PEYTO

Energy Trust

1

Interim Report
for the three months ended March 31, 2009

Highlights

	3 Months Ended Mar. 31		%
	2009	2008	Change
Operations			
Production			
Natural gas (mcf/d)	**95,998**	101,468	*(5)%*
Oil & NGLs (bbl/d)	**3,022**	3,430	*(12)%*
Thousand cubic feet equivalent (mcfe/d @ 1:6)	**114,128**	122,048	*(6)%*
Barrels of oil equivalent (boe/d @ 6:1)	**19,021**	20,342	*(6)%*
Product prices			
Natural gas ($/mcf)	**7.68**	8.49	*(10)%*
Oil & NGLs ($/bbl)	**44.46**	83.45	*(47)%*
Operating expenses ($/mcfe)	**0.44**	0.45	*(2)%*
Transportation ($/mcfe)	**0.11**	0.11	-
Field netback ($/mcfe)	**6.27**	7.11	*(12)%*
General & administrative expenses ($/mcfe)	**0.22**	0.20	*10%*
Interest expense ($/mcfe)	**0.35**	0.53	*(34)%*
Financial ($000, except per unit)			
Revenue	**78,423**	104,428	*(25)%*
Royalties	**8,290**	19,264	*(57)%*
Funds from operations	**58,607**	70,955	*(17)%*
Funds from operations per unit	**0.55**	0.67	*(18)%*
Total distributions	**41,309**	44,798	*(8)%*
Total distributions per unit	**0.39**	0.42	*(7)%*
Payout ratio	**70**	63	*11%*
Earnings	**63,574**	32,440	*96%*
Earnings per diluted unit	**0.60**	0.31	*94%*
Capital expenditures	**13,036**	33,054	*(61)%*
Weighted average trust units outstanding	**105,920,194**	105,744,338	-
As at December 31			
Net debt (before future compensation expense and unrealized hedging gains)	**490,570**	460,397	*7%*
Unitholders' equity	**580,221**	477,499	*22%*
Total assets	**1,271,770**	1,179,705	*7%*

Earnings	**63,574**	32,440
Items not requiring cash:		
Provision for performance based compensation	**1,150**	3,496
Future income tax expense	**(24,694)**	15,733
Depletion, depreciation and accretion	**18,577**	19,286
Funds from operations [1]	**58,607**	70,955

(1) Funds from operations - Management uses funds from operations to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. Management believes that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations cannot be assured and future distributions may vary.

Report from the president

Peyto Energy Trust ("Peyto") is pleased to present the operating and financial results for the first quarter of the 2009 fiscal year. Peyto is an explorer and producer of unconventional tight gas assets in Alberta's Deep Basin and using its trust structure is able to flow profits from the success of that business to its unitholders in the form of distributions.

Peyto is well known for owning high quality, sweet natural gas assets that exhibit long reserve life, low operating costs and high revenue per mcfe. The following summarizes the Trust's foundation:

- Long reserve life – Proved Producing 14 years, Total Proved 17 years, Proved plus Probable 23 years
- Low operating costs - $0.44/mcfe ($2.66/boe), three months ending March 31, 2009
- High heat content natural gas stream – Realized revenue of $6.34/mcfe ($38.04/boe) before hedging, $7.63/mcfe ($45.78/boe) after hedging, three months ending March 31, 2009
- Low base general and administrative costs - $0.22/mcfe ($1.32/boe), three months ending March 31, 2009
- High field netback – $6.27/mcfe ($37.62/boe) or 82% of revenue, three months ending March 31, 2009
- High level of operatorship – operates over 97% of its production
- Cash distributions – cash distributions of $41.3 million were 70% of funds from operations for the three months ended March 31, 2009
- Since inception, Peyto has raised a total of $410 million issuing units from treasury, accumulated earnings of $983 million, and distributed $851 million to unitholders
- Transparent capital structure - no convertible debentures, no exchangeable shares, no stock options, no warrants

The first quarter of 2009 was highlighted by strong cash netbacks despite weak natural gas prices and reduced activity due to changing royalty incentives as illustrated by the following:

- Natural gas prices before hedges were 22% lower in Q1 2009 with prices averaging $6.15/mcf versus $7.93/mcf in Q1 2008. After hedging, gas prices were 10% lower at $7.68/mcf and $8.49/mcf respectively
- Cash netbacks for the quarter averaged $5.70/mcfe ($34.23/boe) versus $6.38/mcfe ($38.33/boe) a year ago which represents 75% of revenue or a 75% pre-tax profit margin
- Capital expenditures – $13.0 million was invested into finding and developing new natural gas reserves, down from $22.5 million in the previous quarter, and down from $33.1 million in Q1 2008
- Production - decreased 6% from 122,048 mcfe/d (20,342 boe/d) in the first quarter of 2008 to 114,128 mcfe/d (19,021 boe/d) in the first quarter of 2009
- Per unit funds from operations – decreased 15% from the previous year to $0.55/unit
- Hedging – a $13.3 million gain for the three months ending March 31, 2009 was realized
- A total of $41.3 million or $0.39/unit was distributed to unitholders in the first quarter of 2009 out of $63.6 million in earnings or $0.60/unit
- Net debt decreased $2.1 million from Q4 2008 to $490.6 million in Q1 2009 but was up 7% from $460.4 million in Q1 2008. This leaves available borrowing capacity of $59 million on bank lines of $550 million, secured by over $2.7 billion in Proved Producing assets (2008 PP NPV_5)

Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas liquids and oil volumes in barrel of oil (bbl) are converted to thousand cubic feet equivalent (mcfe) using a ratio of one (1) barrel of oil to six (6) thousand cubic feet. This could be misleading if used in isolation as it is based on an energy equivalency conversion method primarily applied at the burner tip and does not represent a value equivalency at the wellhead.

Quarterly Review

Peyto invested $13.0 million into drilling and connecting new Deep Basin gas wells in the first quarter of 2009. Drilling and completions accounted for $10.5 million, while wellsite equipment and pipelines accounted for $2.3 million. Additional seismic data and land was acquired for $0.2 million, making up the balance of the capital expenditures. On March 3, 2009 the Alberta government announced a new royalty incentive program that became effective April 1, 2009 and included both new drilling royalty credits and new production royalty relief. This announcement caused Peyto to halt new well spuds and new production startups until the program became effective in order to capture the available incentives. For this reason, activity in January and February 2009 made up over 90% of the capital spending.

In the first quarter, the Trust drilled 6 gross (5.5 net, 91% working interest) gas wells, completed 7 gross (6.5 net) gas zones and brought 3 gross (3 net) zones on production. Production for the quarter averaged 114,128 mcfe/d (19,021 boe/d) down from 122,048 mcfe/d (20,342 boe/d) in Q1 2008.

Transportation and operating costs in the first quarter 2009 were effectively flat from a year earlier at $0.11/mcfe ($0.69/boe) and $0.44/mcfe ($2.66/boe) respectively. Reduced methanol prices were primarily responsible for maintaining operating costs at this level despite a decline in production. Royalties to the province of Alberta totaled $8.3 million in the quarter, representing 11% of sales or $0.81/mcfe ($4.84/boe). Natural gas prices for the first quarter 2009 averaged $7.68/mcf, after hedging gains of $1.53/mcf, while liquids prices averaged $44.46/boe. The high heat content, premium gas price that Peyto achieved, elevated by hedging gains, combined with its low operating costs, transportation and royalty expense resulted in field netbacks of $6.27/mcfe ($37.62/boe) for the quarter or an 82% operating margin.

Peyto underwent its annual bank review in the quarter and after the engineering appraisal reaffirmed the high value of the reserve assets, the Trust's banking syndicate extended the $550 million revolving credit facility. Net debt for the quarter remained manageable at $490.6 million.

Activity Update

Peyto tied in 2 gross (1.6 net) wells between April 1, 2009 and spring breakup but was unable to commence any drilling operations in that time. The economic impact of the new "Three Point Royalty Incentive Program" has been reviewed and although it is not expected it will have a significant influence on the future drilling strategies of the Trust, it will provide additional economic return for new wells drilled within the program. It is anticipated that the capital program for the balance of 2009 will be achieved with two drilling rigs commencing operations after breakup. Activity will be spread throughout Peyto's core operational areas and include several exploratory ideas as well as an evaluation of the potential for horizontal multi-stage fracture technology.

So far, production for the second quarter has averaged 111.5 mmcfe/d. Peyto is continuously monitoring individual wells for their ability to generate positive funds flow during this period of low natural gas prices. By operating over 97% of production and having low operating costs, Peyto ensures that its gas wells are making money even when many others are not.

Marketing

The current global economic recession and reduced energy demand has created excess supply in North American natural gas. Fears that surplus international LNG might find its way to North America are exacerbating the situation. This has caused Alberta spot natural gas prices to drop to levels not experienced since 2002. While there is much speculation on when prices will recover, Peyto has, as of March 31 2009, committed to the forward sale of 15,670,000 gigajoules (GJ) of natural gas at an average price of $7.94/GJ or $9.29/mcf (representing a 17% premium heat content). Had these contracts been closed on March 31, 2009, the Trust would have realized a gain of $37.8 million.

The Trust continues to forward sell small portions of production, up to 24 months into the future, to secure prices for upcoming distributions and capital programs. This strategy has worked successfully in the past to smooth out much of the volatility in natural gas prices caused by periods of excess supply or demand.

Outlook

Although the current economic conditions discourage bringing on new production into a depressed natural gas price environment, Peyto continues to build upon its inventory of high quality Deep Basin drilling prospects. A recent personnel addition to the Trust's exploration team will strengthen this process. The profitability of drilling projects will continue to guide investment decisions while a low cost structure and strong hedge position offer significant protection during this period of low gas prices. Ongoing optimization of already low operating costs will ensure Peyto's competitive advantage is maintained.

Unitholders are encouraged to visit the Peyto website at **www.peyto.com** where there is a wealth of information designed to inform and educate investors.

Darren Gee
President and CEO
May 13, 2009

Management’s discussion and analysis

This Management's Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2009 and the audited consolidated financial statements of Peyto Energy Trust (the “Trust” or “Peyto”) for the year ended December 31, 2008. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

The Trust was created by way of a Plan of Arrangement effective July 1, 2003 which reorganized Peyto Exploration & Development Corp. (“PEDC”) from a corporate entity into a trust. Accordingly, the consolidated financial statements were reported on a continuity of interests basis. This discussion provides management's analysis of Peyto's historical financial and operating results and provides estimates of Peyto's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. This MD&A was prepared using information that is current as of May 12, 2009. Additional information about Peyto, including the most recently filed annual information form is available at www.sedar.com.

On January 1, 2008, Peyto completed an internal reorganization. As a result of this reorganization, all of the oil and gas assets of Peyto are now held in the Peyto Energy Limited Partnership. Peyto Energy Administration Corp. is the administrator of Peyto and Peyto Operating Trust, and PEDC is the general partner of the Partnership. Certain subsidiaries of Peyto were amalgamated pursuant to the internal reorganization.

Certain information set forth in this MD&A, including management's assessment of the Trust's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond these parties' control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Peyto's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Peyto will derive there from. Peyto disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Management uses funds from operations to analyze the operating performance of its energy assets. In order to facilitate comparative analysis, funds from operations is defined throughout this report as earnings before performance based compensation, non-cash and non-recurring expenses. We believe that funds from operations is an important parameter to measure the value of an asset when combined with reserve life. Funds from operations is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, funds from operations, as defined by Peyto, may not be comparable to similar measures presented by other issuers, and investors are cautioned that funds from operations should not be construed as an alternative to earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP. Funds from operations cannot be assured and future distributions may vary.

Peyto's foreign ownership level currently stands at approximately 43 percent, below the level that would jeopardize Peyto's status as a mutual fund trust under current or proposed legislation.

All references are to Canadian dollars unless otherwise indicated. Natural gas liquids and oil volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubit feet equivalent (mcfe) using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (mcf) are converted to barrels of oil equivalent (boe) using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl).

Alberta's New Royalty Framework
On April 10, 2008, the Alberta Government announced revisions to the New Royalty Framework ("Framework" or "NRF"). The NRF took effect on January 1, 2009. The basis for royalty payments under the new system are as follows:

- Royalty percentages are dependent upon both well productivity and commodity price
- Gas royalty rates will have a minimum of 5% and a maximum of 50%
- Oil royalty rates will have a minimum of 0% and a maximum of 50%
- In general, under commodity prices of the past few years, well royalty percentages will be higher under this new regime, particularly for higher productivity wells
- Royalty holiday programs have been either eliminated or reduced significantly.

Subsequent to legislation of the NRF, the Alberta Government introduced the Transitional Royalty Plan ("TRP") in response to the anticipated decrease in Alberta development activity resulting from the economic downturn and declining commodity prices. The TRP offers an alternative for new wells drilled on or after November 19, 2008 that meet certain depth criteria. The TRP is in place for a period of five years to December 31, 2013. All wells will convert to the NRF on January 1, 2014. Operators will elect which royalty regime they wish to adopt for each well drilled. The TRP royalties can be beneficial for certain well depths and production rates. Peyto does not anticipate any material benefit from the TRP in 2009. In general, Peyto expects to see more volatility in royalties as a result of the NRF.

Most recently on March 3, 2009, the Alberta government announced a "Three Point Incentive Program" to stimulate new and continued economic activity. The program provides for the earning of certain royalty credits and royalty relief for wells drilled during the period April 1, 2009 to March 31, 2010. The key aspects of the program are (1) a drilling depth based credit applicable against corporate royalties and (2) a flat 5% royalty rate applicable for a one year period commencing with onstream date for each new well drilled. The incentives will help provide additional economic return to Peyto for new wells drilled over the stated time period and provide welcome assistance during this period of low gas prices. Peyto has not made any material change to its future drilling strategies as a result of the program, but does expect to realize some economic benefit from the program.

Federal Government's Trust Tax Legislation
On June 12, 2007, Bill C-52 (the "SIFT Rules") enacted the October 31, 2006 proposal to impose a new tax on distributions from flow-through entities, including publicly traded income trusts. Under the SIFT Rules, existing income trusts will be subject to the new measures commencing in their 2011 taxation year, following a four-year grace period. In simplified terms, under the proposed tax plan, income distributions will first be taxed at the trust level at a special rate estimated to be the Federal Corporate rate and applicable provincial corporate rate. Income distributions to unitholders will then be treated as dividends from a Canadian corporation. Individual unitholders will be eligible for the dividend tax credit. Tax-deferred accounts (RRSPs, RRIFs, TFSAs and Pension Plans) will continue to pay no tax on distributions but will not be eligible to use the dividend tax credit. Non-resident unitholders will be taxed on distributions at the non-resident withholding tax rate for dividends. The net impact on individual Canadian taxable investors is expected to be minimal because they can take advantage of the dividend tax credit. However, as a result of the tax at the trust level, distributions to tax-deferred accounts and non-residents will be reduced.

Recent amendments to the Income Tax Act (Canada) facilitate the conversion of existing income trusts into corporations. In general, the amendments permit alternative transactions which allow a conversion to be tax deferred for both the unitholders and the income trust. . Management and the Board of Directors continue to review the impact of the Trust tax on our business strategy and while there has not been a decision as to Peyto's future direction, at this time we are of the opinion that the conversion from a trust into a corporation may be the most logical and tax efficient alternative for unitholders. At the present time, Peyto believes that if structural or other similar changes are not made, the relative after-tax distribution amount in 2011 to taxable Canadian investors will remain approximately the same, however, will decline for both tax-deferred Canadian investors (RRSPs, RRIFs, pension plans, etc.) and foreign investors.

Climate Change Programs
Peyto looks to both Alberta provincial authorities and to Canada's federal authorities for direction and regulation regarding environmental and climate change legislation.

In January 2008 the Alberta Government released Alberta's new Climate Change Strategy. The new strategy focuses on implementing carbon capture and storage, conserving and using energy efficiently, and greening energy production. The provincial vision is significant reductions in emissions for both the mid-term (2014) and long term (2050). To date, the only tangible legislation set forth pertains to large emitting facilities (over 100,000 tonnes per year) and excludes any of Peyto current facilities. The goal of that legislation is to reduce emissions by 20 Mt by 2010, by 50 Mt by 2020, and 200 Mt by 2050. No other new provincial legislation has been developed at this time.

At the federal level, the April 2007 Regulatory Framework for Air Emissions laid out the broad vision for reduction of industrial emissions of both greenhouse gases and air pollutants. This plan calls for greenhouse gas emissions to be reduced by 20 per cent below 2006 levels by 2020. All covered industrial sectors are required to reduce emissions by 18% below 2006 levels by 2010, with a 2% continuous improvement every year after. On March 10, 2008 the federal government announced further details of the April 2007 regulatory framework. The March 10 framework elaborates on fixed process emissions, new facility regulations, cleaner fuel standards, carbon capture and storage, and compliance mechanisms (Canada's domestic offset system, Clean Development Mechanism, Credit for Early Action Program, Technology Fund). The emission intensity targets remain the same as previously laid out in the April 2007 framework.

Currently the framework is being translated into actual regulations. The final regulations are expected to be approved and published in Canada Gazette, Part II in Fall 2009, with greenhouse gas provisions of the regulations coming into force on January 1, 2010.

As mentioned in the October 2006 Notice of Intent to develop and Implement Regulations and Other Measures to Reduce Emissions, the government still intends to transition from energy-intensity targets to fixed emission caps in the 2020-2025 period.

Peyto will continue to monitor the progress of the pending Federal regulations and expects clarity by the end of this year to determine what actions will be required and what impacts will occur from those regulations.

United States Proposed Changes to Qualifying Dividends

A bill was introduced into United States Congress on March 23, 2007 that could deny qualified dividend income treatment to the distributions made by the Trust to its U.S. unitholders. The bill is in the first step of the legislative process and it is uncertain whether it will eventually be passed into law in its current form. If the bill is passed in its current form, distributions received by U.S. unitholders would no longer qualify for the 15% qualified dividend tax rate.

OVERVIEW

Peyto is a Canadian energy trust involved in the development and production of natural gas in Alberta’s deep basin. As at December 31, 2008, the total Proved plus Probable reserves were 998.3 billion cubic feet equivalent (166.4 million barrels of oil equivalent) with a reserve life of 23 years as evaluated by the independent petroleum engineers. Production is weighted approximately 85% natural gas and 15% natural gas liquids and oil.

The Peyto model is designed to deliver growth in its value, assets, production and income, all on a per unit basis. The model is built around three key principles:

- Use technical expertise to achieve the best return on capital employed, through the development of internally generated drilling projects.
- Maintain a payout ratio designed to efficiently fund a growing inventory of drilling projects.
- Build an asset base which is made up of high quality long life natural gas reserves.

Operating results over the last ten years indicate that these principles have been successfully implemented. This business model makes Peyto a truly unique energy trust.

QUARTERLY FINANCIAL INFORMATION

	2009	2008				2007		
($000 except per unit amounts)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue (net of royalties)	**70,133**	79,612	86,607	87,682	85,164	82,307	75,589	83,017
Funds from operations	**58,607**	67,354	74,485	74,113	70,955	68,976	62,938	69,345
Per unit – basic and diluted	**0.55**	0.64	0.70	0.70	0.67	0.65	0.60	0.66
Earnings (loss)	**63,574**	50,711	64,834	31,412	32,440	73,289	39,886	38,825
Per unit – basic	**0.60**	0.48	0.61	0.30	0.31	0.69	0.37	0.37
Distributions	**41,309**	47,664	47,664	46,605	44,798	44,399	44,399	44,399
Per unit – diluted	**0.39**	0.45	0.45	0.44	0.42	0.42	0.42	0.42

RESULTS OF OPERATIONS

Production

	Three Months ended Mar. 31	
	2009	2008
Natural gas (mcf/d)	**95,998**	101,468
Oil & natural gas liquids (bbl/d)	**3,022**	3,430
Barrels of oil equivalent (boe/d)	**19,021**	20,342
Thousand cubic feet equivalent (mcfe/d)	**114,128**	122,048

Natural gas production averaged 96.0 mmcf/d in the first quarter of 2009, 5 percent lower than the 101.5 mmcf/d reported for the same period in 2008. Oil and natural gas liquids production averaged 3,022 bbl/d, a decrease of 12 percent from 3,430 bbl/d reported in the prior year. First quarter production decreased 6 percent from 122.0 mmcfe/d to 114.1 mmcfe/d. The production decreases are attributable to Peyto's natural resource declines.

Commodity Prices

	Three Months ended Mar. 31	
	2009	2008
Natural gas ($/mcf)	**6.15**	7.93
Hedging – gas ($/mcf)	**1.53**	0.56
Natural gas – after hedging ($/mcf)	**7.68**	8.49
Oil and natural gas liquids($/bbl)	**44.46**	86.29
Hedging – oil ($/bbl)	**-**	(2.84)
Oil and natural gas liquids – after hedging ($/bbl)	**44.46**	83.45
Total Hedging ($/boe)	**7.75**	2.32
Total Hedging ($/mcfe)	**1.29**	0.39

Peyto's natural gas price, before hedging gains, averaged $6.15/mcf during the first quarter of 2009, a decrease of 23 percent from $7.93/mcf reported for the equivalent period in 2008. Oil and natural gas liquids prices averaged $44.46/bbl, a decrease of 48 percent from $86.29/bbl a year earlier. Hedging activity for the first quarter of 2009 accounted for $1.29/mcfe of Peyto's achieved price.

Revenue

	Three Months ended Mar. 31	
($000)	**2009**	2008
Natural gas	**53,071**	73,191
Oil and natural gas liquids	**12,092**	26,935
Hedging gain (loss)	**13,260**	4,302
Total revenue	**78,423**	104,428

For the three months ended March 31, 2009, gross revenue decreased 25 percent to $78.4 million from $104.4 million for the same period in 2008. The decrease in revenue for the period was a result of decreased production volumes and lower commodity prices as detailed in the following table:

	Three Months ended Mar. 31		
	2009	2008	**$million**
Total Revenue, Mar. 31, 2008			**104.4**
Revenue change due to:			
Natural gas			
Volume (mmcf)	8,640	9,233	**(5.0)**
Price ($/mcf)	$7.68	$8.49	**(7.0)**
Oil & NGL			
Volume (mbbl)	272	312	**(3.4)**
Price ($/bbl)	$44.46	$83.45	**(10.6)**
Total Revenue, Mar. 31, 2009			**78.4**

Royalties

Royalties are paid to the owners of the mineral rights with whom leases are held, including the provincial government of Alberta. Alberta gas crown royalties are invoiced on the Crown's share of production based on a monthly established Alberta Reference Price. The Alberta Reference Price is a monthly weighted average price of gas consumed in Alberta and gas exported from Alberta reduced for transportation and marketing allowances.

	Three Months ended Mar. 31	
($000 except per unit amounts)	**2009**	2008
Royalties	**8,290**	19,264
% of sales before hedging	**12.7**	19.2
% of sales after hedging	**10.6**	18.4
$/boe	**4.84**	10.40
$/mcfe	**0.81**	1.73

For the first quarter of 2009, royalties averaged $0.81/mcfe or approximately 10.6 percent of Peyto's total petroleum and natural gas sales. The Alberta Government’s NRF was effective January 1, 2009 which resulted in an overall decrease in the Trust’s royalties that was in line with management’s expectations due to the low commodity price environment. Under the new royalty framework the crown royalty rate fluctuates with production rates and commodity prices. The royalty rate expressed as a percentage of sales will fluctuate from period to period due to the fact that the Alberta Reference Price can differ significantly from the commodity prices obtained by the Trust and that hedging gains and losses are not subject to royalties. In its 10 year history, Peyto has invested over $1.5 billion in capital projects and has found and developed gas reserves that have paid over $483 million in royalties.

Operating Costs & Transportation

The Trust’s operating expenses include all costs with respect to day-to-day well and facility operations. Processing and gathering income related to joint venture and third party production reduces operating expenses.

	Three Months ended Mar. 31	
	2009	2008
Operating costs ($000)		
Field expenses	**7,395**	7,550
Processing and gathering income	**(2,835)**	(2,585)
Total operating costs	**4,560**	4,965
$/boe	**2.66**	2.68
$/mcfe	**0.44**	0.45
Transportation	**1,178**	1,160
$/boe	**0.69**	0.63
$/mcfe	**0.11**	0.11

Operating costs were $4.6 million in the first quarter of 2009 compared to $5.0 million during the same period a year earlier. On a unit-of-production basis, operating costs averaged $0.44/mcfe in the first quarter of 2009 compared to $0.45/mcfe for the equivalent period in 2008. Transportation expense increased due to an increase in pipeline tariffs effective January 1, 2009.

Netbacks

	Three Months ended Mar. 31	
($/mcfe)	**2009**	2008
Sale Price	**7.63**	9.40
Less: Royalties	**0.81**	1.73
Operating costs	**0.44**	0.45
Transportation	**0.11**	0.11
Field netback	**6.27**	7.11
General and administrative	**0.22**	0.20
Interest on long-term debt	**0.35**	0.53
Cash netback ($/mcfe)	**5.70**	6.38
Cash netback ($/boe)	**34.23**	38.33

Field netbacks represent the profit margin associated with the production and sale of petroleum and natural gas. The primary factors that produce Peyto's strong netbacks are a low cost structure and the high heat content of its natural gas that results in higher commodity prices.

General and Administrative Expenses

	Three Months ended Mar. 31	
	2009	2008
G&A expenses ($000)	**2,739**	2,694
Overhead recoveries	**(501)**	(492)
Net G&A expenses	**2,238**	2,202
$/mcfe	**0.22**	0.20
$/boe	**1.32**	1.19

General and administrative expenses remained constant quarter over quarter. The increase per mcfe was due to a decline in production.

Interest Expense

	Three Months ended Mar. 31	
	2009	2008
Interest expense ($000)	**3,550**	5,882
$/mcfe	**0.35**	0.53
$/boe	**2.07**	3.18
Average interest rate	**2.8%**	5.4%

First quarter 2009 interest expense was $3.6 million or $0.35/mcfe compared to $5.9 million or $0.53/mcfe a year earlier due to a reduction in the average interest rate. During the first quarter of 2009, average debt levels were $510.3 million as compared to $433.7 million in the first quarter of 2008. Interest rates continue to be favorable and are not expected to increase substantially in the short-term.

While interest rates are not expected to increase substantially in the short-term, the stamping fee component of interest expense will increase in the second quarter of 2009.

As a result of the weakened global economic situation, the Trust may have restricted access to capital. Although the Trust's business and asset base have not changed, the lending capacity of all financial institutions has been diminished and risk premiums have increased. These issues may impact the Trust as it reviews financing alternatives for the 2009 capital program and manages future cash flow.

Depletion, Depreciation and Accretion

The 2009 first quarter provision for depletion, depreciation and accretion totaled $18.6 million as compared to $19.3 million in 2008. On a unit-of-production basis, depletion, depreciation and accretion costs averaged $1.81/mcfe as compared to $1.74/mcfe in 2008.

Income Taxes

The current recovery for future income tax was $24.7 million (2008 – provision of $15.7 million). Peyto's trust structure is unique and was designed to provide for discretion at the operating trust level to distribute taxable income to the Trust. Resource pools are generated from the capital program, which are available to offset current and future income tax liabilities. Unitholders benefit as the Trust may the use these resource pools to increase the tax free return of capital component of the cash distributions. As a result of the internal reorganization that took place January 1, 2008, the tax rate applied to differences between the accounting basis and tax basis of the Trust's assets increased by approximately 3% (the difference between future corporate income tax rates and future tax rates applicable to trusts). Changes to the SIFT rules proposed in the 2008 Federal Budget have now been substantively enacted, resulting in the anticipated future income tax recovery.

Canada Revenue Agency ("CRA") has conducted an audit of restructuring costs claimed as a result of the trust conversion in 2003 that has resulted in the reclassification of $41.0 million dollars in employment related costs as eligible capital. In October, 2008, the Trust has received a notice of reassessment from the CRA and paid an amount of $7.3 million related to this audit. Based upon consultation with legal counsel, management's view is that CRA's position has no merit. A notice of objection has been filed and a notice of appeal will be filed shortly.

MARKETING

Commodity Price Risk Management

The Trust is a party to certain off balance sheet derivative financial instruments, including fixed price contracts. The Trust enters into these forward 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. During the first quarter of 2009, a realized hedging gain of $13.3 million was recorded as compared to $4.3 million for the equivalent period in 2008. A summary of contracts outstanding in respect of the hedging activities are as follows:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$7.85/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$8.12/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$8.95/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$9.30/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$10.20/GJ
April 1, 2009 to October 31, 2009	Fixed Price	5,000 GJ	$7.50/GJ
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, 2011	Fixed Price	5,000 GJ	$6.20/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

As at March 31, 2009, the Trust had committed to the future sale of 15,670,000 gigajoules (GJ) of natural gas at an average price of $7.94 per GJ. Had these contracts been closed on March 31, 2009, the Trust would have realized a gain in the amount of $37.8 million.

Subsequent to March 31, 2009 the Trust entered into the following contracts:

Natural Gas Period Hedged	Type	Daily Volume	Price (CAD)
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

Commodity Price Sensitivity

Peyto's earnings are largely determined by commodity prices for crude oil and natural gas including the US/Canadian dollar exchange rate. Volatility in these oil and gas prices can cause fluctuations in Peyto's earnings over which the Trust has no control. Low operating costs and a long reserve life reduce Peyto's sensitivity to changes in commodity prices.

Currency Risk Management

The Trust is exposed to fluctuations in the Canadian/US dollar exchange ratio since commodities are effectively priced in US dollars and converted to Canadian dollars. In the short term, this risk is mitigated indirectly as a result of a commodity hedging strategy that is conducted in a Canadian dollar currency. Over the long term, the Canadian dollar tends to rise as commodity prices rise. There is a similar correlation between oil and gas prices. Currently Peyto has not entered into any agreements to further manage its currency risks.

Interest Rate Risk Management

The Trust is exposed to interest rate risk in relation to interest expense on its revolving demand facility. Currently there are no agreements to manage this risk. At March 31, 2009, the increase or decrease in earnings for each 100 bps (1%) change in interest rate paid on the outstanding revolving demand loan amounts to approximately $5.1 million per annum. Average debt outstanding for the first quarter of 2009 was $510.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Funds from Operations

	Three Months ended Mar. 31	
($000)	**2009**	2008
Earnings	**63,574**	32,440
Items not requiring cash:		
Non-cash provision for performance based compensation	**1,150**	3,496
Future income tax expense	**(24,694)**	15,733
Depletion, depreciation & accretion	**18,577**	19,286
Funds from operations	**58,607**	70,955
Funds from operations per unit	**0.55**	0.67

For the first quarter ended March 31, 2009, funds from operations totaled $58.6 million or $0.55 per unit, as compared to $71.0 million, or $0.67 per unit during the same period in 2008. Peyto's policy is to balance distributions to unitholders and funding for a capital program with cashflow and available bank lines. Earnings and cash flow are highly sensitive to changes in commodity prices, exchange rates and other factors that are beyond Peyto's control. Current volatility in commodity prices creates uncertainty as to the funds from operations and capital expenditure budget. Accordingly, results are assessed throughout the year and operational plans revised as necessary to reflect the most current information.

Revenues will be impacted by drilling success and production volumes as well as external factors such as the market prices for commodities and the exchange rate of the Canadian dollar relative to the US dollar.

Bank Debt

The Trust has a syndicated $550 million extendible revolving credit facility with a stated term date of April 30, 2010. The facility is made up of a $20 million working capital sub-tranche and a $530 million production line. The facilities are available on a revolving basis for a period of at least 364 days and upon the term out date may be extended for a further 364 day period at the request of the Trust, subject to approval by the lenders. In the event that the revolving period is not extended, the facility is available on a non-revolving basis for a one year term, at the end of which time the facility would be due and payable. The loan has therefore been classified as long-term on the balance sheet. The average borrowing rate for the three months ended March 31, 2009 was 2.8% (2008 – 5.4%).

Outstanding amounts on this facility bear interest at rates determined by the Trust's debt to cash flow ratio that range from prime to prime plus 0.75% for debt to earnings before interest, taxes, depreciation, depletion and amortization (EBITDA) ratios ranging from less than 1:1 to greater than 2.5:1. A General Security Agreement with a floating charge on land registered in Alberta is held as collateral by the bank.

At March 31, 2009, $510 million was drawn under the facility. Working capital liquidity is maintained by drawing from and repaying the unutilized credit facility as needed. At March 31, 2009, the working capital surplus was $53.6 million (including a non-cash current asset for an unrealized mark to market future hedging gain of $35.3 million).

Peyto believes funds generated from operations, together with borrowings under the credit facility will be sufficient to finance current operations and the planned capital expenditure program. The total amount of capital invested in 2009 will be driven by the number and quality of projects generated. Capital will only be invested if it meets the long term objectives of the Trust. The majority of the capital program will involve drilling, completion and tie-in of lower risk development gas wells. Peyto's rapidly scaleable business model has the flexibility to match planned capital expenditures to actual cash flow.

Capital
On March 31, 2009, 105,920,194 trust units were outstanding (December 31, 2008 – 105,920,194).

Authorized: Unlimited number of voting trust units

Issued and Outstanding

Trust Units (no par value) ($000)	Number of Units	Amount
Balance, December 31, 2008 and March 31, 2009	**105,920,194**	**410,233**

Performance Based Compensation
The Trust awards performance based compensation to employees and key consultants annually. The performance based compensation is comprised of market and reserve value based components.

The reserve value based component is 4% of the incremental increase in value, if any, as adjusted to reflect changes in debt, equity and distributions, of proved producing reserves calculated using a constant price at December 31 of the current year and a discount rate of 8%. This methodology can generate interim results which vary significantly from the final compensation paid. A provision for compensation expense of $1.2 million was recorded for the first quarter of 2009.

Under the market based component, rights with a three year vesting period are allocated to employees and key consultants. The number of rights outstanding at any time is not to exceed 6% of the total number of trust units outstanding. At December 31 of each year, all vested rights are automatically cancelled and, if applicable, paid out in cash. Compensation is calculated as the number of vested rights multiplied by the total of the market appreciation (over the price at the date of grant) and associated distributions of a trust unit for that period.

Based on the five day weighted average trading price of the trust units for the period ended March 31, 2009, compensation costs related to 4.5 million non-vested rights (4% of the total number of trust units outstanding), with an average grant price of $14.37, are $nil. The Trust records a non-cash provision for future compensation expense over the life of the rights. The cumulative provision totals $nil.

Capital Expenditures
Net capital expenditures for the first quarter of 2009 totaled $13.0 million. Exploration and development related activity represented $10.8 million or 83% of the total, while expenditures on facilities, gathering systems and equipment totaled $2.2 million or 17% of the total. The following table summarizes capital expenditures for the quarter.

	Three Months ended Mar. 31	
($000)	**2009**	2008
Land	**109**	-
Seismic	**141**	522
Drilling – Exploratory & Development	**10,531**	26,888
Production Equipment, Facilities & Pipelines	**2,255**	5,644
Office Equipment	**-**	4
Total Capital Expenditures	**13,036**	33,058

Distributions

	Three Months ended Mar. 31	
	2009	2008
Funds from operations ($000)	**58,607**	70,955
Total distributions ($000)	**41,309**	44,798
Total distributions per unit ($)	**0.39**	0.42
Payout ratio (%)	**70**	63

Peyto's policy is to balance distributions to unitholders and funding for a capital program with cashflow and available bank lines. The Board of Directors is prepared to adjust the payout levels to achieve the desired distributions while maintaining an appropriate capital structure. For Canadian income tax purposes distributions made are considered a combination of income and return of capital. The portion that is return of capital reduces the adjusted cost base of the units.

Accumulated Earnings and Distributions

	Three Months ended Mar. 31	
($000)	**2009**	2008
Opening accumulated earnings	**919,435**	740,038
Earnings for the period	**63,574**	32,440
Total accumulated earnings	**983,009**	772,478
Total accumulated distributions	**(850,506)**	(667,264)
Accumulated earnings per Balance Sheet	**132,503**	105,214

Since inception, Peyto has accumulated earnings of $983 million and distributed $851 million to unitholders.

Contractual Obligations
The Trust is committed to payments under operating leases for office space as follows:

($000)	$
2009	903
2010	1,203
2011	903
	3,009

RELATED PARTY TRANSACTIONS

An officer and director of the Trust is a partner of a law firm that provides legal services to the Trust. The fees charged are based on standard rates and time spent on matters pertaining to the Trust and its subsidiaries.

INCOME TAXES

The following sets out a general discussion of the Canadian and US tax consequences of holding Peyto units as capital property. The summary is not exhaustive in nature and is not intended to provide legal or tax advice. Unitholders or potential Unitholders should consult their own legal or tax advisors as to their particular tax consequences.

Canadian Taxpayers
The Trust qualifies as a mutual fund trust under the *Income Tax Act* (Canada) and, accordingly, Trust units are qualified investments for RRSPs, RRIFs, RESPs, TFSAs and DPSPs. Each year, the Trust is required to file an income tax return and any taxable income of the Trust is allocated to unitholders.

Unitholders are required to include in computing income their pro-rata share of any taxable income earned by the Trust in that year. An investor's adjusted cost base (ACB) in a trust unit equals the purchase price of the unit less any non-taxable cash distributions received from the date of acquisition. To the extent the unitholders' ACB is reduced below zero, such amount will be deemed to be a capital gain to the unitholder and the unitholders' ACB will be brought to nil.

During the first quarter of 2009, the Trust paid distributions to the unitholders in the amount of $41.3 million (2008 - $44.8 million) in accordance with the following schedule:

Production Period	Record Date	Distribution Date	Per Unit[1]
January 2009	January 31, 2009	February 13, 2009	$0.15
February 2009	February 28, 2009	March 13, 2009	$0.12
March 2009	March 31, 2009	April 15, 2009	$0.12

[1] Distributions per trust unit reflect the sum of the per trust unit amounts declared monthly to unitholders.

US Taxpayers
US unitholders who receive cash distributions are subject to a 15% Canadian withholding tax, applied to the taxable portion of the distributions as computed under Canadian tax law. US taxpayers may be eligible for a foreign tax credit with respect to Canadian withholding taxes paid.

The taxable portion of the cash distributions, if any, is determined by the Trust in relation to its current and accumulated earnings and profit using US tax principles. The taxable portion so determined, is considered to be a dividend for US tax purposes.

The non-taxable portion of the cash distributions is a return of the cost (or other basis). The cost (or other basis) is reduced by this amount for computing any gain or loss from disposition. However, if the full amount of the cost (or other basis) has been recovered, any further non-taxable distributions should be reported as a gain.

A bill was introduced into United States Congress on March 23, 2007 that could deny qualified dividend income treatment to the distributions made by the Trust to its U.S. unitholders. The bill is in the first step of the legislative process and it is uncertain whether it will eventually be passed into law in its current form. If the bill is passed in its current form, distributions received by U.S. unitholders would no longer qualify for the 15 per cent qualified dividend tax rate.

US unitholders are advised to seek legal or tax advice from their professional advisors.

RISK MANAGEMENT

Investors who purchase units are participating in the net funds from operations from a portfolio of western Canadian crude oil and natural gas producing properties. As such, the funds from operations paid to investors and the value of the units are subject to numerous risks inherent in the oil and natural gas industry.

Expected funds from operations depends largely on the volume of petroleum and natural gas production and the price received for such production, along with the associated costs. The price received for oil depends on a number of factors, including West Texas Intermediate oil prices, Canadian/US currency exchange rates, quality differentials and Edmonton par oil prices. The price received for natural gas production is primarily dependent on current Alberta market prices. Peyto's marketing strategy is designed to smooth out short term fluctuations in the price of natural gas through future sales. It is meant to be methodical and consistent and to avoid speculation.

Although Peyto's focus is on internally generated drilling programs, any acquisition of oil and natural gas assets depends on an assessment of value at the time of acquisition. Incorrect assessments of value can adversely affect distributions to unitholders and the value of the units. Peyto employs experienced staff and performs appropriate levels of due diligence on the analysis of acquisition targets, including a detailed examination of reserve reports; if appropriate, re-engineering of reserves for a large portion of the properties to ensure the results are consistent; site examinations of facilities for environmental liabilities; detailed examination of balance sheet accounts; review of contracts; review of prior year tax returns and modeling of the acquisition to attempt to ensure accretive results to the unitholders.

Inherent in development of the existing oil and gas reserves are the risks, among others, of drilling dry holes, encountering production or drilling difficulties or experiencing high decline rates in producing wells. To minimize these risks, Peyto employs experienced staff to evaluate and operate wells and utilize appropriate technology in operations. In addition, prudent work practices and procedures, safety programs and risk management principles, including insurance coverage protect the Trust against certain potential losses.

The value of Peyto's units is based on among other things, the underlying value of the oil and natural gas reserves. Geological and operational risks can affect the quantity and quality of reserves and the cost of ultimately recovering those reserves. Lower oil and gas prices increase the risk of write-downs on oil and gas property investments. In order to mitigate this risk, proven and probable oil and gas reserves are evaluated each year by a firm of independent reservoir engineers. The reserves committee of the Board of Directors reviews and approves the reserve report.

Access to markets may be restricted at times by pipeline or processing capacity. These risks are minimized by controlling as much of the processing and transportation activities as possible and ensuring transportation and processing contracts are in place with reliable cost efficient counter-parties.

The petroleum and natural gas industry is subject to extensive controls, regulatory policies and income and resource taxes imposed by various levels of government. These regulations, controls and taxation policies are amended from time to time. Peyto has no control over the level of government intervention or taxation in the petroleum and natural gas industry. The Trust operates in such a manner to ensure, to the best of its knowledge that it is in compliance with all applicable regulations and are able to respond to changes as they occur.

The petroleum and natural gas industry is subject to both environmental regulations and an increased environmental awareness. Peyto has reviewed its environmental risks and is, to the best of its knowledge, in compliance with the appropriate environmental legislation and have determined that there is no current material impact on operations.

Peyto is subject to financial market risk. In order to maintain substantial rates of growth, the Trust must continue reinvesting in, drilling for or acquiring petroleum and natural gas. The capital expenditure program is funded primarily through funds from operations, debt and, if appropriate, equity.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Trust's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Trust is made known to the Trust's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Trust in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Trust's disclosure controls and procedures at the interim period end of the Trust and have concluded that the Trust's disclosure controls and procedures are effective at the financial period end of the Trust for the foregoing purposes.

Internal Control over Financial Reporting

The Trust's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian GAAP. Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Trust's internal control over financial reporting at the financial period end of the Trust and concluded that the Trust's internal control over financial reporting is effective, at the financial period end of the Trust, for the foregoing purpose.

The Trust is required to disclose herein any change in the Trust's internal control over financial reporting that occurred during the period beginning on January 1, 2009 and ended on March 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting. No material changes in the Trust's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

It should be noted that a control system, including the Trust's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

CRITICAL ACCOUNTING ESTIMATES

Reserve Estimates

Estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent to the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is an analytical process of estimating underground accumulations of oil and natural gas that can be difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future royalties and operating costs, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of the Trust's oil and natural gas properties and the rate of depletion of the oil and natural gas properties as well as the calculation of the reserve value based compensation. Actual production, revenues and expenditures with respect to the Trust's reserves will likely vary from estimates, and such variances may be material.

The Trust's estimated quantities of proved and probable reserves at December 31, 2008 were audited by independent petroleum engineers Paddock Lindstrom & Associates Ltd. Paddock has been evaluating reserves in this area and for Peyto for 10 consecutive years.

Depletion and Depreciation Estimate
The full cost method of accounting for petroleum and natural gas operations is followed whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and depreciated on the unit-of-production method based on estimated gross proven reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content (6 mcf to 1 barrel of oil).

Costs of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Full Cost Accounting Ceiling Test
The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The ceiling test is based on estimates of proved reserves, production rates, estimated future petroleum and natural gas prices and costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion and depreciation expense.

Asset Retirement Obligation
The asset retirement obligation is estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonment and reclamation discounted at a credit adjusted risk free rate. The liability is adjusted each reporting period to reflect the passage of time and for revisions to the estimated future cash flows, with the accretion charged to earnings. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Future Market Performance Based Compensation
The provision for future market based compensation is estimated based on current market conditions, distribution history and on the assumption that all outstanding rights will be paid out according to the vesting schedule. The conditions at the time of vesting could vary significantly from the current conditions and may have a material effect on the calculation.

Reserve Value Performance Based Compensation
The reserve value based compensation is calculated using the year end independent reserves evaluation which was completed in January 2008. A quarterly provision for the reserve value based compensation is calculated using estimated proved producing reserve additions adjusted for changes in debt, equity and distributions. Actual proved producing reserves additions and forecasted commodity prices could vary significantly from those estimated and may have a material effect on the calculation.

Income Taxes
The determination of the Trust’s income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

Accounting Changes
Voluntary changes in accounting policy are made only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical

to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. When the Trust has not applied a new primary source of GAAP that has been issued, but is not effective, the Trust will disclose the fact along with information relevant to assessing the possible impact that application of the new primary source of GAAP will have on the financial statements in the period of initial application.

CRITICAL ACCOUNTING ESTIMATES

Adoption of IFRS

In January 2006, the CICA Accounting Standards Board ("ASCB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. On February 13, 2008, The ASCB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-orientated enterprises. The Trust continues to assess the impact of the convergence of Canadian GAAP and IFRS. At this time, the Trust has appointed internal staff along with sponsorship from the senior leadership team to review the impact of converting to IFRS on the accounting policies, information and computer systems, internal and disclosure controls, financial reporting in addition to the changes in the Trust's financial statements.

Goodwill and Intangible Assets

On January 1, 2009, the Trust retrospectively adopted the Canadian Institute of Chartered Accountants (CICA) Section 3064, Goodwill and Intangible Assets issued by the AcSB. This section clarifies the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Adoption of this standard did not have an impact the Trust's results of operations or financial position.

Business Combinations

On January 1, 2009, the Trust prospectively adopted CICA Section 1582, Business Combinations issued by the AcSB. This section establishes principles and requirements of the acquisition method for business combinations and related disclosures. Adoption of this statement did not have an impact on the Trust's results of operations or financial position.

Consolidated Financial Statements and Non-Controlling Interests

On January 1, 2009, the Trust adopted CICA Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests issued by the AcSB. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. Adoption of this statement did not have an impact on the Trust's results of operations or financial position.

ADDITIONAL INFORMATION

Additional information relating to Peyto Energy Trust can be found on SEDAR at www.sedar.com and www.peyto.com.

Quarterly information

	2009	2008			
	Q1	Q4	Q3	Q2	Q1
Operations					
Production					
Natural gas (mcf/d)	**95,998**	101,907	100,324	97,819	101,468
Oil & NGLs (bbl/d)	**3,022**	3,207	3,199	3,226	3,430
Barrels of oil equivalent (boe/d @ 6:1)	**19,021**	20,191	19,920	19,530	20,342
Thousand cubic feet equivalent (mcfe/d @ 6:1)	**114,128**	121,146	119,520	117,177	122,050
Average product prices					
Natural gas ($/mcf)	**7.68**	7.99	8.81	9.32	8.49
Oil & natural gas liquids ($/bbl)	**44.46**	49.16	99.28	107.45	83.45
$/MCFE					
Average sale price ($/mcfe)	**7.63**	8.02	10.05	10.75	9.40
Average royalties paid ($/mcfe)	**0.81**	0.88	2.18	2.52	1.73
Average operating expenses ($/mcfe)	**0.44**	0.43	0.42	0.43	0.45
Average transportation costs ($/mcfe)	**0.11**	0.10	0.10	0.11	0.10
Field netback ($/mcfe)	**6.27**	6.61	7.35	7.69	7.12
General & administrative expense ($/mcfe)	**0.22**	0.11	0.12	0.18	0.20
Interest expense ($/mcfe)	**0.35**	0.45	0.46	0.56	0.53
Cash netback ($/mcfe)	**5.70**	6.05	6.77	6.95	6.39
Financial ($000 except per unit)					
Revenue	**78,423**	89,377	110,537	114,543	104,428
Royalties	**8,290**	9,765	23,930	26,861	19,264
Funds from operations	**58,607**	67,354	74,485	74,113	70,955
Funds from operations per unit	**0.55**	0.64	0.70	0.70	0.67
Total distributions	**41,309**	47,664	47,664	46,605	44,798
Total distributions per unit	**0.39**	0.45	0.45	0.44	0.42
Payout ratio	**70%**	71%	64%	63%	63%
Earnings	**63,574**	50,711	64,834	31,412	32,440
Earnings per diluted unit	**0.60**	0.48	0.61	0.30	0.31
Capital expenditures	**13,036**	22,467	62,271	21,528	33,058
Weighted average trust units outstanding	**105,920,194**	105,920,194	105,920,194	105,920,194	105,744,338

Peyto Energy Trust

Consolidated Balance Sheets
($000)

(unaudited)

	March 31, 2009	December 31, 2008
Assets		
Current		
Accounts receivable	**56,645**	65,662
Financial derivative instruments *(Note 10)*	**35,296**	27,788
Prepaid expenses and deposits	**2,488**	3,367
	94,429	96,817
Financial derivative instruments *(Note 10)*	**2,546**	2,458
Prepaid capital	**2,188**	3,069
Property, plant and equipment *(Note 4)*	**1,172,607**	1,177,902
	1,271,770	1,280,246
Liabilities and Unitholders' Equity		
Current		
Accounts payable and accrued liabilities	**26,992**	48,854
Distributions payable	**12,710**	15,888
Provision for future performance based compensation	**1,150**	-
	40,852	64,742
Long-term debt *(Note 5)*	**510,000**	500,000
Asset retirement obligations	**9,726**	9,479
Future income taxes	**130,971**	155,308
	650,697	664,787
Unitholders' equity		
Unitholders' capital *(Note 6)*	**410,233**	410,233
Accumulated earnings *(Note 7)*	**132,503**	110,238
Accumulated other comprehensive income	**37,485**	30,246
	580,221	550,717
	1,271,770	1,280,246

See accompanying notes

On behalf of the Board:

(signed) *"Michael MacBean"*
Director

(signed) *"Darren Gee"*
Director

Peyto Energy Trust

Consolidated Statements of Earnings
($000 except per unit amounts)

(unaudited)

For the three months ended March 31,

	2009	2008
Revenue		
Oil and gas sales	**65,163**	100,126
Realized gain on hedges	**13,260**	4,302
Royalties	**(8,290)**	(19,264)
Petroleum and natural gas sales, net	**70,133**	85,164
Expenses		
Operating *(Note 8)*	**4,560**	4,965
Transportation	**1,178**	1,160
General and administrative*(Note 9)*	**2,238**	2,202
Future performance based compensation provision	**1,150**	3,496
Interest on long term debt	**3,550**	5,882
Depletion, depreciation and accretion *(Note 4)*	**18,577**	19,286
	31,253	36,991
Earnings before taxes	**38,880**	48,173
Taxes		
Future income tax (recovery) expense	**(24,694)**	15,733
Earnings for the period	**63,574**	32,440
Earnings per unit *(Note 6)*		
Basic and diluted	**0.60**	0.31

See accompanying notes

Peyto Energy Trust

Consolidated Statements of Comprehensive Income (Loss)
($000 except per unit amounts)

(unaudited)

For the three months ended March 31,

	2009	2008
Earnings for the period	**63,574**	32,440
Other comprehensive income (loss)		
Change in unrealized gain (loss)on cash flow hedges	**20,499**	(38,765)
Realized (gain) on cash flow hedges	**(13,260)**	(4,302)
Comprehensive income (loss)	**70,813**	(10,627)

See accompanying notes

Peyto Energy Trust

Consolidated Statements of Accumulated Earnings and Accumulated Other Comprehensive Income (Loss)
($000)

(unaudited)

For the three months ended March 31,

	2009	2008
Accumulated earnings, beginning of period	**110,238**	117,572
Earnings for the period	**63,574**	32,440
Distributions *(Note 7)*	**(41,309)**	(44,798)
Accumulated earnings, end of period	**132,503**	105,214
Accumulated other comprehensive income, beginning of period	**30,246**	5,119
Other comprehensive income (loss)	**7,239**	(43,067)
Accumulated other comprehensive income (loss), end of period	**37,485**	(37,948)

See accompanying notes

Peyto Energy Trust

Consolidated Statements of Cash Flows
($000)

(unaudited)

For the three months ended March 31,

	2009	2008
Cash provided by (used in)		
Operating Activities		
Earnings for the period	**63,574**	32,440
Items not requiring cash:		
Future income tax (recovery) expense	**(24,694)**	15,733
Depletion, depreciation and accretion	**18,577**	19,286
Change in non-cash working capital related to operating activities	**(5,355)**	(14,976)
	52,102	52,483
Financing Activities		
Issue of trust units, net of costs	**-**	3,932
Distribution paid	**(41,309)**	(44,798)
Increase in bank debt	**10,000**	10,000
Change in non-cash working capital related to financing activities	**(3,178)**	29
	(34,487)	(30,837)
Investing Activities		
Additions to property, plant and equipment	**(13,036)**	(33,067)
Change in non-cash working capital related to investing activities	**(4,579)**	(6,662)
	(17,615)	(39,729)
Net decrease in cash	**-**	(18,083)
Cash, beginning of period	**-**	20,547
Cash, end of period	**-**	2,464

See accompanying notes

1. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements of Peyto Energy Trust (the "Trust" or "Peyto") follow the same accounting policies as the most recent annual audited consolidated financial statements. The interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles ("GAAP") applicable for annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the 2008 audited consolidated financial statements.

These financial statements include the accounts of Peyto Energy Trust and its wholly owned subsidiaries, Peyto Exploration & Development Corp., Peyto Operating Trust, Peyto Energy Limited Partnership and Peyto Energy Administration Corp.

2. Accounting Pronouncements

Current Year Accounting Changes

Goodwill and Intangible Assets
On January 1, 2009, the Trust retrospectively adopted the Canadian Institute of Chartered Accountants (CICA) Section 3064, Goodwill and Intangible Assets issued by the AcSB. This section clarifies the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Adoption of this standard did not have an impact the Trust's results of operations or financial position.

Business Combinations
On January 1, 2009, the Trust prospectively adopted CICA Section 1582, Business Combinations issued by the AcSB. This section establishes principles and requirements of the acquisition method for business combinations and related disclosures. Adoption of this statement did not have an impact on the Trust's results of operations or financial position.

Consolidated Financial Statements and Non-Controlling Interests
On January 1, 2009, the Trust adopted CICA Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests issued by the AcSB. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. Adoption of this statement did not have an impact on the Trust's results of operations or financial position.

3. Accounts Receivable

($000)	**March 31, 2009**	December 31, 2008
Accounts receivable – general	**49,377**	58,394
Accounts receivable – income taxes	**7,268**	7,268
	56,645	65,662

Canada Revenue Agency ("CRA") has conducted an audit of restructuring costs claimed as a result of the Trust conversion in 2003 that has resulted in the reclassification of $41.0 million dollars in employment related costs as eligible capital. In October, 2008, the Trust received a notice of reassessment from the CRA and paid an amount of $7.3 million related to this audit. Based upon consultation with legal counsel, Management's view is that CRA's position has no merit. A notice of objection has been filed and a notice of appeal will be filed shortly.

4. Property, Plant and Equipment

($000)	**March 31, 2009 $**	December 31, 2008 $
Property, plant and equipment	**1,564,907**	1,551,789
Accumulated depletion and depreciation	**(392,300)**	(373,887)
	1,172,607	1,177,902

At March 31, 2009, costs of $40.3 million (December 31, 2008 - $36.8 million) related to undeveloped land have been excluded from the depletion and depreciation calculation.

5. Long-Term Debt

The Trust has a syndicated $550 million extendible revolving credit facility with a stated term date of April 30, 2010. The facility is made up of a $20 million working capital sub-tranche and a $530 million production line. The facilities are available on a revolving basis for a period of at least 364 days and upon the term out date may be extended for a further 364 day period at the request of the Trust, subject to approval by the lenders. In the event that the revolving period is not extended, the facility is available on a non-revolving basis for a one year term, at the end of which time the facility would be due and payable. Outstanding amounts on this facility bear interest at rates determined by the Trust's debt to cash flow ratio that range from prime to prime plus 0.75% for debt to earnings before interest, taxes, depreciation, depletion and amortization (EBITDA) ratios ranging from less than 1:1 to greater than 2.5:1. A General Security Agreement with a floating charge on land registered in Alberta is held as collateral by the bank. The average borrowing rate for the three months ended March 31, 2009 was 2.8% (2008 – 5.4%).

6. Unitholders' Capital

Authorized: Unlimited number of voting trust units

Issued and Outstanding

Trust Units (no par value) ($000)	**Number of Units**	**Amount**
Balance, December 31, 2008 and March 31, 2009	**105,920,194**	**410,233**

Per Unit Amounts

Earnings per unit have been calculated based upon the weighted average number of units outstanding for the three months ended March 31, 2009 of 105,920,194 (2008 – 105,744,338). There are no dilutive instruments outstanding.

7. Accumulated Distributions

The Trust paid total distributions to the unitholders in the aggregate amount of $41.3 million in the three months ended March 31, 2009 of which all was settled in cash (2008 – total $44.8 million) in accordance with the following schedule:

Production Period	**Record Date**	**Distribution Date**	**Per Unit** [1]
January 2009	January 31, 2009	February 13, 2009	$0.15
February 2009	February 28, 2009	March 13, 2009	$0.12
March 2009	March 31, 2009	April 15, 2009	$0.12

[1] Distributions per trust unit reflect the sum of the per trust unit amounts declared monthly to unitholders.

Accumulated Earnings and Distributions

($000)	**March 31, 2009**	December 31, 2008
Accumulated earnings, beginning of period	**919,435**	740,038
Earnings for the period	**63,574**	179,397
Total accumulated earnings	**983,009**	919,435
Total accumulated distributions	**(850,506)**	(809,197)
Accumulated earnings, end of period	**132,503**	110,238

8. Operating Expenses

The Trust's operating expenses include all costs with respect to day-to-day well and facility operations. Processing and gathering income related to joint venture and third party natural gas reduces operating expenses.

	Three Months Ended March 31	
	2009	2008
($000)	**$**	$
Field expenses	**7,395**	7,550
Processing and gathering income	**(2,835)**	(2,585)
Operating expenses	**4,560**	4,965

9. General and Administrative Expenses (G & A)

General and administrative expenses are reduced by operating and capital overhead recoveries on operated properties.

	Three Months Ended March 31	
	2009	2008
($000)	**$**	$
General and administrative expenses	**2,739**	2,694
Overhead recoveries	**(501)**	(492)
Net General and administrative expenses	**2,238**	2,202

10. Financial Instruments and Risk Management

Market Risk

Market risk is the risk that changes in market prices will affect the Trust's net earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control its exposures within acceptable limits, while maximizing returns. The Trust's objectives, processes and policies for managing market risks have not changed from the previous year.

Commodity Price Risk Management

The Trust is a party to certain derivative financial instruments, including fixed price contracts. The Trust enters into these contracts with well established counterparties for the purpose of protecting a portion of its future earnings and cash flows from operations from the volatility of commodity prices. The Trust believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as the term and notional amount do not exceed the Trust's firm commitment or forecasted transaction and the underlying basis of the instrument correlates highly with the Trust's exposure. A summary of contracts outstanding in respect of the hedging activities at March 31, 2009 are as follows:

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$7.85/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$8.12/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$8.95/GJ

April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$9.30/GJ
April 1, 2009 to October 31, 2009	Fixed price	5,000 GJ	$10.20/GJ
April 1, 2009 to October 31, 2009	Fixed Price	5,000 GJ	$7.50/GJ
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, 2011	Fixed Price	5,000 GJ	$6.20/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

As at March 31, 2009, the Trust had committed to the future sale of 15,670,000 gigajoules (GJ) of natural gas at an average price of $7.94 per GJ. Had these contracts been closed on March 31, 2009, the Trust would have realized a gain in the amount of $37.8 million. If the AECO gas price on March 31, 2009 were to increase by $1/GJ, the unrealized gain on these closed contracts would change by approximately $15.7 million. An opposite change in commodity prices rates will result in an opposite impact on earnings which would have been reflected in the other comprehensive income of the Trust.

Subsequent to March 31, 2009 the Trust entered into the following contracts:

Natural Gas Period Hedged	**Type**	**Daily Volume**	**Price (CAD)**
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

Interest rate risk

The Trust is exposed to interest rate risk in relation to interest expense on its revolving credit facility. Currently, the Trust has not entered into any agreements to manage this risk. If interest rates applicable to floating rate debt were to have increased by 100 bps (1%) it is estimated that the Trust's earnings for the period ended March 31, 2009 would decrease by $1.3 million. An opposite change in interest rates will result in an opposite impact on earnings.

Fair Values of Financial Assets and Liabilities

The Trust's financial instruments include cash, accounts receivable, financial derivative instruments, current liabilities (excluding future income tax), provision for future performance based compensation and long term debt. At March 31, 2009, the carrying value of cash, accounts receivable, financial derivative instruments, current liabilities and provision for future performance based compensation approximate their fair value. The carrying value of the long term debt approximates its fair value due to the floating rate of interest charged under the credit facility.

Credit Risk

A substantial portion of the Trust's accounts receivable is with petroleum and natural gas marketing entities.

Industry standard dictates that commodity sales are settled on the 25th day of the month following the month of production. The Trust generally extends unsecured credit to these companies, and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and may accordingly impact the Trust's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which they extend credit. The Trust has not previously experienced any material credit losses on the collection of accounts receivable. Of the Trust's significant individual accounts receivable at March 31, 2009, approximately 33% was due from four companies (December 31, 2008 – 43%, three companies). Of the Trust's revenue for the period ended March 31, 2009, approximately 83% was received from four companies (December 31, 2008 – 90%, four companies). The maximum exposure to credit risk is represented by the carrying amount on the balance sheet. There are no material financial assets that the Trust considers past due and no accounts have been written off.

The Trust may be exposed to certain losses in the event of non-performance by counterparties to commodity price contracts. The Trust mitigates this risk by entering into transactions with counter-parties that have investment grade credit ratings, in accordance with policy as established by the Board of Directors. Counterparties for derivative instrument transactions are limited to financial institutions which are all members of our syndicated credit facility.

The Trust assesses quarterly if there should be any impairment of financial assets. At March 31, 2009, there was no impairment of any of the financial assets of the Trust.

Liquidity Risk
Liquidity risk includes the risk that, as a result of operational liquidity requirements:

- The Trust will not have sufficient funds to settle a transaction on the due date;
- The Trust will be forced to sell financial assets at a value which is less than what they are worth; or
- The Trust may be unable to settle or recover a financial asset at all.

The Trust's operating cash requirements, including amounts projected to complete our existing capital expenditure program, are continuously monitored and adjusted as input variables change. These variables include, but are not limited to, available bank lines, oil and natural gas production from existing wells, results from new wells drilled, commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Trust to conduct equity issues or obtain project debt financing.

The following are the contractual maturities of financial liabilities as at March 31, 2009:

($000s)	**<1 Year**	**1-2 Years**	**2-5 Years**	**Thereafter**
Accounts payable and accrued liabilities	26,992			
Provision for future performance based compensation	1,150			
Distributions payable	12,710			
Long-term debt[1]		510,000		

[1]Revolving credit facility renewed annually (see Note 5)

11. Capital Disclosures

The Trust's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence to sustain the future development of the business.

The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of our underlying assets. The Trust considers its capital structure to include unitholders' equity, debt and working capital. To maintain or adjust the capital structure, the Trust may from time to time, issue trust units, raise debt and/or adjust its capital spending to manage its current and projected debt levels. The Trust monitors capital based on the following non-GAAP measures: current and projected debt to earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA") ratios, payout ratios and net debt levels. To facilitate the management of these ratios, the Trust prepares annual budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. Currently, all ratios are within acceptable parameters. The annual budget is approved by the Board of Directors. The Trust's unitholders' capital is not subject to any external financial covenants.

There were no changes in the Trust's approach to capital management from the previous year.

($000s)	**March 31, 2009**	December 31, 2008
Unitholders' equity	**580,221**	550,717
Long-term debt	**510,000**	500,000
Working capital (surplus) deficit [1]	**(53,577)**	(32,075)
	1,036,644	1,018,642

[1]Current liabilities less current assets (includes unrealized hedging asset of $35.3 million)

12. Supplemental Cash Flow Information

Changes in non-cash working capital balances

	Three Months Ended March 31	
($000)	**2009**	2008
Cash interest paid during the year	**3,550**	5,882

13. Contingencies and Commitments

Following is a summary of the Trust's commitments related to operating leases as at March 31, 2009. The Trust has no other contractual obligations or commitments as at March 31, 2009.

($000)	**March 31, 2009**
2009	903
2010	1,203
2011	903
	3,009

Contingent Liability

From time to time, Peyto is the subject of litigation arising out of its day-to-day operations. Damages claimed pursuant to such litigation, may be material or may be indeterminate and the outcome of such litigation may materially impact Peyto's financial position or results of operations in the period of settlement. While Peyto assesses the merits of each lawsuit and defends itself accordingly, Peyto may be required to incur significant expenses or devote significant resources to defending itself against such litigation. These claims are not currently expected to have a material impact on Peyto's financial position or results of operations.

Peyto Exploration & Development Corp. Information

Officers

Darren Gee
President and Chief Executive Officer

Scott Robinson
Executive Vice-President and Chief Operating Officer

Kathy Turgeon
Vice-President, Finance and Chief Financial Officer

Glenn Booth
Vice-President, Land

Stephen Chetner
Corporate Secretary

Directors
Don Gray, Chairman
Michael MacBean, Lead Independent Director
Rick Braund
Brian Davis
Darren Gee
Gregory Fletcher
Stephen Chetner

Auditors
Deloitte & Touche LLP

Solicitors
Burnet, Duckworth & Palmer LLP

Bankers
Bank of Montreal
Union Bank, Canada Branch
BNP Paribas (Canada)
Royal Bank of Canada
Alberta Treasury Branches
Société Générale (Canada Branch)
HSBC Bank Canada
Canadian Western Bank

Transfer Agent
Valiant Trust Company

Head Office
2900, 450 – 1st Street SW
Calgary, AB
T2P 5H1

Phone: 403.261.6081
Fax: 403.451.4100
Web: www.peyto.com

Stock Listing Symbol: PEY.un
Toronto Stock Exchange