditors from Ernst & Young LLP to Deloitte & Touche LLP.

Ernst & Young LLP, the former auditors of the Trust, were first appointed as the auditors of the Trust on October 20, 1999. For the year ended December 31, 2003, Ernst & Young LLP accrued total fees of \$392,409. These fees comprised \$132,987 for audit-related services, and \$259,422 for services related to the trust reorganization.

The Trust's determination to change auditors was not a result of any "Reportable Event" as such term is defined in National Instrument 51-102 ("NI 51-102"). In addition, Ernst & Young LLP did not have any reservations in their auditor's report for the financial statements for the Trust or Peyto Exploration & Development Corp, the predecessor to the Trust, for the two most recently completed fiscal years, as the case may be, for which an audit report was issued and preceding the termination of Ernst & Young LLP.

Enclosed with this information circular is a copy of the Reporting Package (as defined in NI 51-102) that has been filed with requisite securities regulatory authorities – the Reporting Package is annexed hereto as Schedule "A".

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 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 plan
- reserves or value based bonus plan

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 companies our size.

Market Based Bonus Plan

The purpose of the market based bonus plan (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 TSX 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 will vest equally (as to $\frac{1}{3}$ per year) over three (3) years on December 31 of each year, beginning on December 31, 2003. 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 TSX 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 Options under the 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, 3,976,300 Rights (inclusive of 973,300 Rights granted in 2004) have been issued of which 1,001,000 vested on December 31, 2003 and were paid out shortly thereafter. Effective January 1, 2004, 490,300 Rights were issued, with such Rights vesting in their entirety on December 31, 2006. 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 2,727,300 Rights outstanding notionally representing 5.9% of the issued and outstanding trust units.

Reserves/Value Based Bonus Plan

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 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, 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.

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 and the next four highest paid executive officers for the years ended December 31, 2003, 2002 and 2001.

Name and principal position	Fiscal year	Annual compensation			Long-term compensation			All other compensation (\$)
		Salary (\$)	Bonus (\$) ⁽⁴⁾	Other annual compensation (\$)	Awards		Payouts	
					Securities under options /SARS granted (#) ⁽⁵⁾	Restricted trust units or restricted share trust units (\$)	LTIP payouts (\$) ⁽⁶⁾	
Donald Gray President and Chief Executive Officer	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
	2001	140,000	315,000	Nil	990,000	Nil	N/A	Nil
Roberto Bosdachin Vice-President, Exploration	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
	2001	110,000	225,000	Nil	403,334	Nil	N/A	Nil
Darren Gee Vice-President, Engineering ⁽²⁾	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
	2001	92,000	120,000	Nil	400,000	Nil	N/A	Nil
Lyle Skaien Vice President, Operations ⁽³⁾	2003	145,000	2,300,142	Nil	450,000/372,000	Nil	5,064,567	Nil
	2002	120,000	100,000	Nil	450,000	Nil	N/A	Nil
	2001	55,000	65,000	Nil	400,000	Nil	N/A	Nil
Sandra Brick Vice-President, Finance	2003	145,000	1,619,612	Nil	250,000/252,000	Nil	2,611,698	Nil
	2002	106,667	75,000	Nil	250,000	Nil	N/A	Nil
	2001	51,000	55,000	Nil	150,000	Nil	N/A	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 March 6, 2001 Mr. Darren Gee was hired as Vice President, Engineering at a salary of \$115,000 on an annualized basis.
- (3) On July 9, 2001 Mr. Lyle Skaien was hired as Vice-President, Operations at a salary of \$115,000 on an annualized basis.
- (4) Such amounts have been paid pursuant to the Market Based Bonus Plan and also includes a bonus paid for the first six months of 2003, prior to the reorganization into a trust.
- (5) 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 Plan.

- (6) Payout of intrinsic value of stock options cancelled and purchased pursuant to the reorganization into a trust. Also set forth under "Rights Exercised During the Year Ended December 31, 2003 and Year End Values".

Rights Granted During the Year Ended December 31, 2003

No options to acquire common shares of our subsidiary, Peyto Exploration & Development Corp., were granted in 2003 prior to the decision to convert Peyto Exploration & Development Corp. into an income trust.

After the reorganization of Peyto Exploration & Development Corp. into Peyto Energy Trust, Rights were issued pursuant to the Market Based Bonus Plan. These Rights are listed below, as their value depends, in part, on the market price of the trust units.

The following table sets forth details with respect to all Rights granted pursuant to the Market Based Bonus Plan to our Chief Executive Officer and the next four highest paid executive officers during 2003.

Name	Securities under rights granted (#)	Percentage of total rights granted to employees in 2003 (%)	Base price (\$/security)	Market value of securities underlying rights on date of grant (\$/security)	Expiration Date
Donald Gray	801,000	27	15.37	15.37	December 31, 2005
Roberto Bosdachin	450,000	15	15.37	15.37	December 31, 2005
Darren Gee	402,000	13	15.37	15.37	December 31, 2005
Lyle Skaien	372,000	12	15.37	15.37	December 31, 2005
Sandra Brick	252,000	8	15.37	15.37	December 31, 2005

Rights Exercised and Vested During the Year Ended December 31, 2003 and Year End Values

The following table sets forth with respect to our Chief Executive Officer and the next four highest paid executive officers, the number of previously issued stock options exercised or cancelled (and purchased for their intrinsic value pursuant to the reorganization) and Rights vested pursuant to the Market Based Bonus Plan, 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 \$27.36 and the aggregate amount of distributions paid as at December 31, 2003.

Name	Securities acquired on exercise (#)	Stock Options Cancelled on Reorganization (#)	Rights Vested (#)	Aggregate Value of Stock Options Cancelled/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	-	990,000	267,000	11,423,333	4,575,911	-	534,000	-	9,151,822
Roberto Bosdachin	33,334	473,333	150,000	5,073,563	2,570,736	-	300,000	-	5,141,472
Darren Gee	-	500,000	134,000	5,827,331	2,296,524	-	268,000	-	4,593,048
Lyle Skaien	-	450,000	124,000	5,064,567	2,125,142	-	248,000	-	4,250,284
Sandra Brick	-	250,000	84,000	2,611,698	1,439,612	-	168,000	-	2,879,224

Note:

- (1) First number represents the intrinsic value of the stock options cancelled and purchased pursuant to the plan of arrangement completed on July 1, 2003, with the second number representing the December 31, 2003 pay out pursuant to the Market Based Bonus Plan.

Directors

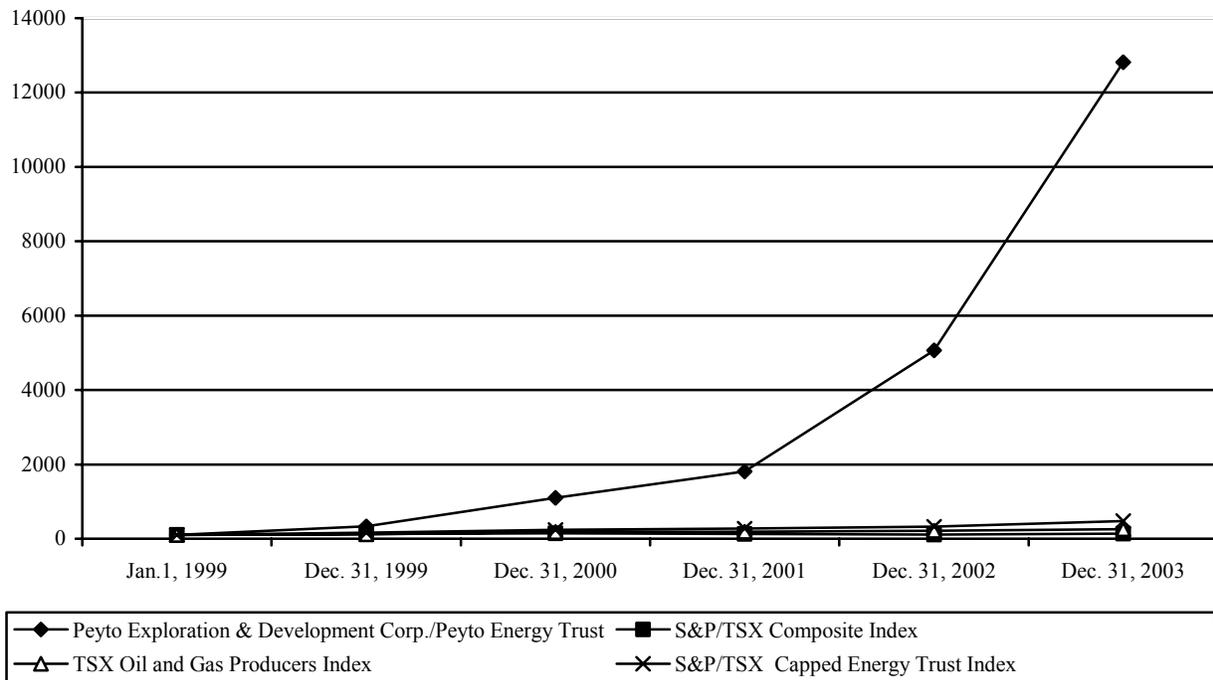
Each of the directors of Peyto Exploration & Development Corp. with the exception of Mr. Donald Gray and Mr. Rick Braund, who are employees or consultants of Peyto Exploration & Development Corp., received an annual retainer of \$20,000 plus expenses of attending meetings of the board of directors.

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 \$51,500 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, 2003, assuming an initial investment of \$100 on January 1, 1999, 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, 1999	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003
Peyto Exploration & Development Corp./Peyto Energy Trust ⁽¹⁾	100	336	1,100	1,805	5,068	12,818
S&P/TSX Composite Index ⁽²⁾	100	132	141	124	108	137
TSX Oil and Gas Producers Index	100	123	180	186	216	260
S&P/TSX Capped Energy Trust Index ⁽³⁾	100	159	242	272	324	474

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 TSX 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>1. 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"> • the appointment of executive officers and for succession planning; • the identification of our principal business risks and ensuring the implementation of appropriate systems to manage these risks; • the approving of all financings and significant acquisitions or dispositions;

Toronto Stock Exchange Corporate Governance Guidelines	Do we comply?	Comments
2. Majority of directors should be unrelated.	Yes	<ul style="list-style-type: none"> • ensuring the implementation and integrity of our internal control and management information systems; • approval and monitoring our strategic planning; • monitoring compliance with all significant policies and procedures and applicable laws and regulations; and • ensuring timely and accurate reporting to unitholders of financial and other matters in accordance with applicable law
3. Disclose for each director whether he or she is related, and how that conclusion was reached.	Yes	<p>Four of the seven members of the board are unrelated.</p> <p>Mr. Gray and Mr. Braund are considered "inside" and "related" directors as they hold the position of President and CEO and Chairman, respectively.</p> <p>Mr. Chetner is a partner in a law firm which provides legal services to the Trust and Peyto Exploration & Development Corp. Accordingly, he is considered an "outside" but "related" director. The Board of Directors does not believe that this relationship interferes with Mr. Chetner's independence from management and his ability to act independently and in the best interests of unitholders.</p>
4. 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	<p>All of the other directors are considered to be "outside" and "unrelated" directors as they have no business relationship with us other than ownership of trust units.</p> <p>This function is handled by the board of directors as a whole.</p>
5. Implement a process for assessing the effectiveness of the board, its committees and individual directors.	No	<p>The board of directors periodically assesses the effectiveness of the board, its committees and the individual directors.</p>
6. Provide orientation and education programs for new directors.	Yes	<p>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.</p>
7. Examine the size of the board with a view to effectiveness and consider reducing the size of the Board.	Yes	<p>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.</p>

Toronto Stock Exchange Corporate Governance Guidelines	Do we comply?	Comments
8. Review compensation of directors in light of risks and responsibilities.	Yes	The board of directors annually reviews the compensation of directors.
9. (a) Committees should generally be composed of non-management directors; and	Yes	All committees of the board are composed exclusively of non-management directors, other than the reserve committee.
(b) a majority of committee members should be unrelated.	Yes	All committees have a majority of unrelated directors.
10. 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.
11. (a) Define limits to management's responsibilities by developing mandates for: <ul style="list-style-type: none"> <li data-bbox="298 751 513 777">• the board; and <li data-bbox="298 798 457 823">• the CEO. 	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.
12. 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. Historically, given our size and the nature of our business, the board did not believe that it was necessary to appoint a Chairman who was not a member of management and who was an "outside" and "unrelated" director. This policy is currently under review. The board and any committee can meet in the absence of management at their discretion.
13. (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.
14. 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

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.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, there were no material interests, direct or indirect, of our insiders, proposed nominees for election as directors, or any associate or affiliate of such insiders or nominees since January 1, 2003 or in any proposed transaction, which has affected or would materially affect us or any of our 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.

OTHER MATTERS

Our management knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual 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.

We undertake to provide, upon request, a copy of our 2003 annual report, containing management's discussion and analysis of financial condition and results of operations and the 2003 audited financial statements, as well as a copy of our annual information form, subsequent interim financial statements and this information circular - proxy statement.

ADDITIONAL INFORMATION

Financial information of Peyto Energy Trust is provided in the trust's comparative financial statements and management discussion and analysis for its most recently completed financial year. A copy of these documents may be obtained by contacting Peyto Exploration & Development Corp. at Suite 2900, 450 – 1st Street S.W., Calgary, Alberta, T2P 5H1, Attention: Sandra Brick, phone (403) 261-6902, or telecopy (403) 261-8976.

Copies of these documents as well as additional information relating to Peyto Energy Trust contain the documents filed by the trust with the Canadian Securities Regulatory authorities and may also be accessed through SEDAR website at www.sedar.com or through the trust's website at www.peyto.com.

APPROVAL AND CERTIFICATION

The contents and the sending of this information circular - proxy statement have been approved by our directors.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Dated: May 3, 2004

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

(signed) "*Sandra Brick*"
Vice President, Finance

SCHEDULE "A"

CHANGE OF AUDITORS NOTICE

Effective May 3, 2004, Ernst & Young LLP were informed that they would not be reappointed as auditors of Peyto Energy Trust (the "Trust"). On recommendation of the Audit Committee, the Board of Directors approved a proposal to engage the accounting firm of Deloitte & Touche LLP, as auditors for the Trust for 2004. The Trust will ask that the unitholders of the Trust approve and ratify the appointment of Deloitte & Touche LLP, at the annual meeting of the unitholders of the Trust to be held on June 3, 2004.

During Ernst & Young LLP's appointment, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, or any reportable events.

Ernst & Young LLP did not have any reservations in their auditor's reports for the financial statements of the Trust or Peyto Exploration & Development Corp., the predecessor to the Trust, as the case may be, for the two most recently completed fiscal years or for any period subsequent thereto for which an audit report was issued and preceding the termination of Ernst & Young LLP.

The Trust has requested Ernst & Young LLP and Deloitte & Touche LLP to each furnish a letter addressed to the securities administrators in each province in which the Trust is a reporting issuer stating whether or not they agree with the information contained in this notice. A copy of each such letter to the securities administrators will be filed with this notice.

It is the Trust's opinion that there have been no reportable events within the two most recently completed fiscal years or for any period subsequent thereto for which an audit report was issued.

DATED as of this 3rd day of May, 2004.

PEYTO ENERGY TRUST, by its administrator
PEYTO EXPLORATION & DEVELOPMENT CORP.

(signed) "Sandra Brick"
Vice-President, Finance

DELIVERED VIA SEDAR

May 4, 2004

The Securities Commission or similar regulatory authority in each of the provinces of Canada

Dear Sirs:

Re: Peyto Energy Trust (the "Trust") - Change of Auditors Notice

Pursuant to Section 4.11, Paragraph (5)(a)(ii)(B) of National Instrument 51-102, we hereby confirm our agreement with the information contained in the Change of Auditor Notice sent to us by the Trust dated May 3, 2004. This confirmation is based on our knowledge of the information to date.

Yours truly,



Chartered Accountants

May 4, 2004

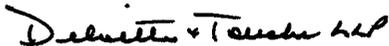
The Securities Commission or similar regulatory authority in each of the provinces of Canada

Dear Sirs:

Re: Peyto Energy Trust – Change of Auditors Notice

We have read the Change of Auditors Notice of Peyto Energy Trust dated May 3, 2004 and are in agreement with the statements contained in such notice.

Yours truly,



Chartered Accountants