PEYTO ENERGY TRUST

ANNUAL INFORMATION FORM

2009

MARCH 25, 2010

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GLOSSARY OF TERMS

"**2003 Arrangement**" means the arrangement under the provisions of section 193 of the ABCA among Peyto, Peyto Acquisition Corp. and the Trust which was completed on July 1, 2003 and pursuant to which former holders of common shares of Peyto received Trust Units, and Peyto became an indirect subsidiary of the Trust;

"**2003 Trust Structure**" means the Trust's organizational structure following the completion of the 2003 Arrangement, whereby the Trust owned all the POT Securities directly and POT owned all Peyto Securities directly;

"**2008 Arrangement**" means the arrangement under the provisions of section 193 of the ABCA among the Trust, its subsidiaries and Unitholders which was completed on January 1, 2008 pursuant to which the Internal Reorganization was completed;

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Administration Agreement**" means the administration agreement dated January 1, 2008 between Peyto AdminCo and the Trustee, on behalf of the Trust;

"**Business Day**" means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;

"**Capital Fund**" means the cash flow retained by the Trust from cash otherwise available for distribution which shall be advanced to the Corporation, as the case may be, to finance future acquisitions and development of the Properties;

"**Direct Royalties**" means royalty interests in petroleum and natural gas rights acquired by the Trust from time to time;

"**Distributable Cash**" means all amounts available for distribution during any applicable period to holders of Trust Units;

"**Internal Reorganization**" means the reorganization of the Trust's subsidiaries effective January 1, 2008, whereby all the oil and natural gas assets and liabilities of the Peyto entities were transferred to the Peyto Partnership;

"**LP Units**" or "**Partnership Units**" means the limited partnership units of the Partnership;

"**NRF**" means the new royalty framework announced by the Alberta Government on October 25, 2007;

"**Non-Residents**" means non-residents of Canada within the meaning of the Tax Act;

"**Notes**" means the unsecured subordinated promissory notes of Peyto;

"**NPI**" means the 50% interest in Peyto's Petroleum Substances within, upon or under certain of its Oil and Natural Gas Properties granted pursuant to the NPI Agreement, which was cancelled in its entirety on January 1, 2008;

"**NPI Agreement**" means the net profit interest agreement entered into between Peyto and the Trust dated July 1, 2003, as amended and restated effective January 31, 2006, providing for the creation of the NPI and cancelled in its entirety on January 1, 2008;

"**Oil and Natural Gas Properties**" or "**Properties** " means the working, royalty or other interests of the Trust, on a consolidated basis, from time to time in any petroleum and natural gas rights, tangibles and miscellaneous interests, including the properties in which the Trust, on a consolidated basis, have an interest as at the date hereof, and properties which may be acquired by the Trust, on a consolidated basis, at a future date, and including the Direct Royalties acquired by the Trust from time to time;

"**Paddock**" means Paddock Lindstrom & Associates Ltd., independent oil and gas reservoir engineers of Calgary, Alberta;

"**Paddock Report**" means the independent engineering evaluation of the Trust's oil, NGL and natural gas interests prepared by Paddock dated February 9, 2010 and effective December 31, 2009, a summary of which is contained herein;

"**Permitted Investments**" means: (a) loan advances to POT and to the Partnership including loans made in connection with the Capital Fund; (b) interest bearing accounts of certain financial institutions, including Canadian chartered banks and the Trustee; (c) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof; (d) term deposits, guaranteed investment certificates of deposit or bankers' acceptances of or guaranteed or accepted by any Canadian chartered bank or other financial institution (including the Trustee and any Affiliate of the Trustee), the short term debt or deposits of which have been rated at least A by Standard & Poor's Corporation, or the equivalent by Moody's Investors Service, Inc. or Dominion Bond Rating Service Limited; (e) commercial paper rated at least A by Standard & Poor's Corporation, or the equivalent by Canadian Bond Rating Service Inc. or Dominion Bond Rating Service Limited; and (f) investments in bodies corporate, partnerships or trusts directly or indirectly engaged in the oil and natural gas business, including securities of POT;

"**Petroleum Substances**" means petroleum, natural gas and related hydrocarbons (including condensate and natural gas liquids), and all other substances (including sulphur and its compounds), whether liquid, solid or gaseous and whether hydrocarbon or not, produced in association therewith;

"**Peyto**" or the "**Corporation**" means Peyto Exploration & Development Corp., a corporation amalgamated under the ABCA;

"**Peyto AdminCo**" means Peyto Energy Administration Corp., a corporation incorporated under the ABCA;

"**Peyto Partnership**" or "**Partnership**" means Peyto Energy Limited Partnership, a limited partnership formed pursuant to the laws of the Province of Alberta;

"**Peyto Partnership Agreement**" means the limited partnership agreement that governs the Peyto Partnership;

"**Peyto Securities**" means the common shares of Peyto and the Notes;

"**POT**" means Peyto Operating Trust, a trust established under the laws of Alberta pursuant to the POT Indenture;

"**POT Administration Agreement**" means the administration agreement dated January 1, 2008 between Peyto AdminCo and the Trustee, on behalf of POT;

"**POT Indenture**" means the amended and restated trust indenture dated January 1, 2008 between Valiant Trust Company, the Trust and Peyto AdminCo;

"**POT Notes**" means the unsecured, subordinated promissory notes issuable by POT to the Trust in connection with the POT Transaction;

"**POT Securities**" means, collectively, the POT Notes and POT Units;

"**POT Transaction**" means the series of transactions that resulted in the 2003 Trust Structure;

"**POT Unit**" means a trust unit of POT;

"**Proved Reserves**", "**Probable Reserves**", "**Producing Reserves**", "**Non-Producing Reserves**" and "**Total Proved Reserves**" have the meanings given to those terms in the Paddock Report;

"**Redemption Notes**" means notes issued in certain circumstances including by the Trust on a redemption of Trust Units;

"**Special Resolution**" means a resolution proposed to be passed at a meeting of Unitholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of the Trust Indenture at which two or more holders of at least 5% of the aggregate number of Trust Units then outstanding are present in person or by proxy and passed by the affirmative votes of the holders of not less than 66⅔% of the Trust Units represented at the meeting and polled and voted on a poll upon such resolution. For the purposes of determining such percentage, the holder of any Special Voting Right who is present at the meeting shall be regarded as representing outstanding Units equivalent in number to the votes attaching to such Special Voting Right;

"**Special Voting Right**" means the Special Voting Right of the Trust, issued and certified under the Trust Indenture for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended;

"**Trust**" means Peyto Energy Trust, a trust established under the laws of Alberta pursuant to the Trust Indenture. All references to the "Trust", unless the context otherwise requires, are references to Peyto Energy Trust, its predecessors, and its subsidiaries;

"**Trust Indenture**" means the amended and restated trust indenture between the Trustee, Peyto and Peyto AdminCo made as of January 1, 2008;

"**Trust Unit**" means a unit of the Trust, each unit representing an equal undivided beneficial interest therein;

"**Trustee**" means Valiant Trust Company, or such other trustee, as may be appointed, from time to time, of the Trust;

"**TSX**" means the Toronto Stock Exchange;

"**Undeveloped Properties**" means the raw undeveloped land of Peyto that was transferred to POT pursuant to the POT Transaction and includes any raw undeveloped land acquired subsequent to the POT Transaction;

"**United States**" or "**U.S.**" means the United States of America; and

"**Unitholders**" or "**Trust Unitholders**" means the holders from time to time of the Trust Units.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
bbls	barrels	Mcf	thousand cubic feet
Mbbls	thousand barrels	MMcf	million cubic feet
MMbbls	million barrels	Bcf	billion cubic feet
NGLs	natural gas liquids	Mcf/d	thousand cubic feet per day
stb	stock tank barrels of oil	MMcf/d	million cubic feet per day
Mstb	thousand stock tank barrels of oil	m^3	cubic metres
MMboe	million barrels of oil equivalent	MMbtu	million British Thermal Units
boe/d	barrels of oil equivalent per day	GJ	Gigajoule
bbls/d	barrels of oil per day		

Other	
BOE or boe	means barrel of oil equivalent, using the conversion factor of 6 mcf of natural gas being equivalent to one bbl of oil**. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**
WTI	means West Texas Intermediate.
°API	means the measure of the density or gravity of liquid petroleum products derived from a specific gravity.
psi	means pounds per square inch.

CONVERSION

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	cubic metres	28.174
cubic metres	cubic feet	35.494
bbls	cubic metres	0.159
cubic metres	bbls	6.289
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
gigajoules	mmbtu	0.950

YOU SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS BECAUSE THEY ARE INHERENTLY UNCERTAIN

Certain statements contained in this Annual Information Form constitute forward-looking statements. These statements relate to future events or the Trust's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Trust, and Peyto AdminCo believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Trust believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Trust can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Trust operates; the timely receipt of any required regulatory approvals; the ability of the Trust to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Trust has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Trust to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Trust to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Trust operates; and the ability of the Trust to successfully market its oil and natural gas products.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- the performance characteristics of the oil and natural gas assets of the Trust;
- oil and natural gas production levels;
- market prices for oil and natural gas;
- the size of the oil and natural gas reserves;
- projections of market prices and costs and the related sensitivities of distributions;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through exploration and development and, if applicable, acquisitions;
- treatment under governmental regulatory regimes;
- capital expenditures programs;
- the existence, operation and strategy of the Trust's commodity price risk management program;
- the approximate and maximum amount of forward sales and hedging to be employed by the Trust;
- the impact of Canadian federal and provincial governmental regulation on the Trust; and
- the goal to grow or sustain production and reserves through prudent exploration, management and acquisitions.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- risks and uncertainties associated with its oil and natural gas exploration and development program;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions and exploration and development programs;

- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- uncertainties associated with changes in legislation, including but not limited to changes in income tax laws and to oil and natural gas royalty frameworks; and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on current estimates and assumptions, that the resources and reserves described can be profitably produced in the future. The foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Neither the Trust nor Peyto AdminCo undertakes any obligation to publicly update or revise any forward-looking statements, except as required by securities law.

PEYTO ENERGY TRUST

General

The Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta pursuant to the Trust Indenture. The head and principal office of the Trust is located at Suite 1500, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1.

The Trust was formed on May 22, 2003 and commenced operations on July 1, 2003 as a result of the completion of the 2003 Arrangement. Pursuant to the 2003 Arrangement, former holders of common shares of Peyto received Trust Units, and Peyto became an indirect subsidiary of the Trust. Subsequent to the completion of the 2003 Arrangement, the POT Transaction occurred, which resulted in the Trust holding, directly all of the POT Securities and indirectly through POT, the Peyto Securities and the NPI.

On January 1, 2008, the Trust completed the 2008 Arrangement. As a result of this Internal Reorganization, all of the oil and gas assets of the Trust are now held in the Peyto Partnership, Peyto AdminCo is the administrator of the Trust and POT and Peyto Exploration & Development Corp. is the general partner of the Partnership. Certain subsidiaries of the Trust were amalgamated pursuant to the Internal Reorganization.

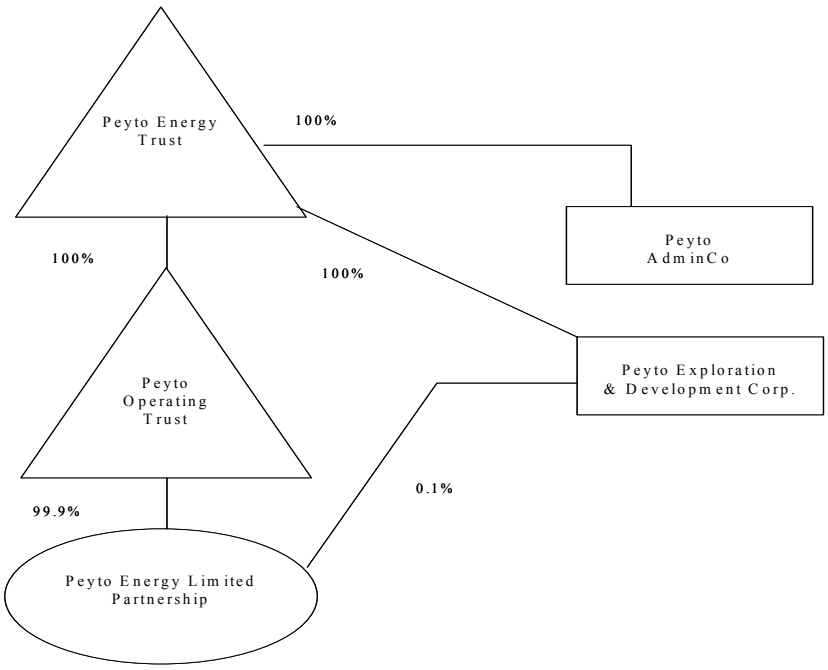
Inter-Corporate Relationships

The following table provides the name, the percentage of voting securities owned by the Trust and the jurisdiction of incorporation, continuance or formation of the Trust's subsidiaries either, direct and indirect, as at the date hereof.

	Percentage of voting securities (directly or indirectly)	Jurisdiction of Incorporation/Formation
Peyto Operating Trust	100%	Alberta
Peyto Energy Administration Corp.	100%	Alberta
Peyto Exploration & Development Corp.	100%	Alberta
Peyto Energy Limited Partnership	100%	Alberta

Organizational Structure of the Trust

The following diagram describes the inter-corporate relationships among the Trust and its material subsidiaries.



Notes:

(1) The Unitholders own 100% of the equity of the Trust.
(2) Distributable Cash will be derived from payments made by POT to the Trust in respect of interest, principal repayments, if any, and income from the POT Securities and income received indirectly from the LP Units.

Summary Description of the Business

Peyto Energy Trust

The principal undertaking of the Trust is to issue Trust Units and to indirectly explore for, acquire and hold interests in petroleum and natural gas properties and assets related thereto. The direct and indirect subsidiaries of the Trust carry on the business of the Trust.

The Trustee may declare payable to the Unitholders all or any part of the income of the Trust. It is currently anticipated that the Trust will make cash distributions to holders of Trust Units from the interest and principal repayments, if any, and income received, directly or indirectly, as applicable, from the POT Securities and the LP Units. See "*Cash Distributions*".

Cash distributions are made on or about the 15th day of each month to Unitholders of record on or about the last calendar day of the immediately preceding month.

Peyto Operating Trust

POT is an open-end, unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to the POT Indenture. POT was originally established for the purposes of conducting exploration and development activities in respect of Peyto's Undeveloped Properties as well as investing in the securities of Peyto or any other subsidiary of POT. Pursuant to the 2008 Arrangement, among other things, all of POT's oil and natural gas assets were transferred to the Partnership of which POT holds at 99.9% interest.

The Trust is the sole beneficiary of POT. Valiant Trust Company is the trustee of POT. POT is administered by the management of Peyto AdminCo.

The head and principal office of POT is located at Suite 1500, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1.

Peyto Energy Administration Corp.

Peyto AdminCo is a corporation incorporated and subsisting pursuant to the provisions of the ABCA. The Trust is the sole shareholder of Peyto AdminCo.

Peyto AdminCo is the administrator of both the Trust and POT pursuant to the Administration Agreement and POT Administration Agreement, respectively.

Peyto AdminCo's registered office is at 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, and its head and principal office is at Suite 1500, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1.

Peyto Exploration & Development Corp.

Peyto is a corporation amalgamated and subsisting pursuant to the provisions of the ABCA. Peyto is the general partner of the Partnership and, on behalf of the Partnership, is actively engaged in the exploration for, and the acquisition, development and production of, oil and natural gas primarily in the Province of Alberta. Pursuant to the 2008 Arrangement, the predecessor corporation to Peyto was involved in two amalgamations. The Trust is the sole common shareholder of Peyto.

Peyto's registered office is at 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, and its head and principal office is at Suite 1500, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1.

Peyto Energy Limited Partnership

The Partnership is a limited partnership that was formed under the laws of the Province of Alberta pursuant to the Peyto Partnership Agreement. The principal office of the Partnership is Suite 1500, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1. The fiscal period of the Partnership is the calendar year. The Partnership owns, directly or indirectly, all of the oil and natural gas assets of the Trust which it acquired pursuant to the 2008 Arrangement.

The general partner of the Peyto Partnership is Peyto. The respective interests of the partners in the Partnership are as follows:

(a) POT – approximately 99% limited partnership interest; and

(b) Peyto – nominal general partnership interest.

GENERAL DEVELOPMENT OF THE BUSINESS

General

The Trust is a Calgary, Alberta based energy trust engaged, through its direct and indirect subsidiaries, in the acquisition, exploration, development and production of oil and natural gas in Western Canada. The Trust's strategy is to enhance Unitholder value through the exploration, discovery and low cost development of oil and natural gas in the Western Canadian sedimentary basin. The Trust's portfolio of assets includes exploration, exploitation and development opportunities located primarily in the Deep Basin of Alberta. Management's current philosophy is to fund its growth and ongoing activities from a mix of internally generated cash flow, bank financing and equity financings.

Background of the Trust

The following is a summary of the business operations of the Trust for the periods shown.

2007

During 2007, Peyto drilled 48 gross (39.0 net) natural gas wells. Capital expenditures for 2007 totalled $121.6 million. The average production for the year was 20,668 boe/d, the exit rate was 21,005 boe/d. During the year, Peyto connected its Chime area production to its Kakwa gas processing facility via a 15 km pipeline. At Sundance, contracted liquid volumes began transportation in a sales pipeline that eliminates trucking costs and improves product prices.

On October 25, 2007, the Alberta government released the NRF pertaining to royalties on oil and gas resources including oil sands, conventional oil and gas and coalbed methane. The NRF took effect on January 1, 2009. The NRF was the Alberta government's response to the recommendations put forth by the Alberta Royalty Review Panel.

2008

During 2008, Peyto drilled or participated in 53 gross (41 net) oil and natural gas wells. Capital expenditures for 2008 totalled $139 million. The average production for the year was 19,996 boe/d, the exit rate was 19,882 boe/d.

2009

During 2009, Peyto drilled or participated in 29 gross (26.1 net) oil and natural gas wells. Five of the gross oil and natural gas wells were drilled horizontally using multi-stage fracturing technology. Capital expenditures for 2009 totalled $72.7 million (net of $11.3 million in drilling royalty credits). The average production for the year was 18,481 boe/d, the exit rate was 19,688 boe/d.

Barring any unforeseen legislative changes and pending Unitholder and regulatory approval, the conversion of the Trust into a corporate form will likely occur effective December 31, 2010.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

Peyto Energy Trust

The Trust is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to the Trust Indenture. The Trust was established for the following purposes:

(a) to participate in the 2003 Arrangement and the 2008 Arrangement;

(b) investing in securities of POT, the Partnership or any other subsidiary of the Trust which investments shall be for the purpose of funding the acquisition, development, exploitation and disposition of all types of petroleum and natural gas and energy related assets, including without limitation, facilities of any kind, oil sands interests, electricity or power generating assets and pipeline, gathering, processing and transportation assets (hereinafter referred to as "**Energy Assets**") and whether effected by POT, the Partnership or any other subsidiary of the Trust through an acquisition of assets or an acquisition of shares or other form of ownership interest in any entity the substantial majority of the assets of which are comprised of like assets;

(c) acquiring or investing in the securities of any other entity, including without limitation bodies corporate, partnerships or trusts, and borrowing funds or otherwise obtaining credit, including granting guarantees, for that purpose, for the purpose of directly or indirectly acquiring Energy Assets;

(d) acquiring royalty interests in petroleum and natural gas rights;

(e) making loans or other advances to POT and/or the Partnership to finance future acquisitions and development of Canadian resource properties;

(f) acquiring royalties in respect of Canadian resource properties as defined in the Tax Act and making any deferred royalty purchase payments which may be required with respect to such royalties; provided however that in no event shall the Trust invest in any royalties which constitute an interest in land or a covenant running with the properties with respect to which such royalties relate;

(g) disposing of any part of the property of the Trust, including, without limitation, any securities of Peyto and the Partnership;

(h) temporarily holding cash and investments for the purposes of paying the expenses and the liabilities of the Trust, making other Permitted Investments as contemplated by the Trust Indenture, paying amounts payable by the Trust in connection with the redemption of any Trust Units, and making distributions to Unitholders;

(i) paying costs, fees and expenses associated with the foregoing purposes or incidental thereto; and

(j) engaging in all activities ancillary or incidental to any of those activities set forth in paragraphs (a) through (i), inclusive.

The Trustee is prohibited from acquiring any investment which (a) would result in the cost amount to the Trust of all "foreign property" (as defined in the Tax Act) which is held by the Trust to exceed the amount prescribed by section 5000 of the Tax Regulations or (b) would result in the Trust not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Tax Act.

Peyto Operating Trust

POT is an open-ended unincorporated trust governed by the laws of the Province of Alberta and created pursuant to the POT Indenture. POT was established for the following purposes:

(a) the direct or indirect conduct and pursuit of, and the participation in the development of exploration of its oil and gas properties and any additional oil and gas properties that are acquired by POT in the future (collectively,

the "**Oil and Gas Exploration Business**") including entering into all of the transactions contemplated by, and all reorganizational steps in relation or ancillary to, the POT Transaction;

(b) acquiring, holding, transferring, disposing of, investing in, operating and otherwise dealing with assets, securities (whether debt or equity) and other interests or properties of whatever nature or kind of or issued by affiliates, associates or other persons involved, directly or indirectly, in the Oil and Gas Exploration Business and, for greater certainty, POT is expressly authorized to achieve the foregoing purposes to invest, directly or indirectly, in one or more partnerships (whether limited or general) as a partner thereof and to acquire and hold royalty interests and securities of a Peyto entity;

(c) borrowing at any time and from time to time such sum of money or otherwise incurring such indebtedness, upon such terms and subject to such conditions, for such length of time and for the purposes set forth in paragraphs (a) and (b) above and, in order to secure the repayment of any sum so borrowed or indebtedness so incurred, executing and delivering, under seal and otherwise, such notes, bonds or other obligations as may be required, including promissory notes, mortgages, pledges, hypothecations and/or charges upon the assets of POT;

(d) the guaranteeing of any debts or liabilities, present or future, direct or indirect, absolute or contingent, matured or not of any affiliate of POT pursuant to any credit facility, note indenture, swap, or other instrument for the purposes set forth in paragraphs (a) and (b) above;

(e) without limiting the generality of paragraphs (a) and (b) above, the transfer of any direct or indirect ownership or working interest in, or any asset or property used in connection with, the Oil and Gas Exploration Business to one or more affiliates and the retention of royalty interests in such working interest, asset or property;

(f) without limiting the generality of paragraphs (a) and (b) above, the acquisition, creation or retention of any other royalty interests related to the Oil and Gas Exploration Business;

(g) temporarily holding cash and other short term investments in connection with and for the purposes of POT's activities, including paying administration and trust expenses, paying any amounts required in connection with the redemption of POT Units and making distributions to the Trust;

(h) issuing POT Units and other securities of POT (including securities convertible into or exchangeable for POT Units or other securities of POT, or warrants, special warrants, options or other rights to acquire POT Units or other securities of POT), for the purposes of:

(i) obtaining funds to conduct the activities described in paragraphs (a) and (b) above, including raising funds for further acquisitions;

(ii) repayment of any indebtedness or borrowings of POT;

(iii) establishing and implementing rights plans, distribution reinvestment plans, POT Unit purchase plans, and incentive option and other compensation plans, if any, established by POT;

(iv) carrying out any of the transactions contemplated by the POT Transaction; and

(v) making non-cash distributions as contemplated by the POT Indenture, including distributions pursuant to distribution reinvestment plans, if any, established by POT;

(i) repurchasing, redeeming, transferring, consolidating or canceling POT Units or other securities of POT, subject to the provisions of the POT Indenture and applicable law; and

(j) engaging in all activities ancillary or incidental to any of those activities set forth in the preceding paragraphs.

provided that, after the effective time of the 2008 Arrangement, the purposes and activity of POT listed above were limited to those operations and activities of mutual fund trusts described in paragraphs 132(6)(b)(ii) and (iii) of the Tax Act.

Peyto Energy Limited Partnership

The Partnership is actively engaged in the business of oil and gas exploration, development, acquisition and production primarily in the province of Alberta.

Principal Properties

See "*Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Oil and Gas Properties*".

INDUSTRY CONDITIONS

Issuers operating in the oil and natural gas industry are subject to extensive regulation and control of operations (including land tenure, exploration, development, production, refining, transportation, and marketing) as a result of legislation enacted by various levels of government and with respect to the pricing and taxation of oil and natural gas through agreements among the governments of Canada and Alberta, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these regulations or controls will affect the Trust's operations in a manner materially different than they will affect other oil and natural gas issuers of similar size. All current legislation is a matter of public record and the Trust is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing

Oil

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the market, the value of refined products, the supply/demand balance, and contractual terms of sale. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "**NEB**"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such a licence requires a public hearing and the approval of the Governor in Council.

Natural Gas

The price of the vast majority of natural gas produced in western Canada is now determined through the liquid market established at the Alberta "NIT" hub rather than through negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas (other than propane, butane and ethane) exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m^3/day), must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or for a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such a licence requires a public hearing and the approval of the Governor in Council.

The government of Alberta also regulates the volume of natural gas that may be removed from this province for consumption elsewhere based on such factors as reserve availability, transportation arrangements, and market considerations.

Pipeline Capacity

As a result of pipeline expansions over the past several years, there is ample pipeline capacity to accommodate current production levels of oil and natural gas in western Canada and pipeline capacity does not generally limit the ability to produce and market such production.

The North American Free Trade Agreement

The North American Free Trade Agreement ("**NAFTA**") among the governments of Canada, the United States and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada United States Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price (subject to an exception with respect to certain voluntary measures which only restrict the volume of exports); and (iii) disrupt normal channels of supply. All three signatory countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export price requirements, that any prohibition in any circumstances in which any other form of quantitative restriction is applied is prohibited, and in the case of import-price requirements, that such requirements do not apply with respect to enforcement of countervailing and anti-dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector by 2010 and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes, minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, all of which are important for Canadian oil and natural gas exports.

Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of crude oil, natural gas liquids, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

Alberta

Producers of oil and natural gas from Crown lands in Alberta are required to pay annual rental payments, currently at a rate of $3.50 per hectare, and make monthly royalty payments in respect of oil and natural gas produced.

On October 25, 2007, the Government of Alberta released a report entitled "The New Royalty Framework" ("**NRF**") containing the Government's proposals for Alberta's new royalty regime which were subsequently implemented by the *Mines and Minerals (New Royalty Framework) Amendment Act, 2008*. The NRF took effect on January 1, 2009. On March 11, 2010, the Government of Alberta announced changes to Alberta's royalty system intended to increase Alberta's competitiveness in the upstream oil and natural gas sectors; specifically, the maximum royalty rates for conventional oil and natural gas production will be decreased effective for the January 2011 production month and certain temporary incentive programs currently in place will be made permanent. Further details with respect to the changes to Alberta's royalty system are expected to be provided in the coming months.

With respect to conventional oil, the NRF eliminated the classification system used by the previous royalty structure which classified oil based on the date of discovery of the pool. Under the NRF, royalty rates for conventional oil are set by a single sliding rate formula which is applied monthly and incorporates separate variables to account for production rates and market prices. Royalty rates for conventional oil under the NRF range from 0-50%, an increase from the previous maximums of 30-35%

depending on the vintage of the oil, and rate caps are set at $120 per barrel. Effective January 1, 2011, the maximum royalty payable under the NRF will be reduced to 40%.

Royalty rates for natural gas under the NRF are similarly determined using a single sliding rate formula incorporating separate variables to account for production rates and market prices. Royalty rates for natural gas under the NRF range from 5-50%, an increase from the previous maximums of 5-35%, and rate caps are set at $17.75/GJ. Effective January 1, 2011, the maximum royalty payable under the NRF will be reduced to 36%.

Oil sands projects are also subject to the NRF. Prior to payout, the royalty is payable on gross revenues of an oil sands project. Gross revenue royalty rates range between 1-9% depending on the market price of oil: rates are 1% when the market price of oil is less than or equal to $55 per barrel and increase for every dollar of market price of oil increase to a maximum of 9% when oil is priced at $120 or higher. After payout, the royalty payable is the greater of the gross revenue royalty based on the gross revenue royalty rate of 1-9% and the net revenue royalty based on the net revenue royalty rate. Net revenue royalty rates start at 25% and increase for every dollar of market price of oil increase above $55 up to 40% when oil is priced at $120 or higher. An oil sands project reaches payout when its cumulative revenue exceeds its cumulative costs. Costs include specified allowed capital and operating costs related to the project plus a specified return allowance. As part of the implementation of the NRF, the Government of Alberta renegotiated existing contracts with certain oil sands producers that were not compatible with the NRF.

In August 2006, the Government of Alberta introduced the Innovative Energy Technologies Program (the "**IETP**"), which has a stated objective of promoting producers' investment in research, technology and innovation for the purposes of improving environmental performance while creating commercial value. The IETP is backed by a $200 million funding commitment over a five year period beginning April 1, 2005 and provides royalty adjustments to specific pilot and demonstration projects that utilize innovative technologies to increase recovery from existing reserves.

On April 10, 2008, the Government of Alberta introduced two new royalty programs to be implemented along with the NRF and intended to encourage the development of deeper, higher cost oil and gas reserves. A five year program for conventional oil exploration wells over 2,000 metres provides qualifying wells with up to a $1 million or 12 months of royalty relief, whichever comes first, and a five year program for natural gas wells deeper than 2,500 metres provides a sliding scale royalty credit based on depth of up to $3,750 per metre.

On November 19, 2008, in response to the drop in commodity prices experienced during the second half of 2008, the Government of Alberta announced the introduction of a five year program of transitional royalty rates with the intent of promoting new drilling. The 5 year transition option is designed to provide lower royalties at certain price levels in the initial years of a well's life when production rates are expected to be the highest. Under this new program companies drilling new natural gas or conventional oil deep wells (between 1,000 and 3,500 m) are given a one-time option, on a well-by-well basis, to adopt either the new transitional royalty rates or those outlined in the NRF. Pursuant to the changes made to Alberta's royalty structure announced on March 11, 2010, producers will only be able to elect to adopt the transitional royalty rates prior to January 1, 2011 and producers that have already elected to adopt the transitional royalty rates as of that date will be permitted to switch to Alberta's conventional royalty structure. On December 31, 2013, all producers operating under the transitional royalty rates will automatically become subject to Alberta's conventional royalty structure.

On March 3, 2009, the Government of Alberta announced a three-point incentive program in order to stimulate new and continued economic activity in Alberta. The program introduced a drilling royalty credit for new conventional oil and natural gas wells and a new well royalty incentive program, both applying to conventional oil or natural gas wells drilled between April 1, 2008 and March 31, 2010. The drilling royalty credit provides up to a $200 per metre royalty credit for new wells and is primarily expected to benefit smaller producers since the maximum credit available will be determined using the company's production level in 2008 and its drilling activity between April 1, 2009 and March 31, 2010, favouring smaller producers with lower activity levels. The new well incentive program initially applied to wells that began producing conventional oil or natural gas between April 1, 2009 and March 31, 2010 and provides for a maximum 5% royalty rate for the first 12 months of production, on a maximum of 50,000 barrels of oil or 500 MMcf of natural gas. In June, 2009, the Government of Alberta announced the extension of these two incentive programs for one year to March 31, 2011. On March 11, 2010, the Government of Alberta announced that the incentive program rate of 5% for the first 12 months of production would be made permanent, with the same volume limitations.

In addition to the foregoing, Alberta currently maintains a royalty reduction program for low productivity oil and oil sands wells, a royalty adjustment program for deep marginal gas wells and a royalty exemption for re-entry wells, among others.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms from two years, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

The Province of Alberta has implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or license.

In Alberta, the NRF includes a policy of "shallow rights reversion" which provides, for the first time in western Canada, for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licenses. For leases and licenses issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or license. Holders of leases or licences that have been continued indefinitely prior to January 1, 2009 will receive a notice regarding the reversion of the shallow rights, which will be implemented three years from the date of the notice. The order in which these agreements will receive the reversion notice will depend on their vintage and location, with the older leases and licenses receiving reversion notices first beginning in January 2011. Leases and licences that were granted prior to January 1, 2009 but continued after that date will not be subject to shallow rights reversion until they reach the end of their primary term and are continued (at which time deep rights reversion will be applied); thereafter, the holders of such agreements will be served with shallow rights reversion notices based on vintage and location similar to leases and licences that were already continued as of January 1, 2009.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

In December, 2008, the Government of Alberta released a new land use policy for surface land in Alberta, the Alberta Land Use Framework (the "**ALUF**"). The ALUF sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans. The *Alberta Land Stewardship Act* (the "**ALSA**") was proclaimed in force in Alberta on October 1, 2009, providing the legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established pursuant to the ALSA are deemed to be legislative instruments equivalent to regulations and are binding on the Government of Alberta and provincial regulators, including those governing the oil and gas industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits, licenses, approvals and authorizations in order for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land; and conservation directives, which are explicit declarations contained in a regional plan to set aside specified lands in order to protect, conserve, manage and enhance the environment. Although no regional plans have been established under the ALSA, the planning process is underway for the Lower Athabasca Region (which contains the majority of oil sands development) and the South Saskatchewan Region. While the potential impact of the regional plans established under the ALSA cannot yet be determined, it is clear that such regional plans may have a significant impact on land use in Alberta and may affect the oil and gas industry.

Climate Change Regulation

Federal

In December 2002, the Government of Canada ratified the Kyoto Protocol ("**Kyoto Protocol**"), which requires a reduction in greenhouse gas ("**GHG**") emissions by signatory countries between 2008 and 2012. The Kyoto Protocol officially came into force on February 16, 2005 and commits Canada to reduce its greenhouse gas emissions levels to 6% below 1990 "business-as-usual" levels by 2012.

In anticipation of the expiry of the Kyoto Protocol in 2012, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark from December 6 to 18, 2009 (the "**Copenhagen Conference**") to attempt to negotiate a successor to the Kyoto Protocol. The primary result of the Copenhagen Conference was the Copenhagen Accord, which represents a broad political consensus rather than a binding international treaty like the Kyoto Protocol and has not been endorsed by all participating countries. The Copenhagen Accord reinforces the commitment to reducing GHG emissions contained in the Kyoto Protocol and promises funding to help developing countries mitigate and adapt to climate change. Although certain countries, including Canada, have committed to reducing their emissions individually or jointly by at least 80% by 2050, the Copenhagen Accord does not establish binding GHG emissions reduction targets. The Copenhagen Accord calls for a review and implementation of its stated goals by 2016.

In response to the Copenhagen Accord, the Government of Canada has recently indicated that it will seek to achieve a 17% reduction in greenhouse gas emissions from 2005 levels by 2020. This goal is similar to the goal expressed in previous policy documents which are discussed below.

On February 14, 2007, the House of Commons passed Bill C-288, *An Act to ensure Canada meets its global climate change obligations under the Kyoto Protocol*. The resulting *Kyoto Protocol Implementation Act* came into force on June 22, 2007. Its stated purpose is to "ensure that Canada takes effective and timely action to meet its obligations under the Kyoto Protocol and help address the problem of global climate change." It requires the federal Minister of the Environment to, among other things, produce an annual climate change plan detailing the measures to be taken to ensure Canada meets its obligations under the Kyoto Protocol. It also authorizes the establishment of regulations respecting matters such as emissions limits, monitoring, trading and enforcement.

On April 26, 2007, the Government of Canada released "Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution" (the "**Action Plan**") which set forth a plan for regulations to address both greenhouse gases and air pollution. An update to the Action Plan, "Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions" was released on March 10, 2008 (the "**Updated Action Plan**"). Although draft regulations for the implementation of the Updated Action Plan were intended to be published in the fall of 2008 and become binding on January 1, 2010, no such regulations have been proposed to date. Further, representatives the Government of Canada have recently indicated that the proposals contained in the Updated Action Plan will be modified to ensure consistency with the direction ultimately taken by the United States with respect to greenhouse gas emissions regulation. The approach of the Unites States is expected to include an absolute cap on emissions combined with allowances to be used for compliance that may be partially auctioned off to regulated entities. It is also unclear whether the approach adopted by the United States will provide for the payment into a technology fund as a compliance mechanism, as is currently permitted in Alberta and by the Updated Action Plan. As a result, many provisions of the Updated Action Plan, described below, are expected to be significantly modified.

The stated goal of the Updated Action Plan, as currently drafted, is to reduce greenhouse gas emissions to 20% below 2006 levels by 2020 and 60-70% by 2050. As noted above, the goal has now been modified by the Government of Canada. The Updated Action Plan outlines emissions intensity-based targets which will be applied to regulated sectors on either a facility-specific, sector-wide or company-by-company basis. Facility-specific targets applied to the upstream oil and gas, oil sands, petroleum refining and natural gas pipelines sectors. Unless a minimum regulatory threshold applies, all facilities within a regulated sector will be subject to the emissions intensity targets.

The Updated Action Plan makes a distinction between "Existing Facilities" and "New Facilities". For Existing Facilities, the Updated Action Plan requires an emissions intensity reduction of 18% below 2006 levels by 2010 followed by a continuous annual emissions intensity improvement of 2%. "New Facilities" are defined as facilities beginning operations in 2004 and include both greenfield facilities and major facility expansions that (i) result in a 25% or greater increase in a facility's physical capacity, or (ii) involve significant changes to the processes of the facility. New Facilities will be given a 3 year grace period during which no emissions intensity reductions will be required. Targets requiring an annual 2% emissions intensity reduction

will begin to apply in the fourth year of commercial operation of a New Facility. Further, emissions intensity targets for New Facilities will be based on a cleaner fuel standard to encourage continuous emissions intensity reductions over time. The method of applying this cleaner fuel standard has not yet been determined. In addition, the Updated Action Plan indicates that targets for the adoption of carbon capture and storage ("**CCS**") technologies will be developed for oil sands *in-situ* facilities, upgraders and coal-fired power generators that begin operations in 2012 or later. These targets will become operational in 2018, although the exact nature of the targets has not yet been determined.

Given the large number of small facilities within the upstream oil and gas and natural gas pipeline sectors, facilities within these sectors will only be subject to emissions intensity targets if they meet certain minimum emissions thresholds. That threshold will be (i) 50,000 tonnes of CO_2 equivalents per facility per year for natural gas pipelines; (ii) 3,000 tonnes of CO_2 equivalents per facility per year for the upstream oil and gas facility; and (iii) 10,000 boe/d/company. These regulatory thresholds are significantly lower than the regulatory threshold in force in Alberta, discussed below. In all other sectors govern by the Updated Action Plan, all facilities will be subject to regulation.

Four separate compliance mechanisms are provided for in the Updated Action Plan in respect of the above targets: Technology Fund contributions, offset credits, clean development credits and credits for early action. Regulated entities will be able to use Technology Fund contributions to meet their emissions intensity targets. The contribution rate for Technology Fund contributions will increase over time, beginning at $15 tonnes per CO_2 equivalent for the 2010-12 period, rising to $20 in 2013, and thereafter increasing at the nominal rate of GDP growth. Maximum contribution limits will also decline from 70% in 2010 to 0% in 2018. Monies raised through contributions to the Technology Fund will be used to invest in technology to reduce greenhouse gas emissions. Alternatively, regulated entities may be able to receive credits for investing in large-scale and transformative projects at the same contribution rate and under similar requirements as described above.

The offset system is intended to encourage emissions reductions from activities outside of the regulated sphere, allowing non-regulated entities to participate in and benefit from emissions reduction activities. In order to generate offset credits, project proponents must propose and receive approval for emissions reduction activities that will be verified before offset credits will be issued to the project proponent. Those credits can then be sold to regulated entities for use in compliance or non-regulated purchasers that wish to either purchase the offset credits for cancellation or banking for future use or sale.

Under the Updated Action Plan, regulated entities will also be able to purchase credits created through the Clean Development Mechanism of the Kyoto Protocol which facilitates investment by developed nations in emissions-reduction projects in developing countries. The purchase of such Emissions Reduction Credits will be restricted to 10% of each firm's regulatory obligation, with the added restriction that credits generated through forest sink projects will not be available for use in complying with the Canadian regulations.

Finally, a one-time credit of up to 15 million tonnes worth of emissions credits will be awarded to regulated entities for emissions reduction activities undertaken between 1992 and 2006. These credits will be both tradable and bankable.

Alberta

Alberta enacted the *Climate Change and Emissions Management Act* (the "**CCEMA**") on July 1, 2007, amending it through the *Climate Change and Emissions Management Amendment Act* which received royal asset on November 4, 2008. The CCEMA is based on an emissions intensity approach similar to the Updated Action Plan and aims for a 50% reduction from 1990 emissions relative to GDP by 2020.

Alberta facilities emitting more than 100,000 tonnes of greenhouse gases a year are subject to comply with the CCEMA. Similarly to the Updated Action Plan, the CCEMA and the associated *Specified Gas Emitters Regulation* make a distinction between "Existing Facilities" and "New Facilities". Existing Facilities are defined as facilities that completed their first year of commercial operation prior to January 1, 2008 or that have completed 8 or more years of commercial operation. Existing Facilities were required to reduce their emissions intensity by March 31, 2008 by 12% from a baseline established by their average emissions intensity between 2003 and 2005. New Facilities are defined as facilities that completed their first year of commercial operation subsequent to December 31, 2008, have completed less than 8 years of commercial operation, or are designated as New Facilities in accordance with the *Specified Gas Emitters Regulation*. New Facilities are also required to reduce their emissions intensity by 12% but this target is based on the emissions intensity of the facility in its third year of commercial operation and does not apply during the first 3 years of operation of the New Facility. Unlike the Updated Action Plan, the CCEMA does not contain any provision for continuous annual improvements beyond the 12% emissions intensity required.

The CCEMA contains similar compliance mechanisms as the Updated Action Plan. Regulated emitters can meet their emissions intensity targets by contributing to the Climate Change and Emissions Management Fund (the "**Fund**") at a rate of $15 per tonne of CO_2 equivalent. Unlike the Updated Action Plan, CCEMA contains no provisions for an increase to this contribution rate. Emissions credits can be purchased from regulated emitters that have reduced their emissions below the 100,000 tonne threshold or non-regulated emitters that have generated emissions offsets through activities that result in emissions reductions in accordance with established protocols published by the Government of Alberta. Unlike the Updated Action Plan, the CCEMA does not contemplate a linkage to external compliance mechanisms such as the Kyoto Protocol's Clean Development Mechanism.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "**Statement**") is dated February 9, 2010. The effective date of the Statement is December 31, 2009 and the preparation date of the Statement is February 9, 2010. The Report of Management and Directors on Reserves Data and Other Information on Form 51-101F3 and the Report on Reserves Data by Paddock on Form 51-101F2 are attached as Schedules A and B, respectively, to this Annual Information Form.

Disclosure of Reserves Data

The reserves data set forth below (the "**Reserves Data**") is based upon an evaluation by Paddock with an effective date of December 31, 2009 contained in the Paddock Report. The Reserves Data summarizes the oil, liquids and natural gas reserves of the Trust and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The Reserves Data conforms with the requirements of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**") and in accordance with the COGE Handbook. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which we believe is important to the readers of this information. Peyto Energy Trust engaged Paddock to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves.

All of the Trust's reserves are in Canada and, specifically, in the province of Alberta and British Columbia.

Some values set forth below may not add due to rounding.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material.

Reserves Data (Forecast Prices and Costs)

SUMMARY OF OIL AND GAS RESERVES AND NET PRESENT VALUES OF FUTURE NET REVENUE AS OF DECEMBER 31, 2009
FORECAST PRICES AND COSTS

	RESERVES									
	Light and Medium Oil		Heavy Oil		Solution Gas		Natural Gas		Natural Gas Liquids	
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved										
Developed Producing	125.1	111.4	0.4	0.4	682.5	614.9	495,949.9	426,092.4	15,675.5	9,821.5
Developed Non-Producing	-	-	-	-	-	-	15,234.9	12,622.2	373.7	234.0
Undeveloped	-	-	-	-	-	-	241,534.1	213,212.0	7,115.7	4,676.8
Total Proved	125.1	111.4	0.4	0.4	682.5	614.9	752,718.9	651,926.6	23, 164.9	14,732.2
Probable	30.5	25.9	0.2	0.2	134.8	115.8	259,905.7	215,983.9	7,662.2	4,878.0
Total Proved Plus Probable	155.6	137.3	0.6	0.6	817.3	730.7	1,012,624.6	867,910.5	30,827.1	19,610.3

Reserves Category	NET PRESENT VALUES OF FUTURE NET REVENUE									
	Before Income Taxes Discounted at (%/year)					After Income Taxes Discounted at (%/year)				
	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)
Proved										
Developed Producing	4,654,560.8	2,388,818.8	1,577,907.8	1,186,750.3	959,398.9	3,654,252.6	1,930,877.5	1,307,000.0	1,002,461.9	823,449.8
Developed Non-Producing	139,971.5	67,644.0	41,209.1	29,264.7	22,848.7	104,776.0	50,506.5	30,686.7	21,750.9	16,967.8
Undeveloped	1,855,211.0	887,759.8	507,611.8	317,249.1	206,589.2	1,389,105.1	654,433.4	362,977.2	216,129.2	130,548.6
Total Proved	6,649,743.2	3,344,222.6	2,126,728.7	1,533,264.1	1,188,836.8	5,148,133.8	2,635,817.4	1,700,663.9	1,240,342.1	970,966.1
Probable Additional	2,388,239.8	951,158.7	501,564.7	309,128.4	207,847.1	1,790,854.0	708,011.1	368,042.0	222,059.7	145,101.1
Total Proved Plus Probable	9,037,983.1	4,295,381.3	2,628,293.5	1,842,392.6	1,396,684.0	6,938,987.8	3,343,828.5	2,068,705.9	1,462,401.8	1,116,067.2

Reserves Category	TOTAL FUTURE NET REVENUE (UNDISCOUNTED) AS OF DECEMBER 31, 2009							
	Revenue (M$)	Royalties (M$)	Operating Costs (M$)	Development Costs (M$)	Well Abandonment Costs (M$)	Future Net Revenue Before Income Taxes (M$)	Income Taxes (M$)	Future Net Revenue After Income Taxes (M$)
Proved Reserves	10,422,986.1	1,720,805.6	1,507,324.5	467,665.4	77,447.4	6,649,743.2	1,501,609.5	5,148,133.8
Proved Plus Probable Reserves	14,252,923.2	2,444,098.5	1,978,966.8	696,338.5	95,536.3	9,037,983.1	2,098,995.3	6,938,987.8

Reserves Category	FUTURE NET REVENUE BY PRODUCTION GROUP AS OF DECEMBER 31, 2009		
	Production Group	Future Net Revenue Before Income Taxes (Discounted At 10%/Year) (M$)	($/bbl or $/MCF)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	7,285.5	30.81
	Heavy Oil (including solution gas and other by-products)	12.8	32.25
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	1,944,709.8	15.76
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	8,450.1	29.62
	Heavy Oil (including solution gas and other by-products)	17.6	31.32
	Natural Gas (including by-products but excluding solution gas from oil wells)	2,425,841.9	14.77

Note: Net revenue does not include other income (i.e. processing income).

Definitions and Other Notes

In the tables set forth above in "*Disclosure of Reserves Data*" and elsewhere in this Annual Information Form the following definitions and other notes are applicable:

1. "**Gross**" means:

   (a) in relation to the Trust's interest in production and reserves, its "Trust gross reserves", which are the Trust's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Trust;

(b) in relation to wells, the total number of wells in which the Trust has an interest; and

(c) in relation to properties, the total area of properties in which the Trust has an interest.

2. "**Net**" means:

(a) in relation to the Trust's interest in production and reserves, its "Trust gross reserves", which are the Trust's interest (operating and non-operating) share after deduction of royalties obligations, plus the Trust's royalty interest in production or reserves;

(b) in relation to wells, the number of wells obtained by aggregating the Trust's working interest in each of its gross wells; and

(c) in relation to the Trust's interest in a property, the total area in which the Trust has an interest multiplied by the working interest owned by the Trust.

3. Definitions used for reserve categories are as follows:

The following definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

(a) analysis of drilling, geological, geophysical and engineering data;

(b) the use of established technology; and

(c) specified economic conditions (see the discussion of "*Economic Assumptions*" below).

Reserves are classified according to the degree of certainty associated with the estimates.

(d) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(e) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Economic Assumptions" will be the prices and costs used in the estimate, namely:

(f) constant prices and costs as at the last day of the Trust's financial year; and

(g) forecast prices and costs.

Development and Production Status

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

(h) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

(i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainly.

(ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(i) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(j) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

(k) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

4. Forecast prices and costs

Future prices and costs that are:

(a) generally acceptable as being a reasonable outlook of the future; and

(b) if and only to the extent that, there are fixed or presently determinable future prices or costs to which the Trust is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast summary table under "*Pricing Assumptions*" identifies benchmark reference pricing that apply to the Trust.

5. Future income tax expenses estimate:

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes;

(b) without deducting estimated future costs that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances;

(d) applying to the future pre-tax net cash flows relating to the Trust's oil and gas activities the appropriate year-end statutory rates, taking into account future tax rates already legislated.

6. "Development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

7. "Development well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

8. "Exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

9. "Exploration well" means a well that is not a development well, a service well or a stratigraphic test well.

10. "Service well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

11. Numbers may not add due to rounding.

The estimates of future net revenue presented in the tables above do not represent fair market value.

Pricing Assumptions

The following sets forth the benchmark reference prices, as at December 31, 2009, reflected in the Reserves Data. These price assumptions were provided to the Trust by Paddock, the Trust's independent qualified reserves evaluator.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF DECEMBER 31, 2009
FORECAST PRICES AND COSTS

	OIL					NATURAL GAS LIQUIDS					
Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Hardisty Heavy 12° API ($Cdn/bbl)	Cromer Medium 29.3° API ($Cdn/bbl)	Natural Gas Aeco Gas Price ($Cdn/MMBtu)	Condensate ($Cdn/BBL)	Butane ($Cdn/BBL)	Propane ($Cdn/BBL)	Ethane ($Cdn/BBL)	Inflation Rates[1] %/Year	Exchange Rate[2] ($US/$Cdn)
Forecast											
2010	80.00	82.43	62.43	76.66	5.82	83.25	61.82	49.46	18.06	2	0.950
2011	82.50	85.02	65.02	79.07	6.29	85.87	63.77	51.01	19.59	2	0.950
2012	85.00	87.62	64.62	81.48	6.77	88.49	65.71	52.57	21.13	2	0.950
2013	90.00	92.84	67.84	86.34	7.28	93.77	69.63	55.71	22.78	2	0.950
2014	95.00	98.07	72.73	91.20	7.80	99.05	73.55	58.84	24.44	2	0.950
2015	96.90	100.03	74.34	93.03	8.05	101.03	75.02	60.02	25.24	2	0.950
2016	98.84	102.03	75.99	94.89	8.30	103.05	76.52	61.22	26.04	2	0.950
2017	100.81	104.07	77.67	96.79	8.55	105.11	78.05	62.44	27.64	2	0.950
2018	102.83	106.15	79.38	98.72	8.80	107.21	79.61	63.69	28.19	2	0.950
2019	104.89	108.27	81.13	100.70	8.97	109.36	81.21	64.96	28.76	2	0.950
Thereafter	+2%	+2%	+2%	+2%	+2%	+2%	+2%	+2%	+2%	2	0.950

Notes:

(1) Inflation rates for forecasting prices and costs.
(2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by the Trust for the year-ended December 31, 2009, were $6.44/mcf for natural gas, $50.18/bbl for crude oil and natural gas liquids.

Reconciliations of Changes in Reserves and Future Revenue

RECONCILIATION OF TRUST GROSS (WORKING INTEREST) RESERVES BY PRINCIPAL PRODUCT TYPE FORECAST PRICES AND COSTS

	Light and Medium Oil			Heavy Oil			Natural Gas			Natural Gas Liquids		
Factors	Proved (Mbbl)	Probable (Mbbl)	Proved Plus Probable (Mbbl)	Proved (Mbbl)	Probable (Mbbl)	Proved Plus Probable (Mbbl)	Proved (MMcf)	Probable (MMcf)	Proved Plus Probable (MMcf)	Proved (Mbbl)	Probable (Mbbl)	Proved Plus Probable (Mbbl)
December 31, 2008	42.1	16.3	58.4	0.6	0.2	0.7	642,383.8	201,173.4	843,557.3	20,048.7	5,680.3	25,729.0
Extensions	-	-	-	-	-	-	103,101.8	49,480.9	152,582.7	2,994.3	1,398.7	4,393.0
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revision	101.9	14.2	116.1	-	-	-	14,960.7	4,578.7	19,539.3	297.5	424.1	721.7
Discoveries	-	-	-	-	-	-	25,817.3	5,246.2	31,063.5	897.5	176.4	1,073.8
Acquisitions	-	-	-	-	-	-	979.7	174.2	1,153.9	13.0	2.3	15.3
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	(612.9)	(612.9)	-	(19.6)	(19.6)
Production	(18.9)	-	(18.9)	(0.1)	-	(0.1)	(33,841.9)	-	(33,841.9)	(1,086.1)	-	(1,086.1)
December 31, 2009	125.1	30.5	155.6	0.4	0.2	0.6	753,401.4	260,040.5	1,013,441.9	23,164.9	7,662.2	30,827.1

Note:

(1) Numbers may not add due to rounding.

RECONCILIATION OF TRUST NET RESERVES (NET OF ROYALTIES) BY PRINCIPAL PRODUCT TYPE FORECAST PRICES AND COSTS

	Light and Medium Oil			Heavy Oil			Natural Gas			Natural Gas Liquids		
Factors	Net Proved (Mbbl)	Net Probable (Mbbl)	Net Proved Plus Probable (Mbbl)	Net Proved (Mbbl)	Net Probable (Mbbl)	Net Proved Plus Probable (Mbbl)	Net Proved (MMcf)	Net Probable (MMcf)	Net Proved Plus Probable (MMcf)	Net Proved (Mbbl)	Net Probable (Mbbl)	Net Proved Plus Probable (Mbbl)
December 31, 2008	38.2	14.3	52.5	0.6	0.2	0.7	537,990.1	162,096.5	700,086.5	12,605.0	3,585.3	16,190.3
Extensions	-	-	-	-	-	-	92,798.6	41,832.5	134,631.1	2,026.6	908.4	2,935.0
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revision	91.3	11.6	103.0	-	-	-	29,997.3	8,345.7	38,343.0	244.8	274.6	519.5
Discoveries	-	-	-	-	-	-	20,681.0	3,675.2	24,356.2	581.6	108.3	689.9
Acquisitions	-	-	-	-	-	-	868.0	149.8	1,017.8	7.9	1.4	9.3
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	(18.1)	-	(18.1)	(0.2)	-	(0.2)	(29,793.5)	-	(29,793.5)	(733.7)	-	(733.7)
December 31, 2009	111.4	25.9	137.3	0.4	0.2	0.6	652,541.5	216,099.7	868,641.2	14,732.2	4,878.0	19,610.3

Note:

(1) Numbers may not add due to rounding.

Additional Information Relating to Reserves Data

Undeveloped Reserves

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to the Trust in the most recent three financial years and, in the aggregate, before that time.

Proved Undeveloped Reserves

The Trust's proved undeveloped reserves are comprised mainly of wells that are budgeted and scheduled to be drilled in the next 3 years. The Trust also has proved undeveloped reserves behind pipe (mostly up-hole zones) which will be brought on production once the primary zones have been depleted. Where there is economical justification to accelerate production from secondary zones, the Trust will often proceed to re-complete the subject well bores or drill twin wells for secondary zones.

	Light and Medium Oil (Mbbl)		Heavy Oil (Mbbl)		Natural Gas (MMcf)		Natural Gas Liquids (Mbbl)	
Year	1st Attributed	Cumulative at Year-End (1)	1st Attributed	Cumulative at Year-End (1)	1st Attributed	Cumulative at Year-End (1)	1st Attributed	Cumulative at Year-End (1)
Prior to 2005	-	-	-	-	41,422	61,452	1,256	2,030
2005	-	-	-	-	43,700	75,742	851	1,602
2006	-	-	-	-	29,233	77,513	600	1,730
2007	-	-	-	-	30,359	94,859	742	2,190
2008	-	-	-	-	29,974	105,977	526	2,284
2009	-	-	-	-	95,693	213,212	2,101	4,677

Note:

(1) Cumulative at Year-End = Residual Cumulative of Previous Year plus 1st Attributed.

Probable Undeveloped Reserves

The Trust's probable additional reserves are comprised of performance wedges from producing wells (approximately 41%), step out drilling locations, and bypassed zones, which are deemed too probabilistic to be classified as proved. The Trust typically assigns probable reserves to undrilled locations that are scheduled to be drilled in the next 36 months. The Trust has historically been highly successful converting these probable assignments to proven producing entities.

Significant Factors or Uncertainties

The process of evaluating reserves is inherently complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions and other factors and assumptions that may affect the reserve estimates and the present worth of the future net revenue therefrom. These factors and assumptions include, among others: (i) historical production in the area compared with production rates from analogous producing areas; (ii) initial production rates; (iii) production decline rates; (iv) ultimate recovery of reserves; (v) success of future development activities; (vi) marketability of production; (vii) effects of government regulations; and (viii) other government levies imposed over the life of the reserves.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and government restrictions. Revisions to reserve estimates can arise from changes in year-end prices, reservoir performance and geologic conditions or production. These revisions can be either positive or negative.

While we do not anticipate any significant economic factors or significant uncertainties will affect any particular components of the reserves data, the reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance that are beyond our control. See "*Risk Factors*".

	Light and Medium Oil (Mbbl)		Heavy Oil (Mbbl)		Natural Gas (MMcf)		Natural Gas Liquids (Mbbl)	
Year	1st Attributed	Cumulative at Year-End (1)	1st Attributed	Cumulative at Year-End (1)	1st Attributed	Cumulative at Year-End (1)	1st Attributed	Cumulative at Year-End (1)
Prior to 2005	-	-	-	-	52,608	93,837	1,836	3,264
2005	-	-	-	-	74,635	116,195	1,488	2,718
2006	-	-	-	-	35,933	111,816	681	1,726
2007	-	-	-	-	14,526	94,843	330	2,016
2008	-	-	-	-	19,097	95,347	385	1,917
2009	-	-	-	-	32,894	126,390	844	2,701

Note:

(1) Cumulative at Year-End = Residual Cumulative of Previous Year plus 1st Attributed.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the Trust's future net revenue attributable to the reserve categories noted below.

	Forecast Prices and Costs			
	Proved Reserves		Proved Plus Probable Reserves	
Year	0% (M$)	10% (M$)	0% (M$)	10% (M$)
2010	132,220	126,281	184,503	175,562
2011	192,566	166,037	263,903	227,649
2012	134,361	105,524	202,859	159,660
2013	10	8	7,471	5,352
Thereafter	8,508	2,238	37,602	8,825
Sub-Total	467,665	400,088	696,338	577,048
Future Drilling Royalty Credits	(22,089)	(20,475)	(24,854)	(22,991)
Total	445,576	379,613	671,484	554,057
Change from 2008	223,215	191,861	281,736	237,915

The Trust anticipates that funding for the future development costs will include internally generated cash flow, debt and equity financing.

Other Oil and Gas Information

Oil and Gas Properties

The following is a description of the Trust's principal oil and natural gas properties on production or under development as at January 1, 2010. The term "net", when used to describe the Trust's share of production, means the total of the Trust's working interest share before deduction of royalties owned by others. Reserve amounts are stated, before deduction of royalties, at January 1, 2010, based on escalating cost and price assumptions (gross) as evaluated in the Paddock Report (see "*Statement of Reserves Data and Other Oil and Gas Information*"). Unless otherwise specified, gross and net acres and well count information are as at January 1, 2010. Information in respect of current production is average production, net to the Trust, for the month of March 2010, except where otherwise indicated. The estimate of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

General

Peyto operates in three core areas, namely Greater Sundance, Smoky/Kakwa and the Cutbank areas of Alberta. Within the Greater Sundance area there are three sub-areas, Oldman, Nosehill and Wildhay, all of which have gas processing facilities that are interconnected. The total capital expenditure for 2009 was $72.7 million (after drilling royalty credits).

Greater Sundance Area

The Greater Sundance area is located 50 kilometers west of Edson, Alberta, from Township 53–56 and Range 19-24 west of the fifth meridian. Peyto began its operations in this area in the spring of 1999. This area now encompasses the Sundance, Oldman, Wildhay and Nosehill fields and is generally referred to as the "Greater Sundance area".

Peyto has an average 75% working interest in 157,520 gross (117,618 net) acres of land and operates 98% of its production in the area.

The geology of the area is characterized by multi-zone potential for liquid-rich natural gas. Peyto currently produces gas from the Belly River, Cardium, Viking, Notikewin, Falher, Wilrich, Bluesky and Cadomin formations. The majority of Peyto's current production comes from the Cardium formation, which exists as low permeability blanket sand.

During 2009, Peyto spent $55.0 million in capital to drill, case, complete, equip and tie-in 18.9 new net wells in the Greater Sundance area. Included in this capital is its proportionate share of land and seismic acquisition costs as well as plant costs. Peyto is currently producing approximately 16,500 boe per day of natural gas and natural gas liquids from this area. The Greater Sundance area includes several properties that collectively account for:

79% of 2009 capital expenditures

84% of 2009 production volume

85% of proved and probable reserves at December 31, 2009

42% of undeveloped land holding at December 31, 2009

Peyto plans to spend approximately $125 million of the 2010 capital program in this area. Peyto is planning to drill another 35-40 gross wells in the Greater Sundance area over the 2010 calendar year. The majority of these wells are anticipated to be Cardium, Notikewin and Wilrich horizontal well producers.

The low permeability in the Cardium, Notikewin, Wilrich and Cadomin sands typically limits the drainage area for a well to less than 160 acres. The Alberta Energy and Utilities Board has approved reduced well spacing of 100–160 acres per well along the trend and in the Greater Sundance area. This allows Peyto to conduct additional low risk development infill drilling of 4-6 wells per section.

Peyto owns and operates three 100% working interest gas processing plants located in the Greater Sundance area. One of the plants is located in Oldman (55-21W5), the second one is located in Wildhay (55-23W5) and the third one is located in Nosehill (55-20W5). The majority of the Trust's production is processed through these plants, with 631 gross (534 net) producing zones.

Gross natural gas production at the facilities is approximately 115 million cubic feet per day, with natural gas liquids production being approximately 3,440 barrels per day.

Smoky/Kakwa/Chime/Kiskiu

The Smoky/Kakwa/Chime/Kiskiu area is located 40 km northeast of Grande Cache in Township 57-61 and Range 2-6 west of the sixth meridian. Peyto began operations in the area in the winter of 2002/2003.

Peyto has an average 91% working interest in 36,480 gross (33,368 net) acres of land and operates 96% of its production in the area.

The geology of the area indicates multi-zone potential for liquid-rich natural gas. Peyto currently produces gas from the Belly River, Dunvegan and Cardium formations. The majority of Peyto's current production comes from the Cardium formation, which exists as a low permeability blanket sand.

In 2009, Peyto drilled and completed 4 wells (3.6 net) in Smoky/Kakwa/Chime/Kiskiu. Peyto is currently producing approximately 3,090 boe per day of natural gas and natural gas liquids from this area. The Smoky/Kakwa/Chime/Kiskiu area accounted for:

15% of 2009 capital expenditures

12% of 2009 production volume

9% of proved and probable reserves at December 31, 2009

16% of undeveloped land holding at December 31, 2009

Peyto plans to spend approximately $36 million of the 2010 capital program in this area. Peyto is planning to drill another 10-12 wells in the Smoky/Kakwa/Chime/Kiskiu area over the 2010 calendar year. The majority of these wells are anticipated to be Cardium gas wells that exhibit similar characteristics to the existing Kakwa Cardium wells.

Peyto owns a 100% working interest in and operates its gas processing plant in Smoky/Kakwa. The majority of the production from the area is processed through this plant with 50 producing zones currently tied in. Gross production from this facility is approximately 18.6 mmcf/d of natural gas with approximately 1,080 bbls/d of natural gas liquids.

Cutbank

The Cutbank area is located 90 km southwest of Grande Prairie, Alberta in Townships 61-64 and Ranges 7-11 west of the sixth meridian. Peyto began operations in this area in early 2004.

Peyto has an average 79% working interest in 25,600 gross (20,181 net) acres of land and operates 96% of its production in the area.

The geology of the area indicates multi-zone potential for liquid-rich natural gas. Peyto currently produces gas from the Belly River, Cardium and Dunvegan formations. The majority of Peyto's current production comes from the Cardium formation, which is characterized by a low permeability blanket sand.

Prior to year-end 2009, Peyto had drilled and completed 1 gross (1 net) gas well in Cutbank although production from this well did not come on stream until January 2010. Peyto is currently producing approximately 380 boe per day of natural gas and natural gas liquids from this area. The Cutbank area accounts for:

3% of 2009 capital expenditures

1% of 2009 production volume

2% of proved and probable reserves at December 31, 2009

10% of undeveloped land holding at December 31, 2009

Peyto plans to spend approximately $9 million of the 2010 capital program in this area. Peyto is planning to drill 2 – 3 wells in the Cutbank area over the 2010 calendar year. These wells are anticipated to be dunvegan producers.

Peyto owns a 100% working interest in and operates its gas processing plant in Cutbank. The majority of the production from the area is processed through this plant with 18 producing zones currently tied in. Gross production from this facility is approximately 2.8 mmcf/d of natural gas with approximately 43 bbls/d of natural gas liquids.

Miscellaneous

The Trust has a number of minor working interests in non-operated wells throughout Alberta. These properties account for less than 1% of the Trust's current production. The anticipated capital spending for these areas is minimal.

Oil And Gas Wells

The following table sets forth the number and status of wells in which the Trust has a working interest as at December 31, 2009.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	59	5	19	1	594	479.5	49	41.6
British Columbia	16	-	30	-	1	-	5	-
Total	75	5	49	1	595	479.5	54	41.6

Land Holdings

The following table sets out the Trust's developed and undeveloped land holdings as at December 31, 2009.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	136,722	97,731	173,122	128,927	309,843	226,658
British Columbia	4,793	265	4,094	178	8,887	444
Total	141,514	97,996	177,216	129,106	318,730	227,102

Note:

(1) Numbers may not add due to rounding.

The Trust expects that rights to explore, develop and exploit 19,407 net acres of its undeveloped land holdings will expire by December 31, 2010 unless the rights are proven eligible for continuation due to production and/or drilling.

Forward Contracts

The Trust is a party to certain off balance sheet derivative financial instruments, including fixed price contracts. The Trust enters into these contracts with well established counter-parties for the purpose of protecting a portion of its future revenues from the volatility of oil and natural gas prices.

A summary of contracts outstanding, as at the date hereof, in respect of the hedging activities are as follows:

Natural Gas:

Period Hedged	Type	Daily Volume	Price (CAD)
April 1, 2009 to March 31, 2010	Fixed price	5,000 GJ	$7.65/GJ
April 1, 2009 to March 31, 2010	Fixed price	5,000 GJ	$6.90/GJ
November 1, 2009 to March 31, 2010	Fixed price	5,000 GJ	$8.39/GJ
November 1, 2009 to March 31, 2010	Fixed price	5,000 GJ	$8.35/GJ
November 1, 2009 to March 31, 2010	Fixed price	5,000 GJ	$5.25/GJ
November 1, 2009 to October 31, 2010	Fixed price	5,000 GJ	$5.20/GJ
November 1, 2009 to October 31, 2010	Fixed price	5,000 GJ	$5.00/GJ

Period Hedged	Type	Daily Volume	Price (CAD)
November 1, 2009 to March 31, 2011	Fixed price	5,000 GJ	$6.20/GJ
November 1, 2009 to March 31, 2011	Fixed price	5,000 GJ	$5.81/GJ
April 1, 2010 to October 31, 2010	Fixed price	5,000 GJ	$6.10/GJ
April 1, 2010 to October 31, 2010	Fixed price	5,000 GJ	$5.50/GJ
April 1, 2010 to March 31, 2011	Fixed price	5,000 GJ	$5.28/GJ
April 1, 2010 to March 31, 2011	Fixed price	5,000 GJ	$5.29/GJ
April 1, 2010 to March 31, 2011	Fixed price	5,000 GJ	$5.55/GJ
April 1, 2010 to March 31, 2011	Fixed price	5,000 GJ	$5.70/GJ
April 1, 2010 to March 31, 2012	Fixed price	5,000 GJ	$5.67/GJ
April 1, 2010 to March 31, 2012	Fixed price	5,000 GJ	$5.82/GJ
November 1, 2010 to March 31, 2011	Fixed price	5,000 GJ	$8.91/GJ
November 1, 2010 to March 31, 2011	Fixed price	5,000 GJ	$9.15/GJ
April 1, 2011 to March 31, 2012	Fixed price	5,000 GJ	$6.20/GJ

Additional Information Concerning Abandonment and Reclamation Costs

The Trust bases its estimates for the costs of abandonment and reclamation of surface leases, wells, facilities and pipelines on previous experience of management with similar well sites and facility locations. As at December 31, 2009, management expected to incur such costs on 527 net wells. The total of such costs, net of estimated salvage value, expected to be incurred is $36.7 million (undiscounted) and $10.5 million (discounted at 7%). Future net revenue figures set forth in this report only include abandonment liabilities for wells assigned reserves. Within the next three financial years, it is expected such costs will total approximately $497,000 (undiscounted) in aggregate.

Tax Horizon

Subject to the SIFT Rules (described below), any taxable income that would otherwise arise in Peyto or the other affiliated entities will generally accrue in the Trust and will be allocated by the Trust to its unitholders.

Capital Expenditures

The following table summarizes capital expenditures (net of incentives and net of certain proceeds and including capitalized general and administrative expenses) related to the Trust's activities for the year-ended December 31, 2009:

Property acquisition costs			0.0
Proved properties	MM	$	0.0
Unproved properties			4.1
Exploration costs			9.0
Development costs			59.6
Total	MM	$	72.7

Exploration and Development Activities

The following table sets forth the gross and net exploratory and development wells in which the Trust participated during the year-ended December 31, 2009:

	Exploratory Wells		Development Wells	
	Gross	Net	Gross	Net
Oil	-	-	-	-
Natural Gas	3	3	25	22
Service	-	-	-	-
Dry	-	-	-	-
Total:	3	3	25	22

For a description of the Trust's most important current and likely exploration and development activities, see "*Statement of Reserves Data and Other Oil and Gas Information – Other Oil and Gas Information – Oil and Gas Properties*".

Production Estimates

The following table sets out the volume of the Trust's production before royalties estimated for the year-ended December 31, 2010 which is reflected in the estimate of gross proved reserves and probable reserves disclosed in the tables contained under "- *Disclosure of Reserves Data*".

	Light and Medium Oil	Heavy Oil	Natural Gas	Natural Gas Liquids	BOE
	(Bbls/d)	*(Bbls/d)*	*(MMcf/d)*	*(Bbls/d)*	*(BOE/d)*
Proved					
Sundance	8	-	88	2,694	17,374
Kakwa	-	-	14	783	3,059
Other	29	-	6	178	1,286
Total Proved 2010	37	-	108	3,655	21,719
Proved Plus Probable					
Sundance	8	-	93	2,845	18,310
Kakwa	-	-	16	911	3,638
Other	30	-	7	192	1,427
Total P+P 2010	38	-	116	3,948	23,375

Note:

(1) Numbers may not add due to rounding.

Production History and Prices Received

The following table summarizes certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	2009			
	Quarter Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
Average Daily Production[1]				
Light and Medium Crude Oil (Bbls/d)	-	-	-	-
Heavy Oil (Bbls/d)	-	-	-	-
Gas (Mcf/d)	95,467	89,259	90,191	95,998
NGLs (Bbls/d)	3,222	2,916	2,950	3,022
Combined (BOE/d)	19,133	17,792	17,982	19,021
Average Price Received				
Light and Medium Crude Oil ($/Bbl)	-	-	-	-
Heavy Oil ($/Bbl)	-	-	-	-
Gas ($/Mcf)	6.17	5.74	6.14	7.68
NGLs ($/Bbl)	60.77	51.06	43.42	44.46
Combined ($/BOE)	41.03	37.18	37.90	45.81
Royalties Paid ($/BOE)	4.24	2.75	3.31	4.84
Production Costs including transportation ($/BOE)	2.94	3.10	3.23	3.35
Netback Received ($/BOE)	33.85	31.32	31.35	37.62

Notes:

(1) Before deduction of royalties.
(2) Light and Medium Crude Oil production is included in NGLs production.
(3) Numbers may not add due to rounding.

The following table indicates the Trust's average daily production from its important fields, and in total, for the year-ended December 31, 2009. It is noted the Chime area, included as "Other Properties" last year is now part of the Greater Kakwa area.

	Light and Medium Crude Oil (Bbls/d)	Heavy Oil (Bbls/d)	Gas (Mcf/d)	NGLS (Bbls/d)	BOE (BOE/d)
Sundance	9	-	79,880	2,311	15,633
Kakwa	-	-	9,732	591	2,213
Cutbank	-	-	991	22	187
Other Properties	41	-	2,115	52	446
Total Alberta	50	-	92,718	2,976	18,479
Total British Columbia	2	-	-	-	2
Total	52	-	92,718	2,976	18,481

Note:

(1) Numbers may not add due to rounding.

ADDITIONAL INFORMATION RESPECTING PEYTO ENERGY TRUST

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. As of the date hereof, there are 115,300,675 Trust Units issued and outstanding. Each Trust Unit shall entitle the holder thereof to one vote at any meeting of the holders of Trust Units and represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of Distributable Cash, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units outstanding from time to time shall be entitled to equal shares of any distributions by the Trust, and in the event of termination or winding-up of the Trust, in any net assets of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority. Each Trust Unit is transferable, subject to compliance with applicable Canadian securities laws, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder (see "*Redemption Right*").

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either POT, Peyto or the Trust. As holders of Trust Units in the Trust, the Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The price per Trust Unit will be a function of anticipated distributable income from POT and the Partnership and the ability of POT and the Partnership to effect long term growth in the value of the Trust. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of the Trust to acquire additional assets. Changes in market conditions may adversely affect the trading price of the Trust Units.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Special Voting Rights

In order to allow the Trust flexibility in pursuing corporate acquisitions, the Trust Indenture allows for the creation of Special Voting Rights which will enable the Trust to provide voting rights to holders of exchangeable shares that may be issued by Peyto or other direct or indirect subsidiaries of the Trust in connection with exchangeable share transactions.

An unlimited number of Special Voting Rights may be created and issued pursuant to the Trust Indenture. Holders of Special Voting Rights shall not be entitled to any distributions of any nature whatsoever from the Trust and shall be entitled to attend at meetings of Unitholders and to such number of votes at meetings of Unitholders as may be prescribed by the board of directors of Peyto AdminCo in the resolution authorizing the issuance of any Special Voting Rights. Except for the right to attend and vote at meetings of the Unitholders, the Special Voting Rights shall not confer upon the holders thereof any other rights.

Unitholders Limited Liability

The Trust Indenture provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability in contract or in tort or of any other kind whatsoever to any person in connection with the Trust Fund (as defined in the Trust Indenture) or the obligations or the affairs of the Trust or with respect to any act performed by the Trustee or by any other person pursuant to the Trust Indenture or with respect to any act or omission of the Trustee or any other person in the performance or exercise, or purported performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other person hereunder or with respect to any transaction entered into by the Trustee or by any other person pursuant to the Trust Indenture. The Trust Indenture also provides that no Unitholder shall be liable to indemnify the Trustee or any such other person with respect to any such liability or liabilities incurred by the Trustee or by any such other person or persons or with respect to any taxes payable by the Trust or by the Trustee or by any other person on behalf of or in connection with the Trust. Notwithstanding the foregoing, to the extent that any Unitholders are found by a court of competent jurisdiction to be subject to any such liability, such liability shall be enforceable only against, and shall be satisfied only out of, the Trust Fund and the Trust (to the extent of the Trust Fund) is liable to, and shall indemnify and save harmless any Unitholder against any costs, damages, liabilities, expenses, charges or losses suffered by any Unitholder from or arising as a result of such Unitholder not having any such limited liability.

The Trust Indenture provides that all contracts signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Trust Indenture, Unitholders may not be protected from liabilities of the Trust to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Unitholders of this nature arising is considered unlikely in view of the fact that the sole activity of the Trust is to hold securities, and all of the business operations currently carried on by the Trust will be carried on by the Partnership and Peyto, directly or indirectly.

The activities of the Trust and its direct and indirect wholly-owned subsidiaries will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against the Trust including by obtaining appropriate insurance, where available, for the operations of having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Unitholders personally.

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This act created a statutory limitation of the liability of unitholders of Alberta income trusts such as the Trust. The legislation provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation came into force.

Issuance of Trust Units

The Trust Indenture provides that Trust Units, including rights, warrants, special warrants and other securities to purchase, to convert into or to exchange into Trust Units, may be created, issued, sold and delivered on such terms and conditions and at such time or times as the board of directors of Peyto may determine. The Trust Indenture also provides that Peyto may authorize the creation and issuance of debentures, notes and other evidences of indebtedness of the Trust which debentures, notes or other evidences of indebtedness may be created and issued from time to time on such terms and conditions, to such persons and for such consideration as Peyto may determine.

Cash Distributions

The Trustee may, upon the recommendation of Peyto AdminCo, as administrator, declare payable to the Unitholders all or any part of the net income of the Trust, less all expenses and liabilities of the Trust due and accrued and which are chargeable to the net income of the Trust. In addition, Unitholders may, at the discretion of the board of directors of Peyto AdminCo, receive distributions in respect of repayments of principal on the POT Notes made by POT to the Trust before the maturity of the POT Notes.

The initial cash distribution was paid to Unitholders of record on July 31, 2003 and was paid on August 15, 2003. It is expected that cash distributions will be made on the 15th day of each month to Unitholders of record on the immediately preceding Distribution Record Date.

Reinstatement of Amended Distribution Reinvestment and Optional Trust Unit Purchase Plan

A plan has been established to provide Unitholders who are residents of Canada (within the meaning of the Tax Act) with a method to reinvest cash distributions by purchasing additional Trust Units and to purchase additional Trust Units. The Amended Distribution Reinvestment and Optional Trust Unit Purchase Plan was suspended on September 30, 2006, but effective January 15, 2010, was reinstated and available for the January, 2010 distribution paid on February 15, 2010. For further information, please see www.peyto.com.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of the certificate or certificates representing such Trust Units, accompanied by a duly completed and properly executed notice requiring redemption. Upon receipt of the notice to redeem Trust Units by the Trust, the holder thereof shall only be entitled to receive a price per Trust Unit (the "**Market Redemption Price**") equal to the lesser of: (a) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Trust Units are tendered to the Trust for redemption; and (b) the closing market price on the principal market on which the Trust Units are quoted for trading on the date that the Trust Units are so tendered for redemption.

For the purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The closing market price shall be: an amount equal to the closing price of the Trust Units if there was a trade on the date; an amount equal to the average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; and the average of the last bid and last ask prices if there was no trading on the date.

The Market Redemption Price payable by the Trust in respect of any Trust Units tendered for redemption during any calendar month shall be satisfied by way of cheque payable on the last day of the calendar month following the month in which the Trust Units were tendered for redemption. The entitlement of Unitholders to receive a cheque upon the redemption of their Trust Units is subject to the limitation that the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed $100,000 provided that, Peyto AdminCo may, in its sole discretion, waive such limitation in respect of any calendar month. If this limitation is not so waived, the Market Redemption Price payable by the Trust in respect of Trust Units tendered for redemption in such calendar month shall be paid on the last day of the calendar month following such month as follows: (a) firstly, by the Trust distributing POT Notes, or such other series of promissory notes of POT as POT may issue to the Trust in payment of the POT Notes (the "**Other POT Notes**"), having an aggregate principal amount equal to the aggregate Market Redemption Price of the Trust Units tendered for redemption, and (b) secondly, to the extent that the Trust does not hold POT Notes and/or Other POT Notes having a sufficient principal amount outstanding to effect such payment, by the Trust issuing Redemption Notes to the Unitholders who exercised the right of redemption having an aggregate principal amount equal to any such shortfall, which Redemption Notes shall have terms and conditions substantially identical to those of the POT Notes and/or Other POT Notes.

If at the time Trust Units are tendered for redemption by a Unitholder, the outstanding Trust Units are not listed for trading on the TSX or the TSX Venture Exchange and are not traded or quoted on any other stock exchange or market which Peyto AdminCo considers, in its sole discretion, provides representative fair market value price for the Trust Units or the normal trading of the outstanding Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date that such Trust Units tendered for redemption are tendered for redemption or for more than five trading days during the 10 trading day period, commencing immediately after the date on which such Trust Units tendered for redemption were tendered for redemption then such Unitholders shall, instead of the Market Redemption Price, be entitled to receive a price per Trust Unit (the "**Appraised Redemption Price**") equal to 90% of the fair market value thereof as determined by Peyto AdminCo as at the date on which such Trust Units were tendered for redemption. The aggregate Appraised Redemption Price payable by the Trust in respect of Trust Units tendered for redemption in

any calendar month shall be paid on the last day of the third following month following the month in which such Trust Units were tendered for redemption by, at the option of the Trust: (a) a cash payment; or (b) a distribution of POT Notes and/or Other POT Notes and/or Redemption Notes as described above.

It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. POT Notes, Other POT Notes or Redemption Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such POT Notes, Other POT Notes or Redemption Notes. POT Notes, Other POT Notes and Redemption Notes may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

Non-Resident Ownership Constraint

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49 percent of the Trust Units then outstanding. The Trustee or Transfer Agent (as defined herein) may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident. If the Transfer Agent or Peyto AdminCo becomes aware that the beneficial owners of 49 percent or more of the Trust Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Transfer Agent or Peyto AdminCo (as applicable) will advise the Trustee and the Trustee may, or upon receiving a direction from the Trustee the Transfer Agent may, make a public announcement thereof and neither the Trustee nor the Transfer Agent shall accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration that the person is not a non-resident of Canada. If, notwithstanding the foregoing, the Trustee or Transfer Agent determines that 49 percent or more of the Trust Units are held by non-residents, the Trustee may, or the Transfer Agent may upon receiving a direction from the Trustee and suitable indemnity from the Trust, send a notice to non-resident holders of Trust Units, as applicable, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee or Transfer Agent (as the case may be) may consider equitable and practicable, requiring such non-resident holders to sell their Trust Units or a specified portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not non-residents of Canada within such period, the Trustee (or the Transfer Agent on the direction of the Trustee) may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale the Unitholders thereby affected shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale of such Trust Units. No liability shall accrue to the Trust or the Trustee if the Trust Units of non-resident Unitholders are sold at a loss to such Unitholder.

Meetings of Unitholders

The Trust Indenture provides that meetings of Unitholders must be called and held for, among other matters, the election or removal of the Trustee, the appointment or removal of the auditors of the Trust, the approval of amendments to the Trust Indenture (except as described under "*Amendments to the Trust Indenture*"), the sale of the property of the Trust as an entirety or substantially as an entirety, and the commencement of winding-up the affairs of the Trust. Meetings of Unitholders will be called and held annually for, among other things, the election of the directors of Peyto AdminCo and Peyto and the appointment of the auditors of the Trust. At every third meeting of Unitholders, Unitholders will be asked to reappoint, or appoint the successor to, the Trustee of the Trust.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustee and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 20% of the Trust Units then outstanding by a written requisition. A requisition must, among other things, state in reasonable detail the business purpose for which the meeting is to be called.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 5% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings. For the purposes of determining such quorum, the holders of any issued Special Voting Rights who are present at the meeting shall be regarded as representing outstanding Trust Units equivalent in number to the votes attaching to such Special Voting Rights.

The Trust Indenture contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders in accordance with the requirements of applicable laws.

Exercise of Voting Rights

The Trust Indenture prohibits the Trustee from voting, or causing to be voted, as the case may be, the POT Units, the shares of Peyto, the LP Units or the shares of AdminCo with respect to (a) the election of a trustee or directors of POT or Peyto, respectively, (b) the appointment of auditors of POT, the Partnership, AdminCo or Peyto, or (c) the approval of POT's or the Partnership's financial statements (if required by applicable legislation), except in accordance with an Ordinary Resolution adopted at an annual meeting of Unitholders (provided, however, that the election of a trustee of POT shall be approved at every third annual meeting of Unitholders) .

The Trustee is also prohibited from voting, or causing to be voted, as the case may be, the POT Units or LP Units to authorize:

(a) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of POT or the Partnership, except in conjunction with an internal reorganization of the direct or indirect assets of POT or the Partnership as a result of which either POT or the Partnership or the Trust has the same, or substantially similar interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization;

(b) any statutory amalgamation, merger or other transaction of the Partnership with any other partnership, corporation or any amalgamation, merger or other transaction, as the case may be, of POT with any other entity, except in conjunction with an internal reorganization as referred to in paragraph (a) above;

(c) any statutory arrangement involving the Partnership or any arrangement involving POT, except in conjunction with an internal reorganization as referred to in paragraph (a) above;

(d) any amendment to the articles of Peyto or AdminCo to increase or decrease the minimum or maximum number of directors;

(e) any material amendment to the partnership agreement of the Partnership to change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to any class of LP Units in a manner which may be prejudicial to the Trust, provided, however, that the Trustee shall have the authority to take such steps as may be necessary to amend the partnership agreement to create a class or classes of exchangeable Partnership Units; or

(f) any material amendment to the trust indenture of POT to change the authorized capital or amend the rights, privileges, restrictions and conditions attaching to the POT Units or any other class of POT's securities in a manner which may be prejudicial to the Trust;

without the approval of the Unitholders by Special Resolution at a meeting of Unitholders called for that purpose.

Trustee

Valiant Trust Company is the trustee of the Trust. The Trustee is responsible for, among other things, accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto and maintaining the books and records of the Trust and providing timely reports to holders of Trust Units. The Trust Indenture provides that the Trustee shall exercise its powers and carry out its functions thereunder as Trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The initial term of the Trustee's appointment expired on the third annual meeting of Unitholders. The Unitholders reappointed Valiant Trust Company as Trustee for an additional three year term at the 2006 annual and special meeting of Unitholders. The Unitholders shall reappoint or appoint a successor to the Trustee at the annual meeting of Unitholders three years following each reappointment or appointment of the successor to the Trustee. The Trustee may resign on giving not less than 60 days' notice in writing to Peyto AdminCo. The Trustee may also be removed by Special Resolution of the Unitholders. Such resignation or removal shall not become effective until (a) the appointment of, and acceptance of such appointment by, a new Trustee in the place of the resigning Trustee or the Trustee to be removed, and (b) a legal and valid assumption by the new Trustee of all obligations of the Trustee related thereto in the same capacities as the resigning Trustee or the Trustee to be removed.

Delegation of Authority, Administration and Trust Governance

The Trust is not managed by a third party manager. The Trust is managed by the management of Peyto AdminCo. The Trustee, on behalf of the Trust, has entered into the Administration Agreement pursuant to which Peyto will provide certain administrative services and facilities to the Trust.

The board of directors of Peyto AdminCo has generally been delegated the significant management decisions of the Trust. In particular, the Trustee has delegated to Peyto responsibility for any and all matters relating to the following: (a) an offering of securities of the Trust; (b) ensuring compliance with all applicable laws, including in relation to an offering of securities of the Trust; (c) all matters relating to the content of any documents relating to an offering of securities of the Trust, the accuracy of the disclosure contained therein, and the certification thereof; (d) all matters concerning the terms of, and amendment from time to time of, the material contracts of the Trust; (e) all matters concerning any subscription agreement or underwriting or agency agreement providing for the sale or issue of Trust Units or securities convertible for or exchangeable into Trust Units or rights to Trust Units; (f) all matters concerning the Arrangement; (g) all matters relating to the redemption of Trust Units; (h) all matters relating to the voting rights on any investments of the Trust; (i) all matters relating to the specific powers and authorities as set forth in the Trust Indenture; (j) the adoption of a Unitholder rights plan and other miscellaneous matters relating to the maximization of Unitholder value; and (k) all matters relating to amending the Partnership's partnership agreement articles to create a class or classes of exchangeable Partnership Units.

Liability of the Trustee

The Trustee, its directors, officers, employees, shareholders and agents shall not be liable to any Unitholders or any other person, in tort, contract or otherwise, in connection with any matter pertaining to the Trust or the property of the Trust, arising from the exercise by the Trustee of any powers, authorities or discretion conferred under the Trust Indenture, including, without limitation, any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed, any depreciation of, or loss to, the property of the Trust incurred by reason of the sale of any asset, any inaccuracy in any evaluation provided by any appropriately qualified person, any reliance on any such evaluation, any action or failure to act of Peyto AdminCo, or any other person to whom the Trustee has, with the consent of Peyto AdminCo, delegated any of its duties hereunder, or any other action or failure to act (including failure to compel in any way any former trustee to redress any breach of trust or any failure by Peyto AdminCo to perform its duties under or delegated to it under the Trust Indenture or any other contract), unless such liabilities arise out of the negligence, willful default or fraud of the Trustee or any of its directors, officers, employees, shareholders or agents. If the Trustee has retained an appropriate expert, adviser or legal counsel with respect to any matter connected with its duties under the Trust Indenture or any other contract, the Trustee may act or refuse to act based on the advice of such expert, adviser or legal counsel, and the Trustee shall not be liable for and shall be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of any such expert, adviser or legal counsel. In the exercise of the powers, authorities or discretion conferred upon the Trustee under the Trust Indenture, the Trustee is and shall be conclusively deemed to be acting as Trustee of the assets of the Trust and shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust or the property of the Trust. In addition, the Trust Indenture contains other customary provisions limiting the liability of the Trustee.

Amendments to the Trust Indenture

The Trust Indenture may be amended or altered from time to time by Special Resolution.

The Trustee may, without the approval of any of the Unitholders or any other person, amend the Trust Indenture for the purpose of:

(a) ensuring the Trust's continuing compliance with applicable laws or requirements of any governmental agency or authority of Canada or of any province;

(b) ensuring that the Trust will satisfy the provisions of each of subsections 108(2) and 132(6) of the Tax Act as from time to time amended or replaced;

(c) ensuring that such additional protection is provided for the interests of Unitholders as the Trustee may consider expedient;

(d) removing or curing any conflicts or inconsistencies between the provisions of the Trust Indenture or any supplemental indenture, any direct royalties sale agreement and any other agreement of the Trust or any offering document pursuant to which securities of the Trust are issued with respect to the Trust, or any applicable law or regulation of any jurisdiction, provided that in the opinion of the Trustee the rights of the Trustee and of the Unitholders are not prejudiced thereby;

(e) providing for the electronic delivery by the Trust to Unitholders of documents relating to the Trust (including annual and quarterly reports, including financial statements, notices of Unitholder meetings and information circulars and proxy related materials) at such time as applicable securities laws have been amended to permit such electronic delivery in place of normal delivery procedures, provided that such amendments to the Trust Indenture are not contrary to or do not conflict with such laws;

(f) curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that in the opinion of the Trustee the rights of the Trustee and of the Unitholders are not prejudiced thereby; and

(g) making any modification in the form of Trust Unit certificate to conform with the provisions of the Trust Indenture, or any other modifications, provided the rights of the Trustee and of the Unitholders are not prejudiced thereby.

Takeover Bid

The Trust Indenture contains provisions to the effect that if a takeover bid is made for the Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the takeover bid, on the terms offered by the offeror.

Termination of the Trust

The Unitholders may vote to terminate the Trust at any meeting of the Unitholders duly called for that purpose, subject to the following: (a) a vote may only be held if requested in writing by the holders of not less than 20% of the outstanding Trust Units; (b) a quorum of holders of not less than 50% of the issued and outstanding Trust Units is present in person or represented by proxy; and (c) the termination must be approved by Special Resolution of Unitholders.

Unless the Trust is earlier terminated or extended by vote of the Unitholders, the Trustee shall commence to wind-up the affairs of the Trust on December 31, 2099. In the event that the Trust is wound-up, the Trustee will sell and convert into money the property of the Trust in one transaction or in a series of transactions at public or private sale and do all other acts appropriate to liquidate the property of the Trust, and shall in all respects act in accordance with the directions, if any, of the Unitholders in respect of a termination authorized pursuant to the Special Resolution authorizing the termination of the Trust. Notwithstanding anything herein contained, in no event shall the Trust be wound up until any Direct Royalties shall have been disposed of, and under no circumstances shall any Unitholder come into any possession of any interest in any royalty. After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall distribute the remaining part of the proceeds of the sale of the assets together with any cash forming part of the property of the Trust among the Unitholders in accordance with their pro rata share.

Reporting to Unitholders

The financial statements of the Trust will be audited annually by an independent recognized firm of chartered accountants. The audited financial statements of the Trust, together with the report of such chartered accountants, will be mailed by the Trustee to Unitholders and the unaudited interim financial statements of the Trust will be mailed to Unitholders within the periods prescribed by securities legislation. The year-end of the Trust is December 31.

The Trust will be subject to the continuous disclosure obligations under all applicable securities legislation.

ADDITIONAL INFORMATION RESPECTING PEYTO OPERATING TRUST

POT Units

The POT Indenture provides that an unlimited number of POT Units may be created and issued pursuant to the POT Indenture. The holders of POT Units ("**POT Unitholders**") are entitled to receive distributions on the POT Units in accordance with the terms of the POT Indenture and such other distributions as may be made pursuant to the POT Indenture. In the event of the liquidation, dissolution or winding-up of POT or other distribution of assets of POT among POT Unitholders for the purpose of winding-up its affairs, the POT Unitholders will be entitled to participate in the distribution in equal amounts per POT Unit on all of the POT Units at the time outstanding without preference or distinction. The POT Unitholders are entitled to receive notice of and to attend all annual and special meetings of the POT Unitholders and to one (1) vote in respect of each POT Unit held at all such meetings. Each POT Unitholder is entitled to require POT to redeem at the demand of the POT Unitholder all or any part of the POT Units registered in the name of the POT Unitholder at a price determined in accordance with the terms of the POT Indenture. In addition, POT is able to call for redemption all or any part of the outstanding POT Units registered in the name of POT Unitholders at a price determined in accordance with the terms of the POT Indenture.

POT Unitholders Limited Liability

The POT Indenture provides that no POT Unitholder, in its capacity as such, shall incur or be subject to any liability in contract or in tort or of any other kind whatsoever to any person in connection with the Trust Property (as defined in the POT Indenture) or the obligations or the affairs of POT or with respect to any act performed by Valiant Trust Company (the "**POT Trustee**") or by any other person pursuant to the POT Indenture or with respect to any act or omission of the POT Trustee or any other person in the performance or exercise, or purported performance or exercise, of any obligation, power, discretion or authority conferred upon the POT Trustee or such other person or with respect to any transaction entered into by the POT Trustee or by any other person pursuant to the POT Indenture. The POT Indenture also provides that no POT Unitholder shall be liable to indemnify the POT Trustee or any such other person with respect to any such liability or liabilities incurred by the POT Trustee or by any such other person or persons or with respect to any taxes payable by POT or by the POT Trustee or by any other person on behalf of or in connection with POT; provided, however, to the extent that, notwithstanding the foregoing, any such liabilities are determined by a court of competent jurisdiction to be liabilities of POT Unitholders, such liabilities shall only be enforceable against, and shall be satisfied only out of, the Trust Property. If any POT Unitholder shall be held personally liable as such to any other person in respect of any debt, liability or obligation incurred by or on behalf of POT, or any action taken on behalf of POT, such POT Unitholder shall be entitled to indemnity and reimbursement out of the Trust Property to the full extent of such liability and to the costs of any litigation or any other proceedings in which such liability shall have been determined, including, without limitation, the reasonable fees and disbursements of counsel.

The POT Indenture provides that all contracts signed by or on behalf of POT must contain a provision to the effect that such obligation will not be binding upon POT Unitholders personally. Notwithstanding the terms of the POT Indenture, POT Unitholders may not be protected from liabilities of POT to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against POT (to the extent that claims are not satisfied by POT) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

The activities of POT are and will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the POT Unitholders for claims against POT including by obtaining appropriate insurance, where available, for the operations of POT and having contracts signed by or on behalf of POT include a provision that such obligations are not binding upon POT Unitholders personally.

Cash Distributions

POT makes monthly cash distributions to the Trust (as the sole POT Unitholder) to coincide with the making of distributions by the Trust to the Trust Unitholders. The administrator will have discretion as to the amount of income of POT which will be paid or declared payable to POT Unitholders and a portion of said income may be retained by POT and used to conduct exploration and development activities. Accordingly, POT may be taxable if less than its net income is paid or payable to POT Unitholders.

Meetings of POT Unitholders

The POT Indenture provides that meetings of POT Unitholders (being the Trust) must be called and held for, among other matters, electing the POT Trustee, appointing or changing the auditors of POT, any matter under which applicable law or

applicable stock exchange rules would require the approval of the POT Unitholders had POT been a reporting issuer in the jurisdictions in which the Trust is a reporting issuer and had the POT Units been listed for trading on the exchanges where the Trust Units are listed for trading, the approval of amendments to the POT Indenture (except as described under "*Amendments to the POT Indenture*"), the sale, lease or exchange of all or substantially all of the property of POT, except in certain circumstances, the authorization of the termination, liquidation or winding-up of POT, except in certain circumstances, and the approval of a combination or merger or similar transaction between POT and any other person that is not an affiliate or associate of POT, in certain circumstances.

POT Notes

The following summary of the material attributes and characteristics of the POT Notes does not purport to be complete and is qualified in its entirety by reference to the provisions of a note indenture (the "**Note Indenture**") dated July 1, 2003 and made between POT and Valiant Trust Company, as trustee (the "**Note Trustee**"), which will contain a complete statement of such attributes and characteristics. The POT Notes are issued under the Note Indenture.

Terms and Issue of POT Notes

Pursuant to the POT Transaction, POT Notes were issued by POT to the Trust pursuant to the Note Indenture as partial consideration for the transfer of all of the outstanding securities of Peyto from the Trust to POT. The Note Indenture provides that initially only one global POT Note certificate will be issued which will represent all POT Notes issued under the POT Transaction. The global POT Note certificate was issued to the Note Trustee in trust for the Trust.

The POT Notes are unsecured and bear interest from the date of issue at a rate which is expected to be approximately 5% per annum. Interest is payable for each month during the term on the 10th day of the month following such month, or the next Business Day if such day is not a Business Day. The first interest payment was paid on August 10, 2003 for the period commencing on the effective date of the POT Transaction and ending on July 31, 2003.

In contemplation of the possibility that POT Notes may be distributed to Trust Unitholders upon the redemption of their Trust Units, the Note Indenture will provide that if persons other than the Trust (the "**Non-Fund Holders**") own POT Notes having an aggregate principal amount in excess of $1,000,000, either the Trust or the Non-Fund Holders shall be entitled, among other things, to require the Note Trustee to exercise the powers and remedies available under the Note Indenture upon an event of default and, with the Trust, the Non-Fund Holders may provide consents, waivers or directions relating generally to the variance of the Note Indenture and the rights of noteholders. The Note Indenture allows the Trust flexibility to delay payments of interest or principal otherwise due to it while payment is made to other noteholders, and to allow other noteholders to be paid out before the Trust. Any delayed payments will be due 5 days after demand.

Ranking

The POT Notes are unsecured debt obligations of POT and will rank *pari passu* with all other unsecured indebtedness of POT, but subordinate to all secured debt.

Events of Default

The Note Indenture provides that any of the following shall constitute an Event of Default: (i) default in payment of the principal of the POT Notes when required; (ii) the failure to pay all of the interest obligations on the POT Notes for a period of 90 days; (iii) if POT has defaulted and a demand for payment has been made under any material instrument, indenture or document evidencing indebtedness of more than $5 million in the aggregate and POT has failed to remedy such default within applicable curative periods; (iv) certain events of winding-up, liquidation, bankruptcy, insolvency, receivership or seizure; (v) default in the observance or performance of any other covenant or condition of the Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Note Trustee to POT specifying such default and requiring POT to rectify the same; (vi) POT ceasing to carry on its business other than as contemplated in this Information Circular; and (vii) material default by POT under material agreements if property having a fair market value in excess of $5 million in the aggregate is liable to forfeiture or termination.

Trustee

Valiant Trust Company is the initial POT Trustee. The POT Trustee, subject only to the specific limitations contained in the POT Indenture, has, free from any power of control on the part of the Trust, full, absolute and exclusive power, control and authority over the Trust Property and over the affairs of POT to the same extent as if the POT Trustee was the sole and absolute beneficial owner of such property in its own right, to do all such acts and things as in its sole judgment and discretion are necessary or incidental to, or desirable for, carrying out the purposes of POT set forth in the POT Indenture. The POT Indenture provides that the POT Trustee shall exercise its powers and carry out its functions thereunder as POT Trustee honestly, in good faith and in the best interests of POT and the POT Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The initial term of the POT Trustee's appointment will be until the third annual meeting of the Trust Unitholders. The Trust Unitholders shall, at the third annual meeting of the Trust Unitholders, direct the Trust to reappoint, or appoint a successor to, the POT Trustee for an additional three year term, and thereafter, the Trust Unitholders shall direct the Trust to reappoint, or appoint a successor to, the POT Trustee at the annual meeting of the Trust Unitholders three years following the reappointment or appointment of the successor to the POT Trustee. The POT Trustee may resign on giving not less than 60 days' notice in writing to Peyto AdminCo.

Delegation of Authority, Administration and Trust Governance

POT is not managed by a third party manager. POT is managed by Peyto AdminCo. The POT Trustee, on behalf of POT, has entered into the POT Administration Agreement.

Pursuant to the POT Indenture and the POT Administration Agreement, the POT Trustee will grant broad discretion to Peyto AdminCo to administer and manage the day-to-day operations of POT, to act as agent for POT, to execute documents on behalf of POT, and to make executive decisions for and on behalf of POT.

Liability of the POT Trustee and Peyto

The POT Trustee, Peyto AdminCo, and their respective directors, officers, employees and agents shall not be liable to any POT Unitholder or annuitant for any action taken in good faith in reliance on any documents that are, prima facie, properly executed, for any depreciation of, or loss to, POT incurred by reason of the retention or sale of any property, for any inaccuracy or omission in any evaluation provided by Peyto AdminCo or any other appropriately qualified person, for relying on any such evaluation, for any action or failure to act of Peyto, or for any other action or failure to act (including, without limitation, the failure to compel in any way any former trustee to redress any breach of trust or any failure by Peyto to perform its duties under the POT Indenture or any material contract), unless such liabilities arise principally and directly from a breach of the POT Trustee's standard of care as set out in the POT Indenture or the POT Trustee's or such director's, officer's, employee's or agent's gross negligence, willful default or fraud.

The POT Trustee shall not be liable to any POT Unitholder or annuitant for any action or failure to act which is taken in good faith in relation to any matter arising from or relating to the POT Indenture or any material contract where such action or failure to act is based upon the opinion or advice of or information obtained from any expert, provided that the POT Trustee has satisfied its standard of care in the POT Indenture in selecting such expert. In addition, the POT Indenture contains other customary provisions limiting the liability of the POT Trustee and of Peyto AdminCo and indemnifying the POT Trustee and Peyto AdminCo from and against any such liabilities.

Amendments to the POT Indenture

The POT Indenture may be amended or altered from time to time by special resolution.

The POT Trustee is able to, without the approval of any of the POT Unitholders (being the Trust) or any other person, amend the POT Indenture for the purpose of:

(a) ensuring continuing compliance, by POT, with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the POT Trustee or POT;

(b) providing, in the bona fide opinion of the POT Trustee, additional protection for the POT Unitholders;

(c) making minor corrections, or removing or curing any conflicts or inconsistencies between the provisions of the POT Indenture or any supplemental indenture and any other agreement of POT or any applicable law or regulation of any jurisdiction or any prospectus filed with any regulatory or governmental body with respect to POT, provided that, in the opinion of counsel to POT and the POT Trustee in each case, the rights of the POT Unitholders are not materially prejudiced thereby;

(d) making amendments which, in the opinion of counsel to POT and the POT Trustee, are necessary or desirable in the interests of the POT Unitholders as a result of changes in taxation laws or in their interpretation or administration; and

(e) making amendments provided that, in the opinion of the POT Trustee, the rights of the POT Unitholders are not materially prejudiced thereby.

Termination of POT

The POT Unitholders (being the Trust) are able to pass a special resolution requiring the POT Trustee to distribute to POT Unitholders all Trust Property.

Unless POT is earlier terminated or extended by vote of the POT Unitholders, the POT Trustee shall commence to wind-up the affairs of POT on December 31, 2099.

ADDITIONAL INFORMATION RESPECTING PEYTO ENERGY ADMINISTRATION CORP.

Management of the Trust

Prior to the 2008 Arrangement, management of the Trust was undertaken by Peyto as administrator. Subsequent to the 2008 Arrangement, management of the Trust will be undertaken by Peyto AdminCo pursuant to the Administration Agreement. Accordingly, unless the context otherwise provides, references below to Peyto AdminCo will be deemed to be references to Peyto for the periods prior to January 1, 2008.

The name, municipality of residence, principal occupation for the prior five years of each of the directors and officers of Peyto AdminCo and Peyto are as follows:

Name and Municipality of Residence	Position with Peyto	Principal Occupation
Donald Gray Calgary, Alberta	Co-founder and Director since 1998 and Chairman of the Board since 2009	Private Investor; Chairman of Black Mountain Energy Corporation, a private oil and natural gas company, since January 2010; President of Gray Capital Partners Inc., a private capital management company, since May 2007; prior thereto, Mr. Gray was the Chief Executive Officer of Peyto from August 2006 to January 2007; prior thereto, Mr. Gray was the President and Chief Executive Officer of Peyto from October 1998 to August 2006
Michael MacBean(1)(2)(3) Swift Current, Saskatchewan	Director since 2003 and Lead Independent Director since 2009	Chief Executive Officer of Diamond Energy Services LP, an oil services partnership, since October 1998
Brian Davis(1)(2)(3) Houston, Texas	Director since 2006	Managing Partner of Oil and Gas Evaluations and Consulting, an independent oil and gas engineering consultancy firm based in Houston, Texas, since July 1994
Gregory Fletcher(1)(2)(3) Calgary, Alberta	Director since 2007	President of Sierra Energy Inc., a private oil and gas production company, since 1997

Name and Municipality of Residence	Position with Peyto	Principal Occupation
Rick Braund(2) (3) Calgary, Alberta	Co-founder and Director since 1998	Private Investor; President, Chief Executive Officer and director of Black Mountain Energy Corporation, a private oil and natural gas company, since 2007; Chairman of Buck Oil Ltd., a private oil and gas company, since 1999
Darren Gee Calgary, Alberta	President, Chief Executive Officer and Director since 2007	President and Chief Executive Officer of Peyto since January 2007 and President of Peyto since August 2006; prior thereto, Mr. Gee was the Vice-President, Engineering of Peyto from March 2001 to August 2006
Stephen J. Chetner Calgary, Alberta	Corporate Secretary since 2000 and Director since 2009	Partner of Burnet, Duckworth & Palmer LLP
Scott Robinson Calgary, Alberta	Executive Vice-President and Chief Operating Officer	Executive Vice-President and Chief Operating Officer of Peyto since August 2006; prior thereto, Mr. Robinson was the Vice-President, Operations of Peyto from January 2004 to August 2006
Glenn Booth Calgary, Alberta	Vice-President, Land	Vice-President, Land of Peyto since July 2005; prior thereto, Mr. Booth was the Vice-President, Land of Mustang Resources Inc. from September 2002 to July 2005
Kathy Turgeon Calgary, Alberta	Vice-President, Finance and Chief Financial Officer	Vice-President, Finance and Chief Financial Officer since November 30, 2007; prior thereto Vice-President, Finance of Peyto from January 2006 to January 2008; prior thereto, Ms. Turgeon was the Controller of Peyto from April 2004 to January 2006

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation and Nominating Committee.
(3) Member of the Reserves Committee.
(4) Peyto AdminCo does not have an executive committee.
(5) Peyto AdminCo's directors shall hold office until the next annual general meeting of the Peyto AdminCo's shareholders or until each director's successor is appointed or elected pursuant to the ABCA.
(6) The period of time served as a director or officer of Peyto AdminCo includes the period of time served as a director of Peyto prior to the Arrangement, where applicable.

As at March 10, 2010, the directors and executive officers of Peyto AdminCo, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 8.9 million Trust Units, or approximately 8% of the issued and outstanding Trust Units.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

No director or officer of Peyto AdminCo, or a unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust (or any personal holding company of such person), has been subject to any penalties or sanctions imposed

by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No director or officer of Peyto AdminCo, or a unitholder holding sufficient securities of the Trust to affect materially the control of the Trust, or a personal holding company of any such persons, has, within the 10 years preceding the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Peyto AdminCo will be subject in connection with the operations of the Trust. In particular, certain of the directors and officers of Peyto AdminCo are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Trust or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Trust. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided in the ABCA. As at the date hereof, Peyto AdminCo is not aware of any existing material conflicts of interest between the Trust or a subsidiary of the Trust and any director or officer of Peyto AdminCo or a subsidiary of the Trust.

Personnel

As at December 31, 2009, Peyto, directly or indirectly, employed 30 head office employees. Contract operators are retained for all field operations.

Audit Committee

Members

The Audit Committee currently has three members, Michael MacBean (Chairman), Brian Davis and Gregory Fletcher, none of which have a direct or indirect material relationship with the Trust and each of whom is financially literate, meaning the individual has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can be expected to be raised by the Trust's financial statements.

The following is a description of the education and experience of each member of the Audit Committee.

Michael MacBean

Mr. MacBean is the Chairman of the Audit Committee. Mr. MacBean is primarily engaged as Chief Executive Officer of Diamond Energy Services LP, a partnership engaged in the energy services sector. From 1995 through 1998, Mr. MacBean served as Controller and subsequently Senior Investment Analyst for ARC Financial Corporation. During this time Mr. MacBean also served as Vice-President, Finance for ARC Energy Trust. Prior to 1995, Mr. MacBean was the Manager of Financial Reporting and Taxation for Mannville Oil & Gas. Mr. MacBean received his Bachelor of Commerce Degree from the University of Saskatchewan in 1990. In 1993 Mr. MacBean received his C.A. designation from the Institute of Chartered Accountants of Alberta. In February 2007 Mr. MacBean received his Chartered Directors (C.Dir) designation from McMaster University.

Brian Davis

Mr. Davis is the Chairman of the Reserves Committee. Mr. Davis is primarily engaged as the Managing Partner of Oil and Gas Evaluations and Consulting, an independent oil and gas engineering consultancy firm based in Houston, Texas, since July 1994. Mr. Davis has acquired significant experience and exposure to accounting and financial issues. Mr. Davis holds a BSC in petroleum engineering from College Station, Texas USA.

Gregory Fletcher

Mr. Fletcher is the Chairman of the Compensation & Nominating Committee. Mr. Fletcher is primarily engaged as the President of Sierra Energy Inc., a private oil and gas production company that he founded in 1997. Mr. Fletcher is also a director of Diamond GP Ltd., the general partner of Diamond Energy Services LP, a private oilfield service limited partnership, a director of Calfrac Well Services Ltd., a public oilfield service company, and a director of Total Energy Services Inc., a public oilfield service company. In these roles, Mr. Fletcher has acquired significant experience and exposure to accounting and financial reporting issues. Mr. Fletcher holds a BSC in geology from the University of Calgary. In January 2009, Mr. Fletcher graduated from the Directors' Education Program sponsored by the Institute of Corporate Directors and the Haskayne School of Business.

Charter

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities for financial matters. It performs this function by serving as an independent and objective party to monitor the Trust's financial reporting process and internal control system; reviewing and assessing audit efforts of the Trust's independent auditors; providing an avenue of open communication among the Trust's independent auditors; financial and senior management and Board of Directors; and reviewing the independence and performance of the independent auditor. The Audit Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist in the conduct of any investigation. Attached as Schedule C hereto is the complete text of the Audit Committee's Charter.

Audit Fees

The table below provides disclosure of the fees billed by the Trust's external auditors in fiscal 2009 and fiscal 2008, dividing the services into the categories of work performed.

Type of Work	2009 Fees	2009 Percentage	2008 Fees	2008 Percentage
Audit Fees	$149,460	38%	$147,446	65%
Audit Related Fees				
Review of interim financial statements and MD&A and reviewing prospectus disclosures	$90,704	23%	$48,097	21%
Tax Fees				
Tax compliance services, tax advice, tax planning and annual filings	$152,245	39%	$32,572	14%
Total	$392,409		$228,115	

All non-audit services are disclosed and approved by the Audit Committee.

Peyto AdminCo Share Capital

Peyto AdminCo is authorized to issue an unlimited number of common shares. The Trust is the sole holder of the issued and outstanding common shares of Peyto AdminCo.

Common Shares

Each common share entitles its holder to receive notice of and to attend all meetings of the shareholders of Peyto AdminCo and to one vote at such meetings. The holders of common shares will be, at the discretion of the board of directors of Peyto AdminCo and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the common shares. The holders of common shares are entitled to share equally in any distribution of the assets of Peyto AdminCo upon the liquidation, dissolution, bankruptcy or winding-up of Peyto AdminCo or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

ADDITIONAL INFORMATION RESPECTING PEYTO EXPLORATION & DEVELOPMENT CORP.

Prior to the 2008 Arrangement, the Corporation was the Administrator of the Trust and POT. As such, it was actively engaged in the business of oil and gas exploration, development, acquisition and production primarily in the Province of Alberta. Pursuant to the 2008 Arrangement, Peyto became the general partner of the Partnership and, accordingly, will be operating the oil and gas exploration, development, acquisition and production business on behalf of the Partnership.

Peyto Share Capital

Peyto is authorized to issue an unlimited number of common shares. The Trust is the sole holder of the issued and outstanding common shares of Peyto.

Common Shares

Each common share entitles its holder to receive notice of and to attend all meetings of the shareholders of Peyto and to one vote at such meetings. The holders of common shares will be, at the discretion of the board of directors of Peyto and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the common shares. The holders of common shares are entitled to share equally in any distribution of the assets of Peyto upon the liquidation, dissolution, bankruptcy or winding-up of Peyto or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

Notes

The following summary of the material attributes and characteristics of the Notes. All outstanding Notes were cancelled pursuant to the 2008 Arrangement.

Terms and Issue of Notes

Pursuant to the 2003 Arrangement, Notes were issued to the Trust in return for Trust Units and, subsequent to the POT Transaction, are now held by POT. The Notes are unsecured, payable on demand and bear interest from the date of issue at an interest rate equal to 12% per annum. Interest is payable for each month during the term on the 10th day of the month following such month.

Peyto is permitted to make payments against the principal amount of the Notes outstanding from time to time without notice or bonus. The Note is payable on demand.

Ranking

The Notes are unsecured debt obligations of Peyto and rank *pari passu* with all other unsecured indebtedness of Peyto, but subordinate to all secured debt.

CASH DISTRIBUTIONS

The Trust makes cash distributions on the 15th day of each month (or the first Business Day thereafter) to holders of Trust Units of record on the immediately preceding record date.

The Board of Directors of Peyto AdminCo on behalf of the Trust reviews the distribution policy from time to time. The actual amount distributed is dependent on the commodity price environment and is at the discretion of the Board of Directors. The Trust's policy is to balance distributions to Unitholders and funding for its capital program with cash flow and available bank lines. However, the board of directors of Peyto AdminCo can, object to the terms of the Amended Trust Indenture and modify the distribution policy from time to time in their discretion.

Pursuant to various agreements with the Trust's lender, the Trust is restricted from making distributions to its Unitholders where the distribution would or could have a material adverse effect on the Trust or on the Trust's or its subsidiaries' ability to fulfill its obligations under Peyto's facilities or upon a material borrowing base shortfall or default.

The following is a summary of the distribution made by the Trust from its inception in July 2003 to February 2010.

For the Month Ended	Distributions per Unit[2]	Payment Date
2003		
July 31, 2003[1]	$0.075	August 15, 2003
August 31, 2003	$0.075	September 15, 2003
September 30, 2003	$0.075	October 15, 2003
October 31, 2003	$0.075	November 14, 2003
November 30, 2003	$0.075	December 15, 2003
December 31, 2003	$0.075	January 15, 2004
2004		
January 31, 2004	$0.075	February 16, 2004
February 29, 2004	$0.075	March 15, 2004
March 31, 2004	$0.075	April 15, 2004
April 30, 2004	$0.085	May 14, 2004
May 31, 2004	$0.085	June 15, 2004
June 30, 2004	$0.085	July 15, 2004
July 31, 2004	$0.085	August 16, 2004
August 31, 2004	$0.085	September 15, 2004
September 30, 2004	$0.085	October 15, 2004
October 31, 2004	$0.095	November 15, 2004
November 30, 2004	$0.095	December 15, 2004
December 31, 2004	$0.095	January 14, 2005
2005		
January 31, 2005	$0.095	February 15, 2005
February 28, 2005	$0.11	March 15, 2005
March 31, 2005	$0.11	April 15, 2005
April 30, 2005	$0.11	May 13, 2005
May 31, 2005[2]	$0.12	June 15, 2005
June 30, 2005	$0.12	July 15, 2005
July 31, 2005	$0.12	August 15, 2005
August 31, 2005	$0.12	September 15, 2005
September 30, 2005	$0.12	October 14, 2005
October 31, 2005	$0.12	November 15, 2005
November 30, 2005	$0.12	December 15, 2005
December 31, 2005	$0.12	January 13, 2006
2006		
January 31, 2006	$0.12	February 15, 2006
February 28, 2006	$0.14	March 15, 2006
March 31, 2006	$0.14	April 13, 2006
April 30, 2006	$0.14	May 15, 2006
May 31, 2006	$0.14	June 15, 2006
June 30, 2006	$0.14	July 14, 2006
July 31, 2006	$0.14	August 15, 2006
August 31, 2006	$0.14	September 15, 2006
September 30, 2006	$0.14	October 13, 2006

For the Month Ended	Distributions per Unit[2]	Payment Date
October 31, 2006	$0.14	November 15, 2006
November 30, 2006	$0.14	December 15, 2006
December 31, 2006	$0.14	January 15, 2007
2007		
January 31, 2007	$0.14	February 15, 2007
February 28, 2007	$0.14	March 15, 2007
March 31, 2007	$0.14	April 13, 2007
April 30, 2007	$0.14	May 15, 2007
May 31, 2007	$0.14	June 15, 2007
June 30, 2007	$0.14	July 13, 2007
July 31, 20007	$0.14	August 15, 2007
August 31, 2007	$0.14	September 14, 2007
September 30, 2007	$0.14	October 15, 2007
October 31, 2007	$0.14	November 15, 2007
November 30, 2007	$0.14	December 14, 2007
December 31, 2007	$0.14	January 15, 2008
2008		
January 31, 2008	$0.14	February 15, 2008
February 29, 2008	$0.14	March 14, 2008
March 31, 2008	$0.14	April 15, 2008
April 30, 2008	$0.14	May 15, 2008
May 31, 2008	$0.15	June 13, 2008
June 30, 2008	$0.15	July 15, 2008
July 31, 2008	$0.15	August 15, 2008
August 31, 2008	$0.15	September 15, 2008
September 30, 2008	$0.15	October 15, 2008
October 31, 2008	$0.15	November 14, 2008
November 30, 2008	$0.15	December 15, 2008
December 31, 2008	$0.15	January 15, 2009
2009		
January 31, 2009	$0.15	February 13, 2009
February 28, 2009	$0.12	March 13, 2009
March 31, 2009	$0.12	April 15, 2009
April 30, 2009	$0.12	May 15, 2009
May 31, 2009	$0.12	June 15, 2009
June 30, 2009	$0.12	July 15, 2009
July 31, 2009	$0.12	August 14, 2009
August 31, 2009	$0.12	September 15, 2009
September 30, 2009	$0.12	October 15, 2009
October 31, 2009	$0.12	November 13, 2009
November 30, 2009	$0.12	December 15, 2009
December 31, 2009	$0.12	January 15, 2010

For the Month Ended	Distributions per Unit[2]	Payment Date
2010		
January 31, 2009	$0.12	February 15, 2010
February 28, 2009	$0.12	March 15, 2010
Total:	**$9.665**	

Notes:

(1) This distribution was the first cash distribution of the Trust following the completion of the 2003 Arrangement.
(2) Distributions paid prior to May 31, 2005 have been restated to reflect the 2 for 1 Trust Unit split which was effective May 31, 2005.

MARKET FOR SECURITIES

The Trust Units are listed for trading on the TSX under the symbol "PEY.UN". The following table sets forth the high and low closing trading prices and the aggregate volume of trading of the Trust Units as reported by the TSX for the periods indicated.

	Price Range		
	High ($)	Low ($)	Volume
2009			
January	11.25	9.06	4,858,033
February	9.69	6.16	7,650,128
March	8.38	6.16	13,792,292
April	10.28	7.47	6,797,878
May	11.14	9.05	7,659,437
June	11.28	9.26	11,597,227
July	9.48	7.65	10,001,223
August	10.23	8.98	7,221,320
September	10.74	9.04	10,063,320
October	13.39	10.04	11,808,978
November	12.35	11.59	9,087,324
December	14.25	11.68	8,020,469
2010			
January	14.99	12.73	8,223,206
February	14.00	12.46	7,268,285
March (1 to 10)	13.99	13.46	1,490,773

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no outstanding legal proceedings or regulatory actions involving claims for damages where the amount involved, exclusive of interest and costs, is in excess of ten percent (10%) of the current assets of the Trust, to which the Trust is a party or of which any of its properties are the subject, nor are there any such proceedings known to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors and senior officers of the Trust, any Unitholder who directly or indirectly beneficially owns, or exercises control or direction over, more than 10% of the Trust Units or any known associate or affiliate of such persons in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or will materially affect the Trust.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Deloitte & Touche LLP, Chartered Accountants, the auditor of the Corporation, is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Valiant Trust Company, at its principal office in Calgary, Alberta and through its co-agent, BNY Trust Company of Canada, at its principal office in Toronto, Ontario is the transfer agent and registrar for the Trust Units.

MATERIAL CONTRACTS

Except for contracts entered into by the Trust in the ordinary course of business, the only contracts entered into within the most recently completed financial year or before the most recently completed financial year, but still in effect, which can reasonably be regarded as presently material are the (i) Trust Indenture described under "*Additional Information Respecting Peyto Energy Trust*"; (ii) the note indenture creating the POT Notes described under "*Additional Information Respecting Peyto Operating Trust*"; and (iii) the Administration Agreement. Copies of each of the foregoing have been filed on SEDAR.

INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a statement, report or valuation made by such person or company and who is named as having prepared or certified a report, valuation statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Trust during, or related to, the Trust's most recently completed financial year other than Paddock, the Trust's independent engineering evaluators, and Deloitte & Touche LLP, Chartered Accountants, the auditor of the Corporation. To the knowledge of the Trust, none of the principals of Paddock, had any registered or beneficial interests, direct or indirect, in any securities or other property of the Trust or of the Trust's associates or affiliates either at the time they prepared the statement, report or valuation prepared by them, at any time thereafter or to be received by them. Deloitte & Touche LLP, Chartered Accountants, is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation, except for Stephen J. Chetner, the Corporate Secretary and a Director of the Corporation, who is a partner of Burnet, Duckworth & Palmer LLP, which law firm renders legal services to the Corporation.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of Peyto and the Trust. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Trust depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Trust may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Trust's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Trust will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Trust.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental

approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Trust may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Trust. In accordance with industry practice, the Trust is not fully insured against all of these risks, nor are all such risks insurable. Although the Trust maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Trust could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions improved towards the latter portion of 2009, these factors have negatively impacted company valuations and may impact the performance of the global economy going forward.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by Peyto is and will continue to be affected by numerous factors beyond the Trust's control. The Trust's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Trust may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The prices of oil and natural gas may be volatile and subject to fluctuation. Any material decline in prices could result in a reduction of Peyto's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of Peyto's reserves. The Trust might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Peyto's expected net production revenue and a reduction in its oil and gas acquisition, development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Trust. These factors include economic conditions, in the United States and Canada, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, risks of supply disruption, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Trust's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. As well, cash distributions from the Trust will be highly sensitive to the prevailing price of crude oil and natural gas.

Natural resource prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and

often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to Peyto may, in part, be determined by Peyto's borrowing base. A sustained material decline in prices from historical average prices could reduce Peyto's borrowing base, therefore reducing the bank credit available to Peyto which could require that a portion, or all, of Peyto's bank debt be repaid.

Operations

The Trust's operations are subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blow-outs, craterings and fires, all of which could result in personal injuries, loss of life and damage to the property of the Trust and others. The Trust has both safety and environmental policies in place to protect its operators and employees, as well as to meet the regulatory requirements in those areas where it operates. In addition, the Trust has liability insurance policies in place, in such amounts as it considers adequate. The Trust will not be fully insured against all of these risks, nor are all such risks insurable. See "*Risk Factors – Environmental*" and "*Risk Factors – Insurance*".

Operational Dependence

Other companies operate some of the assets in which the Trust has an interest. As a result, the Trust has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Trust's financial performance. The Trust's return on assets operated by others therefore depends upon a number of factors that may be outside of the Trust's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

The Trust manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Trust's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Trust's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Trust could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Trust and may delay exploration and development activities.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Trust's claim which may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Trust makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Trust's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Trust. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may periodically disposed of, so that the Trust can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Trust, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Trust.

Competition

The industry is highly competitive in the acquisition of exploration prospects and the development of new sources of production and the sale of oil and natural gas. The Trust's competitors include oil and natural gas companies and trusts that have substantially greater financial resources, staff and facilities than those of the Trust. The Trust's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "*Industry Conditions*". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Trust's costs, any of which may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. In order to conduct oil and gas operations, the Trust will require licenses from various governmental authorities. There can be no assurance that the Trust will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Trust to incur costs to remedy such discharge. Although the Trust believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Trust's financial condition, results of operations and prospects.

Climate Change

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases". Recently, representatives from approximately 170 countries met in Copenhagen, Denmark to attempt to negotiate a successor to the Kyoto Protocol. Pursuant to the resulting Copenhagen Accord, a non-binding political consensus rather than a binding international treaty such as the Kyoto Protocol, the Government of Canada revised its emissions reduction targets slightly. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. The Trust's exploration and production facilities and other operations and activities emit greenhouse gases and require the Trust to comply with Alberta's greenhouse gas emissions legislation contained in the *Climate Change and Emissions Management Act* and the *Specified Gas Emitters Regulation*. The Trust may also be required comply with the regulatory scheme for greenhouse gas emissions ultimately adopted by the federal government, which is now expected to be modified to ensure consistency with the regulatory scheme for greenhouse gas emissions adopted by the United States. The direct or indirect costs of these regulations may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. The future implementation or modification of greenhouse gases regulations, whether to meet the limits required by the Kyoto Protocol, the Copenhagen Accord or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Trust. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Trust and its operations and financial condition. See "*Industry Conditions – Climate Change Regulation*".

Variations in Interest Rates and Foreign Exchange Rates

An increase in interest rates could result in a significant increase in the amount the Trust pays to service debt, potentially impacting distributions to Unitholders and negatively impacting the market price of the Trust Units.

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Material increases in the value of the Canadian dollar result in the receipt by the Trust of fewer Canadian dollars for its production which may affect future distributions. The increase in the exchange rate for the Canadian dollar and future Canadian/United States exchange rates may impact future distributions and the future value of the Trust's reserves as determined by independent evaluators.

To the extent that the Trust engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Trust may contract.

Capital Investment

The timing and amount of capital expenditures will directly affect the amount of income for distribution to Trust Unitholders. Certain conditions in the oil and gas exploration and development industry, including but not limited to weather, may impact the timing of the return on capital invested. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

Substantial Capital Requirements

If the Trust's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. In addition, uncertain levels of near term industry activity coupled with the present global credit crisis exposes the Trust to additional access to capital risk. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Trust. The inability of the Trust to access sufficient capital for its operations could have a material adverse effect on the Trust's business financial condition, results of operations and prospects.

Debt Service

The Trust and its subsidiaries has credit facilities in the amount of $550 million. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment of

any amounts to the Trust. Although it is believed that the bank line of credit is sufficient, there can be no assurance that the amount will be adequate for the financial obligations of the Trust and its subsidiaries or that additional funds can be obtained.

The lenders have been provided with security over substantially all of the direct and indirect assets of the Trust. If the Trust becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lenders may foreclose on or sell the Properties.

Issuance of Debt

From time to time the Trust may enter into transactions to acquire assets or the securities of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Trust's debt levels above industry standards for oil and natural gas issuers of similar size. Depending on future exploration and development plans, the Trust may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The level of the Trust's indebtedness from time to time, could impair the Trust's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Trust enters into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Trust will not benefit from such increases and the Trust may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Trust may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Trust will not benefit from the fluctuating exchange rate.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Trust's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, Paddock has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Trust's oil and gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Trust intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Trust's reserves since that date.

Insurance

The Trust's involvement in the exploration for and development of oil and natural gas properties may result in the Trust or its subsidiaries, as the case may be, becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling, the Trust or its subsidiaries, as the case may be, will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Trust or its subsidiaries, as the case may be, may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The Trust currently does not possess business interruption insurance. The payment of such uninsured liabilities would reduce the funds available to the Trust. The occurrence of a significant event that the Trust is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Trust's business, financial position, including, but not limited to, Distributable Cash, results of operations or prospects.

Distributions

Historical distribution payments of the Trust may not be reflective of future distribution payments, which will be subject to review by the board of directors of Peyto AdminCo taking into account the prevailing financial circumstances of the Trust and its subsidiaries at the relevant time. The actual amount distributed, if any, is dependent on the commodity price environment and is at the discretion of the board of directors of Peyto AdminCo.

Distributable cash available for distribution is not an earnings measure recognized by generally accepted accounting principles and is not necessarily comparable to the measurement of distributable cash available for distribution in other similar trust entities.

Variability of Cash Distributions

The Trust retains a portion of the cash flows from the Properties to facilitate future exploration and development. The Trust believes this will assist in maintaining distributions for a longer period than would otherwise be the case if all cash flows were paid to the Trust and subsequently distributed to the Unitholders. Future cash flows generated by such additional exploration and development activities may not be similar to those of the current Properties and may not generate sufficient cash flows to maintain consistent distributions from the Trust over a long period of time. The board of directors of Peyto AdminCo, in its capacity as the administrator of the Trust, retains the discretion to amend the Trust's distribution policy from current practices.

Geo Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Trust is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Trust's net production revenue.

In addition, the Trust's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Trust's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects. The Trust will not have insurance to protect against the risk from terrorism.

Dilution

The Trust may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Trust which may be dilutive.

Expiration of Licences and Leases

The Trust's properties are held in the form of licences and leases and working interests in licences and leases. If the Trust or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Trust's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Trust's business, financial condition, results of operations and prospects.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada and have also made claims that certain developments, including oil and gas exploration development, may have been proceeding without the Crown carrying out appropriate consultations in the course of allowing such developments to proceed. An action has been commenced on behalf of the Sunchild First Nation ("**Sunchild**") against the Provincial Crown, various provincial ministries, the Energy Resources Conservation Board (the "**ERCB**") and numerous respondent oil and gas companies, including the Trust, that appear to have interests in the area in question. Sunchild seeks judicial review of various Crown and ERCB decisions issued since June 30, 2008 in relation to what is claimed to be their traditional land, and which appears to include a significant portion of the foothills area of Alberta, on the basis that the Crown failed to properly consult and accommodate Sunchild, in the context of issuing licences to the oil and gas companies, forestry and coal companies within Sunchild's reserve and claimed foothills traditional lands area since the end of June, 2008. While the proceedings could result in a change in the consultative and decision making processes with respect to the granting of Crown rights and other licences in respect of the area or some portion of it, it is too early to assess the likelihood of such a possibility or its impact on the Trust's future operations in this area.

Conflicts of Interest

The directors and officers of Peyto AdminCo are engaged in and will continue to engage in other activities in the oil and natural gas industry and, as a result of these and other activities, the directors and officers of Peyto AdminCo may become subject to conflicts of interest. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

As at the date hereof, neither the Trust nor Peyto AdminCo is aware of any existing material conflicts of interest between the Trust and Peyto AdminCo and a director or officer of Peyto AdminCo.

Dependence on Subsidiaries

The Trust is an open end, limited purpose trust that is entirely dependent upon the operations and assets of its direct and indirect subsidiaries. Accordingly, the cash distributions to the Trust Unitholders are dependent upon the ability of its subsidiaries to meet their interest and principal repayment obligations or to declare and pay distributions on their units. Income is received from the production of oil and natural gas from Canadian resource properties and is susceptible to the risks and uncertainties associated with the oil and natural gas industry generally. The Trust, through the Partnership, currently conducts oil and natural gas exploration and development activities. If the Partnership is unsuccessful in these activities, the ability of the subsidiaries to meet their obligations to the Trust may be adversely affected..

Delay in Cash Distributions

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the Properties, and by the operator to the Trust or its subsidiaries, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of the Properties, or the establishment by the operator of reserves for such expenses.

Depletion of Reserves

The Trust has certain unique attributes that differentiate it from many other oil and gas industry participants. Distributions of Distributable Cash in respect of Properties, absent commodity price increases or cost effective acquisition and development activities will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. Although the Trust currently reinvests a portion of its cash flow to fund its exploration and development program, there can be no assurances that this will prevent a reduction in production and reserve levels.

The Trust's future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on the Trust's success in its exploration and development projects, exploiting its reserve base and, if applicable, acquiring additional reserves. Without reserve additions through development or acquisition activities, the Trust's reserves and production will decline over time as reserves are depleted.

To the extent that external sources of capital, including the issuance of additional Trust Units, become limited or unavailable, the Trust's ability to make the necessary capital investments to maintain or expand its oil and natural gas reserves will be impaired. To the extent that the Trust is required to use cash flow to finance capital expenditures or property acquisitions, the level of Distributable Cash may be reduced.

There can be no assurance that the Trust will be successful in developing or acquiring additional reserves on terms that meet the Trust's investment objectives.

Return of Capital

Units will have no value when oil and gas reserves from the Trust and its subsidiaries' properties can no longer be economically produced and, as a result, cash distributions do not represent a "yield" in the traditional sense as they represent both return of capital and return on investment.

Mutual Fund Trust Status

Subject to the SIFT rules, discussed below, it is intended that the Trust continue to qualify as a mutual fund trust for the purposes of the Tax Act. The Trust may not, however, always be able to satisfy any future requirement for the maintenance of mutual fund trust status. Should the status of the Trust as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Trust and Unitholders. Some of the significant consequences of losing mutual fund trust status are as follows:

- Where a registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit sharing plan or tax free savings account holds units that are not qualified investments for such plan, the plan maybe subject to special punitive taxes and in some cases may have its registration revoked.

- The Trust would be taxed on certain types of income distributed to Unitholders, including income generated by the royalty held by the Trust. Payment of this tax may have adverse consequences for some Unitholders, particularly Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.

- The Trust would cease to be eligible for the capital gains refund mechanism available under Canadian tax laws.

- Trust Units would become taxable Canadian property. As a result, non-resident Unitholders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units held by them.

In addition, the Trust may take certain measures in the future to the extent the Trust believes such measures are necessary to ensure the Trust maintains its status as a mutual fund trust. These measures could be adverse to certain holders of Trust Units.

Federal Tax Changes

On October 31, 2006, the federal Minister of Finance ("**Finance**") announced proposed changes to the manner in which certain flow through entities ("**SIFTs**") and the distributions from such entities are taxed. Bill C-52, which received Royal Assent on June 22, 2007, contained legislation implementing these proposals (the "**SIFT Rules**").

The SIFT Rules tax certain income earned by a SIFT at the federal corporate tax rate and the applicable provincial corporate tax rate and change the tax status of taxable distributions received by investors from such entities to taxable dividends. The Trust will constitute a SIFT trust and, as a result, the Trust and its Unitholders will be subject to the SIFT Rules. It us expected that all of the income of the Trust will be subject to the taxes imposed by the SIFT Rules.

Generally, the SIFT Rules will not apply to a SIFT that was in existence, and the units of which were publicly traded, on October 31, 2006, until 2011. However, the SIFT Rules indicate that there are circumstances under which an existing SIFT may lose its transitional relief, including where the SIFT exceeds "normal growth". On December 15, 2006, Finance issued guidelines which established objective tests with respect to how much existing trusts are permitted to grow without jeopardizing their transitional relief, which guidelines were effectively incorporated into the Tax Act by Bill C-52. The guidelines indicate that no change will be recommended to the 2011 date in respect of any existing SIFT whose equity capital grows as a result of issuances of new

equity by an annual amount that does not exceed the greater of $50 million and an objective "safe harbour" amount (based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006). It is assumed that the Trust will not be subject to the SIFT Rules until 2011. However, under the SIFT Rules, in the event that the Trust issues additional Units or convertible debentures (or other equity substitutes) before 2011 in excess of its "safe harbour" amount the Trust may become subject to the SIFT Rules prior to 2011. No assurance can be provided that the SIFT Rules will not apply to Peyto prior to 2011.

The Minister of Finance has tabled a Notice of Ways and Means motion which includes legislation facilitating the conversion of a SIFT Trust to a corporation on a tax neutral basis.

There can be no assurances that the applicable tax laws will not be further amended in a manner which adversely affects the holders of Units.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the oil and gas industry, such as the status of mutual fund trusts and the resource allowance, will not be changed in a manner which adversely affects Unitholders. See "*Risk Factors – Proposed Federal Tax Changes*".

Non-resident Ownership of Trust Units

In order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada ("**non-residents**") within the meaning of the Tax Act.

The Trust Indenture provides that if at any time the Trust or Peyto becomes aware that the beneficial owners of 50% or more of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Trust, by or through Peyto AdminCo on the Trust's behalf, shall take such action as may be necessary to carry out the foregoing intention.

Accounting Write Downs as a Result of GAAP

GAAP require that management apply certain accounting policies and make certain estimates and assumptions which affect reported amounts in the consolidated financial statements of the Trust. The accounting policies may result in non-cash charges to net income and write downs of assets in the financial statements. Such non-cash charges and write downs may be viewed unfavourably by the market and result in an inability to borrow funds and/or may result in a decline in the Trust Unit price.

Under GAAP, the net amounts at which crude oil and natural gas properties are carried are subject to a ceiling test, which is based in part upon estimated future net cash flows from reserves. If net capitalized costs exceed the estimated recoverable amounts, Peyto Partnership will have to charge the amounts of the excess to earnings. A decline in the net value of oil and natural gas properties could cause capitalized costs to exceed the cost ceiling limit, resulting in a charge against earnings. The net value of oil and gas properties are highly dependent upon the prices of oil and natural gas.

Nature of Trust Units

The Trust Units do not represent a traditional investment in the oil and natural gas sector and should not be viewed by investors as shares of a corporation. The Trust Units represent a fractional interest in the Trust. As holders of Trust Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Trust's primary assets will be the POT Securities, the LP Units and other investments in securities. The price per Trust Unit is a function of anticipated Distributable Cash, the Properties developed or acquired by the Trust, and the Trust's ability to effect long-term growth in value. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates and the ability of the Trust to develop or acquire suitable oil and natural gas properties. Changes in market conditions may adversely affect the trading price of the Trust Units.

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Trust Unitholders to liquidate their investments. Notes or Redemption Notes which may be distributed *in specie* to Trust Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such Notes or Redemption Notes. Cash redemptions are subject to limitations. See "*Additional Information Respecting Peyto Energy Trust - Redemption Right*".

Unitholder Limited Liability

The Trust Indenture provides that no Trust Unitholder will be subject to any liability in connection with the Trust or its affairs or obligations and, in the event that a court determines that Trust Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Trust's assets.

The Trust Indenture provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

The operations of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Trust Unitholders for claims against the Trust.

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This act created a statutory limitation of the liability of unitholders of Alberta income trusts such as the Trust. The legislation provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the legislation came into force.

Permitted Investments

An investment in the Trust should be made with the understanding that the value of any Permitted Investments may fluctuate in accordance with changes in the financial condition of the issuers of the Permitted Investments, the value of similar securities, and other factors. For example, the prices of Canadian government securities, bankers' acceptances and commercial paper react to economic developments and changes in interest rates. Commercial paper is also subject to issuer credit risk. Other Permitted Investments in energy-related income trusts, companies and partnerships will be subject to the general risks of investing in equity securities. These include the risk that the financial condition of issuers may become impaired, or that the energy sector may suffer a market downturn. Securities markets in general are affected by a variety of factors, including governmental, environmental, and regulatory policies, inflation and interest rates, economic cycles, and global, regional and national events. The value of Trust Units could be affected by adverse changes in the market values of Permitted Investments.

ADDITIONAL INFORMATION

Additional information relating to the Trust may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Trust's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Information Circular of the Trust for its most recent annual meeting of unitholders that involved the election of directors of Peyto AdminCo. Additional financial information is contained in the Trust's audited consolidated financial statements and management's discussion and analysis for the year-ended December 31, 2009.

SCHEDULE A – FORM 51-101F3
REPORT ON MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION

Management of Peyto AdminCo, on behalf of the Trust, are responsible for the preparation and disclosure of information with respect to the oil and gas activities of the Trust in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Trust's reserves data. The report of the independent qualified reserves evaluator is presented below.

The Reserves Committee of the board of directors of the Peyto AdminCo, on behalf of the Trust, has

(a) reviewed the Trust's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors of the Peyto AdminCo, on behalf of the Trust, has reviewed the Trust's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserve Committee, approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variation should be consistent with the fact that reserves are categorized according to the probability of their recovery.

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

(signed) "*Scott Robinson*"
Scott Robinson
Executive Vice-President and Chief Operating Officer

(signed) "*Brian Davis*"
Brian Davis
Director and Chairman of the Reserves Committee

(signed) "*Michael MacBean* "
Michael MacBean
Director and Member of the Reserves Committee

March 25, 2010

SCHEDULE B – FORM 51-101F2
REPORT ON RESERVES DATA

Attention: Board of Directors of Peyto Energy Trust (the "**Company**"):

We have evaluated the Company's reserves data as at December 31, 2009. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

1. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

2. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue, before deduction of income taxes, attributed to proved plus probable additional reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year-ended December 31, 2009 and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (County or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Paddock Lindstrom & Associates Ltd.	February 9, 2010	Canada	-	$2,628,293,500	-	$2,628,293,500

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

PADDOCK LINDSTROM & ASSOCIATES LTD.
Calgary, Alberta, Canada

Execution Date: March 25, 2010

(signed) "*Peter Hadala*"
Peter Hadala, P.Eng.
Vice-President

SCHEDULE C – AUDIT COMMITTEE CHARTER

PEYTO ENERGY ADMINISTRATION CORP.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

This charter governs the operations of the audit committee (the "**Committee**") of Peyto Energy Administration Corp. ("**Peyto**"). The Committee shall report to the Board of Directors (the "**Board**") of Peyto, the administrator of Peyto Energy Trust.

I. PURPOSE

(a) The primary function of the Committee is to assist the Board in fulfilling it's responsibilities regarding the integrity of the Trust's financial statements including the financial reporting process and systems of internal controls, the compliance by the Trust with legal and regulatory requirements and the qualifications, performance and independence of the Trust's external auditor by reviewing:

(i) the financial information that will be provided to the unitholders, regulatory authorities and others;

(ii) the systems of internal controls management has established;

(iii) all audit processes;

(iv) all reporting from the external auditors.

(b) Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Trust is vested in management and is overseen by the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Trust's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management and the external auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assure compliance with laws and regulations.

II. COMPOSITION AND OPERATIONS

(a) The Committee shall be composed of not fewer than three directors, none of whom shall be officers, employees or consultants to the Trust or any of its related legal entities. The Committee shall only be comprised of unrelated directors. An unrelated director is a director who is independent of management and is free from any interest or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Trust or Peyto as the case may be, other then interests and relationships arising from shareholding.

(b) The Committee shall review and reassess this Charter annually.

(c) All Committee members shall be financially literate (as defined by the TSX or other regulatory authority), or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have appropriate financial management experience or expertise.

(d) The Trust's auditors shall be advised of the names of the Committee members and when appropriate will receive notice of and be invited to attend meetings of the Committee and to be heard at those meetings on matters relating to the auditor's duties.

(e) The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or unitholders.

(f) The Committee shall meet at least four times each year.

(g) The Committee shall have access to Peyto's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.

(h) The Committee shall provide open avenues of communication among management, employees, external auditors and the Board.

(i) The secretary to the Committee shall be the Corporate Secretary or an appointee of the Corporate Secretary.

(j) Notice of the time and place of every meeting shall be given to each Committee member at least 48 hours prior to the meeting.

(k) A majority of the voting membership of the Committee present in person or by telephone or other electronic telecommunication device shall constitute a quorum.

(l) The Chief Executive Officer, Vice-President, Finance and Chief Financial Officer and external auditor would be expected to be available to attend meetings or portions thereof. The external auditors would meet at least twice annually with the Committee. Others may or may not attend the meetings at the sole discretion of the Committee.

(m) Minutes of Committee meetings shall be approved by the Committee and sent to all directors of the Board.

III. DUTIES AND RESPONSIBILITIES

(a) Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

(i) the Trust's annual and quarterly financial statements;

(ii) the Trust's press releases and reports as they relate to the finances of the Trust;

(iii) the Management Discussion and Analysis;

(iv) the financial content of the Annual Report;

(v) the Annual Information Form and any Prospectus or Private Placement Memorandums; and

(vi) any reports required by regulatory or government authorities as they relate to the finances of the Trust.

The Committee will review and discuss:

(vii) the appropriateness of accounting policies and financial reporting practices to be adopted by the Trust or Peyto;

(viii) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Trust or Peyto:

(ix) any new or pending developments in accounting and reporting standards that may effect the Trust or Peyto;

(x) ascertain compliance with the covenants under loan agreements and Trust Indenture;

(xi) review the Trust's status as a "mutual fund trust" under the *Income Tax Act* (Canada);

(xii) management's key estimates and judgments that may be material to financial reporting; and

(xiii) any other matters required to be reviewed under applicable legal, regulatory or stock exchange requirements.

(b) Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

(i) review the Trust's risk management controls and policies;

(ii) obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor;

(iii) review management steps to implement and maintain appropriate internal control procedures including a review of policies;

(iv) review adequacy of security of information, information systems and recovery plans;

(v) monitor compliance with statutory and regulatory obligations;

(vi) review the appointment of the Vice-President, Finance and Chief Financial Officer; and

(vii) review the adequacy of accounting and finance resources.

(c) External Audit

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

(i) review and recommend to the Board, for shareholder approval, engagement of the external auditor including, as part of such review and recommendation, an evaluation of the external auditors qualifications, independence and performance;

(ii) review and recommend to the Board the annual external audit plan, including but not limited to the following:

1. engagement letter;
2. objectives and scope of the external audit work;
3. procedures for quarterly review of financial statements;
4. materiality limit;
5. areas of audit risk;

6. staffing;
7. timetable; and
8. proposed fees.

(iii) meet with the external auditor to discuss the Trust's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;

(iv) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

1. any difficulties encountered, or restrictions imposed by management during the annual audit;
2. any significant accounting or financial reporting issue including the resolution of any disagreement between management and the external auditors;
3. the auditor's evaluation of the Trust's system of internal controls, procedures and documentation;
4. the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weakness;
5. assess the performance and consider the annual appointment of external auditors for recommendation to the Board.

(v) review and receive assurances on the independence of the external auditor;

(vi) review the non-audit services to be provided by the external auditor's firm and consider the impact on the independence of the external audit; and

(vii) meet periodically with the external auditor without management present.

(d) Other

(i) review material litigation and its impact on financial reporting; and

(ii) establish procedures for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

IV. ACCOUNTABILITY

The committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

V. STANDARDS OF LIABILITY

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.