



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Trilogy Energy Trust ("Trilogy" or the "Trust") as at and for the year ended December 31, 2007, and should be read in conjunction with the Trust's consolidated financial statements and related notes for the years ended December 31, 2007 and 2006 and MD&A for the year ended December 31, 2006. The consolidated financial statements have been prepared in Canadian Dollars in accordance with Canadian generally accepted accounting principles ("GAAP").

Readers are cautioned of the advisories on forward-looking statements, estimates, non-GAAP measures and numerical references which can be found at the end of this MD&A. This MD&A is dated and was prepared using currently available information as of February 29, 2008.

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BUSINESS OVERVIEW, STRATEGY AND KEY PERFORMANCE DRIVERS

Trilogy's oil and gas assets are primarily high working interest properties that are geographically concentrated in areas that have multizone development potential. Trilogy's abundant land position provides for numerous low-risk drilling opportunities with good access to infrastructure and processing facilities. The majority of the wells and producing infrastructure are operated by Trilogy's operating entities.

The significant changes in the Trust's business environment that have occurred within the last 18 months (see Business Environment section) have negatively impacted the Trust's operating results during 2007 and resulted in a decline in Trilogy Energy Trust Unit's market price. As a result of these recent adverse changes in Trilogy's business environment, the Trust has developed strategies to be profitable in a low gas price environment while it continues to distribute cash to its Unitholders. Trilogy will continue to focus on maximization of long-term value to Trilogy Unitholders by developing its extensive inventory of assets at a pace that provides sustainability through the replacement of produced reserves without adversely impacting its financial strength.

Trilogy's successful operations are dependent upon several factors, including but not limited to, the price of energy commodity products, the effectiveness of the Trust's approach to managing price volatility, its capability to sustain desired levels of production, its efficiency in developing and operating properties and its ability to control costs. The Trust's key measures of performance with respect to these drivers include, but are not limited to, average production per day, average realized prices, average operating costs per unit of production and average finding and development cost per unit of reserve additions. Trilogy's performance during the last three years with respect to these measures is set out below.

(In thousand dollars except as otherwise indicated)	2007	2006	2005
Average production (Boe/d)	22,315	24,691	24,495
Natural gas production	80%	80%	80%
Average realized prices (before financial instruments):			
Natural gas (\$/Mcf)	7.16	7.52	9.23
Oil and natural gas liquids (\$/Boe)	70.60	65.93	63.03
Average realized prices (after financial instruments):			
Natural gas (\$/Mcf)	7.55	8.67	8.86
Oil and natural gas liquids (\$/Boe)	68.75	65.91	61.57
Average operating cost (\$/Boe)	11.61	9.97	7.62
Earnings before income tax	19,305	140,863	78,798
Per diluted Trust Unit (\$/Trust Unit)	0.21	1.56	1.00
Cash flow from operations	196,353	259,858	192,501
Per diluted Trust Unit (\$/Trust Unit)	2.11	2.88	2.43
Distributions declared	105,841	224,678	190,763
Per Trust Unit (\$/Trust Unit)	1.14	2.48	2.35
Exploration and development expenditures	95,739	170,151	140,218
Finding and development cost:			
Proved (\$/Boe)	10.47	17.63	14.83
Proved plus probable (\$/Boe)	8.31	16.93	11.78

BUSINESS ENVIRONMENT

The oil and gas income trust sector faced significant challenges in 2007 including reduced access to capital markets, low natural gas prices and a high cost environment. While the sector was attempting to minimize and recover from the impact of the federal government's decision to impose trust-level tax on distributions from income trusts (see discussions under *Income Taxes*), the Canadian oil and gas industry was negatively impacted by the Alberta government's announcement of changes to the royalty regime which will result overall in higher Crown royalty liabilities for the industry effective January 1, 2009.

The past year also marked a rare inverse correlation of the market prices of crude oil and natural gas futures. While crude oil prices headed to record high levels, natural gas prices have declined throughout 2007 because of increased natural gas availability in North America. The importation of liquefied natural gas into North America has contributed to high natural gas storage levels. Adding to the challenges of gas weighted Canadian producers was the steep appreciation of the Canadian dollar against the United States (U.S.) dollar in the second half of 2007, which has caused lower realized natural gas prices in Canada.

The effects of declining natural gas prices in Canada combined with Alberta's high cost economy and the other changes described above resulted in several income trusts entering into merger and consolidation arrangements in 2007. In addition, a significant number of major oil and gas players reduced capital spending in 2007 and have planned to lower capital spending in

Canada in 2008. The inevitable decline in drilling activity as a result of reduced capital spending, which has been felt in 2007 and is also being anticipated for 2008, is expected to ultimately drive the natural gas prices higher.

The following table summarizes the key commodity price benchmarks during the last three years:

	2007	2006	2005
Crude Oil			
West Texas Intermediate monthly average (US\$/Bbl)	72.34	66.22	56.29
Natural gas			
NYMEX (Henry Hub Close) monthly average (US\$/MMBtu)	6.86	7.23	8.62
AECO monthly average (Cdn\$/GJ)	6.26	6.62	8.04
Canadian – U.S. Dollar Yearend Closing Exchange Rate (Cdn\$/US\$)	0.99	1.17	1.16

FINANCIAL HIGHLIGHTS

- Capital expenditures totaled \$17.7 million for the fourth quarter of 2007 bringing the year-to-date capital spending to \$102.0 million for 2007, as compared to \$171.2 million for 2006. Finding and development costs of proved and probable reserves (including technical revisions) for 2007 were lower at \$8.31/Boe as compared to \$16.93/Boe in 2006.
- Reported sales volumes for the fourth quarter of 2007 averaged 21,044 Boe/d as compared to 19,775 Boe/d for the previous quarter. Third quarter sales volumes were impacted by a plant turnaround and a line break in Kaybob. On a full year basis, average sales volumes were lower at 22,315 Boe/d in 2007 as compared to 24,691 Boe/d in 2006 as a result mainly of property dispositions.
- Funds flow from operations increased to \$38.7 million during the fourth quarter of 2007 as compared to \$28.5 million for the previous quarter, due to higher average realized natural gas prices and sales volumes, offset by higher royalties, operating costs and realized loss on financial instruments. The year-to-date funds flow from operations totaled \$182.8 million in 2007, a 30 percent decrease from the previous year as a result primarily of lower average natural gas prices and sales volumes, higher operating costs, interest, financing charges and general and administrative expenses and lower realized gain on financial instruments, offset by lower royalties.
- In 2007, Trilogy disposed of its Marten Creek property and other properties in southern Alberta for total proceeds of \$100.7 million, including other minor dispositions, reducing Trilogy's net debt balance from \$417.5 million at the end of 2006 to \$350.4 million at the end of 2007.
- Distributions declared to Unitholders for the fourth quarter of 2007 were \$22.5 million or 68 percent of cash flow from operations (\$105.8 million for year-to-date 2007 or 54 percent of cash flow from operations).
- The fourth quarter loss before tax of \$1.0 million was down from the \$7.8 million loss before tax posted in the third quarter due primarily to the abovementioned favorable changes in funds flow from operations, offset by higher depletion and depreciation expense. Earnings before income tax for the year 2007 declined to \$19.3 million from \$140.9 million in 2006.
- In 2007, the government of Canada enacted legislation imposing income taxes upon publicly traded income trusts for taxation years beginning after 2010. As a result of this new legislation, a non-

cash future income tax charge of \$69.1 million was recognized in earnings resulting in a loss after tax of \$49.8 for the year ended December 31, 2007.

- On October 25, 2007, the government of Alberta announced a New Royalty Framework expected to bring significant

changes to the existing royalty structure effective January 1, 2009. Trilogy anticipates paying higher royalties upon the implementation of the New Royalty Framework. The impact of this proposed royalty changes to Trilogy will be quantified once the legislation is finalized.

SUBSEQUENT EVENTS

Trilogy entered into financial forward contracts to sell 50,000 MMBtu/d of natural gas from April to October 2008 at a fixed NYMEX price of U.S.\$8.99/MMBtu, and 20,000 MMBtu of natural gas from November 2008 to March 2009 at a fixed NYMEX price of U.S.\$10.02/MMBtu.

On February 29, 2008, Trilogy's Board of Directors approved a normal course issuer bid through the facilities of the Toronto Stock Exchange (TSX). If such normal course issuer bid is approved by the TSX, Trilogy expects to be entitled to purchase up to 4,771,579 Trust Units during the one year period commencing on the date of approval of the normal course issuer bid by the TSX.

RESULTS OF OPERATIONS

Operating Results Summary (In thousand dollars)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Operating income⁽¹⁾	50,120	36,515	207,193	234,833
Other income (expenses)	675	387	195	2,009
Realized financial instruments ⁽²⁾	(4,125)	(1,451)	12,179	49,735
General and administrative expenses (cash portion)	(2,251)	(1,777)	(12,311)	(8,381)
Interest and financing charges	(4,977)	(4,944)	(22,219)	(13,272)
Exploration expenditures ⁽³⁾	(768)	(253)	(2,281)	(2,414)
Funds flow from operations⁽¹⁾	38,674	28,477	182,756	262,510
<i>Non-cash operating items:</i>				
Depletion and depreciation	(34,450)	(26,647)	(123,705)	(129,686)
Unrealized financial instruments ⁽²⁾	(3,646)	(1,945)	(25,387)	21,814
General and administrative recovery	405	421	92	412
Exploration expenditures ⁽⁴⁾	(1,495)	(4,055)	(8,637)	(22,728)
Gain (loss) on disposition of property, plant and equipment	670	(2,939)	(1,223)	12,277
Accretion on asset retirement obligations	(1,127)	(1,123)	(4,591)	(3,736)
Future income tax (expense) recovery ⁽⁵⁾	7,478	4,328	(69,055)	—
Net earnings (loss)	6,509	(3,483)	(49,750)	140,863

⁽¹⁾ Operating income and funds flow from operations are non-GAAP terms. Operating income is equal to petroleum and natural gas sales minus royalties, operating costs and transportation costs, while funds flow from operations represents cash flow from operating activities before net changes in working capital accounts. Refer to the advisory on Non-GAAP measures at the end of this MD&A.

⁽²⁾ See Risk Management section below.

⁽³⁾ Excluding the non-cash portion of the expenditures and including asset retirement obligations paid.

⁽⁴⁾ Net of asset retirement obligations paid.

⁽⁵⁾ See Income Taxes section below.

Cash Flow From Operations Per Unit of Sales Volume (Dollar per Boe)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Gross revenue before financial instruments ⁽¹⁾	47.84	40.76	46.65	47.42
Royalties	(8.62)	(7.69)	(9.59)	(11.17)
Operating costs	(12.98)	(12.79)	(11.61)	(9.97)
Asset retirement obligation expenditures	(0.29)	(0.03)	(0.16)	(0.18)
General and administrative expenses ⁽²⁾	(1.16)	(0.98)	(1.51)	(0.93)
Interest and financing charges	(2.57)	(2.72)	(2.73)	(1.47)
Exploration expenditures	(0.11)	(0.11)	(0.11)	(0.08)
Realized gain (loss) on financial instruments	(2.13)	(0.80)	1.50	5.52
Funds flow from operations⁽³⁾	19.98	15.64	22.44	29.14
Net change in operating working capital	(2.79)	9.48	1.67	(0.29)
Cash flow from operating activities	17.19	25.12	24.11	28.85

(1) Net of transportation costs and including other income.

(2) Excluding non-cash unit and stock-based compensation expense.

(3) Refer to the advisories on non-GAAP measures and numerical references at the end of this MD&A.

Operating Income Items

<i>Fourth Quarter 2007 vs. Third Quarter 2007</i> (In thousand dollars except as otherwise indicated)	Q4 2007	Q3 2007	Increase (Decrease)	
			Value	%
Average sales volumes:				
Natural gas (Mcf/d)	97,858	96,293	1,565	2
Oil and natural gas liquids (Bbl/d)	4,734	3,726	1,008	27
Total (Boe/d)	21,044	19,775	1,269	6
Average realized prices before financial instruments and transportation:				
Natural gas (\$/Mcf)	6.68	5.83	0.85	15
Oil and natural gas liquids (\$/Bbl)	80.77	75.54	5.23	7
Average realized prices after financial instruments but before transportation:				
Natural gas (\$/Mcf)	6.68	5.83	0.85	15
Oil and natural gas liquids (\$/Bbl)	71.30	71.31	(0.01)	—
Petroleum and natural gas sales before financial instruments:				
Natural gas	60,129	51,624	8,505	16
Oil and natural gas liquids	35,181	25,896	9,285	36
Total petroleum and natural gas sales before financial instruments	95,310	77,520	17,790	23
Royalties	(16,687)	(13,990)	2,697	19
Operating costs	(25,135)	(23,265)	1,870	8
Transportation costs	(3,368)	(3,750)	(382)	(10)
Operating income ⁽¹⁾	50,120	36,515	13,605	37

(1) Refer to the advisories on non-GAAP measures at the end of this MD&A.

Petroleum and Natural Gas Sales – Natural gas sales, before financial instruments, increased by \$7.5 million due to higher average natural gas prices and \$1.0 million due to higher sales volumes. Oil and natural gas liquid sales, before financial instruments, also increased by \$7.5 million as a result of higher sales volumes and \$1.8 million due to higher average oil and natural gas liquid prices. Sales volumes in the fourth quarter were up subsequent to a plant turnaround and the repair of a line break in Kaybob which decreased sales volumes in the previous quarter. Fourth

quarter sales volumes were 456 Boe/d below target (as presented in Trilogy's third quarter 2007 MD&A) as a result of unanticipated operational issues and freezing problems in late November and early December.

Royalties – Royalties increased in conjunction with the increase in petroleum and natural gas sales during the fourth quarter. As a percentage of petroleum and natural gas sales, royalties averaged 18 percent for the fourth and third quarters of 2007.

Operating Costs – The increase in operating costs is attributable partly to the increases in sales volumes and adjustments to processing fees paid to third parties. On a per unit basis, operating costs increased to \$12.98/Boe in the fourth quarter from \$12.79/Boe in the previous quarter. The fourth quarter average operating cost per unit of sales volume is \$2.48/Boe higher than target as a result of costs associated with maintenance work carried during the fourth quarter in Kaybob, and third party processing and gathering fee adjustments.

Annual 2007 vs. Annual 2006 (In thousand dollars except as otherwise indicated)	2007	2006	Increase (Decrease)	
			Value	%
Average sales volumes:				
Natural gas (Mcf/d)	106,733	118,322	(11,589)	(10)
Oil and natural gas liquids (Bbl/d)	4,526	4,970	(444)	(9)
Total (Boe/d)	22,315	24,691	(2,376)	(10)
Average realized prices before financial instruments and transportation:				
Natural gas (\$/Mcf)	7.16	7.52	(0.36)	(5)
Oil and natural gas liquids (\$/Bbl)	70.60	65.93	4.67	7
Average realized prices after financial instruments but before transportation:				
Natural gas (\$/Mcf)	7.55	8.67	(1.12)	(13)
Oil and natural gas liquids (\$/Bbl)	68.75	65.91	2.84	4
Petroleum and natural gas sales before financial instruments:				
Natural gas	278,755	324,603	(45,848)	(14)
Oil and natural gas liquids	116,632	119,605	(2,973)	(2)
Total petroleum and natural gas sales before financial instruments	395,387	444,208	(48,821)	(11)
Royalties	(78,080)	(100,637)	(22,557)	(22)
Operating costs	(94,560)	(89,874)	4,686	5
Transportation costs	(15,554)	(18,864)	(3,310)	(18)
Operating income ⁽¹⁾	207,193	234,833	(27,640)	(12)

(1) Refer to the advisories on non-GAAP measures at the end of this MD&A.

Petroleum and natural gas sales – Natural gas sales, before financial instruments, decreased by \$30.3 million due to lower sales volumes and \$15.5 million due to lower average natural gas prices. Oil and natural gas liquid sales, before financial instruments, decreased by \$11.5 million due to lower sales volumes, offset by an \$8.5 million increase as a result of higher average oil and natural gas liquid sales prices. Product sales volumes decreased in 2007 as a result mainly of the dispositions of the Marten Creek property during the second quarter and certain non-core assets in southern Alberta during the third quarter. In addition, natural declines and various operational issues including plant turnarounds in the South Kaybob and Grande Prairie areas contributed to the decline in production. The average annual sales volumes for 2007 were slightly below the target of 22,500 Boe/d as a result of decreased production in the fourth quarter.

Royalties – As a percentage of petroleum and natural gas sales, royalties averaged 20 percent in 2007 as compared to 23 percent in 2006. The decrease is attributable partly to the decline in natural gas prices, an increase in gas cost allowance credits applied against crown royalties in 2007 and the disposition of properties which were subject to higher crown royalty rates. Crown royalties on Alberta gas are calculated based on the Alberta Reference Price, which varies from Trilogy’s realized corporate price, and this variation impacts the average royalty rate. In addition, various items, including gas cost allowance credits, impact the overall rate.

Operating Costs – The increase in operating costs in 2007 is attributable mainly to higher workover and maintenance costs and an increased cost of goods and services in the energy sector, which also resulted in a per unit increase to \$11.61/Boe in 2007 from \$9.97/Boe in 2006. The average operating cost per unit of sales volume is \$0.61/Boe higher than target mainly as a result of increased costs in the fourth quarter 2007 as discussed above.

OTHER INCOME STATEMENT ITEMS

Depletion and Depreciation Expense

	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Reported amount (thousand dollars)	34,450	26,647	123,705	129,686
Expense per sales volume (\$/Boe)	17.79	14.65	15.19	14.39

Depletion and depreciation expense increased in the fourth quarter as compared to the previous quarter due mainly to an \$8.1 million property impairment loss recorded during the quarter. The reduction in the expected recoverable reserves attributable to certain petroleum and natural gas wells resulted in the impairment.

Depletion and depreciation expense decreased in 2007 on a full year basis as a result primarily of the sale of Marten Creek assets in May 2007 and certain non-core assets in southern Alberta in August 2007, which had higher depletion and depreciation rates, partially offset by a higher impairment loss. Depletion and depreciation expense on a per unit basis increased to \$15.19/Boe in 2007 from \$14.39/Boe in the previous year due mainly to decreased sales volumes impacting depreciation expense and impairment loss on a per unit basis.

General and Administrative Expenses

General and administrative expenses include recoveries and unit-based compensation.

(In thousand dollars except as otherwise indicated)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Expenses before unit-based compensation and recoveries	6,167	5,699	25,833	24,276
Overhead recoveries	(4,012)	(3,922)	(13,637)	(16,194)
Expenses after recoveries and before unit-based compensation	2,155	1,777	12,196	8,082
Unit-based compensation	(309)	(421)	23	(113)
Reported amount	1,846	1,356	12,219	7,969
Expenses after recoveries and before unit-based compensation per sales volume (\$/Boe)	1.11	0.98	1.50	0.90

General and administrative expenses (after recoveries and before unit-based compensation) were slightly higher during the fourth quarter of 2007 compared to the previous quarter due primarily to an increase in rent expense relative to Trilogy's new office space.

On a year-to-date basis, general and administrative expenses (after recoveries and before unit-based compensation), both on a total and per unit of sales volume, were higher in 2007 compared to 2006 due primarily to the increase in personnel costs, lower recoveries resulting from decreased capital activity and higher office rent expense. These were partially offset by the decreases in fees paid to a related party for administrative and operating services, administration and corporate expenses and professional fees as a result of fewer special corporate projects carried out during the year.

The fluctuations in unit-based compensation expense are attributable primarily to the changes in the periodic revaluation of Trilogy's unit appreciation rights liability in reference to the market price of Trust Units. Unit-based compensation expense also includes the cash paid on exercised unit appreciation rights, and the amortization of the grant date fair market value of options issued under Trilogy's unit option plan and a related party's option plan issued to Trilogy employees as described in the notes to Trilogy's consolidated financial statements.

Interest and Financing Charges

	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Reported amount (thousand dollars)	4,977	4,944	22,219	13,272
Expense per sales volume (\$/Boe)	2.57	2.72	2.73	1.47

Interest and financing charges were relatively consistent during the fourth and third quarters of 2007. The increase in interest and financing charges from year to year is attributable primarily to higher average debt levels in 2007 compared to the previous year as additional debt was incurred in conjunction with the Blue Mountain acquisition at the end of 2006.

Exploration Expenditures and Other

(In thousand dollars)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Exploration expenditures	2,263	4,308	10,918	25,142
Loss (gain) on disposition of property, plant and equipment	(670)	2,939	1,223	(12,277)
Accretion on asset retirement obligations	1,127	1,123	4,591	3,736

Exploration expenditures consist of dry hole costs, lease rentals and geological and geophysical costs. The change in exploration expenditures is due mainly to the fluctuation in dry hole costs from period to period and to the decline in capital spending. In addition, a significant portion of prior year's expenditures related to properties disposed of during 2007.

The loss on disposition of property, plant and equipment in 2007 relates mainly to a \$4.2 million loss from Trilogy's southern Alberta property disposition, net of a \$2.3 million gain on the sale of Marten Creek. The gain in 2006 pertains principally to the sale of Trilogy's 9.77 percent working interest in the Kaybob South Beaver Hill Lake Unit No. 1. The gain on disposition of property, plant and

equipment in the fourth quarter pertains to the disposition of smaller assets and final adjustments on previously disposed properties.

The changes in accretion on asset retirement obligation are caused primarily by the changes in asset retirement obligation as a result of asset additions, dispositions and revisions in estimates.

RISK MANAGEMENT

Financial Risks

To protect cash flow against commodity price volatility, the Trust may use forward commodity price contracts that require financial settlement between counterparties. The financial instruments program is generally for periods of up to one year and would not exceed 50 percent of Trilogy's annual production volumes.

The Trust had financial commodity forward contracts outstanding as at December 31, 2007 pertaining to the sale of 1,000 Bbl/d of oil at a WTI Fixed Price of U.S.\$73.48/Bbl from January to December 2008 (also see *Subsequent Events* section above).

The Trust adopted new accounting standards on financial instruments as discussed under the New Accounting Pronouncements section below. The adoption of these new accounting standards did not result in a change in Trilogy's accounting for financial instruments using the fair value method.

The change in the fair value of outstanding financial instruments, which were classified as held-for-trading, is presented as 'unrealized gain (loss) on financial instruments' in the consolidated statements of earnings (loss) and other comprehensive income. Gains or losses arising from monthly settlement with counterparties are presented as a 'realized gain (loss) on financial instruments'. The amounts of unrealized and realized gain (loss) on financial instruments during the periods are as follows:

(In thousand dollars except as indicated)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Realized gain (loss) on financial instruments	(4,125)	(1,451)	12,179	49,735
Unrealized gain (loss) on financial instruments	(3,646)	(1,945)	(25,387)	21,814
Total gain (loss) on financial instruments	(7,771)	(3,396)	(13,208)	71,549
Realized gain (loss) on financial instruments per Boe (\$/Boe)	(2.13)	(0.80)	1.50	5.52

The mark-to-market accounting of financial instruments causes significant fluctuations in the gain (loss) on financial instruments due to the volatility of energy commodity prices. After all financial instrument gas contracts matured as at March 31, 2007, no further gas contracts were entered into by Trilogy during 2007. The remaining financial instrument crude oil contracts resulted in significantly lower realized and unrealized gains (losses) on financial instruments for the last three quarters of 2007.

Pursuant to the Services Agreement described under the *Related Party Transactions* section, a subsidiary of Paramount Resources Ltd. ("Paramount") performs marketing functions on behalf of the Trust. The Trust is exposed to credit risk from financial instruments to the extent of non-performance by third parties. Credit risks associated with possible non-performance by financial

instrument counterparties are minimized by entering into contracts with only highly rated counterparties and third party credit risk is controlled with credit approvals, limits on exposures to any one counterparty, and monitoring procedures.

Production is sold to a variety of purchasers under normal industry sale and payment terms. The Trust's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal credit risk.

The Trust is also exposed to fluctuations in interest rates relative to its bank credit facilities as discussed below. In addition, foreign currency rate fluctuations may impact the Trust mainly due to its U.S. Dollar denominated financial instrument contracts with counterparties in addition to the normal conversions of U.S. Dollar denominated revenues into Canadian Dollar.

Operational and Other Risks

Trilogy is subject to various risks and uncertainties including those relating to its operations, environment, and other risks as discussed in the Advisories and other sections of this MD&A. Trilogy mitigates these risks through the development of plans, processes and policies, and executing such plans, processes and policies as necessary.

LIQUIDITY AND CAPITAL RESOURCES

(In thousand dollars)	Dec. 31, 2007	Dec. 31, 2006
Working capital deficit (including financial instruments and current portion of unit-based compensation)	23,919	61,210
Long-term debt	326,496	355,136
Unit-based compensation liability – long-term portion	—	1,171
Net debt ⁽¹⁾	350,415	417,517
Unitholders' equity	382,005	520,854
Total	732,420	938,371
Estimated appraised value of petroleum and natural gas assets ⁽²⁾	1,256,400	1,411,800

⁽¹⁾ Refer to the advisories on non-GAAP measures at the end of this MD&A.

⁽²⁾ Based principally on the net present value of net future cash flow (pre-tax) from Trilogy's petroleum and natural gas assets using a discount rate of 10 percent.

Working Capital

The decrease in the working capital deficiency from \$61.2 million as at December 31, 2006 to \$23.9 million as at December 31, 2007 is due primarily to the repayment of the acquisition facility loan reducing the current portion of long-term debt to zero, and the decline of \$8.2 million in distributions payable. Also contributing to the decrease in working capital deficiency was the decline in accounts payable and accrued liabilities from \$72.9 million at December 31, 2006 to \$59.5 million at December 31, 2007 as a result of lower capital spending during the last quarter of 2007 as compared to the same quarter of 2006. These decreases in working capital deficiency were partially offset by the change in the value of outstanding financial instruments from an asset of \$18.4 million at December 31, 2006 to a liability of \$7.0 million at December 31, 2007, and a decrease in accounts receivable due mainly to lower accrued revenue.

The Trust's working capital deficiency is funded by cash flow from operations and draw-downs from the Trust's credit facilities.

Long-term Debt and Credit Facilities

Long-term debt represents the outstanding draws from Trilogy's revolving credit and working capital facility described in the notes to Trilogy's consolidated financial statements.

Trilogy's bank debt outstanding from its \$370 million revolving credit and working capital facility was \$326.5 million (before unamortized discount) as at December 31, 2007. The size of this committed credit facility is based primarily on the value of Trilogy's petroleum and natural gas assets. The revolving feature of the Trust's credit facility expires on March 28, 2008, if not extended. Pursuant to the terms of the credit agreement, Trilogy has requested a 364 days extension of the revolving phase. The Trust anticipates the request will be approved and the revolving phase of the credit facility will be extended to March 27, 2009. Upon the expiry of the credit agreement's revolving phase, amounts outstanding will have a term maturity date of one additional year.

Unit-based Compensation Liability

Unit-based compensation liability represents the accrued compensation expense relating to the unit appreciation plan as discussed in the notes to Trilogy's consolidated financial statements. This liability is the estimated value of outstanding unit appreciation rights as at the balance sheet dates, which consists of the appreciation value of vested unit rights and the amortized appreciation value of unvested unit rights over their vesting period. This amount is periodically revalued with respect to outstanding unit rights in conjunction with fluctuations in the market price of Trust Units and the increase in the elapsed period of unvested unit rights. All outstanding unit appreciation rights granted under Trilogy's unit appreciation rights plan expire on December 15, 2008. There is no current intention to make further grants of unit appreciation rights.

Contractual Obligations

In addition to the financial contracts discussed in Risk Management section, the Trust has the following contractual financial obligations as at December 31, 2007:

(In thousand dollars)	Payable in				Total
	2008	2009 - 2010	2011 - 2012	After 2012	
On or partially on balance sheet:					
Long-term debt ⁽¹⁾	—	326,496	—	—	326,496
Unit-based compensation liability ⁽²⁾	3,389	—	—	—	3,389
Asset retirement obligations ⁽³⁾	1,300	2,920	3,407	148,786	156,413
Off balance sheet:					
Estimated interest on long-term debt ⁽¹⁾	19,590	24,487	—	—	44,077
Pipeline transportation commitments ⁽⁴⁾	8,820	15,404	14,675	21,820	60,719
Office premises operating leases ⁽⁵⁾	2,218	4,979	6,456	14,526	28,179
Vehicle and other operating leases	1,133	1,297	—	—	2,430
Capital expenditure commitment	444	—	—	—	444
Total	36,894	375,583	24,538	185,132	622,147

⁽¹⁾ Debt has been assumed to be payable within 2 years based on the existing terms of the underlying revolving credit facility solely for purposes of this contractual obligations table. Interest on long-term debt was calculated based on an approximate interest rate of 6 percent per annum applied to the outstanding balance of debt as at December 31, 2007.

⁽²⁾ The amount reflected for unit-based compensation liability represents the full intrinsic value of outstanding unit appreciation rights as at December 31, 2007. This is partially recorded on the consolidated balance sheet with respect to the amortized portion of the intrinsic value of unit rights based on the elapsed service period of the right holders.

⁽³⁾ The contractual obligation relating to asset retirement obligation is undiscounted. The present value of such obligation is recorded on the Trust's consolidated balance sheet.

⁽⁴⁾ Some of the pipeline transportation commitments are covered by letters of credit issued by the Trust totaling \$8.2 million as at December 31, 2007.

⁽⁵⁾ Net of committed rental reimbursements through sub-lease arrangements.

Trust Units, Options and Rights

In connection with Trilogy's distribution reinvestment plan ("DRIP"), 2,042,023 Trust Units were issued since the reinstatement of the DRIP for the monthly distributions for September 2007 through December 31, 2007.

Trilogy Trust had 94,608,704 Trust Units and 95,431,578 Trust Units outstanding as at December 31, 2007 and February 29, 2008, respectively. To the best of Trilogy's knowledge, the foreign ownership level is approximated to be 16 percent at December 31, 2007.

Outstanding unit options issued under Trilogy's unit option plan were 4,106,500 unit options as at December 31, 2007 and 4,156,500 unit options as at February 29, 2008, of which 176,500 unit options were exercisable as at those dates. Outstanding unit rights issued under Trilogy's unit appreciation plan were 1,232,250 unit rights as at December 31, 2007 and 1,219,250 unit rights as at February 29, 2008, of which 828,250 unit rights and 815,250 unit rights were exercisable as at those dates, respectively.

Distributions

(In thousand dollars except where stated otherwise)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Funds flow from operations ⁽¹⁾	38,674	28,477	182,756	262,510
Net changes in operating working capital	(5,400)	17,286	13,597	(2,652)
Cash flow from operations	33,274	45,763	196,353	259,858
Net earnings (loss)	6,509	(3,483)	(49,750)	140,863
Distributions declared ⁽²⁾	22,530	27,770	105,841	224,678
Distributions declared per Trust Unit (in full amount)	0.24	0.30	1.14	2.48
Excess of cash flow from operations over distributions declared	10,744	17,993	90,512	35,180
Excess of distributions declared over net earnings/loss	(16,021)	(31,253)	(155,591)	(83,815)

⁽¹⁾ Refer to the advisories on non-GAAP measures at the end of this MD&A.

⁽²⁾ Including amounts reinvested under the distribution reinvestment plan.

Trilogy's distributions to its Unitholders are funded by cash flow from operating activities with the remaining cash directed towards capital spending and debt repayments. To the extent that the excess of cash flow from operations over distributions is not sufficient to cover capital spending, the shortfall is funded by draw downs from Trilogy's credit facilities. Trilogy intends to provide distributions to Unitholders that are sustainable to the Trust considering its liquidity and long-term operational strategy. Since the level of distributions is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future distributions cannot be assured.

Distributions declared to Unitholders may exceed net earnings generated during the period. Net earnings may not be an accurate indicator of Trilogy's liquidity, as it may be comprised of significant charges not involving cash including future income tax and depletion and depreciation related expenses. The significant future income tax expense in 2007 is a one-time non-cash charge representing Trilogy's estimated future income tax liability after December 31, 2010. Any future income tax adjustment will result principally from changes in the tax pools versus accounting value of Trilogy's assets and liabilities in addition to changes in statutory tax rates. Trilogy will be subject to income tax in 2011 which may alter distribution levels at that time. Also, dry hole costs and depletion and depreciation expense is not an appropriate measure of cost of productive capacity maintenance (see next paragraph). In instances where distributions exceed net earnings, a portion of the cash distribution to Unitholders may represent an economic return of capital.

Trilogy's productive capacity represents its ability to exploit its petroleum and natural gas reserves, and it is measured in terms of the average barrels of oil equivalent it produces and sells in any given period (*refer to the discussions on actual sales volumes under the Results of Operations section above*). Maintenance of Trilogy's productive capacity involves the efficient operation and maintenance of its production and processing facilities to enable a steady flow of oil and natural gas, its ability to access third party processing and transportation, and the effective management of its petroleum and natural gas reserves base, including the replacement of produced reserves at low finding and development costs. Trilogy's productive capacity may be affected by external factors beyond its control including, but not limited to, weather conditions,

general economic conditions, government laws and regulations and access to non-operated facilities. See the Advisories section of this MD&A for other risks and uncertainties impacting Trilogy's operations.

Trilogy's disclosures on distributions comply, in all material respects, with applicable existing guidance on MD&A preparation and disclosure relating to distributions.

Wells Drilled

(Number of wells)	Three Months Ended				Years Ended			
	Dec. 31, 2007		Sept. 30, 2007		Dec. 31, 2007		Dec. 31, 2006	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Natural gas	8.0	3.7	14.0	9.7	52.0	34.6	67.0	53.3
Oil	3.0	3.0	2.0	0.5	7.0	3.5	—	—
Dry	—	—	2.0	—	4.0	1.0	18.0	15.0
Total	11.0	6.7	18.0	10.2	63.0	39.1	85.0	68.3

⁽¹⁾ "Gross" wells means the number of wells in which Trilogy has a working interest or a royalty interest.

⁽²⁾ "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Trilogy's percentage of working interest.

Capital Expenditures

(In thousand dollars)	Three Months Ended		Years Ended	
	Dec. 31, 2007	Sept. 30, 2007	Dec. 31, 2007	Dec. 31, 2006
Land	509	1,065	4,383	20,212
Geological and geophysical	841	128	2,136	2,132
Drilling	7,795	12,657	63,655	103,229
Production equipment and facilities	8,748	5,304	25,565	44,578
Exploration and development expenditures	17,893	19,154	95,739	170,151
Proceeds received from property dispositions	(2,200)	(24,530)	(100,702)	(12,489)
Property acquisitions ⁽¹⁾	—	—	—	401
Corporate assets	(177)	4,014	6,221	1,016
Net capital expenditures (surplus)	15,516	(1,362)	1,258	159,079

⁽¹⁾ Excluding corporate acquisitions.

Exploration and development expenditures decreased in both periods of 2007 as Trilogy reduced its capital expenditures program in light of the reduction in natural gas prices and continuing high costs. Also in 2006, Trilogy accelerated work on some projects to ensure access to equipment resulting in higher capital expenditures as compared to 2007. The proceeds received from property dispositions relate principally to the sale of the southern Alberta and Marten Creek assets for the year ended December 31, 2007, and the disposition of an interest in Kaybob South Beaver Hill Lake Unit No. 1 for the year ended December 31, 2006.

INCOME TAXES

In 2007, the Government of Canada enacted legislation imposing trust-level income taxes on publicly traded income trusts at a rate comparable to a combined federal and provincial corporate tax rate for the taxation years commencing January 1, 2011. Under this tax legislation, distributions from publicly traded income trusts would be treated effectively as dividends to the trust unitholders and the distribution tax would apply in respect of distributions of income as opposed to returns of capital. Trilogy's effective tax rate under the legislation is currently anticipated to be 29.5 percent in 2011 and 28 percent for 2012 onward.

Trilogy continues to evaluate any ongoing developments relating to the new legislation. Trilogy does not expect to make significant changes to its trust structure at this time given the efficiency and value to unitholders of Trilogy's existing structure.

Pursuant to the enactment of the new tax legislation, Trilogy recorded a future income tax liability of \$69.1 million as at December 31, 2007 with a corresponding non-cash future income tax expense recognized in earnings for the year then ended. This amount is lower than the future income tax provision calculated as at the end of the third quarter 2007 due primarily to a reduction in the future tax rate in the fourth quarter. Prior to this new legislation, Trilogy did not record any tax provision given its existing structure. Future income tax has no impact on Trilogy's cash flow from operations.

Trilogy has estimated its future income taxes based on future assumptions including: operational estimates, accounting and tax pool claims and cash distributions assuming no material change to its current organizational structure is to be made prior to January 1, 2011 (also see *Critical Accounting Estimates* and *Advisories* sections). As currently interpreted, Canadian GAAP does not permit the incorporation of any assumptions related to a change in organizational structure into Trilogy's estimate of future income taxes until such structures are given legal effect.

As at December 31, 2007, tax pools were estimated to be \$148 million for tangibles and \$183 million for intangibles.

RELATED PARTY TRANSACTIONS

As described in more detail in the notes to the Trust's consolidated financial statements for the year ended December 31, 2007, the following is a summary of the Trust's transactions with related parties:

- Paramount Resources, a wholly-owned subsidiary of Paramount (which owns 18.78 percent of the outstanding Trust Units at December 31, 2007), provides administrative and operating services to the Trust and its subsidiaries, pursuant to an agreement dated April 1, 2005, to assist Trilogy Energy Ltd. in carrying out its duties and obligations as general partner of Trilogy Energy LP and as the administrator of the Trust and Trilogy Holding Trust. The amount of expenses paid and accrued for such services was \$0.8 million for the year ended December 31, 2007.
- In addition, the Trust and Paramount also had transactions with each other arising from normal business activities.

QUARTERLY FINANCIAL INFORMATION

(In thousand dollars except per unit amounts)	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenue after financial instruments, royalties and other income	71,527	60,521	87,603	84,643
Earnings (loss) before tax	(969)	(7,811)	18,734	9,351
Net earnings (loss)	6,509	(3,483)	(62,127)	9,351
Earnings (loss) per Trust Unit (in full amounts):				
Basic	0.07	(0.04)	(0.67)	0.10
Diluted	0.07	(0.04)	(0.67)	0.10

(In thousand dollars except per unit amounts)	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenue after financial instruments, royalties and other income	92,306	111,540	89,450	123,833
Earnings before tax	24,582	38,338	19,819	58,124
Net earnings	24,582	38,338	19,819	58,124
Earnings per Trust Unit (in full amounts):				
Basic	0.27	0.42	0.22	0.68
Diluted	0.27	0.42	0.22	0.68

Please refer to the Results of Operations and other sections of this MD&A for the discussions on changes from the third quarter to the fourth quarter of 2007, and to Trilogy's previously issued interim and annual MD&A for changes in prior quarters.

OUTLOOK

Trilogy's guidance for the year ending December 31, 2008 based upon, but not limited, to current pricing assumptions and capital expenditure budget is as follows:

Average production	—	21,500 Boe/d
Capital expenditures	—	\$100 million
Operating costs	—	\$10.50/Boe

The Trust's earnings and cash flow from operations are highly sensitive to changes in commodity prices, interest and exchange rates, government laws and regulations, weather and other factors that are beyond the control of the Trust. The uncertainty on cash flow from operations ultimately impacts Trilogy's capital expenditure budget. Due to these and other risks and uncertainties described in the *Advisories* section of this MD&A, actual results could vary significantly from the above guidance. The Trust will assess its results throughout the year and revise estimates and/or strategy as necessary to reflect current information.

Trilogy provided 2007 outlook information in its 2006 annual MD&A and updated such information quarterly in each of the 2007 interim MD&A. This MD&A discusses the variances between actual results and the outlook included in the third quarter 2007 MD&A. The discussions relate to production volumes and operating costs and are presented in the quarterly and annual operating income comparisons above.

CRITICAL ACCOUNTING ESTIMATES

The historical information in this MD&A is based primarily on the Trust's consolidated financial statements, which have been prepared in Canadian Dollars in accordance with GAAP. The application of GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Trilogy bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions.

The following is a discussion of the critical accounting estimates that are inherent in the preparation of the Trust's December 31, 2007 consolidated financial statements and notes thereto.

Accounting for Petroleum and Natural Gas Properties

Under the successful efforts method of accounting, the Trust capitalizes acquisition costs of oil and gas properties and the costs of drilling and equipping development wells and successful exploratory wells. Exploration expenditures, including geological and geophysical costs, lease rentals on producing properties, and exploratory dry holes are charged to earnings in the period incurred. Certain costs of exploratory wells are capitalized pending determination that proved reserves have been found. Such determination is dependent upon, among other things, the results of planned drilling and completion of additional wells and the cost of required capital expenditures to produce the reserves found.

The application of the successful efforts method of accounting requires management's judgment to determine the proper designation of wells as either developmental or exploratory, which may ultimately determine the accounting treatment of the costs incurred. The results of a drilling operation can take considerable time to analyze, and the discovery of proved reserves requires both judgment and the application of industry experience. The evaluation of petroleum and natural gas leasehold acquisition costs also requires management's judgment to evaluate the fair value of exploratory costs related to drilling activity in a given area.

Estimates of Reserves

Estimates of the Trust's reserves are prepared in accordance with guidelines established by the Alberta Securities Commission. Reserve engineering is a subjective process of estimating underground accumulations of petroleum and natural gas that cannot be measured in an exact manner. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserve estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions and the judgment of the persons preparing the estimate.

Trilogy's reserve information is based on estimates prepared by its independent petroleum consultants. Estimates prepared by others may be different than these estimates. Because these estimates depend on many assumptions, all of which may differ from actual results, reserve estimates may be different from the quantities of petroleum and natural gas that are ultimately recovered. In addition, the results of drilling, testing and production after the date of an estimate may justify revisions to the original estimates. Trilogy intends that 100 percent of its annual reserves information is evaluated by independent petroleum consultants.

The present value of future net revenues should not be assumed to be the current market value of the Trust's estimated reserves. Actual future prices, costs and reserves may be materially higher or lower than the prices, costs and reserves used for the future net revenue calculations.

The estimates of reserves impact depletion, dry hole expenses, future income taxes and asset retirement obligations. If reserve estimates decline, the rate at which the Trust records depletion increases, reducing net earnings. In addition, changes in reserve estimates may impact the outcome of Trilogy's assessment of its petroleum and natural gas properties for impairment as discussed next.

Impairment of Petroleum and Natural Gas Properties

The Trust reviews its proved properties for impairment annually on a field basis. For each field, an impairment provision is recorded whenever events or circumstances indicate that the carrying value of those properties may not be recoverable. The impairment provision is based on the excess of carrying value over fair value. Fair value is determined as the present value of the estimated future net revenues from production of total proved and probable petroleum and natural gas reserves, as estimated by the Trust on the balance sheet date. Reserve estimates, as well as estimates for petroleum and natural gas prices and production costs may change, and there can be no assurance that impairment provisions will not be required in the future.

Unproved leasehold costs and exploratory drilling in progress are capitalized and reviewed periodically for impairment. Costs related to impaired prospects or unsuccessful exploratory drilling are charged to earnings. Acquisition costs for leases that are not individually significant are charged to earnings as the related leases expire. Further impairment expense could result if petroleum and natural gas prices decline in the future or if negative reserve revisions are recorded, as it may no longer be economic to develop certain unproved properties. Management's assessment of, among other things, the results of exploration activities, commodity price outlooks and planned future development and sales, impacts the amount and timing of impairment provisions.

Asset Retirement Obligations

The asset retirement obligations recorded in the consolidated financial statements are based on an estimate of the fair value of the total costs for future site restoration and abandonment of the Trust's petroleum and natural gas properties. This estimate is based on management's analysis of production structure, reservoir characteristics and depth, market demand for equipment, currently available procedures, the timing of asset retirement expenditures and discussions with construction and engineering consultants. Estimating these future costs requires management to make estimates and judgments that are subject to future revisions based on numerous factors, including changes in technology and political and regulatory environments.

Unit-Based Compensation

Trilogy accounts for its unit option plan using the fair value method. The determination of the fair value of unit options requires management to make assumptions about risk-free interest rates and expected volatility, and distribution level at the time of the granting of unit options. Such assumptions may change from time to time and the estimated fair value of unit options calculated at the grant date may differ on subsequent dates. The fair value of outstanding unit options being amortized to general and administrative expense is not revised for any changes subsequent to the grant date.

Future Income Tax

The recording of future income tax for Trilogy involves the use of various assumptions to estimate the amounts and timing of the reversals of temporary differences between assets and liabilities recognized for accounting and tax purposes before and after January 1, 2011. It also involves the estimation of the effective tax rates for future fiscal years. The assumptions used (which include, but are not limited to, estimated results of operations, tax pool claims, accounting deductions and cash distributions) are based on management's current estimates and will likely change in future periods. Accordingly, the estimate of future income tax will change in future periods and will differ from the current estimate.

NEW ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Policies

Effective January 1, 2007, the Trust has adopted the new accounting standards on financial instruments, other comprehensive income, equity and accounting changes as described in note 2 to the consolidated financial statements. These changes did not impact the reported amounts in Trilogy's financial statements.

Future Accounting Changes

The Canadian Institute of Chartered Accountants (the "CICA") issued Handbook Sections 3862 (*Financial Instruments – Disclosures*), 3863 (*Financial Instruments – Presentation*) and 1535 (*Capital Disclosures*), which will be effective January 1, 2008. These new accounting standards will require the Trust to provide additional disclosures relating to financial instruments, including hedging instruments, and the Trust's capital. Handbook Section 3863 does not change the presentation provided in Section 3861 (*Financial Instruments – Disclosure and Presentation*) which it replaces. It is anticipated that the adoption of these new accounting standards will not impact the amounts reported in the Trust's financial statements as these standards primarily relate to disclosures.

In conjunction with a decision to converge financial reporting for Canadian publicly accountable enterprises to International Financial Reporting Standards (IFRS), the Accounting Standards Board (Canada) issued in 2007 an implementation plan to incorporate IFRS into Canadian GAAP. The implementation plan sets a changeover date of January 1, 2011. Trilogy is monitoring and assessing the impact of the Canadian GAAP and IFRS convergence.

FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Management has assessed the effectiveness of Trilogy's disclosure controls and procedures as at December 31, 2007, and has concluded that such controls and procedures were effective as at that date. In addition, there were no material changes to Trilogy's internal controls over financial reporting since the most recent interim period.

ADVISORIES

Forward-looking Statements and Information

Certain statements included in this document constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to capital expenditures, business strategy and objectives, net revenue, future production levels, development plans and the timing thereof, operating and other costs, royalty rates etc.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this document, assumptions have been made regarding, among other things:

- the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the ability of Trilogy to market oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation;
- the timely receipt of required regulatory approvals;
- the ability of Trilogy to obtain financing on acceptable terms;
- the timing and estimate of reversals of temporary differences between assets and liabilities recorded for accounting and tax purposes;
- currency, exchange and interest rates; and
- future oil and gas prices.

Although Trilogy 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 Trilogy can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Trilogy and described in the forward-looking statements or information. These risks and uncertainties include but are not limited to:

- the ability of management to execute its business plan;
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- risks and uncertainties involving geology of oil and gas deposits;
- risks inherent in Trilogy's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to future production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- Trilogy's ability to secure adequate product processing, transmission and transportation;
- Trilogy's ability to enter into or renew leases;
- fluctuations in oil and gas prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;

- the ability of Trilogy to add production and reserves through development and exploration activities;
- weather conditions;
- general economic and business conditions;
- the possibility that government policies, regulations or laws may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments and change to royalty regimes;
- imprecision in estimates of product sales, tax pools, tax shelter, tax deductions available to Trilogy, changes to tax legislation and regulation applicable to Trilogy, and timing and amounts of reversals of temporary differences between assets and liabilities recognized for accounting and tax purposes.
- uncertainty regarding aboriginal land claims and co-existing with local populations;
- risks associated with existing and potential future law suits and regulatory actions against Trilogy;
- hiring/maintaining staff;
- the impact of market competition; and
- other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

The forward-looking statements or information contained in this document are made as of the date hereof and Trilogy undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

In this document, Trilogy uses the terms "funds flow from operations", "operating income" and "net debt", collectively the "Non-GAAP measures", as indicators of Trilogy's financial performance. The Non-GAAP measures do not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and, therefore are unlikely to be comparable to similar measures presented by other issuers.

"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital. The most directly comparable measure to "funds flow from operations" calculated in accordance with GAAP is the cash flow from operating activities. "Funds flow from operations" can be reconciled to cash flow from operating activities by adding (deducting) the net change in working capital as shown in the consolidated statements of cash flows.

"Operating income" is equal to petroleum and natural gas sales minus royalties, operating costs, and transportation costs. "Net debt" is calculated as current liabilities minus current assets plus long-term debt and unit-based compensation liability. The components described for "operating income" and "net debt" can be derived directly from Trilogy's consolidated financial statements. Management believes that the Non-GAAP measures provide useful information to investors as indicative measures of performance.

Investors are cautioned that the Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, as set forth above, or other measures of financial performance calculated in accordance with GAAP.

Numerical References

All references in this document are to Canadian Dollars unless otherwise indicated.

The columns on some tables in this document may not add due to rounding.

This document contains disclosure expressed as "Boe", "MBoe", "Boe/d", "Mcf", "Mcf/d", "MMcf", "MMcf/d", "Bcf", "Bbl", and "Bbl/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

ADDITIONAL INFORMATION

Trilogy is a petroleum and natural gas-focused Canadian energy trust. Trilogy's Trust Units are listed on the Toronto Stock Exchange under the symbol "TET.UN". Additional information about Trilogy, including Trilogy's Annual Information Form, is available at www.sedar.com or at Trilogy's website www.trilogyenergy.com.