



ANNUAL INFORMATION FORM
For the year ended December 31, 2008

March 3rd, 2009

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This annual information form contains forward-looking statements. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this annual information form include, but are not limited to, statements with respect to: capital expenditures, business strategy and objectives, reserve estimates, future net revenue, production levels, exploration plans, development plans, acquisition and disposition plans, operating costs and other costs, royalty rates, income taxation of Trilogy, impact of legislative changes, distributions on Trust Units by the Trust and cash flow to be retained by Trilogy for capital and future expenditures.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. 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 annual information form, assumptions have been made regarding, among other things:

- Trilogy's ability to obtain equipment, services, supplies and personnel in a timely manner to carry out its activities;
- Trilogy's ability to market and sell its oil and natural gas successfully to current and new customers;
- Trilogy's ability to secure adequate product storage, processing and transportation;
- the timely receipt of required regulatory approvals;
- Trilogy's ability to obtain equity and/or debt capital on acceptable terms;
- the ability of Trilogy and its industry partners to obtain drilling success consistent with expectations;
- currency, exchange and interest rates; and
- future oil and gas prices.

Although the Trust believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this annual information form include, but are not limited to:

- the supply of and demand for oil and natural gas and volatility of oil and natural gas prices;
- fluctuations in exchange and interest rates;
- competition for, among other things, capital, oil and natural gas properties and reserves;
- Trilogy's ability to hire and retain staff;
- risks associated with exploring for, developing, producing, processing, storing and transporting oil and natural gas;
- risks and uncertainties involving the geology of oil and gas deposits;
- risks inherent in Trilogy's marketing plan for its production, including credit risk;
- imprecision of reserves estimates, estimates of recoverable quantities of oil, natural gas and liquids and reserves life;
- Trilogy's ability to replace and expand its oil and natural gas reserves;
- Trilogy's ability to generate sufficient cash flow from operations to meet its current and future obligations;
- Trilogy's ability to obtain required debt and/or equity capital;
- weather conditions;
- Trilogy's ability to enter into or renew leases and potential reversion of mineral rights pursuant to Crown regulation or leasehold terms;
- restrictions on Trilogy's growth as a result of the SIFT Rules (as defined herein);
- imprecision in estimating capital expenditures and operating expenses;
- imprecision in estimating the timing, costs and levels of production and drilling;
- imprecision in estimates of future production capacity;
- the uncertainty of estimates and projections relating to future production and the results of exploration and development;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- Trilogy's ability to secure adequate product processing and transportation;
- uncertainty in the amounts and timing of royalty payments and changes to royalty regimes and government regulations regarding royalty payments;
- imprecision in estimates of oil, natural gas and other product sales and the revenue therefrom;

- tax pools, tax shelter and tax deductions available to Trilogy;
- changes to legislation and regulations applicable to Trilogy and the interpretation thereof, including tax and environmental legislation and regulations;
- risks associated with existing and potential future lawsuits and regulatory actions against Trilogy;
- obtaining necessary regulatory approvals;
- general economic and business conditions; and
- the other risk factors set forth under "RISK FACTORS" in this annual information form.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Readers are cautioned that the foregoing list of important factors is not exhaustive. The forward-looking statements contained in this annual information form are made as of the date hereof and the Trust undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

NON-GAAP MEASURES

In this annual information form the Trust uses the terms "Cash Flow of Trilogy Energy Trust" and "net debt" as indicators of financial performance. "Cash Flow of Trilogy Energy Trust" refers to the source of cash available for distribution to Unitholders. "Net debt" consists of the working capital deficiency (surplus) and the amount drawn down under credit facilities. These terms are not measures recognized by Canadian generally accepted accounting principles ("GAAP") and do not have a standardized meaning prescribed by GAAP. Therefore, these non-GAAP terms may not be comparable to similar measures presented by other issuers, and investors are cautioned that "Cash Flow of Trilogy Energy Trust" or "net debt" 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. The Trust uses such terms as indicators of financial performance because such terms are commonly utilized by investors to evaluate royalty trusts and income funds in the oil and gas sector. The Trust believes that such terms are useful supplemental measures that provide investors with information respecting cash available for distribution from the Trust to Unitholders and the Trust's financing capability.

OTHER INTRODUCTORY INFORMATION

This annual information form contains disclosure expressed as "Boe" (barrels of oil equivalent), "MBoe" (thousand of barrels of oil equivalent), "Boe/d" (barrels of oil equivalent per day), "Mcf" (thousand cubic feet), "Bcf" (billion cubic feet), "MMcf" (million cubic feet), "MMcf/d" (million cubic feet per day), "Bbl" (barrels), "Bbl/d" (barrels per day), "Mcf/d" (thousand cubic feet per day), "MMbtu" (million British thermal units), "stb" (stock tank barrels) and "Mstb" (thousand stock tank barrels). All oil and natural gas equivalency volumes have been derived using the ratio of six Mcf of natural gas to one bbl (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.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars and all references to "dollars" or "\$" are to Canadian dollars and all references to "US\$" are to United States dollars.

The disclosure in this annual information form is given as of the date of this annual information form except where otherwise indicated.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this annual information form.

"Administration Agreement" means the administration agreement dated February 25, 2005 among Trilogy Energy Ltd., the Trustee for and on behalf of the Trust and the trustee of Holding Trust as of that date for and on behalf of Holding Trust, as may be amended from time to time;

"Administrator" means Trilogy Energy Ltd. in its capacity as administrator pursuant to the Administration Agreement;

"Blue Mountain" means Blue Mountain Energy Ltd., a corporation formerly incorporated under the *Business Corporations Act* (Alberta);

"Cash Flow of Trilogy Energy Trust" means for, or in respect of, any Distribution Period: (i) all cash amounts which are received by Trilogy Energy Trust for, or in respect of, the Distribution Period, including, without limitation, interest, dividends, distributions, proceeds from the disposition of securities, returns of capital and repayments of indebtedness; plus (ii) the proceeds of any issuance of Trust Units or any other securities of Trilogy Energy Trust, net of the issuance costs, and, if applicable, the use of proceeds of any such issuance for the intended purpose; less the sum of (iii) all amounts which relate to the redemption or repurchase of Trust Units and which have become payable in cash by Trilogy Energy Trust in the Distribution Period and any expenses and liabilities of Trilogy Energy Trust in the Distribution Period; and (iv) any other amounts (including taxes) required by law or the Trust Indenture to be deducted, withheld or paid by or in respect of Trilogy Energy Trust in such Distribution Period;

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

"Distribution Payment Date" means on or about the day that is 15 days immediately following the end of the Distribution Period or such other date determined from time to time by the Administrator, on behalf of the Trustee;

"Distribution Period" means each calendar month, or such other periods as may be determined from time to time by the Administrator, on behalf of the Trustee;

"Distribution Record Date" means the last day of each Distribution Period or such other date as may be determined from time to time by the Administrator, on behalf of the Trustee, or if that day is not a business day, the next following business day except that December 31 shall in all cases be a Distribution Record Date;

"General Partners" means Trilogy Energy Ltd., Trilogy Redsky Ltd. and Trilogy Blue Mountain Ltd., corporations incorporated under the *Business Corporations Act* (Alberta) which are wholly-owned subsidiaries of the Trust and which are general partners of Trilogy Energy LP, Trilogy Redsky LP and Trilogy Blue Mountain LP (the Limited Partnerships), respectively;

"Holding Trust" means Trilogy Holding Trust, an investment trust established under the laws of Alberta, all of the units of which are owned by the Trust;

"Holding Trust Declaration of Trust" means the declaration of trust dated February 25, 2005 as amended and restated as of April 1, 2005 and May 15, 2008 originally between The Canada Trust Company, as trustee, and the Trust pursuant to which Holding Trust was established, as such indenture may be amended from time to time;

"Holding Trust Note Indenture" means the note indenture dated February 25, 2005, between Holding Trust and Computershare Trust Company of Canada, as trustee, relating to the issuance of the Holding Trust Notes, as may be amended from time to time;

"Holding Trust Notes" means the unsecured promissory notes issued by Holding Trust from time to time in accordance with the Holding Trust Note Indenture, as Series 1, Series 2 or Series 3;

"Holding Trust Trustee" means Computershare Trust Company of Canada, the trustee of Holding Trust;

"Holding Trust Units" means the units of Holding Trust, each of which represents an equal undivided beneficial interest therein;

"Internal Reorganization" means a reorganization of the direct or indirect assets, liabilities and/or securities of any of the Trust, Holding Trust, Trilogy Energy LP or any other direct or indirect Subsidiaries of the Trust that, following the completion of such reorganization, results in the Trust holding directly or indirectly the same interest in the assets and liabilities as existed prior to the reorganization;

"Limited Partnerships" means Trilogy Energy LP, Trilogy Redsky LP and Trilogy Blue Mountain LP, limited partnerships established under the laws of the Province of Alberta pursuant to their respective Limited Partnership Agreements, which are indirect wholly-owned subsidiaries of the Trust;

"Limited Partnership Agreements" means:

- the limited partnership agreement between Trilogy Energy Ltd. as general partner, and Holding Trust as limited partner forming Trilogy Energy LP;
- the limited partnership agreement between Trilogy Redsky Ltd. as general partner, and Holding Trust as limited partner forming Trilogy Redsky LP; and
- the limited partnership agreement between Trilogy Blue Mountain Ltd. as general partner, and Holding Trust as limited partner forming Trilogy Blue Mountain LP;

"LP Units" means limited partnership units of the Limited Partnerships;

"**NI 51-101**" means National Instrument 51-101 — Standards of Disclosure for Oil and Gas Activities;

"**Non-Canadian Partnership**" means a partnership other than a "Canadian partnership" within the meaning of the Tax Act;

"**Non-Resident**" means a person who is not resident in Canada within the meaning of the Tax Act;

"**Net Profits Interest Agreements**" means the net profits interest agreements between Holding Trust and each of the Limited Partnerships;

"**NPI**" means the net profits interest granted to Holding Trust by the Limited Partnerships pursuant to the Net Profits Interest Agreements;

"**Paddock Lindstrom**" means Paddock Lindstrom & Associates Ltd., independent petroleum consultants of Calgary, Alberta;

"**Paddock Lindstrom Report**" means the independent engineering evaluation prepared by Paddock Lindstrom dated January 30, 2009, evaluating the Trust's crude oil, natural gas liquids and natural gas reserves effective as of December 31, 2008;

"**Paramount**" means Paramount Resources Ltd. and, where the context requires, refers collectively to Paramount and its consolidated Subsidiaries and partnerships;

"**Paramount Resources**" means Paramount Resources, an Alberta general partnership of which the partners are Paramount Resources Ltd. and a wholly-owned Subsidiary of Paramount Resources Ltd.;

"**Properties**" means the Trust's working, royalty or other interests from time to time in any petroleum and natural gas rights, tangibles and miscellaneous interests;

"**Redsky**" means Redsky Energy Ltd., a corporation formerly incorporated under the *Business Corporations Act* (Alberta);

"**Resident**" means a person who is resident in Canada within the meaning of the Tax Act;

"**Series 1 Notes**" means the Series 1 unsecured subordinated demand notes of Holding Trust issued or issuable under the Holding Trust Note Indenture;

"**Series 2 Notes**" means the Series 2 notes of Holding Trust issuable under the Holding Trust Note Indenture ranking *pari passu* with the Series 1 Notes and Series 3 Notes;

"**Series 3 Notes**" means the Series 3 notes of Holding Trust issuable under the Holding Trust Note Indenture ranking *pari passu* with the Series 1 Notes and Series 2 Notes;

"**Special Resolution**" means a resolution passed by more than 66⅔% of the votes cast, either in person or by proxy, at a meeting of the applicable securityholders at which a quorum was present, called for the purpose of approving such resolution, or a resolution approved in writing by holders of more than 66⅔% of the votes represented by the applicable securities entitled to be voted on such resolution;

"**Special Voting Rights**" means special voting rights of the Trust, issued pursuant to the Trust Indenture and entitling the holders thereof to attend meetings of Unitholders and to such number of votes as prescribed by the directors at the time of issue;

"**Subsidiary**" means, in relation to any person, any body corporate, partnership, joint venture, association or other entity of which more than 50% of the total voting power of shares or units of ownership or beneficial interest entitled to vote in the election of directors (or members of a comparable governing body) is owned or controlled, directly or indirectly, by such person;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

"**Trilogy**" or the "**Trust**" means Trilogy Energy Trust, an unincorporated open-ended investment trust established under the laws of Alberta pursuant to the Trust Indenture, and, where the context requires, refers collectively to Trilogy Energy Trust, Holding Trust, the Limited Partnerships and the General Partners;

"**Trust Indenture**" means the trust indenture dated February 25, 2005 as may be amended from time to time, between Computershare Trust Company of Canada, the settlor of the Trust and Trilogy Energy Ltd., pursuant to which the Trust was established;

"Trust Units" means the units of the Trust, each of which represents an equal undivided beneficial interest in the distributions and, upon the termination or dissolution of the Trust, the net assets of the Trust;

"Trustee" means Computershare Trust Company of Canada, the trustee of the Trust; and

"Unitholder" means a holder of a Trust Unit from time to time.

GENERAL DEVELOPMENT OF THE TRUST

Trilogy is an open-ended unincorporated investment trust established under the laws of Alberta resulting from the spinout of certain assets from Paramount which was completed on April 1, 2005. Trilogy became a reporting issuer in certain provinces of Canada upon the completion of the spinout and its outstanding Trust Units were listed and posted for trading on the Toronto Stock Exchange on April 6, 2005.

2006

On March 31, 2006, Trilogy completed the acquisition of all of the shares of Redsky, a private oil and gas company, for consideration of 6,500,000 Trust Units pursuant to a plan of arrangement. The implicit value of the transaction was approximately \$124.4 million. The Redsky acquisition provided Trilogy with oil and gas assets in the Grande Prairie area of Alberta with production of approximately 2,000 Boe/d at the time of the acquisition.

On October 26, 2006, Trilogy completed the acquisition of all of the shares of Blue Mountain, a public oil and gas company, for consideration of approximately \$141.1 million, including the repayment of Blue Mountain's debt of approximately \$20.4 million. The Blue Mountain acquisition complemented the Redsky acquisition by expanding the Grande Prairie area with oil and gas assets producing approximately 1,600 Boe/d at the time of the acquisition and undeveloped land that significantly increased Trilogy's drilling opportunities in this area.

2007

Trilogy disposed of its Marten Creek core property, as of March 1, 2007, certain non-core properties in Southern Alberta, as of May 1, 2007, and other minor assets, for net proceeds of \$100.7 million. Such proceeds were used primarily to pay down Trilogy's outstanding debt under its credit facilities.

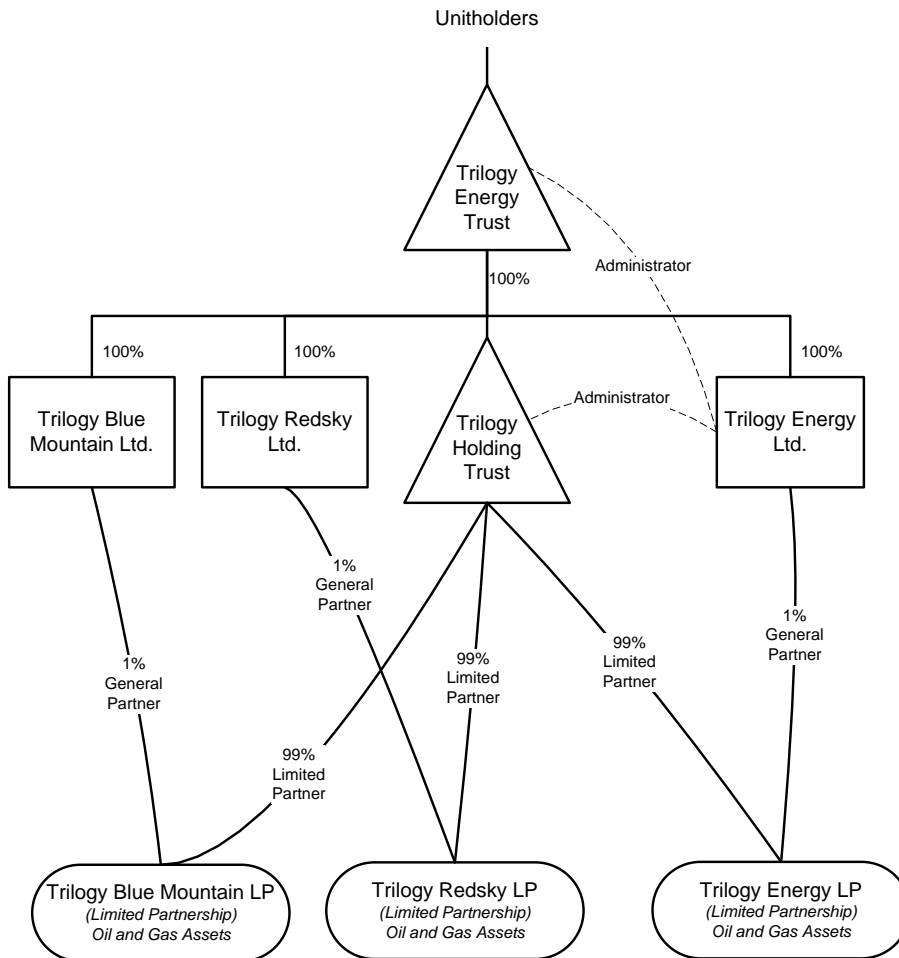
2008

The Trust received the necessary approvals for a normal course issuer bid through the facilities of the Toronto Stock Exchange on March 7, 2008. Between September, 2008 and December, 2008, Trilogy purchased and cancelled 4,771,579 Trust Units, the maximum number of Trust Units it was entitled to purchase and cancel under the normal course issuer bid, for a total cost of approximately \$35 million.

Trilogy acquired certain petroleum and natural gas assets in the Kaybob area on May 27, 2008 for approximately \$20.4 million, after adjustments.

STRUCTURE OF THE TRUST

The following diagram shows the interrelationship of the Trust, Holding Trust, the Limited Partnerships and the General Partners.



Notes:

- (1) The Trust also holds all of the Series 1 Notes issued by Holding Trust
- (2) Holding Trust holds the NPI

Trilogy Energy Trust

The Trust is an open-ended unincorporated investment trust established by the Trust Indenture under the laws of Alberta. The Trust indirectly holds its oil and natural gas properties and related assets mainly in the Kaybob and Grande Prairie areas of Alberta, through the Limited Partnerships. Computershare Trust Company of Canada is the trustee of the Trust pursuant to the Trust Indenture, and the Administrator is the administrator of the Trust pursuant to the Administration Agreement. The beneficiaries of the Trust are the Unitholders. The head office and principal business office of the Trust is located at 1400, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2.

Trilogy Holding Trust

Holding Trust is an investment trust established by the Holding Trust Declaration of Trust under the laws of Alberta. The Trust holds all of the issued Holding Trust Units and Series 1 Notes. Holding Trust holds the entire limited partnership interest in the Limited Partnerships. Computershare Trust Company of Canada is the trustee of Holding Trust pursuant to the Holding Trust Declaration of Trust, and the Administrator is the administrator of Holding Trust pursuant to the Administration Agreement.

Limited Partnerships and General Partners

The Limited Partnerships are limited partnerships established by the Limited Partnership Agreements under the laws of Alberta. The General Partners are the general partners of the Limited Partnerships. The only limited partner of the Limited Partnerships is Holding Trust, which holds a 99% limited partnership interest in each of the Limited Partnerships. Each of the General Partners hold a 1% general partnership interest in the limited partnership of which it is the general partner. The General Partners are corporations incorporated under the *Business Corporations Act* (Alberta) and are wholly-owned subsidiaries of the Trust.

In addition to holding the entire general partnership interest in Trilogy Energy LP, Trilogy Energy Ltd. is also the administrator of the Trust and Holding Trust, responsible for the administration of, and all significant decisions relating to, the Trust and Holding Trust pursuant to the Administration Agreement.

For more detailed information respecting the Trust, Holding Trust, the Limited Partnerships and the General Partners and the Administrator, see "INFORMATION CONCERNING TRILOGY ENERGY TRUST, TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND THE ADMINISTRATOR".

NARRATIVE DESCRIPTION OF THE BUSINESS

OVERVIEW

The Trust's oil and gas properties, which are mainly located in the Kaybob and Grande Prairie areas of Alberta, are primarily developed, high working interest properties that are geographically concentrated. These properties have numerous low-risk, down-spacing drilling opportunities and good access to operated infrastructure and processing facilities.

The Trust makes monthly cash distributions to Unitholders from the cash flow generated by the oil and gas assets held by the Limited Partnerships. Cash flow available for distribution to Unitholders flows from the Limited Partnerships to Holding Trust through the NPI granted to Holding Trust by the Limited Partnerships pursuant to the Net Profits Interest Agreements. Pursuant to the Net Profits Interest Agreements, the Limited Partnerships make payments to Holding Trust from time to time as agreed to by Holding Trust and the Limited Partnerships of 99% of all revenues from the Limited Partnerships' oil and gas properties and assets less permitted deductions (including production costs, debt service costs, taxes, general and administrative expenses and capital expenditures). Cash flow available for distribution may also be distributed to Holding Trust and the General Partners as distributions on units of the Limited Partnerships. Subject to limitations imposed by any agreements with lenders and unless the Holding Trust Trustee otherwise determines in its sole discretion, the payments to Holding Trust from the Limited Partnerships pursuant to the Net Profits Interest Agreements and as distributions on units of the Limited Partnerships flow from Holding Trust to the Trust primarily through cash distributions on the Holding Trust Units held by the Trust. Once the cash flow available for distribution is received by the Trust it is distributed to Unitholders by way of monthly cash distributions.

The strategy of the Trust is to maximize the value of its production and to maintain its reserve base by replacing produced reserves at competitive finding and development costs. The Trust's assets are suited to this strategy because its oil and gas properties are primarily high working interest and located in geographically concentrated areas having multizone geologic potential. These properties have numerous low-risk, down-spacing drilling opportunities with good access to infrastructure and processing facilities. The majority of the wells and producing infrastructure are operated by Trilogy.

Trilogy identifies and evaluates additional opportunities to increase cash flow from its assets by optimizing production, and implementing operational efficiencies to lower operating expenses. Trilogy capitalizes on opportunities to enhance the value of Trilogy's assets through lower risk development activities. Trilogy believes that these opportunities will mitigate declines in production, upgrade Trilogy's reserves and add to its production at costs that are typically lower than through acquisitions.

The Trust has a large undeveloped land base, comprised of approximately 517,254 gross (409,809 net) acres of undeveloped lands as of December 31, 2008 in proximity to the Trust's producing properties.

The Trust's objective is to provide Unitholders with monthly cash distributions at a level that supports the sustainability of the Trust. The Trust's drilling portfolio is funded primarily through retained cash flow. Acquisitions by the Trust may be financed through internal cash flows, bank financing, the issuance of additional Trust Units from treasury and/or the issuance of debt securities. Cash distributions to Unitholders are made by the Trust from cash flow available for distribution.

MAJOR PROPERTIES

The following is a summary of Trilogy's major producing properties, located in Kaybob and Grande Prairie in Alberta. The Trust disposed of all of its Marten Creek, Alberta properties on May 15, 2007, effective March 1, 2007. These properties were formerly a major property of the Trust.

Trilogy retained independent qualified reserves evaluators, Paddock Lindstrom, to evaluate 100% of the Trust's natural gas and crude oil reserves as at December 31, 2008 and such evaluators reported on them in the Paddock Lindstrom Report. All reserves information contained in the descriptions of Trilogy's major producing properties described below are as of December 31, 2008 and are derived from the Paddock Lindstrom Report. Estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation. References to reserves in the following property descriptions are based on forecast prices and costs contained in the Paddock Lindstrom Report.

Kaybob, Alberta

This property represents approximately 90% of the production from the Trust's assets as at December 31, 2008. The Trust operates the majority of this area, which produced approximately 18,570 Boe/d for the year ended December 31, 2008, comprised of approximately 86.4 MMcf/d of natural gas and 4,172 Bbl/d of crude oil and natural gas liquids. The Paddock Lindstrom Report has assigned, as at December 31, 2008, 45,973 MBoe of proved reserves and 67,164 MBoe of proved plus probable reserves to this area. The Kaybob area contains approximately 689 gross (445 net) producing wells as of December 31, 2008. The Trust's assets also contained 318,720 gross (213,986 net) developed acres and 413,405 gross (336,193 net) undeveloped acres of land in this area as of December 31, 2008.

The wells in this area produce primarily from the Viking, Spirit River, Gething, Nordegg, Montney and Swan Hills formations which have a well depth of 1,500 to 3,500 metres.

Approximately 61% of Trilogy's natural gas production from this property is processed through five Trust-operated natural gas plants in which the Trust holds an average 85% working interest. The Trust also holds an average 60% interest in three main Trust-operated oil batteries, which process approximately 80% of the Trusts' oil and condensate production in this area.

Grande Prairie, Alberta

This property represents approximately 10% of the production from the Trust's assets as at December 31, 2008. The Trust operates approximately 60% of its producing wells in this area, which produced approximately 2,015 Boe/d for the year ended December 31, 2008, comprised of approximately 10.6 MMcf/d of natural gas and 251 Boe/d of crude oil and natural gas liquids. The Paddock Lindstrom Report has assigned, as at December 31, 2008, 2,887 MBoe of proved reserves and 4,409 MBoe of proved plus probable reserves to this area. The Grande Prairie area contains approximately 71 gross (41 net) producing wells as of December 31, 2008. The Trust's assets also contained 42,562 gross (25,895 net) developed acres and 88,800 gross (65,362 net) undeveloped acres of land in this area as of December 31, 2008.

The wells in this area produce primarily from the Doe Creek, Cadotte, Gething, Halfway and Montney formations which have a well depth of 900-3,000 metres.

The main gathering system and processing plant in this area is operated by large, independent oil and gas producers. Trilogy does not have ownership in any gas processing facilities in this area.

RESERVES AND OTHER OIL AND GAS INFORMATION

Paddock Lindstrom evaluated the Trust's natural gas and crude oil reserves as at December 31, 2008 and reported on them in the Paddock Lindstrom Report. The evaluation by Paddock Lindstrom was prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101.

The following tables set forth information relating to the Trust's working interest share of reserves, net reserves after royalties, and present values as at December 31, 2008. The reserves are reported using forecast prices and costs. Columns may not add in the following tables due to rounding.

All evaluations of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Trust's assets. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

Actual crude oil, natural gas liquids and natural gas reserves may be greater than or less than the estimates provided herein.

The Trust has provided future net revenue disclosure on an after tax basis since the Trust will be taxable commencing in 2011 as a result of the SIFT Rules. See “RISK FACTORS – SIFT Rules may adversely affect Unitholders.” In determining the Trust’s deductions available in 2011, a number of assumptions were made regarding the interim period. These assumptions include, but are not limited to:

- income for tax purposes of the Trust;
- cash distributions to Unitholders;
- debt serviceability requirements;
- capital expenditure requirements as estimated by Trilogy’s reserve engineers; and
- tax pool claims available to the Trust.

Actual results could vary materially from these assumptions which, in turn, could materially impact the tax deductions available to the Trust in 2011. This would have a direct and potentially material impact on the Trust’s after tax values.

Reserves Information

Reserves Data – Forecast Prices and Costs

The following table summarizes the Trust’s reserves evaluated at December 31, 2008 using forecast prices and costs.

Reserves Category	Natural Gas		Light and Medium Crude Oil		Natural Gas Liquids		Total	
	Gross (MMcf)	Net (MMcf)	Gross (Mstb)	Net (Mstb)	Gross (Mstb)	Net (Mstb)	Gross (MBoe)	Net (MBoe)
Proved								
Developed producing.....	195,196.3	156,345.5	5,334.1	3,660.5	5,330.0	3,426.9	43,196.7	33,145.0
Developed non-producing ..	21,915.4	16,237.4	789.5	464.6	652.1	416.8	5,094.2	3,587.6
Undeveloped.....	3,179.0	2,745.1	-	-	39.6	29.6	569.4	487.1
Total Proved.....	220,290.7	175,328.6	6,123.6	4,125.1	6,021.6	3,873.4	48,860.4	37,219.9
Probable	99,548.8	76,840.1	3,495.9	2,078.0	2,625.4	1,671.5	22,712.7	16,556.2
Total Proved plus Probable	319,839.5	252,168.7	9,619.5	6,203.1	8,647.0	5,544.9	71,573.1	53,776.1

Net Present Value of Future Net Revenue – Forecast Prices and Costs

The following table summarizes the net present values of future net revenue attributable to Trilogy’s reserves evaluated at December 31, 2008 for the forecast prices and costs case. The net present values are reported before income taxes and after income taxes at discount rates of 0%, 5%, 10%, 15%, and 20% as well as on a unit value basis at a discount rate of 10% before income taxes. Future Net Revenue does not represent fair market value.

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10% / YEAR (\$/Boe)
	BEFORE INCOME TAXES DISCOUNTED AT (% / year)					AFTER INCOME TAXES DISCOUNTED AT (% / year)					
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	
Proved											
Developed Producing	1,556.0	1,143.0	910.9	762.8	660.0	1,305.4	988.7	806.6	688.0	604.1	21.09
Developed Non-Producing	172.7	121.1	91.0	72.0	59.2	135.2	97.2	74.6	60.2	50.3	17.86
Undeveloped	23.9	12.6	7.6	5.0	3.5	17.2	8.8	5.2	3.3	2.1	13.43
Total Proved	1,752.6	1,276.7	1,009.6	839.8	722.7	1,457.9	1,094.7	886.4	751.4	656.6	20.66
Probable	951.1	481.1	296.6	205.7	153.8	720.3	371.9	233.8	165.0	125.3	13.06
Total Proved plus Probable	2,703.7	1,757.8	1,306.1	1,045.5	876.4	2,178.2	1,466.6	1,120.2	916.4	781.9	18.25

Total Future Net Revenue - Forecast Prices and Costs

The following table summarizes the total undiscounted future net revenue before income taxes and after income taxes attributable to Trilogy's reserves evaluated at December 31, 2008 using forecast prices and costs.

RESERVES CATEGORY	REVENUE (MM\$)	ROYALTIES (MM\$)	OPERATING COSTS (MM\$)	DEVELOPMENT COSTS (MM\$)	WELL ABANDONMENT COSTS (MM\$)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM\$)	INCOME TAXES (MM\$)	FUTURE NET REVENUE AFTER INCOME TAXES (MM\$)
Proved	3,267.0	745.7	722.5	19.1	27.1	1,752.6	294.7	1,457.9
Proved Plus Probable	5,164.8	1,246.9	1,143.3	39.5	31.5	2,703.7	525.6	2,178.2

Note:

(1) Royalties include crown royalties, freehold royalties, overriding royalties and mineral taxes.

Future Net Revenue by Production Group - Forecast Prices and Costs

The following table summarizes the net present value of future net revenue by production group and on a unit value basis before income taxes attributable to Trilogy's reserves evaluated at December 31, 2008 using forecast prices and costs.

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (MM\$)	UNIT VALUE
Proved	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	795.3	\$4.87/Mcf
	Light and Medium Crude Oil (including solution gas and other by-products such as natural gas liquids)	213.5	\$51.76/Stb
Proved Plus Probable	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	1,010.6	\$4.31/Mcf
	Light and Medium Crude Oil (including solution gas and other by-products such as natural gas liquids)	294.5	\$47.48/Stb

Notes:

- (1) Natural gas includes coalbed methane and associated and non-associated gas (including by-products).
(2) Light and medium crude oil includes solution gas and other by-products.

The following definitions and assumptions form the basis of classification for reserves presented in the Paddock Lindstrom Report:

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

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

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

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

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

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

- (b) **Probable Reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (c) **Gross Reserves** are defined as the reserves owned before deduction of any royalties.
- (d) **Net Reserves** are defined as the gross reserves of the properties in which an interest is held, less all royalties and interests owned by others.

Summary of Pricing and Inflation Rate Assumptions

The following table summarizes the prices used by Paddock Lindstrom, an independent qualified reserves evaluator, in the Paddock Lindstrom Report in calculating the net present value of future net revenue attributable to reserves. The weighted average prices (before transportation costs and financial instruments) received by Trilogy for 2008 were \$8.91/Mcf for natural gas, \$105.28/Bbl for crude oil and \$80.98/stb for natural gas liquids.

Forecast Prices

	<u>US Henry Hub Gas Price</u> (US\$/MMbtu)	<u>Alberta Gas Reference Price</u> (Cdn\$/MMbtu)	<u>WTI @ Cushing</u> (US\$/Bbl)	<u>Edmonton Reference Price</u> (Cdn\$/Bbl)	<u>Condensate</u> (Cdn\$/Bbl)	<u>Butane</u> (Cdn\$/Bbl)	<u>Propane</u> (Cdn\$/Bbl)	<u>Inflation Rates⁽¹⁾</u> (%/year)	<u>Exchange Rate⁽²⁾</u> (Cdn\$/US\$)
2009....	6.75	6.96	60.00	70.18	70.88	56.14	42.11	2	0.84
2010....	7.50	7.62	67.50	77.21	77.99	61.77	46.33	2	0.86
2011....	8.00	7.97	75.00	83.93	84.77	67.14	50.36	2	0.88
2012....	8.50	8.30	82.50	90.34	91.24	72.27	54.20	2	0.90
2013....	9.00	8.83	90.00	98.65	99.63	78.92	59.19	2	0.90

Notes:

- (1) Inflation rates for forecasting prices and costs subsequent to 2013 were 2% per year.
(2) Exchange rates used to generate the benchmark reference prices in this table.

Reconciliation of Gross Reserves by Product Type using Forecast Prices and Costs

The following table sets forth the reconciliation of the Trust's gross reserves for the year ended December 31, 2008 using forecast prices and costs.

	Light and Medium Oil			Associated Gas and Non-Associated Gas			Natural Gas Liquids			Total		
	Gross proved (Mstb)	Gross Probable (Mstb)	Gross Proved Plus Probable (Mstb)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross proved (Mstb)	Gross Probable (Mstb)	Gross Proved Plus Probable (Mstb)	Gross Proved (Mboe)	Gross Probable (Mboe)	Gross Proved Plus Probable (Mboe)
January 1, 2008	5,864.4	2,973.0	8,837.3	213,485.6	91,221.7	304,707.4	5,498.8	2,157.5	7,656.3	46,944.1	20,334.1	67,278.2
Extensions	499.5	334.8	834.4	4,879.8	1,805.6	6,685.5	130.8	73.9	204.7	1,443.7	709.6	2,153.3
Improved Recovery	-	-	-	0.0	0.0	0.0	-	-	-	-	-	-
Technical Revisions	188.9	26.7	215.5	13,698.9	(1,305.3)	12,393.6	879.7	261.6	1,141.3	3,351.7	70.7	3,422.5
Discoveries	297.2	166.4	463.6	21,671.9	7,034.5	28,706.3	372.0	116.6	488.7	4,281.2	1,455.5	5,736.7
Acquisitions	-	-	-	1,900.9	819.0	2,719.9	35.5	15.7	51.1	352.3	152.2	504.4
Dispositions	(9.8)	(5.0)	(14.8)	0.0	0.0	0.0	-	-	-	(9.8)	(5.0)	(14.8)
Economic Factors	-	-	-	0.0	(26.2)	(26.2)	-	-	-	-	(4.4)	(4.4)
Production	(716.6)	-	(716.6)	(35,346.4)	0.0	(35,346.4)	(895.1)	-	(895.1)	(7,502.7)	0.0	(7,502.7)
December 31, 2008	<u>6,123.6</u>	<u>3,495.9</u>	<u>9,619.5</u>	<u>220,290.7</u>	<u>99,549.3</u>	<u>319,840.0</u>	<u>6,021.6</u>	<u>2,625.4</u>	<u>8,647.0</u>	<u>48,860.4</u>	<u>22,712.8</u>	<u>71,573.2</u>

Note:

- (1) Production and other reconciling line items above exclude production volumes from wells to which no reserves have been attributed. For example, actual production in the year may vary from the amount as disclosed above.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Proved

The following table summarizes the gross proved undeveloped reserves for the most recent three financial years, using forecast prices and costs.

Product	2008	2007	2006
Natural Gas (MMcf)	3,179.0	6,638.6	11,346.5
Light and medium crude oil (Mstb)	-	-	111.0
Natural Gas Liquids (Mstb)	39.6	178.8	204.2

These reserves are classified as proved undeveloped if they are expected to be recovered from new wells on previously undrilled acreage with untested reservoir characteristics, or they are reserves from existing wells that require major capital expenditures to bring them on production.

Probable

The following table summarizes the gross probable undeveloped reserves for the most recent three financial years, using forecast prices and costs.

Product	2008	2007	2006
Natural Gas (MMcf)	5,962.0	5,613.9	11,912.5
Light and medium crude oil (Mstb)	-	-	35.0
Natural Gas Liquids (Mstb)	78.8	83.1	75.9

These reserves are classified as probable undeveloped when analysis of drilling, geological, geophysical and engineering data does not demonstrate them to be proved under current technology and existing economic conditions; however, this analysis does suggest that there is a likelihood of their existence and future recovery.

Trilogy attributes proved undeveloped reserves and probable undeveloped reserves on the basis of technical arguments which are supported by geological, geophysical and engineering data. Trilogy has plans to develop its proved undeveloped reserves and probable undeveloped reserves during the next two years.

Future Development Costs

The following table describes the estimated future development costs using forecast prices and costs deducted in the estimation of future net revenue with no discount.

Reserve Category	2009E	2010E	2011E	2012E	2013E
(\$ millions)					
Proved.....	8.3	4.9	1.8	0.3	0.2
Proved + Probable Reserves.....	19.7	7.1	2.6	0.7	0.5

Trilogy expects that funding for future development costs will come from Trilogy's cash flow, a properly managed debt funding program and, in some cases, equity issues. Trilogy does not anticipate that the costs of funding referred to above will materially affect the disclosed reserves and future net revenues of Trilogy.

Other Oil and Gas Information

Oil and Gas Properties and Wells

As at December 31, 2008, Trilogy had an interest in 1,221 gross (798.87 net) producing and non-producing oil and natural gas wells, located in Alberta and British Columbia, as follows:

	Producing		Non-producing ⁽¹⁾	
	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾
Crude Oil Wells				
Kaybob.....	125	80.91	87	59.44
Grande Prairie.....	9	5.51	4	2.45
Other ⁽⁴⁾	12	3.75	10	3.68
Subtotal.....	146	90.17	101	65.57
Natural Gas Wells				
Kaybob.....	564	363.96	289	206.09
Grande Prairie.....	62	35.72	50	32.09
Other ⁽⁴⁾	3	1.50	6	3.78
Subtotal.....	629	401.18	345	241.95
Total.....	775	491.35	446	307.52

Notes:

- (1) "Non-producing" wells are wells considered capable of production but which, for a variety of reasons including but not limited to a lack of markets and lack of development, cannot be placed on production at the present time.
- (2) "Gross" wells means the number of wells in which there is a working interest or a royalty interest or a royalty interest that may be convertible to a working interest.
- (3) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Trilogy's percentage working interest therein.
- (4) "Other" includes wells in the Drayton Valley and Mitsue areas of Alberta and wells located in British Columbia.

Facilities

Approximately 61% of Trilogy's natural gas production from the Kaybob, Alberta property is processed through five Trust-operated natural gas plants in which the Trust holds an average 85% working interest. The Trust also holds an average 60% interest in three Trust-operated oil batteries, which process approximately 80% of the Trust's oil and condensate production in this area.

The main gathering system and processing plant in the Grande Prairie area is operated by large, independent oil and gas producers. Trilogy does not have ownership in any oil or gas processing facilities in this area.

Properties with No Attributed Reserves

Trilogy properties with no attributed reserves at December 31, 2008 total 517,254 gross (409,809 net) acres. Such acreage amounts are approximately 59% and 63% of total gross and net land holdings, respectively. As at December 31, 2008, there were 103,733 gross and (82,250) net acres of undeveloped lands that are due to expire in 2009. In respect of such acreage, actual acreage that will expire may be less than these amounts to the extent

Trilogy is able to continue the leases as it endeavours to continue, drill, farm out or sell expiring acreage prior to expiry.

Forward Contracts

The Trust's financial contracts and future commitments to purchase and sell natural gas, oil and natural gas liquids as at December 31, 2008 are set forth at note 12 of Trilogy's audited consolidated financial statements as at and for the year ended December 31, 2008. Such financial statements are available on SEDAR (www.sedar.com).

Abandonment & Reclamation Costs

As at December 31, 2008, the Trust's assets had 281 net wells, including service wells, for which abandonment and reclamation costs were expected to be incurred. Abandonment and reclamation costs are estimated by Trilogy taking into consideration the costs associated with remediation, decommissioning, abandonment and reclamation. These costs are adjusted to reflect working interests held, and are time discounted in accordance with the requirements of NI 51-101. Costs are attributed individually to particular assets and aggregated to determine total liability. In estimating these costs, other than those associated with remediation, reference is made to third party publications including the Energy Resources Conservation Board (Alberta) Directives 006 and 011, as well as the Material Price Catalogue (published annually by the Petroleum Accountants Society of Canada). If these third party estimates are believed to be low, higher internally generated estimates, based on previous experience, are used. Estimated abandonment and reclamation costs are then increased to reflect any remediation costs, such as those associated with a spill. These costs are determined on a case by case basis with the assistance of third party environmental companies. Estimated abandonment and reclamation costs are then reviewed by Paddock Lindstrom.

Estimated abandonment and reclamation costs for surface leases, wells, facilities and pipelines, undiscounted and discounted at 7.875% to 8.5%, are \$182.6 million and \$75.2 million, respectively. The future net revenue disclosed above based on the Paddock Lindstrom Report does not contain an allowance for abandonment and reclamation costs for surface leases, facilities and pipelines. The Paddock Lindstrom Report, using forecast prices and costs on a proved plus probable basis, deducted \$31.5 million (undiscounted) and \$7.6 million (10% discount) for abandonment and reclamation costs for wellbores only in estimating the future net revenue disclosed herein.

Trilogy estimates that it will incur approximately \$10 million in abandonment and reclamation costs over the next three years.

Tax Outlook

As a result of the Trust's current structure, income for tax purposes is transferred from the operating entities and, subject to the discretion of the Administrator to retain income in the Holding Trust, from Holding Trust to the Trust. From the Trust, this income is then passed on to Unitholders in the form of distributions. As a result of legislation to implement the SIFT Rules which became law on June 22, 2007, commencing January 1, 2011 the Trust will be subject to income tax at approximately the same rates as Canadian corporations. For further discussion on this tax legislation and its impact on Trilogy see "RISK FACTORS – SIFT Rules may adversely affect Unitholders".

Costs Incurred

The following table summarizes, for the periods indicated, the costs incurred by Trilogy for exploration and development costs.

Cost Type	Q4	Q3	Q2	Q1
	(\$ millions)			
Non-corporate acquisitions and dispositions				
Proved properties	(0.4)	-	20.5	(0.1)
Unproved properties (including undeveloped land)	0.4	1.3	0.5	0.8
Exploration	2.1	2.6	1.3	3.7
Development (including facilities)	19.5	31.8	12.1	47.5
Total	<u>21.6</u>	<u>35.7</u>	<u>34.4</u>	<u>51.9</u>

Exploration and Development Activities

The following table summarizes the results of Trilogy's drilling activities for 2008. The working interest in certain of these wells may change after payout.

	2008	
	Gross ⁽¹⁾	Net ⁽²⁾
Development Wells⁽³⁾		
Gas.....	33.0	20.9
Oil.....	13.0	9.6
Service.....	-	-
Dry.....	4.0	3.7
Subtotal.....	50.0	34.2
Exploratory Wells⁽⁴⁾		
Gas.....	13.0	8.7
Oil.....	1.0	0.4
Dry.....	1.0	0.5
Subtotal.....	15.0	9.6
Total wells.....	65.0	43.7
Success rate	92%	91%

Notes:

- (1) "Gross" wells means the number of wells in which there is a working interest or a royalty interest or a royalty interest that may be converted to a working interest.
- (2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Trilogy's percentage working interest therein.
- (3) "Development" well is a well drilled within or in close proximity to a discovered pool of petroleum or natural gas.
- (4) "Exploratory" well is a well drilled either in search of a new and as yet undiscovered pool of petroleum or natural gas or with the expectation of significantly extending the limit of a pool that is partly discovered.

Trilogy's most important current and likely exploration and development activities will continue to be in its Kaybob and Grande Prairie core areas.

Estimated Capital Expenditures

The Paddock Lindstrom Report estimates, for the purposes of its evaluation (i.e. a blow-down scenario), that the 2009 capital expenditures for the Trust's assets will be approximately \$19.7 million (on a proved plus probable basis with forecast pricing). Trilogy currently expects that its 2009 capital expenditures excluding acquisitions will be \$80 million.

Production Estimates

The following table summarizes the total estimated gross production for 2009 using forecast prices and costs.

	Estimated Production — Forecast Prices and Costs	
	Proved	Proved plus Probable
Natural gas (Bcf)	34.4	36.4
Light and medium crude oil (MBbls)	820.1	889.4
Natural gas liquids (MBbls)	882.8	934.0
Total (MBoe).....	7,429.6	7,893.4

Sales History

The following tables summarize daily sales volume results for the Trust's assets on a quarterly and annual basis for 2008.

	2008	Q4	Q3	Q2	Q1
Produced gas (MMcf/d) ⁽¹⁾	97	96	97	101	94
Light and medium crude oil and natural gas liquids (Bbl/d).....	4,423	4,311	4,163	4,415	4,802

Note:

- (1) NI 51-101 requires all reported petroleum and natural gas production to be measured in marketable quantities with adjustments for heat content included in the commodity price reported. As such, natural gas production volumes are measured in marketable quantities, with adjustments for heat content and transportation reflected in the reported natural gas price.

The following table summarizes the average netbacks in respect of the Trust's assets on a quarterly and annual basis for 2008.

	Netbacks – 2008				
	2008	Q4	Q3	Q2	Q1
Produced Gas (\$/Mcf) ⁽¹⁾					
Price, before transportation	8.91	7.44	9.33	10.56	8.23
Transportation	0.31	0.32	0.30	0.34	0.29
Royalties	1.60	1.00	1.83	1.97	1.58
Operating costs ⁽²⁾	1.97	2.18	2.12	1.79	1.78
Netback excluding realized financial instruments	5.03	3.94	5.08	6.46	4.58
Realized financial instruments	0.05	1.85	(0.66)	(0.97)	-
Netback including realized financial instruments	5.08	5.79	4.42	5.49	4.58
Total Conventional Oil and Natural Gas Liquids (\$/Bbl)					
Price, before transportation	92.02	55.50	109.59	111.93	91.45
Transportation	1.88	1.94	1.77	2.06	1.73
Royalties	22.00	13.45	26.49	26.45	21.73
Operating costs ⁽²⁾	11.80	13.07	12.72	10.75	10.66
Netback excluding realized financial instruments	56.34	27.04	68.61	72.67	57.33
Realized financial instruments	8.95	71.14	(14.12)	(15.05)	(5.19)
Netback including realized financial instruments	65.29	98.18	54.49	57.62	52.14

Notes:

- (1) NI 51-101 requires all reported petroleum and natural gas production to be measured in marketable quantities with adjustments for heat content included in the commodity price reported. As such, natural gas production volumes are measured in marketable quantities, with adjustments for heat content and transportation reflected in the reported natural gas price.
- (2) Operating costs include all costs related to the operation of wells, facilities and gathering systems. Processing revenue has been deducted from these costs. A number of assumptions have been made in allocating these costs between oil, natural gas liquids and natural gas production.

The following table summarizes production volumes from the Trust's assets for 2008.

Natural Gas (MMcf)	
Kaybob.....	31,622
Grande Prairie.....	3,873
Other.....	(2)
Total.....	35,493
Light and Medium Crude Oil and Natural Gas Liquids (MBbl)	
Kaybob.....	1,523
Grande Prairie.....	92
Other.....	3
Total.....	1,618
Total (Mboe).....	7,534

GENERAL

Competitive Conditions

The petroleum and natural gas industry is highly competitive. Trilogi competes with numerous other participants in the search for and acquisition of crude oil and natural gas properties and in the marketing of these commodities. Competition is particularly intense in the acquisition of prospective oil and natural gas properties and reserves. Trilogi's competitive position depends upon its geological, geophysical and engineering expertise, its financial resources and its ability to raise capital through equity or debt issuances or borrowings. In addition, successful reserve replacement in the future will depend not only on the further development of present properties, but also on the ability to select and acquire suitable prospects for exploratory drilling and development.

The petroleum and natural gas industry has been experiencing a large number of business combinations involving companies and entities of all sizes. This consolidation process has resulted in a number of asset rationalization programs pursuant to which assets have become available for acquisition. This same consolidation process has

resulted in some industry participants, with whom Trilogy may be competing for attractive large asset or share acquisitions, becoming larger and more competitive, which increases the demand for acquisitions.

Trilogy employs a combination of firm and interruptible receipt pipeline service for its natural gas production. Trilogy closely monitors the daily production from all of its plants to ensure that contractual obligations are met and that production is directed to the highest netback market.

Employees

As of December 31, 2008, Trilogy had 227 full-time and contract personnel; this includes 84 full-time head office employees plus 10 contract personnel. In the field Trilogy employs 70 full-time employees and 63 contract personnel to operate five gas plants and three oil batteries and to manage Trilogy's operated wells. The compensation of full-time employees includes a combination of salary, benefits, long-term compensation awards and cash bonuses based on, among other things, appreciation of the Trust Unit trading price and cash distributions on the Trust Units.

Environmental Protection

The oil and natural gas industry is governed by environmental requirements under federal, provincial, and municipal laws, regulations and guidelines, which restrict and/or prohibit the release or emission of pollutants and regulate the storage, handling, transportation and disposal of various substances produced or utilized in association with oil and gas industry operations.

The tenet of Trilogy's environmental policy is to protect the environment, to maintain public health and safety and to comply with all applicable laws, regulations and standards. Trilogy will do all that it reasonably can to ensure that sound environmental, health and safety practices are followed in all of its operations and activities.

The Environmental, Health and Safety Committee is guided by a specific set of principles to ensure that this policy is supported. These principles apply to all employees and are designed to make certain that all applicable environmental laws, regulations and standards are complied with. Trilogy monitors all activities and makes reasonable efforts to ensure that companies who provide services to Trilogy will operate in a manner consistent with its environmental policy.

The costs of complying with new environmental laws, regulations or guidelines, or changes in enforcement policy, or newly discovered conditions, may have a material adverse effect on Trilogy's financial condition or results or operations. Future changes in environmental legislation could occur and result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs.

As at December 31, 2008, Trilogy has not recorded any significant costs and liabilities relating to environmental protection laws and regulations or environmental disaster. Trilogy has, however, recognized in its audited financial statements for fiscal 2008 at note seven asset retirement obligations representing estimates of costs to retire its assets at the end of their useful lives, which include estimated abandonment, surface reclamation and groundwater protection costs, such note is incorporated by reference herein. Additional information on asset retirement obligations is disclosed in Trilogy's most recent financial statements and Management Discussion and Analysis.

See "RISK FACTORS – Environmental Concerns" and see "RISK FACTORS – Greenhouse Gas Emissions"

DIRECTORS AND OFFICERS OF TRILOGY ENERGY LTD.

The following information is provided for each individual who is a director of or holds an executive office with Trilogy Energy Ltd., the general partner of Trilogy Energy LP and the administrator of the Trust and Holding Trust, as at the date of this annual information form. All directors serve until the next annual meeting of Unitholders or until their successor is elected or appointed.

Directors

Names and Place of Residence	Director Since	Principal Occupation for Past Five Years
Clayton H. Riddell ⁽¹⁾⁽⁶⁾⁽⁸⁾ Calgary, Alberta, Canada	April 1, 2005	Chairman of the Board and Chief Executive Officer of Paramount (a petroleum and natural gas company).

Names and Place of Residence	Director Since	Principal Occupation for Past Five Years
James H.T. Riddell ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁸⁾ Calgary, Alberta, Canada	Formation	President and Chief Operating Officer of Paramount since June 2002. Prior thereto, Mr. Riddell held various positions with Paramount.
M. H. (Mick) Dilger ⁽²⁾⁽⁴⁾ Calgary, Alberta, Canada	May 18, 2005	Chief Operating Officer of Pembina Pipeline Corporation (a Canadian energy infrastructure corporation) since November 2008. Mr. Dilger joined Pembina in March 2005 as Vice President, Business Development. Prior thereto, Mr. Dilger was the Chief Financial Officer of VISTA Midstream Solutions Ltd. (a Canadian energy infrastructure corporation which he founded) from 1999 until July 2003.
Donald A. Garner ⁽²⁾ Calgary, Alberta, Canada	June 15, 2008	Independent Businessman since June 2008. Prior thereto, Mr. Garner was the Chief Executive Officer and advisor to TAQA North (a private oil and gas exploration and development company), successor to PrimeWest Energy Trust (a public oil and gas exploration and development trust) where he was the Chief Executive Officer from 2003 to 2007 and President and Chief Operating Officer from 2001 to 2002.
Wilfred A. Gobert ⁽¹⁾⁽³⁾ Calgary, Alberta, Canada	November 15, 2006	Independent businessman since March 2006. Prior to that, Mr. Gobert was with Peters & Co. Limited (an investment firm specializing in the Canadian oil and gas industry) since August 1979, as Managing Director from August 1979 to September 2002, at which time he assumed the role of Vice Chairman until his retirement in May 2006.
Robert M. MacDonald ⁽²⁾⁽³⁾⁽⁷⁾ Calgary, Alberta, Canada	April 1, 2005	Independent Businessman and Corporate Director. Mr. MacDonald was the Director, Oil & Gas, Commercial Banking with CIBC World Markets Inc. (a global investment banking firm) from 1998 to 2003. From 1993 to 1998, Mr. MacDonald was Vice-President, Oil & Gas Group with CIBC.

Names and Place of Residence	Director Since	Principal Occupation for Past Five Years
E. Mitchell Shier ⁽³⁾⁽⁴⁾ Calgary, Alberta, Canada	April 1, 2005	General Counsel, Corporate Secretary and Manager Land of Paramount, which he joined in November 2008. From 2002 until January 2009, Mr. Shier practiced oil and gas and commercial law as a partner with Heenan Blaikie LLP (a national law firm) and remains of counsel with that firm.
Donald F. Textor ⁽¹⁾ Locust Valley, New York, U.S.A.	April 1, 2005	Portfolio Manager, Dorset Energy Fund (an investment company) and Partner, Knott Partners Management LLC (an investment advisory firm) in New York. Mr. Textor was a Partner and Managing Director at Goldman Sachs (a global investment banking firm) until 2001.

Notes:

- (1) Member of the Compensation Committee of Trilogy Energy Ltd.'s board.
- (2) Member of the Audit Committee of Trilogy Energy Ltd.'s board.
- (3) Member of the Corporate Governance Committee of Trilogy Energy Ltd.'s board.
- (4) Member of the Environmental, Health and Safety Committee of Trilogy Energy Ltd.'s board.
- (5) Mr. Riddell was a director of Jurassic Oil and Gas Ltd. ("Jurassic"), a private oil and gas company, within one year prior to such company becoming bankrupt. Jurassic's bankruptcy was subsequently annulled.
- (6) While Messrs C. H. Riddell and J. H. T. Riddell hold executive offices with the Administrator and devote substantial time to the Administrator's business, they are not paid a salary by the Administrator for their services. Accordingly, their offices with the Administrator are not considered their principal occupation.
- (7) Lead Director
- (8) Messrs C.H. Riddell and J.H.T. Riddell are directors and executive officers of Paramount. From 1992 to 2008, Paramount was the general partner of T.T.Y. Paramount Partnership No. 5 ("TTY"), a limited partnership, which was an unlisted reporting issuer in certain provinces of Canada. TTY was established in 1980 to conduct oil and gas exploration and development but had not carried on active operations since 1984 and had only nominal assets. A cease trade order against TTY was issued by the Québec Securities Commission in 1999 for failing to file the June 30, 1998 interim financial statements in Québec. The cease trade order was revoked on April 9, 2008. TTY was dissolved on July 21, 2008.

Executive Officers

Names and Place of Residence	Office	Principal Occupation for Past Five Years
Clayton H. Riddell ⁽¹⁾ Calgary, Alberta, Canada	Chairman of the Board	Chairman of the Board and Chief Executive Officer of Paramount.
James H.T. Riddell ⁽¹⁾ Calgary, Alberta, Canada	President and Chief Executive Officer	President and Chief Operating Officer of Paramount since June 2002. Prior thereto, Mr. Riddell held various positions with Paramount.
Michael G. Kohut Calgary, Alberta, Canada	Chief Financial Officer	Chief Financial Officer of Trilogy Energy Trust since June 1, 2006. Prior thereto, Mr. Kohut was the President and a director of Global Railway Industries Ltd. from January 1997 to October 2005.

Names and Place of Residence	Office	Principal Occupation for Past Five Years
John B. Williams Calgary, Alberta, Canada	Chief Operating Officer	Chief Operating Officer of Trilogy since April 2005. From July 2002 to May 31, 2006, Mr. Williams held the position of Corporate Operating Officer of Paramount. From 1998 to July 2002, he held the position of Senior Geologist with Paramount.
Gail L. Yester Calgary, Alberta, Canada	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of Trilogy since June 1, 2006. From April 1, 2005 to May 31, 2006 Ms. Yester was Associate General Counsel and Assistant Corporate Secretary of Trilogy. Prior thereto, Ms. Yester was an independent businesswoman consulting primarily for Paramount.

Note:

- (1) While Messrs C. H. Riddell and J. H. T. Riddell hold executive offices with Trilogy Energy Ltd. and devote substantial time to its business, they are not paid a salary for their services. Accordingly, their offices with the Administrator are not considered their principal occupation.

As at December 31, 2008, the directors and officers of Trilogy Energy Ltd. as a group beneficially owned or controlled, directly or indirectly, 36,849,873 Trust Units, representing approximately 38% of the 95,996,646 Trust Units outstanding at such date. Paramount Resources Ltd., a company in which Mr. C.H. Riddell owns approximately 54%, owned or controlled, directly or indirectly, 22,338,414 Trust Units.

Certain directors and officers of the General Partners are also directors and/or officers and/or significant shareholders of other companies or entities engaged in the oil and gas business generally and which, in certain cases, own interests in oil and gas properties in which Trilogy holds, or may in the future hold, an interest. As a result, situations may arise where such individuals have a conflict of interest. Such conflicts of interest will be resolved in accordance with the *Business Corporations Act* (Alberta), and internal policies respecting conflicts of interest. The *Business Corporations Act* (Alberta) requires that a director or officer of a corporation who is party to a material contract or proposed material contract with the corporation, or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the corporation, disclose in writing to the corporation or request to have entered into the minutes of meetings of directors the nature and extent of the director's or officer's interest; and, if a director, that he or she not vote on any resolution to approve the contract, except in certain circumstances. The *Business Corporations Act* (Alberta) also requires that a corporation's directors and officers act honestly and in good faith with a view to the best interest of the corporation. The Trust's internal policies respecting conflicts of interest require that directors and officers of the General Partners avoid putting themselves in a conflict of interest position and, if such a position arises, that disclosure of such position be made so that the General Partners can approve or disapprove such position, with disapproved conflict of interest positions requiring immediate cessation by the director or officer.

Additionally, certain conflicts of interest could arise as a result of the relationships between Paramount and the Trust. While the Trustee is independent of Paramount and its affiliates, the Trust Indenture confers the responsibility for the administration of, and all significant decisions relating to, the Trust to the Administrator. Three of the directors and officers of Trilogy Energy Ltd. are directors and/or officers of Paramount. Trilogy Energy Ltd. is dependent, in part, upon Paramount Resources for administrative and operating services in respect of the business of the Trust and its subsidiaries see "INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS". The directors and officers of Paramount and Trilogy Energy Ltd. have fiduciary duties to manage Paramount and Trilogy Energy Ltd., respectively, in a manner beneficial to Paramount and Trilogy Energy Ltd., respectively. The Administrator, as the administrator of the Trust, has a duty to administer the affairs of the Trust with a view to the best interests of the Trust, and the General Partners of the Limited Partnerships have a fiduciary duty to manage the Limited Partnerships in a manner beneficial to all partners of the Limited Partnerships, including Holding Trust and, indirectly, the Trust. The duties of the directors and officers of the Administrator, General Partners and Paramount to those entities may come into conflict with the interests of the Unitholders.

MARKET FOR SECURITIES

The Trust Units are listed on the Toronto Stock Exchange under the trading symbol "TET.UN".

The following table outlines the monthly trading price range and trading volume of the Trust Units for the fiscal year ended December 31, 2008 on the Toronto Stock Exchange:

2008	Price Range (\$)		Trading Volume
	High	Low	
January.....	7.60	6.29	3,281,954
February.....	8.75	6.60	6,385,756
March.....	10.29	8.29	6,611,580
April.....	12.31	9.78	9,629,249
May.....	13.24	10.88	7,964,837
June.....	14.13	11.66	6,813,499
July.....	13.95	11.15	7,600,942
August.....	13.04	10.15	4,594,098
September.....	11.27	6.95	8,574,907
October.....	8.10	5.01	6,931,301
November.....	7.36	6.00	4,023,480
December.....	6.62	4.78	3,700,507

RECORD OF CASH DISTRIBUTIONS

From the inception of the Trust to the date hereof⁽¹⁾, the Trust declared the following monthly cash distributions:

	2008	2007	2006	2005
January	\$0.07	\$0.10	\$0.25	
February	\$0.07	\$0.10	\$0.25	
March	\$0.07	\$0.10	\$0.25	
April	\$0.07	\$0.10	\$0.25	\$0.16
May	\$0.10	\$0.10	\$0.20	\$0.16
June	\$0.10	\$0.10	\$0.20	\$0.16
July	\$0.10	\$0.10	\$0.20	\$0.16
August	\$0.10	\$0.10	\$0.20	\$0.16
September	\$0.10	\$0.10	\$0.20	\$0.25
October	\$0.10	\$0.10	\$0.16	\$0.25
November	\$0.10	\$0.07	\$0.16	\$0.25
December	\$0.10	\$0.07	\$0.16	\$0.25
December⁽²⁾				\$0.55
TOTAL	\$1.08	\$1.14	\$2.48	\$2.35

The total cumulative distribution paid per Trust Unit from inception of the Trust to the date hereof⁽¹⁾ is \$7.15.

Note:

- (1) The Trust's monthly cash distribution per Trust Unit for January 2009 was \$0.05 and for February 2009 was \$0.05.
- (2) On December 15, 2005, the Trust announced a special distribution of \$0.55 per Trust Unit payable on January 16, 2006 to unitholders of record on December 31, 2005. The special distribution was paid to such unitholders with the intention that the Trust's distributions for 2005 would be at least equal to the Trust's taxable income for 2005.

For Trilogys policy on cash distributions to Unitholders and other information about distributions, see "INFORMATION CONCERNING TRILOGY ENERGY TRUST, TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND THE ADMINISTRATOR - The Trust - Distributions".

**INFORMATION CONCERNING TRILOGY ENERGY TRUST,
TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND
THE ADMINISTRATOR**

The Trust

Trust Units

An unlimited number of Trust Units may be created and issued pursuant to the Trust Indenture. Each Trust Unit entitles the holder thereof to one vote at any meeting of the holders of Trust Units and represents an equal fractional undivided beneficial interest in any distribution from the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority. Generally, each Trust Unit is transferable, subject to compliance with applicable Canadian securities laws, is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Trust Units held by such holder. See "INFORMATION CONCERNING TRILOGY ENERGY TRUST, TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND THE ADMINISTRATOR The Trust - Redemption Right".

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

The after-tax return from an investment in Trust Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Trust (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. Moreover, the SIFT Rules will impose corporate-like income taxes at the Trust level commencing in 2011. see "RISK FACTORS – SIFT Rules may adversely affect Unitholders".

Special Voting Rights

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

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

No Special Voting Rights have been created or issued since the Trust's inception.

Unitholders Limited Liability

The Trust Indenture provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort in connection with the Trust or its obligations or affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Trust's assets. Pursuant to the Trust Indenture, the Trust (to the extent of the Trust assets) will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges or losses suffered by a Unitholder from or arising as a result of such Unitholder not having such limited liability.

The Trust Indenture provides that all contracts signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Pursuant to the *Income Trust Liability Act* (Alberta) which was proclaimed in Alberta on July 1, 2004, any beneficiary of a trust that is: (a) created by a trust instrument governed by the laws of Alberta; and (b) a reporting issuer as defined in the *Securities Act* (Alberta), is not liable as a beneficiary for any act, default, obligation or liability of the trustee of the Trust.

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

Issuance of Trust Units

The Trust Indenture provides that Trust Units, including rights, warrants (including so called "special warrants" or "subscription receipts" which may be exercisable for no additional consideration), options and other securities to purchase, to convert into or to exchange into Trust Units, may be created, issued, sold and delivered on such terms and conditions and at such times as the board of directors of the Administrator may determine. The Trust Indenture also provides that the Administrator may authorize the creation and issuance of debentures, notes and other evidences of indebtedness of the Trust which debentures, notes or other evidences of indebtedness may be created and issued from time to time on such terms and conditions to such persons and for such consideration as the board of directors of the Administrator may determine.

Distribution Reinvestment Plan

The Trust adopted its distribution reinvestment plan ("DRIP") in 2006. The DRIP provides eligible Unitholders with the opportunity to reinvest their cash distributions, on each Distribution Payment Date, in additional Trust Units at a price equal to 95% of the average market price. Average market price is defined in the DRIP to be the volume weighted average trading price of the units on the Toronto Stock Exchange for the ten normal trading days preceding the Distribution Payment Date.

The Trust subsequently announced the suspension of the DRIP effective for the November 2006 Distribution Period. The DRIP was later reinstated commencing with the September 2007 Distribution Period. During the last three fiscal years, and from January 1, 2009 to the date hereof, the Trust issued Trust Units under the DRIP as follows:

	2009 to date of AIF	2008	2007	2006
Trust Units issued under the DRIP (in thousands)	1,641	6,160	2,042	933
Proceeds (in thousands)	\$8,922	\$ 46,597	\$ 14,284	\$ 15,976
Average price per Trust Unit	\$5.44	\$ 7.56	\$ 7.00	\$ 17.12

Distributions

The Trust intends to make cash distributions to Unitholders on each Distribution Payment Date at a level that supports the sustainability of the Trust. Such distributions are dependent on numerous factors as described in this annual information form, including the financial performance of the Limited Partnerships, debt covenants and obligations of the Limited Partnerships and Holding Trust and the working capital requirements and future capital requirements of the Limited Partnerships. The Trust Indenture provides that the Trust must distribute to Unitholders each year, subject to any limitations imposed by any agreements with lenders, all of the Trust's net income for tax purposes for the year, net realized capital gains for the year and any other applicable amounts so the Trust will not have any liability for income tax in the year. The Holding Trust Declaration of Trust was amended on May 15, 2008 to provide Holding Trust and the Administrator with greater discretion and flexibility regarding the payment of distributions from Holding Trust to the Trust (See "INFORMATION CONCERNING TRILOGY ENERGY TRUST, TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND THE ADMINISTRATOR – Holding Trust"). As a result of these amendments, Holding Trust is not required to distribute all of its income and net realized capital gains for each fiscal year to the Trust. Accordingly, while it is not expected that the Trust will have any liability for income tax in a particular year, Holding Trust may have liability for income tax in a particular year.

Distributions in respect of a Distribution Period are paid to Unitholders of record as at the close of business on each Distribution Record Date. The distribution for any Distribution Period is paid on the Distribution Payment Date.

If the Administrator determines that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution declared by the Trust or required by the Trust Indenture, the payment may include the issuance of additional Trust Units and/or other securities of the Trust and/or the transfer of other property having a value equal to the difference between the amount of the distribution and the amount of cash which has been determined by the Administrator to be available for the payment of such distribution. The Trust Indenture provides that immediately after any distribution of additional Trust Units in such circumstances, the number of outstanding

Trust Units may be consolidated at the Administrator's discretion, such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the distribution of additional Trust Units (subject to Trust Units being sold to satisfy withholding tax obligations of the Trust where required).

A return on investment in Trust Units is not comparable to the return on an investment in a fixed-income security. Although the Trust intends to make distributions of its available cash, these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors as noted above and elsewhere in this annual information form. In addition, the market value of the Trust Units may decline if the Trust reduces its distributions in the future, and that decline may be significant.

See "RISK FACTORS - Risks Relating to the Trust Units".

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of a duly completed and properly executed notice requesting the Trust to redeem Trust Units. Upon receipt of the notice to redeem Trust Units by the transfer agent of the Trust, the holder thereof shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment therefor unless the redemption payment is not made as required) including the right to receive any distributions thereon which are declared payable on a date subsequent to the day of receipt by the Trust of the notice requesting redemption.

Cash Redemption

Upon receipt by the transfer agent of the Trust of the notice to redeem Trust Units, the tendering Unitholder will thereafter be entitled to receive a price per Trust Unit (the "Market Redemption Price") equal to the lesser of: (a) 95% of the market price of the Trust Unit on the principal stock exchange on which the Trust Units are quoted for trading during the period of the last 10 trading days immediately after the date on which the Trust Units were tendered for redemption; and (b) the closing market price on the principal stock exchange on which the Trust Units are listed on the date that the Trust Units were tendered for redemption.

The aggregate Market Redemption Price payable by the Trust in respect of the Trust Units surrendered for redemption during any calendar month, subject to the limitations set forth below, shall be paid by cheque on the last day of the calendar month following the month in which the Trust Units were tendered for redemption.

Unitholders will not receive cash upon the redemption of their Trust Units if:

- (a) the total amount payable by the Trust in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month exceeds \$50,000; unless the Administrator, in its sole discretion, waives the monthly \$50,000 limit in respect of all Trust Units tendered for redemption in any calendar month. If this limitation is not so waived, the Trust Units tendered for redemption in such calendar month shall be redeemed for cash based on the Market Redemption Price, and unless any applicable regulatory approvals are required, by a distribution *in specie* of the Trust's assets, based on the "*in specie* Redemption Price" (as defined below), which may include Series 3 Notes or other assets held by the Trust, on a *pro rata* basis;
- (b) at the time such Trust Units are tendered for redemption, the outstanding Trust Units are not listed for trading on the TSX or traded or quoted on any stock exchange or market which the Administrator considers, in its sole opinion, provides representative fair market value prices for the Trust Units;
- (c) the normal trading of the Trust Units is suspended or halted on any stock exchange on which the Trust Units are listed for trading or, if not so listed, on any market on which the Trust Units are quoted for trading, on the date that such Trust Units tendered for redemption were tendered to the Trust for redemption or for more than five trading days during the 10 day trading period prior to the date on which such Trust Units were tendered for redemption; or
- (d) the redemption of Trust Units will result in the delisting of the Trust Units on the principal stock exchange on which the Trust Units are listed.

In Specie Redemption

If a cash redemption is not available for Trust Units tendered for redemption by a Unitholder, then such Unitholder will, instead of the Market Redemption Price per Trust Unit, be entitled to receive a price per Trust Unit (the "*in specie* Redemption Price") equal to the fair market value of a Trust Unit as determined by the Administrator in its sole discretion. The *in specie* Redemption Price will, subject to all necessary regulatory approvals, be paid and

satisfied by way of a distribution *in specie* of Trust assets, which may include Series 3 Notes or other assets held by the Trust (other than Holding Trust Units), as determined in the sole discretion of the Administrator.

The aggregate *in specie* Redemption Price payable by the Trust in respect of the Trust Units surrendered for redemption during any calendar month shall be paid by the transfer, to or to the order of the Unitholder who exercised the right of redemption, within five business days after the end of the calendar month in which the Trust Units were tendered for redemption, of Trust assets.

It is anticipated that this redemption right will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Series 3 Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Series 3 Notes. Series 3 Notes will not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax free savings accounts.

Non-Resident Unitholders

It is in the best interest of Unitholders that the Trust qualify as a “unit trust” and a “mutual fund trust” under the Tax Act. Currently, one of the conditions under the Tax Act for the Trust to qualify as a mutual fund trust is that the Trust cannot reasonably be considered to have been established or maintained primarily for the benefit of Non-Residents and Non-Resident Partnerships. Accordingly, in order to comply with such provisions, the Trust Indenture contains restrictions on the ownership of Trust Units by Unitholders who are Non-Residents or Non-Canadian Partnerships. In this regard, the Administrator may, at any time and from time to time, in its sole discretion, request that the Trustee make reasonable efforts, as practicable in the circumstances, to obtain declarations as to beneficial ownership, perform residency searches of Unitholder and beneficial Unitholder mailing address lists and take such other steps specified by the Administrator, at the cost of the Trust, to determine or estimate as best possible the residence of the beneficial owners of Trust Units.

If at any time the board of directors of the Administrator, in its sole discretion, determines that it is in the best interest of the Trust, the Administrator may: (i) require the Trustee to refuse to accept a subscription for Trust Units from, or issue or register a transfer of Trust Units to, a person unless the person provides a declaration to the Administrator that the Trust Units to be issued or transferred to such person will not when issued or transferred be beneficially owned by a Non-Resident or Non-Canadian Partnership; (ii) to the extent practicable in the circumstances, send a notice to registered holders of Trust Units which are beneficially owned by Non-Residents or Non-Canadian Partnerships, chosen in inverse order to the order of acquisition or registration of such Trust Units beneficially owned by Non-Residents or Non-Canadian Partnerships or in such other manner as the Administrator may consider equitable and practicable, requiring them to sell their Trust Units which are beneficially owned by Non-Residents or Non-Canadian Partnerships or a specified portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of such Trust Units or provided the Administrator with satisfactory evidence that such Trust Units are not beneficially owned by Non-Residents or Non-Canadian Partnerships within such period, the Administrator may, on behalf of such registered Unitholder, sell such Trust Units and, in the interim, suspend the voting and distribution rights attached to such Trust Units and make any distribution in respect of such Trust Units by depositing such amount in a separate bank account in a Canadian chartered bank (net of any applicable taxes). Any sale shall be made on any stock exchange on which the Trust Units are then listed and, upon such sale, the affected holders shall cease to be holders of Trust Units so disposed of and their rights shall be limited to receiving the net proceeds of sale, and any distribution in respect thereof deposited as aforesaid, net of applicable taxes and costs of sale, upon surrender of the certificates representing such Trust Units; (iii) delist the Trust Units from any non-Canadian stock exchange; and (iv) take such other actions as the board of directors of the Administrator determines, in its sole discretion, are appropriate in the circumstances that will reduce or limit the number of Trust Units held by Non-Residents or Non-Canadian Partnerships to ensure that not more than 49% of the outstanding Trust Units are beneficially owned by Non-Residents or Non-Canadian Partnerships.

Meetings of Unitholders

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

A meeting of Unitholders may be convened at any time and for any purpose by the Trustee and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Trust Units then

outstanding by a written requisition. A requisition must, among other things, state in reasonable detail the business purpose for which the meeting is to be called.

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

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

Exercise of Voting Rights Attached to Securities of Holding Trust and Trilogy Energy Ltd.

The Trust Indenture prohibits the Trustee from voting the Holding Trust Units, the Trust's securities of Trilogy Energy Ltd. or, where applicable, the Holding Trust Notes; or vote the Trust's securities of, or permit Holding Trust or Trilogy Energy Ltd. to vote their interests in Trilogy Energy LP, to authorize:

- (a) any sale, lease or other disposition of all or substantially all of the assets of Trilogy Energy Ltd., Holding Trust or Trilogy Energy LP, except in conjunction with an Internal Reorganization or a pledge in accordance with the provisions of the Trust Indenture;
- (b) any merger, amalgamation, arrangement, reorganization, recapitalization, business combination or similar transaction involving Holding Trust or Trilogy Energy LP, except in conjunction with an Internal Reorganization;
- (c) any material amendment to the Holding Trust Note Indenture, other than an amendment which is not prejudicial to the Trust;
- (d) the winding-up, liquidation or dissolution of Trilogy Energy Ltd., Holding Trust or Trilogy Energy LP prior to the end of the term of the Trust; or
- (e) any material amendment to the Holding Trust Declaration of Trust, the Trilogy Energy LP limited partnership agreement or the constating documents of Trilogy Energy Ltd., in a manner prejudicial to the Trust,

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

Trustee

Computershare Trust Company of Canada ("Computershare") is the trustee of the Trust. Computershare was appointed as trustee upon formation of the Trust for an initial three year term. At the annual and special meeting of Unitholders held on May 15, 2008, Computershare was reappointed as Trustee for an additional three year term, ending at the close of the annual meeting of Unitholders to be held in 2011. The Trustee is responsible for, among other things, accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto and maintaining the books and records of the Trust and providing timely reports to holders of Trust Units. The Trust Indenture provides that the Trustee shall exercise its powers and carry out its functions thereunder as Trustee honestly, in good faith and in the best interests of the Trust and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The Trustee is prohibited from acquiring any investment which would result in the Trust not being considered either a "unit trust" or a "mutual fund trust" for purposes of the Tax Act at the time such investment was acquired.

The Trustee may resign or be removed by Special Resolution of the Unitholders. Such resignation or removal becomes effective upon the acceptance or appointment of a successor trustee.

Delegation of Authority, Administration and Trust Governance

The board of directors of the Administrator has generally been delegated the significant management decisions of the Trust pursuant to the Administration Agreement. In particular, the Trustee has delegated to the Administrator responsibility for any and all matters relating to the following: (a) an Offering (as defined in the Trust Indenture); (b) ensuring compliance with all applicable laws, including in relation to an Offering; (c) all matters relating to the content of any Offering Documents (as defined in the Trust Indenture), the accuracy of the disclosure contained therein, and the certification thereof; (d) all matters concerning any underwriting or agency agreement providing for the sale of Trust Units or rights to Trust Units; (e) all matters relating to the redemption of Trust Units; (f) all

matters relating to the voting rights on any investments in the assets of the Trust or any Subsequent Investments; and (g) all matters relating to the specific powers and authorities as set forth in the Trust Indenture.

Liability of the Trustee

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

Amendments to the Trust Indenture

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

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

- (a) ensuring the Trust's continuing compliance with applicable laws or requirements of any governmental agency or authority of Canada or of any province;
- (b) ensuring that the Trust will satisfy the provisions of each of subsections 108(2) and 132(6) of the Tax Act as from time to time amended or replaced;
- (c) ensuring that such additional protection is provided for the interests of Unitholders as the Trustee may consider expedient;
- (d) removing or curing any conflicts or inconsistencies between the provisions of the Trust Indenture or any supplemental indenture and any other agreement of the Trust or any offering document pursuant to which securities of the Trust are issued with respect to the Trust, or any applicable law or regulation of any jurisdiction, provided that in the opinion of the Trustee the rights of the Trustee and of the Unitholders are not materially prejudiced thereby;
- (e) curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions, provided that in the opinion of the Trustee the rights of the Trustee and of the Unitholders are not materially prejudiced thereby;
- (f) making such other amendments which in the opinion of the Trustee are necessary or desirable as a result of changes or proposed changes in taxation or other laws or the administration or enforcement thereof; or
- (g) to change the *situs* of, or the laws governing, the Trust which, in the opinion of the Trustee is desirable in order to provide Unitholders with the benefit of any legislation limiting their liability.

At the annual and special meeting of Unitholders held on May 15, 2008, the Unitholders passed a special resolution to amend the Trust Indenture to make it more clear that the Trustee can effect Internal Reorganizations (defined in the Trust Indenture to mean a reorganization of the direct or indirect assets of, liabilities and/or securities of any of the Trust, the Holding Trust, Trilogy Energy Ltd. or any other direct or indirect Subsidiaries of the Trust that following the completion of such reorganization, results in the Trust holding directly or indirectly the same interest in the assets and liabilities as existed prior to the reorganization) and to make all necessary and desirable consequential amendments to the Trust Indenture in respect of such amendments.

Takeover Bid

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

Termination of the Trust

The Unitholders may vote to terminate the Trust at any meeting of the Unitholders duly called for that purpose, subject to the following: (a) a vote may only be held if requested in writing by the holders of not less than 25% of the outstanding Trust Units; (b) a quorum of 50% of the issued and outstanding Trust Units is present in person or by proxy; and (c) the termination must be approved by Special Resolution of Unitholders.

The Trust shall continue for a term ending on the earlier of December 31, 2104 and the date which is the day prior to the date, if any, the Trust would otherwise be void by virtue of any applicable rule against perpetuities then in force in Alberta. Unless the Trust is earlier terminated or extended by vote of the Unitholders, the Trustee shall commence to wind-up the affairs of the Trust on such date as may be determined by the Trustee, being not more than two years prior to the end of the term of the Trust. In the event that the Trust is wound-up, the Trustee will sell and convert into money the property of the Trust in one transaction or in a series of transactions at public or private sale and do all other acts appropriate to liquidate the property of the Trust, and shall in all respects act in accordance with the directions, if any, of the Unitholders in respect of termination authorized pursuant to the Special Resolution authorizing the termination of the Trust. In no event will the Trust be wound up until all royalties or net profits interests have been disposed of, and under no circumstances shall any Unitholder come into any possession of any interest in a royalty or net profits interest. After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall distribute the remaining part of the proceeds of the sale of the assets together with any cash forming part of the property of the Trust among the Unitholders *pro rata*.

Reporting to Unitholders

The financial statements of the Trust are audited annually by an independent recognized firm of chartered accountants. The audited and unaudited financial statements of the Trust are publicly filed and mailed to Unitholders in accordance with applicable securities laws and the Trust Indenture. The year end of the Trust is December 31. PricewaterhouseCoopers LLP are the auditors of the Trust.

The Trust is also subject to the continuous disclosure obligations of applicable securities laws.

Holding Trust

The Holding Trust Declaration of Trust contains provisions substantially similar to those of the Trust Indenture. The principal differences between the Holding Trust Declaration of Trust and the Trust Indenture are those described below.

General

Holding Trust is an investment trust and its activities are restricted essentially to acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of the Limited Partnerships and other corporations, partnerships, trusts or other persons involved in the acquisition, exploration, development, exploitation and disposition of all types of petroleum and natural gas and energy related assets and other related business.

Trustee and Governance

The original trustee of Holding Trust was The Canada Trust Company. Pursuant to an asset purchase and sale agreement dated February 26, 2007, Computershare Trust Company of Canada acquired substantially all of the corporate trust services business of The Canada Trust Company and pursuant thereto The Canada Trust Company agreed to transfer to Computershare Trust Company of Canada, and Computershare Trust Company of Canada agreed to accept, the appointment as issuer trustee under the Holding Trust Declaration of Trust. Pursuant to a Supplemental Declaration of Trust dated January 24, 2008, Computershare Trust Company of Canada was substituted as the Holding Trust Trustee.

The Holding Trust Trustee supervises the activities and manages the affairs of Holding Trust.

The Holding Trust Declaration of Trust provides that, subject to its terms and conditions, the Holding Trust Trustee may, in respect of Holding Trust's assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner and will supervise the investments and conduct the affairs of Holding Trust. The Holding Trust Declaration of Trust prohibits a Non-Resident from acting as a trustee. The Holding Trust Trustee is responsible for, among other things:

- (a) acting for, voting on behalf of and representing Holding Trust as a limited partner of the Limited Partnerships;
- (b) maintaining records and providing reports to its unitholders;
- (c) supervising the activities of Holding Trust; and
- (d) effecting payments of available cash from Holding Trust to its unitholders.

Fundamental Transactions

The Holding Trust Declaration of Trust provides that Holding Trust shall not enter into or implement certain fundamental transactions without the prior written approval of the holder or holders of two-thirds of the outstanding Holding Trust Units. In addition, the Holding Trust Declaration of Trust provides that Holding Trust shall not vote securities held by it of Trilogy Energy LP, to authorize, among other things:

- (a) any sale, lease or other disposition of all or substantially all of the assets of Trilogy Energy LP, except in conjunction with an Internal Reorganization;
- (b) any merger, amalgamation, arrangement, reorganization, recapitalization, business combination or similar transaction involving Trilogy Energy LP, except in conjunction with an Internal Reorganization;
- (c) the winding-up, liquidation or dissolution of Trilogy Energy LP prior to the end of the term of Holding Trust; or
- (d) any material amendment to the Trilogy Energy LP limited partnership agreement by which Trilogy Energy LP is created, in a manner prejudicial to Holding Trust;

without the prior written authorization of the holder or holders of two-thirds of the issued and outstanding Holding Trust Units.

Distributions

The Holding Trust Declaration of Trust provides that Holding Trust will make monthly cash distributions to holders of record of Holding Trust Units on the last business day of each month. Such distributions will be paid on the same date as the Trust's Distribution Payment Date (which is intended to occur on or about the 15th day of each month). All or part of the Holding Trust's available cash will be distributed to holders of Holding Trust Units by way of monthly cash distributions, after satisfaction of its debt service obligations (principal and interest) and any cash redemptions or repurchases of Holding Trust Units and Holding Trust Notes. The Holding Trust Declaration of Trust provides that Holding Trust must distribute to holders of Holding Trust Units each year, subject to any limitations imposed by any agreements with lenders and unless the Holding Trust Trustee otherwise determines in its sole discretion, all of Holding Trust's net income for tax purposes for the year, net realized capital gains for the year and any other applicable amounts.

If the Holding Trust Trustee determines that Holding Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Holding Trust Units and Holding Trust Notes having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Holding Trust Trustee to be available for the payment of such distribution. The value of each Holding Trust Unit or Holding Trust Series 1 Note so issued will be the redemption price thereof.

At the annual and special meeting of Unitholders held on May 15, 2008, the Unitholders passed a special resolution to amend the Holding Trust Declaration of Trust to provide the Administrator with more flexibility regarding the payment of distributions to the Trust, the sole unitholder of Holding Trust, and to make all necessary and desirable consequential amendments to the Holding Trust Declaration of Trust in respect of such amendment. The foregoing description of Holding Trust distributions reflect such amendments.

Holding Trust Notes

Holding Trust Notes are issuable in series under the Holding Trust Note Indenture. Holding Trust initially issued to the Trust Series 1 Notes in the principal amount of approximately \$1,205 million. Additional Series 1 Notes are issued to the Trust in conjunction with additional Trust Unit issuances. Holding Trust Series 2 Notes are reserved by the Holding Trust to be issued exclusively to holders of Holding Trust Units as full or partial payment of the redemption price of Holding Trust Units. Holding Trust Series 3 Notes are reserved by Holding Trust to be issued exclusively as full or partial payment of the redemption price of Series 1 Notes as the Holding Trust Trustee may decide.

Under the Holding Trust Note Indenture, Series 1 Notes, Holding Trust Series 2 Notes and Holding Trust Series 3 Notes are issuable in Canadian currency in denominations of \$100 and integral multiples of \$100 or in such other denominations as is authorized by the Holding Trust Trustee or the Administrator.

Interest and Maturity

The Holding Trust Series 1 Notes are payable on demand and in any event mature approximately 25 years after their respective initial issuance date, are non-interest bearing until maturity or demand and thereafter will bear interest at 9% per annum, payable monthly, in arrears, with such payment to be made on or about the 15th day of the month following the month to which such payment relates. Each Holding Trust Series 2 Note will mature on a date determined at the time of issuance (provided that in no event shall the maturity date be set at a date subsequent to the first business day following the 5th anniversary of the date of issuance of such note) and bear interest at a market rate of interest determined at the time of issuance, in each case as determined by the Holding Trust Trustee, and the interest shall be payable monthly, in arrears, with such payment to be made on or about the 15th day of the month following the month to which such payment relates. Each Holding Trust Series 3 Note will mature on the 20th anniversary of the date of issuance thereof and bear interest at a market rate of interest to be determined by the Holding Trust Trustee at the time of issuance thereof, and the interest shall be payable monthly, in arrears, with such payment to be made on or about the 15th day of the month following the month to which such payment relates.

Payment upon Maturity

On maturity, Holding Trust will repay the Holding Trust Series 1 Notes, Holding Trust Series 2 Notes or Holding Trust Series 3 Notes by paying to the trustee under the Holding Trust Note Indenture the principal amount of the outstanding Holding Trust Series 1 Notes, Holding Trust Series 2 Notes or Holding Trust Series 3 Notes, as applicable, which have then matured, together with accrued and unpaid interest thereon.

Redemption

The Holding Trust Series 1 Notes, Holding Trust Series 2 Notes and Holding Trust Series 3 Notes are or will be redeemable at the option of the Holding Trust prior to maturity. In the event the Holding Trust chooses to redeem some or all of the Holding Trust Series 1 Notes, the Holding Trust Trustee may, in its discretion, decide to issue Holding Trust Series 3 Notes in full or partial payment of the redemption price for the Holding Trust Series 1 Notes.

Subordination

Payment of the principal amount and interest on the Holding Trust Series 1 Notes, Holding Trust Series 2 Notes or Holding Trust Series 3 Notes, as applicable, will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness, which is or will be defined as all indebtedness, liabilities and obligations of Holding Trust which, by the terms of the instrument creating or evidencing the same, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the Holding Trust Note Indenture. The Holding Trust Note Indenture provides that upon any distribution of the assets of Holding Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to Holding Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the Holding Trust Series 1 Notes, Holding Trust Series 2 Notes and Holding Trust Series 3 Notes are entitled to receive any payment.

The Holding Trust Series 1 Notes, Holding Trust Series 2 Notes and Holding Trust Series 3 Notes are or will be unsecured debt obligations of the Holding Trust.

Default

The Holding Trust Note Indenture provides that any of the following shall constitute an event of default: (i) default in payment of the principal of the Holding Trust Series 1 Notes, Holding Trust Series 2 Notes or Holding Trust Series 3 Notes, when the same becomes due and the continuation of such default for a period of 10 business days; (ii) default in payment of any interest due on any Holding Trust Series 1 Notes, Holding Trust Series 2 Notes or Holding Trust Series 3 Notes, and continuation of such default for a period of 15 business days; (iii) default in the observance or performance of any other covenant or agreement under the Holding Trust Note Indenture, or the

Holding Trust Notes and continuance of such default for a period of 30 days after notice in writing has been given by the trustee specifying such default and requiring Holding Trust to rectify the same; (iv) if there occurs, with respect to any issue of indebtedness of Holding Trust having an outstanding principal amount of \$10 million or more, an event of default that has caused the holder thereof to declare such indebtedness to be due and payable prior to its maturity and such indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration; and (v) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to Holding Trust. The provisions governing an event of default under the Holding Trust Note Indenture and remedies available thereunder do not provide protection to the holders of Holding Trust Series 1 Notes, Holding Trust Series 2 Notes or Holding Trust Series 3 Notes which would be comparable to the provisions generally found in debt securities issued to the public.

Limited Partnerships

General

The Limited Partnerships are limited partnerships established under the laws of the Province of Alberta to make investments in and conduct the business of the exploration, development, production and marketing of petroleum and natural gas and such other businesses as the directors of the General Partners may determine, and activities ancillary and incidental thereto.

General Partners

The sole general partners of the Limited Partnerships are as follows:

<u>Limited Partnership</u>	<u>General Partner</u>
Trilogy Energy LP	Trilogy Energy Ltd.
Trilogy Redsky LP	Trilogy Redsky Ltd.
Trilogy Blue Mountain LP	Trilogy Blue Mountain Ltd.

The General Partners are responsible for the administration and management of their respective Limited Partnerships and generally carry out the objects, purposes and businesses of the Limited Partnerships. Trilogy Energy Ltd. and Paramount Resources have entered into the Services Agreement pursuant to which Paramount Resources has been engaged to provide certain administrative and operational services to Trilogy Energy Ltd. to assist it in carrying out its duties and obligations as general partner of Trilogy Energy LP. Trilogy Energy LP, in turn, provides similar services to Trilogy Redsky LP and Trilogy Blue Mountain LP pursuant to management services agreements. Certain key employees of Trilogy Energy LP have been seconded to the general partners of Trilogy Redsky LP and Trilogy Blue Mountain LP to assist in activities associated with the operation of the oil and gas assets held by those partnerships.

Partnership Units

The Limited Partnerships are entitled to issue an unlimited number of partnership units. The limited partnership interest of the Limited Partnerships are entirely held by Holding Trust, and the general partnership interest is entirely held by each respective General Partner.

Distributions

The Limited Partnerships distribute to their respective General Partners and to Holding Trust, as the limited partner, their respective *pro rata* portions of any cash available for distribution as set out below. Such distributions to Holding Trust are intended to be received prior to its related distributions to the Trust and by the Trust prior to its distributions to Unitholders (which are intended to occur on or about the 15th day of each month).

Cash available for distribution represents, in general, all of the Limited Partnerships' cash after satisfaction of the Limited Partnerships' obligations under the Net Profits Interest Agreements and after satisfaction of its debt service obligations (principal and interest) and other expense obligations.

Allocation of Income and Loss for Income Tax Purposes

The income or loss of the Limited Partnerships for each fiscal period is allocated to the General Partners and to Holding Trust, as a limited partner, as to their respective interests in the Limited Partnerships. The income for tax purposes of the Limited Partnerships for a particular fiscal period is allocated to each partner in accordance with their partnership share interest held at the end of that fiscal period.

If, with respect to a given fiscal period, no cash distribution is made by the Limited Partnerships to its partners, or the Limited Partnerships have a loss for tax purposes, such loss will be allocated to each partner in accordance with their partnership share interest held at the end of that fiscal period. The amount of income or loss allocated to a limited partner may exceed or be less than the amount of cash distributed to that limited partner.

Functions and Powers of the General Partners

The General Partners have exclusive authority to manage the business and affairs of their respective Limited Partnerships, to make all decisions regarding the business of their respective Limited Partnerships and to bind their respective Limited Partnerships. The General Partners are to exercise their powers and discharge their duties honestly, in good faith and in the best interests of the Limited Partnerships and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The General Partners do not have the authority to dissolve their respective Limited Partnerships, wind up its affairs or effect a sale of all or substantially all of their respective Limited Partnership's assets except in accordance with the provisions of the Limited Partnership Agreements.

The authority and power vested in the General Partners to manage the business and affairs of their respective Limited Partnerships includes all authority necessary or incidental to carry out the objects, purposes and business of the Limited Partnerships, including, without limitation, the ability to engage agents to assist the General Partners to carry out its management obligations and administrative functions.

Fundamental Transactions

The Limited Partnership Agreements provide that the partners of the Limited Partnerships will not dissolve the Limited Partnerships or effect a sale of all or substantially all of the assets of the Limited Partnerships without prior approval of the holders of at least two-thirds of the partnership units.

Limited Liability

The Limited Partnerships operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners of the Limited Partnerships. Limited partners may lose their limited liability in certain circumstances. The Limited Partnership Agreements provide that, if limited liability is lost by reason of the fraud, gross negligence or wilful misconduct of the General Partners in performing its duties and obligations under the respective Limited Partnership Agreement such General Partner will indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the Limited Partnership Agreements. However, since the General Partners have no significant assets or financial resources, this indemnity may have nominal value.

The General Partners

The General Partners are responsible for the administration and management of their respective Limited Partnerships and to generally carry out the objectives, purposes and businesses of their respective Limited Partnerships.

Trilogy Energy Ltd. may from time to time retain third parties to provide administrative and operational services required by the Trust and its subsidiaries, or may cease to retain any third parties and provide all such services internally. Trilogy Energy LP, in turn, provides similar services to Trilogy Redsky LP and Trilogy Blue Mountain LP pursuant to management services agreements between such entities. Certain key employees of Trilogy Energy LP have been seconded to the general partners of Trilogy Redsky LP and Trilogy Blue Mountain LP to assist in activities associated with the operation of the oil and gas assets held by those limited partnerships.

The Administrator

Pursuant to the Trust Indenture, the Holding Trust Declaration of Trust and the Administration Agreement, the Administrator is the administrator of the Trust and Holding Trust and is responsible for the administration and management of the affairs and day-to-day operations of the Trust and Holding Trust. The directors and officers of the Administrator are responsible for the overall supervision and governance of the Trust and its subsidiaries.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since Trilogy's inception, Paramount Resources has provided marketing and certain other limited administrative and operating services to Trilogy Energy LP, and indirectly to the Trust and Holding Trust, pursuant to a services agreement. The services agreement provides that Paramount Resources shall be reimbursed for reasonable costs

incurred in providing these services. The amount of expenses billed and accrued under the services agreement in each of the past three fiscal years is: \$1.9 million in 2006; \$0.8 million in 2007 and \$0.3 million in 2008.

AUDIT COMMITTEE INFORMATION

The full text of the audit committee's charter is included in Appendix C of this annual information form.

The audit committee consists of 3 members, all of whom are independent and financially literate. The relevant education and experience of each audit committee member is outlined below:

Mr. J.G. (Jack) Williams retired from the board of directors and audit committee of the Trust at the conclusion of the annual and special meeting of Unitholders held on May 15, 2008. Mr. Don Garner was appointed to the board of directors and audit committee of the Trust on June 15, 2008.

Robert M. MacDonald

Bob MacDonald is an oil and gas banking professional with six years experience as a corporate director and 27 years experience as a senior officer of several Canadian chartered banks, including 18 years in Alberta and nine years in the United States. He has expertise in oil and gas banking/financing, having handled and provided advisory services on strategic alternatives for senior and bridge debt structuring, project financing, mezzanine debt structuring, portfolio management, credit risk management, financial analysis and loan re-structuring. From 1998 to 2003, he was Director, Oil & Gas, Commercial Banking with CIBC World Markets Inc. (a global investment banking firm). From 1993 to 1998, Mr. MacDonald was Vice President, Oil & Gas Group with CIBC.

Mr. MacDonald graduated from the University of Saskatchewan (Regina Campus) in 1975 with a Bachelor of Business Administration degree (major in Economics and Finance and minor in Accounting). He is a Fellow of the Institute of Canadian Bankers and has completed the academic requirements for the Director Education Program of the Institute of Corporate Directors. He is also a director of Newalta Inc.

M.H. (Mick) Dilger

Mick Dilger is Chief Operating Officer of Pembina Pipeline Corporation (a Canadian energy infrastructure corporation) since November 2008. He joined Pembina in March 2005 as Vice President, Business Development. Prior thereto, Mr. Dilger was the Chief Financial Officer of VISTA Midstream Solutions Ltd. (a Canadian energy infrastructure corporation which he founded) from 1999 until July 2003 and held a broad range of senior executive positions with NOVA Corporation and TransCanada PipeLines (national energy infrastructure companies) from 1994 to 1998.

Mr. Dilger graduated from the University of Calgary with a Bachelor of Commerce degree in 1986 and has been a chartered accountant since 1989.

Mr. Dilger is currently a member of the Canadian Institute of Chartered Accountants.

Don Garner

Don Garner is a professional engineer and oil and gas professional with twenty-nine years experience in the upstream petroleum industry. Since June 2008, he has been an independent businessman. Prior thereto, Mr. Garner was the Chief Executive Officer and advisor to TAQA North, successor to PrimeWest Energy Trust where he was the Chief Executive Officer from 2003 to 2007 and President and Chief Operating Officer from 2001 to 2002. From 1998 to 2001, Mr. Garner was President and Chief Operating Officer of Northstar Energy Corporation. Prior to 1998, he spent nineteen years in various capacities with Imperial Oil Limited, ultimately as the executive responsible for the Oil Sands Business Unit.

Mr. Garner graduated from the engineering faculty of the University of Saskatchewan in 1979 with a Bachelor of Science in Mechanical Engineering.

Pre-Approval Policies And Procedures

Trilogy's audit committee has adopted, and the board of directors of Trilogy Energy Ltd. has ratified, an Audit and Non-Audit Services Pre-Approval Policy (the "Policy"). The Policy establishes procedures by which services proposed to be performed by the Trust's independent auditors may be pre-approved. The audit committee has identified the following four categories of services that may be provided by the Trust's independent auditors: audit services, audit-related services, tax services and all other services. Within the first three of these defined categories, the audit committee has identified certain services that have been granted general pre-approval and which the independent auditors may provide without consideration by the audit committee on a case-by-case basis. Requests

for the provision of services by the Trust's independent auditors shall be submitted to Trilogy's Chief Financial Officer who will make a determination as to whether the proposed services are included in the list of services that have received the general pre-approval of the audit committee. If the Chief Financial Officer cannot verify that such services have received general pre-approval, then such requests for services must be submitted to the Trust's audit committee for specific pre-approval. In respect of the "all other services" category, the audit committee has approved a list of non-audit services that the Trust's independent auditors are prohibited from providing. All permitted "all other services" engagements must receive specific approval from the audit committee.

For both general pre-approval and specific pre-approval, Trilogy's audit committee will consider whether such services are consistent with NI 52-110, *Audit Committees*, and will consider whether the independent auditor is best positioned to provide the most effective and efficient service for reasons such as its familiarity with the Trust's business, accounting systems, people, risk profile and other factors, and whether the service might enhance the Trust's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole and no one factor will necessarily be determinative.

EXTERNAL AUDITOR SERVICE FEES

The following table provides information about the fees billed to Trilogy and its Subsidiaries for professional services rendered by PricewaterhouseCoopers LLP, Trilogy's external auditors, during the last two fiscal years.

	2008	2007
Audit Services	\$136,900	\$168,000
Audit –Related Fees ⁽¹⁾	\$60,000	\$177,219
Tax Fees ⁽²⁾	Nil	Nil
All Other Fees ⁽³⁾	<u>\$7,290</u>	<u>Nil</u>
Total:	\$204,190	\$345,219

Notes:

- (1) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Trilogy's financial statements and are not reported under the heading "Audit Services". These fees were billed to Trilogy for services with respect to internal controls.
- (2) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. During fiscal 2007 and 2008 there were no fees billed in this category.
- (3) All Other Fees consist of fees billed for subscription to an accounting data base.

RISK FACTORS

The following is a summary of certain risk factors relating to the Trust, Holding Trust and the Limited Partnerships and the ownership of Trust Units which should be carefully considered.

Risks Relating to the Trust's Properties and Assets

Volatility of Commodity Prices

The Trust's results of operations and financial condition will be dependent on the prices received for the production of natural gas and petroleum. Prices for natural gas and petroleum have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as conditions in other oil producing regions, which are beyond the control of the Limited Partnerships or the Trust. Prices received from production in Canada also reflect changes in the Canadian/U.S. currency exchange rate. Any decline in the prices for natural gas and petroleum could have a material adverse effect on the Trust's operations, financial condition and the level of expenditures provided for the development of its natural gas and oil reserves. The General Partners may manage the risk associated with changes in commodity prices and foreign exchange rates by causing the Limited Partnerships or the Trust to enter, from time to time, into natural gas and crude oil price hedges and forward foreign exchange contracts. To the extent that the Limited Partnerships or the Trust engage in

risk management activities related to commodity prices and foreign exchange rates, they will be subject to credit risks associated with counterparties with which they contract as well as risks inherent to the derivative instruments employed in such risk management activities. In addition, commodity hedge contracts may require, from time to time, margin payments to be made which could impact negatively on the Trust's ability to make distributions to Unitholders. To the extent that commodity prices increase significantly, the Cash Flow of Trilogy Energy Trust could be negatively affected if the Trust has hedges in place which do not allow it to realize the increased prices.

Drilling activities

Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered and that Trilogy will not recover all or any portion of its investment. The cost of drilling, completing and operating wells is often uncertain. Trilogy's drilling operations could be curtailed, delayed or cancelled as a result of numerous factors, many of which are beyond its control, including:

- weather conditions;
- required compliance with governmental requirements; and
- shortages or delays in the delivery of equipment and services.

Ability to Market

Trilogy's ability to market its oil and natural gas depends upon numerous factors beyond its control. These factors include:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of weather conditions;
- regulation of oil and natural gas marketing; and
- regulation of oil and natural gas sold or transported outside of Canada.

Because of these factors, Trilogy could be unable to market all of the oil or natural gas it produces. In addition, Trilogy may be unable to obtain favorable prices for the oil and natural gas it produces.

Current Economic Conditions

The economic recession that commenced in the United States (U.S.) has significantly impacted the global economy. In Canada, the effects of the economic downturn have been felt as evidenced by the loss of investors' confidence, limited access to capital, tight credit controls, an increased unemployment rate and declining commodity prices, among others. Canada's Federal government has implemented certain measures to help stimulate the economy, including a significant reduction in interest rates.

The significant decline in energy commodity prices has impacted Trilogy's operations resulting in reductions to cash flow, distributions to Unitholders and forecast capital spending, and heightened risks on financial instruments, among other things.

It is uncertain how long these current economic conditions will exist or what the future impact on Trilogy will be, however such conditions could be a material adverse impact on Trilogy.

Hedging

The nature of Trilogy's operations results in exposure to fluctuations in commodity prices, currency exchange rates and interest rates. Trilogy monitors and, when appropriate, utilizes derivative financial instruments and physical delivery contracts to hedge its exposure to these risks. Trilogy is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments and physical delivery contracts. From time to time, Trilogy enters into hedging activities in an effort to mitigate the potential impact of declines in oil and natural gas prices, changes in the value of the Canadian dollar versus the U.S. dollar or changes in interest rates.

If product prices increase, or the value of the Canadian dollar versus the U.S. dollar changes, or interest rates change from that provided in Trilogy's various hedging agreements, Trilogy could be required to make cash payments to counterparties, could lose the cost of floors, or a ceiling or fixed price could limit Trilogy from receiving the full benefit of commodity price increases, changes in the value of the Canadian dollar or changes in interest rates.

In addition, by entering into these hedging activities, Trilogy may suffer financial loss if:

- it is unable to produce oil or natural gas to fulfill its obligations;
- it is required to pay a margin call on a hedge contract; or
- it is required to pay royalties based on a market or reference price that is higher than its fixed or ceiling price.

Fluctuations in Foreign Currency Exchange

World oil prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/United States dollar exchange rate which fluctuates over time. A material increase in the value of the Canadian dollar may negatively impact the Trust's net production revenue, cash flow and the price of Trust Units. A decline in the value of the Canadian dollar relative to the United States dollar provides a competitive advantage to United States companies in acquiring Canadian oil and gas properties and may make it more difficult for the Trust to replace reserves through acquisitions.

Net Asset Value

The net asset value of the assets of the Trust from time to time will vary dependent upon a number of factors beyond the control of management, including natural gas and oil prices. The trading price of the Trust Units from time to time is also determined by a number of factors which are beyond the control of management and such trading prices may be less than the net asset value of the Trust's assets.

Control of Operations

Trilogy does not operate all of its properties, so it has limited influence over the operations of some of its properties. Trilogy's lack of control could result in the following:

- the operator might initiate exploration or development on a faster or slower pace than Trilogy prefers;
- the operator might propose to drill more wells or build more facilities on a project than Trilogy has funds for or that Trilogy deems appropriate, which could mean that Trilogy is unable to participate in the project or share in the revenues generated by the project even though Trilogy paid its share of exploration costs; and
- if an operator refuses to initiate a project, Trilogy might be unable to pursue the project.

Any of these events could materially reduce the value of Trilogy's properties.

Depletion and Sustainability of Reserves

The Trust has certain unique attributes which differentiate it from other oil and natural gas industry participants. Cash Flow of Trilogy Energy Trust, absent commodity price increases or cost effective acquisition and development activities, will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. The Trust will not be reinvesting cash flow in the same manner as traditional oil and gas companies. Accordingly, absent capital injections, initial production levels and reserves attributable to the Properties will decline.

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

Trust Units will have no value when reserves from the Properties can no longer be economically produced and, as a result, Unitholders need to obtain a return of capital invested out of cash flow derived from their investment in Trust Units during the period when reserves can be economically recovered.

There is strong competition relating to all aspects of the oil and natural gas industry. The Trust will actively compete for reserve acquisitions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial and other resources than the Trust.

There can be no assurance that the General Partners, on behalf of their respective Limited Partnerships, will be successful in developing or acquiring additional reserves on terms that meet the Trust's investment objectives.

The estimated reserve life indices of the Trust's reserves are largely dependent on the accuracy of the reserve estimates and changes in commodity prices, operating costs and royalty rates, all of which could impact the length of time that its reserves can be economically produced.

Reserve Estimates

The reserve and recovery information contained in the Paddock Lindstrom Report is only an estimate and the actual production and ultimate reserves from the properties evaluated may be greater or less than the estimates prepared by Paddock Lindstrom. Estimates of the oil and natural gas reserves of the Trust depend in large part upon the reliability of available geological and engineering data. Geological and engineering data are used to determine the probability that a reservoir of oil and natural gas exists at a particular location, and whether, and to the extent to which, oil and natural gas are recoverable from a reservoir. The reliability of reserve estimates depends on: (i) whether the prevailing tax rules and other government regulations, contracts and oil, natural gas and other prices, will remain the same as on the date estimates are made; (ii) the production performance of the reservoirs; (iii) extensive engineering judgments; (iv) the price at which recovered oil and natural gas can be sold; (v) the costs associated with recovering oil and natural gas; (vi) the prevailing environmental conditions associated with drilling and production sites; (vii) the availability of enhanced recovery techniques; and (viii) the ability to transport oil and natural gas to markets.

A change in any one or more of these factors could result in known quantities of oil and natural gas previously estimated as proved reserves becoming unrecoverable. For example, a decline in the market price of oil or natural gas to an amount that is less than the cost of recovery of such oil and natural gas in a particular location could make production thereof commercially impracticable. Each of these factors, by having an impact on the cost of recovery and the rate of production, will also affect the present value of future net cash flows from estimated reserves. Many of the factors, assumptions and variables involved in estimating reserves are beyond control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in the reserve data. Any downward adjustment could lead to lower future production and thus adversely affect the financial condition, future prospects and market value of the Trust.

Surface conditions

The exploration for and development of oil and natural gas reserves depends upon access to areas where operations are to be conducted. Oil and gas industry operations are affected by road bans imposed from time to time during the break-up and thaw period in the spring. Road bans are also imposed due to snow, mud and rock slides and periods of high water which can restrict access to Trilogy's well sites and production facility sites.

Trilogy conducts a portion of its operations in areas which Trilogy is able to access only on a seasonal basis. Unless the surface is sufficiently frozen, Trilogy is unable to access its properties, drill or otherwise conduct its operations as planned. In addition, if the surface thaws earlier than expected, Trilogy must cease its operations for the season earlier than planned. Limitations on Trilogy's ability to access remote properties or to conduct its operations as planned could result in a shutdown or slow down of its operations, which may adversely affect its business.

Operational Matters

The ownership and operation of oil and natural gas wells, pipelines and facilities involves a number of operating and natural hazards which may result in blowouts, environmental damage and other unexpected or dangerous conditions resulting in damage to the Properties and possible liability to third parties. The Limited Partnerships employ prudent risk management practices and maintain suitable liability and other insurance, where available. The Limited Partnerships may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Costs incurred to repair such damage or pay such liabilities will reduce the Cash Flow of Trilogy Energy Trust.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent.

Essential equipment or personnel

Oil and natural gas exploration and development activities depend upon the availability of drilling and related equipment in the particular areas in which those activities will be conducted and qualified personnel. Demand for that equipment or access restrictions may affect the availability of that equipment and delay Trilogy's exploration and development activities. Likewise, a shortage of qualified personnel may delay Trilogy's exploration and development activities.

Competition

There is strong competition relating to all aspects of the oil and natural gas industry, including the energy trust sector. Trilogy will actively compete for capital, skilled personnel, reserves acquisitions, access to drilling rigs, service rigs and other equipment, access to processing facilities and pipeline and refining capacity and in all other aspects of its operations with a substantial number of other organizations, many of which may have greater technical and financial resources than the Limited Partnerships and the Trust. Some of those organizations not only explore for, develop and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a world-wide basis and as such have greater and more diverse resources on which to draw.

Environmental Concerns

The crude oil, natural gas and refining businesses are subject to environmental regulation pursuant to a variety of federal, provincial and municipal laws and regulations (collectively, "environmental legislation").

Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with oil and gas operations. Environmental legislation also requires that wells, facility sites and other properties associated with the Trust's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Compliance with environmental legislation can require significant expenditures, including expenditures for clean up costs and damages arising out of contaminated properties and failure to comply with environmental legislation may result in the imposition of fines and penalties. Although it is not expected that the costs of complying with environmental legislation will have a material adverse effect on the Trust's financial condition or results of operations, no assurance can be made that the costs of complying with environmental legislation in the future will not have such an effect.

Greenhouse Gas Emissions

In 1994, the United Nations' Framework Convention on Climate Change came into force which led to the Kyoto Protocol coming into force in 2005. The Kyoto Protocol requires that certain nations reduce their emissions of carbon dioxide ("CO₂") and other greenhouse gases ("GHG").

In October 2006, the Canadian Federal Government announced its intention to regulate GHG and other air pollutants. The *Turning the Corner* plan to reduce GHG and air pollution was unveiled on April 26, 2007 with further details of the plan announced on March 10, 2008. The plan sets out an approach for reducing GHG and air pollution emissions from industry and sets a national target of a 20% reduction in GHGs from 2006 levels by 2010 and 60% to 70% by 2050. Trilogy provided information about its emissions of air pollutants and GHGs for the year 2006 to the Canadian Federal Government as required under the plan. Since there is no federal legislation at this time in respect of reducing GHG, only a plan, it is difficult to assess what the impact of any GHG legislation will have since the parameters are unknown at this time; however, Trilogy does not expect that its compliance costs will be material.

Commencing July 2007, Alberta's *Climate Change and Emissions Management Act* requires facilities that emit more than 100,000 tonnes of GHG per year to reduce their emissions intensity by 12 per cent from a 2003 to 2005 average baseline. Compliance options include: i) making operating improvements; ii) purchasing off set credits to apply against the emission total; or iii) contributing to the Climate Change and Emissions Management Fund for GHG emissions reduction. Trilogy does not own any facility that currently emits 100,000 tonnes or more of GHG and therefore is not currently impacted by this legislation.

Title Matters

The Trust has not obtained a legal opinion as to the title of any of its assets, and cannot guarantee or certify that a defect in the chain of title may not arise to defeat the Limited Partnerships' interest in such properties. Remediation of title problems could result in additional costs and litigation. If title defects are unable to be remedied, the Limited Partnerships may lose some of its interest in the disputed properties resulting in reduced production and a reduction in the Cash Flow of Trilogy Energy Trust.

Land claims

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of western Canada, including some of the properties on which Trilogy conducts its operations. If any aboriginal peoples file a claim asserting aboriginal title or rights to the lands on which any of Trilogy's properties are located, and if any such claim is successful, it could have an adverse effect on Trilogy's assets, results of operations and ability to execute its business plan.

New Royalty Framework

The *Mines and Minerals (Royalty Framework) Amendment Act, 2008* was given royal ascent on December 2, 2008 and became law on January 1, 2009. The effect of this Act is to amend the *Mines and Minerals Act* to implement a New Royalty Framework initially announced by the government of Alberta on October 25, 2007. The New Royalty Framework brings significant changes to the royalty structure that existed in Alberta prior to January 1, 2009 by introducing a sliding scale of new, quantity and price sensitive royalties.

On November 19, 2008, the government of Alberta announced a transitional royalty rate by giving oil and gas producers a one-time option of selecting transitional royalty rates or New Royalty Framework rates when drilling a new natural gas or conventional oil well 1,000 to 3,500 metres in depth. The optional rate will apply to new wells that satisfy the depth requirements and are drilled after January 1, 2009 or where staging, preparatory or initial drilling work began during the period between November 19, 2008 and December 31, 2008. The option of selecting the transitional royalty rates will be available until December 31, 2013.

The Alberta Government also announced in the New Royalty Framework that it intends to implement shallow rights reversion with respect to all Crown petroleum and natural gas leases, pursuant to which mineral rights above the top of the shallowest productive zone will revert to the Crown. During 2008, the Department of Energy formed a working group and began a review and consultation process. The recommendations will ultimately require legislative approval to amend the *Mines and Minerals Act*. The Department of Energy expects to start serving notices of shallow rights reversion under the *Mines and Minerals Act* in January 2011, by vintage, commencing with the oldest Petroleum and Natural Gas leases in the province.

In higher commodity price environments, Trilogy anticipates paying higher Crown royalties, resulting in an increase in its expenses and a corresponding reduction in its netbacks, upon the implementation of the New Royalty Framework.

Impact on communities and surrounding environments

Those impacted by Trilogy's operations may become concerned over the use of resources, such as land and water, the perceived or real threat to human health, the potential impact on biodiversity, and/or possible societal changes to surrounding communities. Trilogy must secure and maintain formal regulatory approvals and licences in order to conduct operations. In addition, broader societal acceptance of Trilogy's activities is necessary for resource development. An inability of Trilogy to secure local community support, necessary regulatory approvals and licences and broader societal acceptance can result in projects being delayed or stopped, resulting in higher project costs. Lack of local community and stakeholder support can lead to pressure to limit or shut down operations.

Exposure to Counterparties

Trilogy is exposed to credit risk, and operational risk associated with counterparties' abilities to fulfill their obligations to Trilogy.

Information System Risk

Trilogy depends on a variety of information systems to operate effectively. A failure of any one of the information systems may result in operational difficulties, damage or loss of data or result in unauthorized knowledge and use of information.

Risks Relating to the Trust Units

Limited Purpose Trust

The Trust is a trust which is entirely dependent upon the operations and assets of its subsidiaries through the Trust's ownership of the securities of, and net profit interests and debt instruments issued by, those subsidiaries. The Limited Partnerships' income is received from the production of natural gas and oil from its resource properties and is susceptible to the risks and uncertainties associated with the oil and natural gas industry generally. Since the primary focus is to pursue growth opportunities through the development of existing reserves and acquisition of new properties, the Limited Partnerships' involvement in the exploration for natural gas and oil is less than that of a traditional oil and gas company. As a result, if the natural gas and oil reserves associated with the Limited Partnerships' resource properties are not supplemented through additional development or the acquisition of additional natural gas and oil properties, the ability of the Limited Partnerships to continue to generate cash flow for distribution to Unitholders may be adversely affected.

Cash Distributions

Monthly cash distributions on Trust Units may be reduced or suspended from time to time as a result of reduced commodity prices, increased capital expenditures or other costs, changes in inflation, currency and interest rates, changes in tax laws or regulations, general economic and market conditions or a combination of such factors.

Delay in Distributions

In addition to the usual delays in payment by purchasers of natural gas and oil to the operators of the Properties, and by the operator to the Limited Partnerships, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, adjustments for other periods, recovery by the operator of expenses incurred in the operation of the Properties, the establishment by the operator of reserves for such expenses or accounting disputes. Such delays may inhibit the Trust's ability to make monthly distributions of Cash Flow of Trilogy Energy Trust to the Unitholders.

Changes in tax and other laws may adversely affect Unitholders

Income tax laws, other laws, or government incentive programs relating to the oil and gas industry may be changed or interpreted in a manner which adversely affects the Trust and/or the Unitholders. Tax authorities having jurisdiction over the Trust or Unitholders may disagree with the manner in which the Trust, the Holding Trust or any of the Limited Partnerships calculate their income for tax purposes or could change their administrative practises to the Trust's detriment or the detriment of Unitholders. Income tax laws, other laws or government incentive programs relating to the oil and gas industry, such as the treatment of mutual fund trusts and other flow through entities, may in the future be changed or interpreted in a manner that adversely affects the Trust and Unitholders.

SIFT Rules may adversely affect Unitholders

On October 31, 2006, the Minister of Finance (Canada) announced legislative tax proposals that would impose an income tax at the trust level at a rate comparable to a combined federal and provincial corporate tax rate. Bill C-52, which received Royal Assent on June 22, 2007, and subsequent legislative amendments, contained legislation implementing these proposals (collectively, the "SIFT Rules"). The SIFT Rules apply to trusts and partnerships that are resident in Canada for purposes of the Tax Act (in the case of partnerships, pursuant to new residency rules for this purpose), that hold one or more "non-portfolio properties", and the units of which are listed on a stock exchange or other public market (a "specified investment flow-through trust" or "SIFT trust", and a "specified investment flow-through partnership" or "SIFT partnership"). Pursuant to a grandfathering provision in the SIFT Rules, a trust or partnership that was a SIFT trust or SIFT partnership on October 31, 2006, generally would not become taxable under the SIFT Rules until January 1, 2011, provided the trust or partnership experiences only "normal growth" and no "undue expansion" before then. On December 15, 2006 Finance issued guidelines with respect to what would be considered "normal growth" for this purpose (the "Guidelines").

On July 14, 2008, the Minister of Finance (Canada) announced proposed amendments to the Tax Act including technical amendments to clarify certain aspects of the SIFT Rules and to provide rules to facilitate the conversion of existing SIFT trusts into corporations on a tax-deferred basis (the "Conversion Rules"). The Conversion Rules address many of the principal substantive and administrative issues that arise when structuring a corporate conversion of an income trust under the Tax Act. The Conversion Rules contemplate two alternatives for the conversion of a publicly-traded income trust into a taxable Canadian corporation and the winding-up of the trust's underlying structure. The first alternative involves the winding-up of the trust into a taxable Canadian corporation whereas the second approach involves the distribution by the publicly-traded income trust of shares of an underlying taxable Canadian corporation to its unitholders. Parliament was dissolved on September 7, 2008, and a federal election was held on October 14, 2008. Following the federal election, the Conversion Rules were included in a Notice of Ways and Means Motion tabled in the House of Commons on November 28, 2008 and, following the dissolution of Parliament on December 4, 2008, Finance tabled a further Notice of Ways and Means Motion in the House of Commons on February 2, 2009 containing, among other things, the Conversion Rules. There can be no assurances that the Conversion Rules will be enacted as proposed or at all.

The Trust is considered a "SIFT trust" and, commencing January 1, 2011 (provided the Trust only experiences "normal growth" before that time), the Trust will be subject to tax on the portion of its distributions that are ordinary taxable income and taxable capital gains from dispositions of non-portfolio properties at a rate comparable to the combined federal and provincial corporate income tax rate (expected to be 26.5% in 2011 and 25% starting January 1, 2012 based on recently enacted reductions in the federal general corporate tax rate). The application of the SIFT Rules to the Trust will reduce the amount of cash flow available for distributions to Unitholders.

Once the Trust becomes taxable under the SIFT Rules, for a Unitholder who is resident in Canada for the purposes of the Tax Act, the portion of the Trust's distributions which would otherwise be taxed as ordinary income will be treated as an eligible dividend paid by a taxable Canadian corporation. Returns of capital generally are (and under the SIFT Rules will continue to be) tax-deferred for Unitholders who are resident in Canada for purposes of the Tax Act (and reduce such Unitholder's adjusted cost base in the Trust Unit for purposes of the Tax Act). Distributions, whether of income or capital, to a Unitholder who is not resident in Canada or a "Canadian partnership" for purposes of the Tax Act, generally will be subject to Canadian withholding tax. Taxation of the Trust's distributions in 2011 and beyond will depend upon the composition of its distributions which will vary depending on levels of profitability, capital expenditures and other factors. It is therefore not possible to accurately predict the tax treatment for future years.

The adverse tax consequences associated with the SIFT Rules could be realized sooner than 2011 if the Trust experiences growth other than "normal growth" before then. According to the Guidelines, normal growth includes equity growth within certain "safe harbour" limits which are measured by reference to a SIFT trust's market capitalization as of the end of trading on October 31, 2006 (which would include the SIFT trust's issued and outstanding publicly traded trust units and not any convertible debt, options or other interests convertible into or exchangeable for trust units). The permitted expansion thresholds are the greater of \$50 million and 40% of a SIFT trust's October 31 market capitalization for the period from October 31, 2006 to the end of 2007, and the greater of \$50 million and 20% of a SIFT trust's October 31 market capitalization for each of 2008, 2009 and 2010. Moreover, these limits are cumulative, so that any unused limit for a period carries over into the subsequent period. Additional information on what constitutes "normal growth" include the following:

- (a) new equity for these purposes includes units and debt that is convertible into units (and may include other substitutes for equity if attempts are made to develop such substitutes);
- (b) replacing debt that was outstanding as of October 31, 2006 with new equity, whether by a conversion into trust units of convertible debentures or otherwise, will not be considered growth for these purposes and will therefore not affect the safe harbour limits; and
- (c) the exchange for trust units, of exchangeable partnership units or exchangeable shares that were outstanding on October 31, 2006 will not be considered growth for those purposes and will therefore not affect the safe harbour where the issuance of the trust units is made in satisfaction of the exercise of the exchange right by a person other than the SIFT.

On December 4, 2008, Finance announced changes to the Guidelines to allow a SIFT trust to accelerate the utilization of the SIFT trust's annual permitted expansion amount for each of 2009 and 2010 so that the amount is available on and after December 4, 2008. This change does not alter the maximum permitted expansion threshold for a SIFT trust, but it allows a SIFT trust to use its normal growth room remaining as of December 4, 2008 in a single year, rather than staging a portion of the normal growth room over the 2009 and 2010 years.

The Trust's market capitalization as of the close of trading on October 31, 2006, having regard only to its issued and outstanding publicly-traded Trust Units, was approximately \$1,416 million, which means the Trust's "safe harbour" equity growth amount for the period ending December 31, 2007 was approximately \$566.4 million and for each of calendar 2008, 2009 and 2010 is an additional approximately \$283.2 million (in any case, not including equity, including convertible debentures, issued to replace debt that was outstanding on October 31, 2006) and the permitted expansion room for each of 2009 and 2010 is available to be used by the Trust after December 4, 2008.

The SIFT Rules are expected to result in adverse tax consequences to the Trust and certain Unitholders (including most particularly Unitholders that are tax exempt trusts and non-residents of Canada) and may impact cash distributions from the Trust. In addition, while the Guidelines are such that it is unlikely they would affect the Trust's ability to raise the capital required to maintain and grow its existing operations in the ordinary course during the transition period, the SIFT Rules have reduced the value of the Trust Units, which has increased the cost to the Trust of raising capital in the public capital markets. This could adversely affect the cost of raising capital and the Trust's ability to undertake more significant acquisitions. There can be no assurance that the Trust will be able to reorganize its legal and tax structure to substantially mitigate the expected impact of the SIFT Rules.

There would be material adverse tax consequences if the Trust lost its status as a mutual fund trust under Canadian tax laws

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

- The Trust would be taxed on certain types of income distributed to Unitholders. Payment of this tax may have adverse consequences for some Unitholders, particularly Unitholders that are not residents of Canada and residents of Canada that are otherwise exempt from Canadian income tax.
- Trust Units held by Unitholders that are not residents of Canada would become taxable Canadian property. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Trust Units held by them.

The Trust may take certain measures in the future to the extent the Trust believes them necessary to ensure that it maintains its status as a mutual fund trust. These measures could be adverse to certain holders of Trust Units.

Debt Service

Each of Holding Trust and Trilogy Energy LP are permitted to borrow funds to fund capital expenditures and other financial obligations or expenditures in respect of the Properties and for working capital purposes. Amounts paid in respect of interest and principal on debt incurred in respect of the Properties will reduce the amount of cash paid, directly or indirectly, by Holding Trust and Trilogy Energy LP to the Trust. A syndicate of Canadian banks has provided a \$343 million committed revolving and term facility and a \$35 million working capital facility to Holding Trust and Trilogy Energy LP. Trilogy's net debt, consisting of working capital deficiency and the outstanding draw downs from these credit facilities, totalled approximately \$300 million as at December 31, 2008. The revolving feature of the credit facility is scheduled to expire on March 27, 2009, however the revolving feature is extendible for an additional year with the consent of the lenders. As at the date of this annual information form Trilogy has requested this extension and management anticipates the lenders will grant such extension. Upon the expiry of the credit agreement's revolving feature, amounts outstanding will have a term maturity date of one additional year. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payments of cash by Holding Trust and/or the Limited Partnerships, directly or indirectly, to the Trust. Certain covenants of the agreements with the lender also limit such payments to the Trust. Although the Administrator believes the credit facilities will be sufficient for its immediate requirements, there can be no assurance that the amount will be adequate for the future financial obligations of the Trust and its subsidiaries or that additional funds will be able to be obtained.

The lenders to Holding Trust and Trilogy Energy LP have been provided with security over substantially all of the assets of the Trust, Holding Trust, the General Partners and the Limited Partnerships, as well as certain guarantees, debentures and subordination agreements. If Holding Trust or Trilogy Energy LP become unable to pay their debt service charges or otherwise commit an event of default such as bankruptcy, the lenders may foreclose on or sell the Properties and payments to the lenders will rank in priority to distributions and other payments to the Trust and distributions to the Unitholders.

Payments by Holding Trust or the Limited Partnerships to the Trust or the Holding Trust, as applicable, are prohibited during a default, event of default or an unremedied borrowing base shortfall under the credit facilities. Distributions on the Holding Trust Units and LP Units, payments on the Holding Trust Notes and payments under the Net Profits Interest Agreements, which are unsecured, will be specifically subordinate to the credit facilities, which may restrict the ability of Holding Trust and the Limited Partnerships, directly or indirectly, to make such payments to the Trust, and therefore limit the Cash Flow of Trilogy Energy Trust, and hence cash distributions, that may be paid to Unitholders, during a default, event of default or an unremedied borrowing base shortfall under the credit facilities. The credit facilities also contain certain restrictions on redemptions of Trust Units, Holding Trust Units or LP Units for cash or assets.

The Trust, on a consolidated basis, is also required to meet certain financial covenants under the credit facilities and is subject to customary restrictions on its operations and activities, including restrictions on the issuance of incremental debt, granting of security, incurring indebtedness and the sale of its assets.

The Administrator may manage the risk associated with fluctuations in interest rates by causing Holding Trust and/or the Limited Partnerships to enter into interest rate swap transactions from time to time. To the extent that Holding Trust and/or the Limited Partnerships engage in such risk management activities, they will be subject to credit risks associated with counterparties with which they contract.

Unitholders may be required to pay taxes even if they do not receive any cash distributions

Pursuant to the Trust Indenture, Unitholders may be required to pay income taxes on their pro rata share of the Trust's taxable income even if they do not receive any cash distributions from the Trust.

Additional Financing

The timing and amount of capital expenditures will directly affect the amount of distributions to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made. To the extent that external sources of capital, including the issuance of additional Trust Units or additional credit facilities, becomes limited or unavailable, the ability of the Trust and its subsidiaries to make the necessary capital investments to maintain or expand their natural gas and oil reserves and to invest in assets, as the case may be, will be impaired.

Dilution of Existing Unitholders

The Trust may issue additional Trust Units in the future, which may dilute a Unitholder's cash distributions per Trust Unit, as well as per Trust Unit production, reserves and net asset value. The Trust Indenture permits the Trust to issue an unlimited number of previously unissued Trust Units without the approval of Unitholders. Unitholders will have no pre-emptive rights in connection with such further issues. Under the Trust Indenture, the Directors of the Administrator have been granted the discretion to determine the price and the terms of issue of further Trust Units.

United States Unitholders may be subject to passive foreign investment company rules

Distributions paid out of the Trust's current or accumulated earnings and profits, as determined for United States federal income tax purposes, should be taxable as dividend income for United States tax purposes. Distributions in excess of current and accumulated earnings and profits will be a tax-free recovery of basis for United States tax purposes to the extent of the United States Unitholder's adjusted tax basis in the Trust Units and any remaining amount of distributions will generally be subject to tax as a capital gain. For United States tax purposes, dividends on Trust Units should generally be foreign sourced income for foreign tax credit limitation purposes and will not be eligible for a dividends received deduction.

Certain dividends received by United States individuals from a qualified foreign corporation are subject to a maximum United States federal income tax rate of 15 %. The United States Treasury Department has identified the Canada/United States Income Tax Treaty as a qualifying treaty. The result is that the Trust should be considered a qualified foreign corporation. To qualify for the reduced rate of taxation on dividends, a Unitholder must satisfy certain requirements with respect to their Trust Units.

United States Unitholders are advised to seek legal advice from their professional advisors.

Trading in, and Redemption of, Trust Units

The Trust cannot predict at what price the Trust Units will trade and there can be no assurance that an active trading market in the Trust Units will continue to exist. Trust Units will not necessarily trade at values determined solely by reference to the underlying value of the Trust's assets. One of the factors that may influence the market price of the

Trust Units is the annual yield on the Trust Units. An increase in market interest rates may lead purchasers of Trust Units to demand a higher annual yield and this could adversely affect the market price of the Trust Units. In addition, the market price for the Trust Units may be affected by changes in oil and gas prices, general market conditions, fluctuations in the market for equity or debt securities or units of an energy trust and numerous other factors beyond the control of the Trust.

Unitholders have a limited right to require Trilogy to repurchase Trust Units which is referred to as a redemption right. See "INFORMATION CONCERNING TRILOGY ENERGY TRUST, TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND THE ADMINISTRATOR - The Trust - Redemption Right". It is anticipated that the redemption right will not be the primary mechanism for unitholders to liquidate their investment. Trilogy's obligation to pay cash in connection with a redemption is subject to limitations. Any securities which may be distributed in specie to unitholders in connection with a redemption may not be listed on any stock exchange and a market may not develop for such securities. In addition, there may be resale restrictions imposed by law upon the recipients of the securities pursuant to the redemption right.

Return of Capital

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

Nature of Trust Units

Securities like the Trust Units share certain attributes common to both equity securities and debt instruments. The Trust Units are dissimilar to debt instruments as there is no principal amount owing to Unitholders. The Trust Units do not represent a traditional investment and should not be viewed by investors as a direct investment in the Properties or as direct investments in securities of the Limited Partnerships or any Subsidiary of the Trust. The Trust Units represent a fractional interest in the Trust. The Trust's primary assets are Holding Trust Units and Holding Trust Notes. The price per Trust Unit is a function of, among other things, anticipated Cash Flow of Trilogy Energy Trust.

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

As holders of Trust Units issued by an unincorporated trust, Unitholders will not have all of the statutory rights associated with ownership of shares of a corporation. For example, shareholders of a corporation incorporated under the *Business Corporations Act* (Alberta) have statutory rights that include: the right to vote in respect of certain fundamental changes proposed to be made to the corporation (including a proposed change to the attributes of its shares and a sale of all or substantially all of its assets outside the ordinary course of business); the right to elect the directors and to appoint the auditor of the corporation annually; the right of holders of not less than 5% of the issued voting shares of a corporation to requisition the directors to call a meeting of shareholders; the right to apply to a court for an order directing an investigation; the right to dissent from certain fundamental changes to the corporation and to be paid the fair value for their shares; and the right to bring "oppressive" or "derivative" actions. Under the Trust Indenture, Unitholders will have the right to receive written notice of certain events and the right to vote in respect of certain fundamental changes and the right to elect the directors and to select the auditor of the Trust annually. Furthermore, the Trust Indenture requires that holders of not less than 5% of the Trust Units on a fully-diluted basis may requisition the Trustee to call a meeting of Unitholders except in certain circumstances. However, Unitholders will not have the statutory right to apply to court for an order directing an investigation and will not have the right to dissent from certain fundamental changes to the Trust and to be paid the fair value for their Trust Units or the right to bring "oppression" or "derivative" actions.

Statutory Remedies

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and in some cases, the *Winding Up and Restructuring Act* (Canada). As a result, in the event a restructuring of the Trust were necessary, the Trust would not be able to access the remedies available thereunder. In the event of a restructuring, a holder of Trust Units may be in a different position than a holder of unsecured indebtedness of a corporation.

Financial Leverage

Current or future borrowings will increase the level of financial risk to the Trust and, to the extent that the interest rates are not fixed or that borrowings are refinanced at different rates, will increase the sensitivity of the Cash Flow of Trilogy Energy Trust to interest rate variations.

Unitholder Liability

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

The Trust Indenture further provides that the Trustee and the Trust shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Trust, or the Trustee on behalf of the Trust, a contractual provision to the effect that neither the Unitholders, nor the Trustee have any personal liability or obligations in respect thereof. There remains a risk that a Unitholder may be personally liable despite such a provision in the Trust Indenture or other agreements made by the Trust.

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

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) (the "ITLA") came into force. The ITLA seeks to protect unitholders of Alberta income trusts, such as the Trust, from legal uncertainties regarding potential liability by providing a statutory limitation on unitholders' liability. Specifically, the ITLA provides that a unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the trustee that arises after the ITLA comes into force. However, the ITLA has not been subject to interpretation by courts in the Province of Alberta or elsewhere and, accordingly, a Unitholder's limited liability cannot be assured.

Restrictions on Non-Resident and Non-Canadian Partnership Ownership of Trust Units

The Trust Indenture imposes restrictions which limit the number of Trust Units that may be owned, directly or indirectly, by Non-Residents and Non-Canadian Partnerships (see "INFORMATION CONCERNING TRILOGY ENERGY TRUST, TRILOGY HOLDING TRUST, THE LIMITED PARTNERSHIPS, THE GENERAL PARTNERS AND THE ADMINISTRATOR - The Trust - Non-Resident Unitholders"). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including Non-Residents and Non-Canadian Partnerships such as residents of the United States, to acquire Trust Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Trust Units. As a result, these restrictions may limit the demand for Trust Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Trust Units held by the public.

Stability Rating

The Trust does not have a stability rating and has no current plans to apply for a stability rating.

Risks Relating to Governance of the Trust

Reliance on Management

Unitholders will be dependent on the management of the Administrator and the other General Partners in respect of the management and administration of all matters relating to the Trust, the Trust Units, the Limited Partnerships and the Properties. The General Partners and Administrator may also retain third parties to assist it in providing these services. If the Trust, the Administrator and the General Partners are not able to employ such required personnel or obtain such replacement arrangements on favourable terms, the Trust's consolidated revenues and profits may decline and the Cash Flow of Trilogy Energy Trust may be negatively affected.

Potential Conflicts of Interest

There may be circumstances in which the interests of Paramount and its Affiliates will conflict with the interests of Unitholders. Paramount and its Affiliates may acquire natural gas and petroleum properties on their own behalf or on behalf of persons other than the Unitholders. Paramount may manage and administer such additional properties, as well as enter into other types of energy-related management, advisory and investment activities. Neither Paramount, nor its management, will carry on their full-time activity on behalf of Unitholders and, when acting on their own behalf or on behalf of others, may at times act in competition with the interests of Unitholders.

In the event of such conflicts, decisions will be made on a basis consistent with the provisions of any relevant contractual arrangements and objectives and financial resources of each group of interested parties. Paramount will use all reasonable efforts to resolve such conflicts of interest in a manner which will treat the Trust or the Limited Partnerships, and the other interested party, fairly taking into account all of the circumstances of the Trust or the Limited Partnerships and such interested party and to act honestly and in good faith in resolving such matters.

Circumstances may arise where members of the board of directors of the General Partners are directors or officers of corporations which are in competition to the interests of the General Partners, the Limited Partnerships and the Trust. No assurances can be given that opportunities identified by such board members will be provided to the General Partners, the Limited Partnerships and the Trust.

TRANSFER AGENT AND REGISTRAR

Trilogy's transfer agent and registrar is Computershare Investor Services Inc. located at the following address:

6th Floor, Watermark Tower
530 – Eighth Avenue SW
Calgary, Alberta T2P 3S8

INTERESTS OF EXPERTS

Information relating to reserves in this annual information form was prepared by Paddock Lindstrom as independent qualified reserves evaluator. The principals of Paddock Lindstrom, as a group, own beneficially, directly or indirectly, less than 1 % of any class of Trilogy's securities.

ADDITIONAL INFORMATION

Additional information relating to Trilogy is available via the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of Trilogy's securities, and securities authorized for issuance equity compensation plans, is contained in the Information Circular for Trilogy's most recent annual meeting of Unitholders that involved the election of directors. Additional financial information is contained in Trilogy's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2008.

**APPENDIX A
FORM 51-102F2**

**REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR**

FORM 51-101F2

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR

Terms to which a meaning is ascribed in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* have the same meaning in this form.

Report on Reserves Data

To the Board of Directors of Trilogy Energy Ltd. (the "Company"), the administrator of Trilogy Energy Trust (the "Trust"):

1. We have evaluated the Trust's reserves data (as defined in the Trust's annual information form to which this report is attached) as at December 31, 2008. The reserves are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008, using forecast prices and costs.
2. The reserves data are the responsibility of the Trust's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

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

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10%, included in the reserves data of the Trust evaluated by us for the year ended December 31, 2008, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
			M\$	M\$	M\$	M\$
Paddock Lindstrom & Associates Ltd.	January 30, 2009	Canada	-	\$1,306,105		\$1,306,105

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation date.

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

Executed as to our report referred to above:

Paddock Lindstrom & Associates Ltd.
Calgary, Alberta, Canada

Per: (Signed) D.H. Marshall
D.H. Marshall

March 3rd, 2009

**APPENDIX B
FORM 51-101F3**

**REPORT OF MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION**

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Trilogy Energy Ltd. (the "Company"), the administrator of Trilogy Energy Trust (the "Trust"), is responsible for the preparation and disclosure of information with respect to the Trust's oil and gas activities in accordance with securities regulatory requirements and the administration agreement between the Company and the Trust. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2008, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated Trilogy's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Audit Committee of the board of directors of the Company has:

- (a) reviewed the procedures used for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Audit Committee of the board of directors of the Company has reviewed the procedures used for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors of the Company has, on recommendation of the Audit Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information contained in the Trust's annual information form accompanying this report;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

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

(Signed) James H. T. Riddell
Chief Executive Officer

(Signed) Michael G. Kohut
Chief Financial Officer

(Signed) Robert M. MacDonald
Director

(Signed) Michael H. Dilger
Director

March 3rd, 2009

APPENDIX C
AUDIT COMMITTEE CHARTER

TRILOGY ENERGY LTD.
AUDIT COMMITTEE CHARTER

(Adopted by the Board of Directors on May 19, 2005, Revised March 2, 2007)

A. INTRODUCTION

Trilogy Energy Ltd. (the "Corporation") is the Administrator of Trilogy Energy Trust (the "Trust"), Trilogy Holding Trust ("Holding Trust") and is the general partner of Trilogy Energy LP (the "Partnership"), an Alberta limited partnership indirectly owned by the Trust. Pursuant to the Trust Indenture of the Trust dated February 25, 2005, as amended and restated from time to time, and pursuant to an Administration Agreement dated February 25, 2005 among the Corporation, the Trust and Holding Trust, the Board of Directors of the Corporation (the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Trust and its subsidiaries and the activities of management of the Corporation, which is responsible for the day-to-day conduct of the business of the Trust. Where the context requires, references to the "Trust" refer collectively to the Trust, Holding Trust, the Partnership, the Corporation and all other direct and indirect subsidiaries of the Trust.

B. PURPOSE

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Trust's management has designed and implemented an effective system of internal financial controls and disclosure controls and procedures, to review and report on the integrity of the consolidated financial statements of the Trust, to review the Trust's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts and to review the Trust's externally disclosed oil and gas reserves estimates including reviewing the qualifications of, and procedures used by, the independent engineering firm responsible for evaluating the Trust's reserves.

C. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "Board"), all of whom shall be "independent", as that term is defined in Sections 1.4 and 1.5 of Multilateral Instrument 52-110, *Audit Committees*ⁱ and who meet the requirements of Section 3.5(1) of National Instrument 51-101ⁱⁱ - *Standards of Disclosure for Oil and Gas Activities*.
2. All of the members of the Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of those of the Trust and that can be reasonably expected to be raised by the Trust's financial statements).
3. The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their members.
5. The Corporate Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
7. The Committee shall have access to such officers and employees of the Trust and to the Trust's external auditors, and to such information respecting the Trust, as it considers necessary or advisable in order to perform its duties and responsibilities.
8. Meetings of the Committee shall be conducted as follows:

- (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
- (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee; and
- (c) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:

President and Chief Executive Officer
Chief Financial Officer
Chief Operating Officer
Controller
Corporate Secretary

- (d) other management representatives shall be invited to attend as necessary.
9. The external auditors shall report directly to the Committee and the external auditors and internal auditors (if any) shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee of the Trust as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.
10. The Committee may retain, at the Trust's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties and may set and pay the compensation for any advisor engaged. The Committee will notify the Chairman of the Corporate Governance Committee whenever independent consultants are engaged.

D. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:
- (a) to assist the Board in the discharge of its responsibilities relating to the Trust's accounting principles, reporting practices and internal controls and its approval of the Trust's annual and quarterly consolidated financial statements and management's discussion and analysis;
 - (b) to establish and maintain a direct line of communication with the Trust's internal (if any) and external auditors and assess their performance;
 - (c) to ensure that the management of the Trust has designed, implemented and is maintaining an effective system of internal financial controls and disclosure controls and procedures;
 - (d) to periodically review the audit and non-audit services pre-approval policy and recommend to the Board any changes which the Committee deems appropriate;
 - (e) to periodically consider whether there is a need to outsource internal audit functions or create an internal audit department;
 - (f) to assist the Board in the discharge of its responsibilities relating to the evaluation and disclosure of its oil and gas reserves and oil and gas activities and the approval and filing of all necessary statements and reports related thereto;
 - (g) to receive and review complaints received pursuant to the Trust's Whistleblower Policy and oversee and provide direction on the investigation and resolution of such concerns and to periodically review the said policy and recommend to the Board changes which the Committee may deem appropriate;

- (h) to report regularly to the Board on the fulfilment of its duties and responsibilities;
 - (i) to identify and monitor the management of the principal risks that could impact the financial reporting of the Trust; and
 - (j) review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Trust.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) to be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Trust, including the resolution of disagreements between management and the external auditors regarding financial reporting;
 - (b) to recommend to the Board a firm of external auditors to be nominated for appointment by the unitholders of the Trust, and to monitor and verify the independence of such external auditors;
 - (c) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
 - (d) review the audit plan of the external auditors prior to the commencement of the audit;
 - (e) to review with the external auditors, upon completion of their audit:
 - (i) contents of their report;
 - (ii) scope and quality of the audit work performed;
 - (iii) adequacy of the Trust's financial and auditing personnel;
 - (iv) co-operation received from the Trust's personnel during the audit;
 - (v) internal resources used;
 - (vi) significant transactions outside of the normal business of the Trust;
 - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
 - (viii) the non-audit services provided by the external auditors, as pre-approved pursuant to the audit and non-audit services pre-approval policy;
 - (f) to discuss with the external auditors the quality and not just the acceptability of the Trust's accounting principles;
 - (g) to review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Trust; and
 - (h) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.
3. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Trust are to:
- (a) review the appropriateness and effectiveness of the Trust's policies and business practices which impact on the financial integrity of the Trust, including those relating to insurance, accounting,

information services and systems and financial controls, management reporting and risk management;

- (b) review compliance under the Trust's Code of Business Conduct Policy with those matters addressed in the policy which affect the financial integrity of the Trust and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate; and
- (c) periodically review the Trust's financial and auditing procedures and the extent to which recommendations made by the internal accounting staff or by the external auditors have been implemented.

4. The Committee is also charged with the responsibility to:

- (a) review and recommend to the Board for its approval, the Trust's annual financial statements, management's discussion and analysis, annual information form and annual earnings press releases before the Trust publicly discloses this information;
- (b) review and approve the Trust's interim financial statements, interim management's discussion and analysis, including the impact of unusual items and changes in accounting principles and estimates, and report to the Board in due course with respect thereto and to review and approve the Trust's interim earnings press releases before the Trust publicly discloses this information;
- (c) review and approve the financial sections of:
 - (i) the annual report to unitholders;
 - (ii) the annual information form;
 - (iii) prospectuses;
 - (iv) other public reports requiring approval by the Board; and
 - (v) press releases related thereto,and report to the Board with respect thereto;
- (d) review regulatory filings and decisions as they relate to the Trust's consolidated financial statements;
- (e) review the appropriateness of the policies and procedures used in the preparation of the Trust's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- (f) review and report on the integrity of the Trust's consolidated financial statements;
- (g) review the minutes of any audit committee meeting of any Subsidiary of the Trust;
- (h) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Trust and the manner in which such matters have been disclosed in the consolidated financial statements;
- (i) review the Trust's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and
- (j) develop a calendar of activities to be undertaken by the Committee for each ensuing year related to the Committee's duties and responsibilities as set forth in this Charter and to submit the calendar in

the appropriate format to the Board of Directors within a reasonable period of time following each annual general meeting of unitholders.

5. The duties and responsibilities of the Committee as they relate to the Trust's oil and gas reserves estimates are to:
- (a) review, with reasonable frequency, the Trust's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the disclosure requirements and restrictions of all applicable laws, rules, regulations and policies including National Instrument 51-101 and amendments thereto;
 - (b) review the appointment of the independent engineering firm responsible for evaluating the Trust's reserves, and in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed reserves evaluator and management of the Trust;
 - (c) review, with reasonable frequency, the Trust's procedures for providing information to the reserves evaluator;
 - (d) before recommending approval of the filing of reserves data and the report of the reserves evaluator as required under all applicable laws, rules, regulations and policies including National Instrument 51-101 and amendments thereto, meet with management and the reserves evaluator to:
 - (i) determine whether any restrictions affect the ability of the reserves evaluator to report on reserves data without reservation, and
 - (ii) review the reserves data and the report of the reserves evaluator
 - (e) review, discuss with and make recommendations to the Board with respect to:
 - (i) approving the content and filing of the reserves statement;
 - (ii) the filing of the report of the reserves evaluator; and
 - (iii) the content and filing of the report of management and Directors;
- as required or specified under all applicable laws, rules, regulations and policies including National Instrument 51-101 and amendments thereto.

E. ANNUAL REVIEW AND ASSESSMENT

The Committee shall conduct an annual review and assessment of its performance, including compliance with this Charter and its role, duties and responsibilities, and submit such report to the Board of Directors.

¹ 1.4 **Meaning of Independence --**

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" means a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:

- (i) is, a partner of a firm that is the issuer's internal or external auditor;
 - (ii) is an employee of that firm; or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time.
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
- (i) is a partner of the firm that is the issuer's internal or external auditor;
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice; or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at the same time on the entity's compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:
- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer; and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3) an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member: (a) has previously acted as an interim chief executive officer of the issuer; or (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a Subsidiary entity of the issuer and a parent of the issuer.

1.5 **Additional Independence Requirements --**

- (1) Despite any determination made under section 1.4, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any Subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its Subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any Subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

² 3.5 Reserves Committee

- (1) The board of directors of a reporting issuer may, subject to subsection (2), delegate the responsibilities set out in section 3.4 to a committee of the board of directors, provided that a majority of the members of the committee
- (a) are individuals who are not and have not been, during the preceding 12 months:
 - (i) an officer or employee of the reporting issuer or of an affiliate of the reporting issuer;
 - (ii) a person who beneficially owns 10 percent or more of the outstanding voting securities of

-
- the reporting issuer; or
 - (iii) a relative of a person referred to in subparagraph (a)(i) or (ii), residing in the same home as that person; and
 - (b) are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement.)
 - (2) Despite subsection (1), a board of directors of a reporting issuer shall not delegate its responsibility under paragraph 3.4(e) to approve the content or the filing of the information.