



**ANNUAL INFORMATION FORM**  
**For the year ended December 31, 2009**

**March 2<sup>nd</sup>, 2010**

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## INTRODUCTORY INFORMATION

On February 5, 2010, Trilogy Energy Trust (the "Trust") completed a conversion (the "Conversion") from an income trust structure to a corporate structure through a business combination with a private corporation ("Newco") which was unrelated to the Trust and which had no business, assets or liabilities other than residual tax pools at the time of the Conversion. The Conversion was completed pursuant to an arrangement under the *Business Corporations Act* (Alberta) and related transactions and resulted in unitholders of the Trust becoming the shareholders of Newco, receiving one Newco share for each of their trust units of the Trust, along with Newco's sole shareholder and Newco changing its name to Trilogy Energy Corp. Upon completion of the Conversion, the business, directors and management of Trilogy Energy Corp. and its subsidiaries were the same as the business, directors and management of the Trust and its subsidiaries immediately before the completion of the Conversion, with former unitholders of the Trust owning approximately 96% of the equity of Trilogy Energy Corp. and Newco's sole shareholder owning approximately 4% of the equity of Trilogy Energy Corp. Immediately following the completion of the Conversion, Trilogy Energy Corp. completed an internal reorganization resulting in the simplified organizational structure described in this annual information form under "Corporate Structure". **Accordingly, references to Trilogy in this annual information form for periods prior to February 5, 2010 are references to the Trust and/or its subsidiaries, as the context may require.**

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 Mcf 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.

All capitalized terms which are not defined herein have the meanings given to those terms under the "Glossary of Terms".

## 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 and cash flow of Trilogy for capital and operating 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;
- the availability and quantum of the tax attributes of Trilogy;
- 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 Trilogy 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;
- 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 Trilogy 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.

## GLOSSARY OF TERMS

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

"**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;

"**Common Shares**" means the Common Shares of Trilogy Energy Corp.;

"**Conversion**" means the conversion of the Trust from an income trust structure to a corporate structure through a business combination with a private corporation ("**Newco**") which was unrelated to the Trust and which had no business, assets or liabilities other than residual tax pools at the time of the conversion;

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

"**Non-Voting Shares**" means the Non-Voting Shares of Trilogy Energy Corp.;

"**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 February 11, 2010, evaluating Trilogy's crude oil, natural gas liquids and natural gas reserves effective as of December 31, 2009;

"**Shareholder**" means the holders of Common Shares and/or Non-Voting Shares, as the context may require;

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

"**Trilogy**" means Trilogy Energy Trust (the "**Trust**") and/or its subsidiaries, as the context may require, for periods prior to February 5, 2010 and Trilogy Energy Corp. and/or its subsidiaries, as the context may require, for periods on or after February 5, 2010.

## CORPORATE STRUCTURE

On December 22, 2009, Newco was continued in Alberta as an unlimited liability corporation and changed its issued and outstanding share capital. On February 5, 2010 immediately prior to the Conversion, Newco converted to an Alberta limited liability corporation and changed its name in connection therewith, changed its authorized share capital to consist solely of common shares and changed the rights, privileges, restrictions and conditions attached to such common shares and made other changes to its articles. Also on February 5, 2010, as part of the Conversion, Newco reduced the stated capital of its common shares to \$1, split its common shares, changed the rights, privileges, restrictions and conditions attached to such common shares, created the Non-Voting Shares and changed its name to "Trilogy Energy Corp."

Trilogy Energy Corp. exists under the *Business Corporations Act* (Alberta). The head office and registered office of Trilogy Energy Corp. is located at 1400, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2.

Trilogy Energy, an Alberta general partnership, holds all of Trilogy's oil and gas properties and associated assets. Trilogy Energy Corp. and its wholly owned subsidiary Trilogy Resources Ltd., existing under the *Business Corporations Act* (Alberta), are the only partners in Trilogy Energy and respectively hold a 99% and 1% interest in Trilogy Energy. Trilogy Energy Corp. has no other subsidiaries.

## GENERAL DEVELOPMENT OF THE BUSINESS

### *2010 to Date*

On February 5, 2010, the Trust completed the Conversion. The Conversion was completed pursuant to an arrangement under the *Business Corporations Act* (Alberta) and related transactions and resulted in unitholders of

the Trust becoming the Shareholders, receiving one Newco share for each of their trust units of the Trust, along with Newco's sole shareholder and Newco changing its name to Trilogy Energy Corp. Upon completion of the Conversion, the business, directors and management of Trilogy Energy Corp. and its subsidiaries were the same as the business, directors and management of the Trust and its subsidiaries immediately before the completion of the Conversion, with former unitholders of the Trust owning approximately 96% of the equity of Trilogy Energy Corp. and Newco's sole shareholder owning approximately 4% of the equity of Trilogy Energy Corp. The information circular of the Trust dated January 6, 2010 providing detailed disclosure regarding the Conversion is available under the Trust's profile on SEDAR.

Also on February 5, 2010, immediately following the completion of the Conversion, Trilogy Energy Corp. completed an internal reorganization resulting in the simplified organizational structure described above under "Corporate Structure".

## **2009**

On December 22, 2009, Trilogy entered into an arrangement agreement with Newco and certain affiliates of Newco providing for an arrangement under the *Business Corporations Act* (Alberta) and related transactions pursuant to which Trilogy would complete the Conversion.

On November 4, 2009, Trilogy completed a public offering of 10 million trust units for gross proceeds of \$86.5 million.

Trilogy received the necessary approvals for a normal course issuer bid through the facilities of the Toronto Stock Exchange on March 20, 2009. Under the normal course issuer bid, Trilogy may purchase up to 4,912,483 trust units of the Trust (and/or Common Shares). As at the date hereof, 144,400 trust units of the Trust were purchased through this normal course issuer bid.

## **2008**

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

Trilogy 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 of the Trust, 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.

## **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.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **OVERVIEW**

Trilogy'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, development drilling opportunities and the Kaybob area has good access to operated infrastructure and processing facilities. The majority of the wells and producing infrastructure are operated by Trilogy.

Trilogy focuses on maximizing long-term value to its Shareholders by developing its assets at a pace that provides sustainability and replacement of produced reserves without adversely impacting its financial strength. Trilogy'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 development potential.

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

Trilogy has a large undeveloped land base, comprised of approximately 521,605 gross (418,811 net) acres of undeveloped lands as of December 31, 2009 in proximity to Trilogy's producing properties.

Trilogy's exploration and development activities are funded primarily through cash flow from operations. Acquisitions by Trilogy may be financed through internal cash flows, bank financing, the issuance of additional Common Shares from treasury and/or the issuance of debt securities.

## **MAJOR PROPERTIES**

The following is a summary of Trilogy's major producing properties, located in Kaybob and Grande Prairie in Alberta.

Trilogy retained independent qualified reserves evaluators, Paddock Lindstrom, to evaluate 100% of Trilogy's natural gas and crude oil reserves as at December 31, 2009 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, 2009, unless otherwise indicated, 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 Trilogy's assets as at December 31, 2009. Trilogy operates the majority of this area, which produced 17,838 Boe/d for the year ended December 31, 2009, comprised of 83.5 MMcf/d of natural gas and 3,911 Bbl/d of crude oil and natural gas liquids. The Paddock Lindstrom Report has assigned, as at December 31, 2009, 46,993 MBoe of proved reserves and 67,975 MBoe of proved plus probable reserves to this area. The Kaybob area contains approximately 735 gross (470.7 net) producing wells as of December 31, 2009. Trilogy's assets also contained 326,720 gross (220,240 net) developed acres and 426,169 gross (353,133 net) undeveloped acres of land in this area as of December 31, 2009.

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

Approximately 50% of Trilogy's natural gas production from this property is processed through five Trilogy-operated natural gas plants in which Trilogy holds an average 90% working interest. Trilogy also holds an average 60% interest in three main Trilogy-operated oil batteries, which process approximately 60% of Trilogy's oil and condensate production in this area.

### **Grande Prairie, Alberta**

This property represents approximately 10% of the production from Trilogy's assets as at December 31, 2009. Trilogy operates approximately 90% of its producing wells in this area, which produced 1,943 Boe/d for the year ended December 31, 2009, comprised of 9.7 MMcf/d of natural gas and 326 Boe/d of crude oil and natural gas liquids. The Paddock Lindstrom Report has assigned, as at December 31, 2009, 2,674 MBoe of proved reserves and 4,107 MBoe of proved plus probable reserves to this area. The Grande Prairie area contains approximately 73 gross (42.9 net) producing wells as of December 31, 2009. Trilogy's assets also contained 38,882 gross (23,415 net) developed acres and 81,760 gross (58,691 net) undeveloped acres of land in this area as of December 31, 2009.

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

The gathering systems and processing plants in this area are 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 Trilogy's natural gas, natural gas liquids and crude oil reserves as at December 31, 2009 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 Trilogy's working interest share of reserves, net reserves after royalties, and present values as at December 31, 2009. 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 Trilogy'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.

### Reserves Information

#### Reserves Data – Forecast Prices and Costs

The following table summarizes Trilogy's reserves evaluated at December 31, 2009 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.....	204,825.4	175,233.0	5,070.6	3,512.3	5,777.7	3,777.5	44,985.9	36,495.4
Developed non-producing ..	18,822.2	14,952.0	458.4	337.0	523.7	337.3	4,119.1	3,166.3
Undeveloped.....	3,131.4	2,746.8	-	-	40.4	29.2	562.3	487.0
Total Proved.....	226,779.0	192,931.8	5,529.0	3,849.3	6,341.9	4,144.0	49,667.3	40,148.6
Probable .....	98,312.3	79,800.7	3,210.4	2,010.9	2,818.6	1,813.3	22,414.4	17,124.3
Total Proved plus Probable ....	325,091.3	272,732.4	8,739.4	5,860.2	9,160.5	5,957.4	72,081.8	57,272.9

#### 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, 2009 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	1,430.1	1,041.6	822.7	683.8	588.3	1,172.8	876.5	706.9	597.8	521.7	18.29
Developed Non-Producing	121.9	81.3	58.9	45.3	36.5	92.9	63.1	46.4	36.2	29.5	14.31
Undeveloped	19.9	9.9	5.7	3.6	2.3	15.1	7.5	4.3	2.6	1.6	10.21
Total Proved	1,571.9	1,132.8	887.3	732.7	627.1	1,280.9	947.1	757.6	636.6	552.8	17.87
Probable	854.1	406.4	241.5	164.3	121.5	643.3	311.8	188.5	130.1	97.5	10.78
Total Proved plus Probable	2,426.1	1,539.2	1,128.9	897.0	748.6	1,924.2	1,258.9	946.1	766.7	650.4	15.66

The following table summarizes the net present values of future net revenue attributable to Trilogy's reserves evaluated as at December 31, 2009 for the forecast prices and costs case after income taxes discounted, pro-forma adjusted for the additional tax pools of Trilogy as a result of the Conversion and assuming that such tax pools are available for use commencing January 1, 2010 for the period covered.

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE (PRO-FORMA CONVERSION)				
	AFTER INCOME TAXES DISCOUNTED AT (% / year)				
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)
Proved					
Developed Producing	1,327.7	992.1	796.6	669.1	579.6
Developed Non – Producing	91.4	63.3	47.7	38.1	31.7
Undeveloped	15.1	7.5	4.3	2.7	1.7
Total Proved	1,434.2	1,062.9	848.6	709.9	613
Probable	641	309.2	187.9	131.1	99.5
Total Proved plus Probable	2,075.2	1,372.2	1,036.5	841.0	712.5

**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, 2009 using forecast prices and costs.

RESERVES CATEGORY	REVENUE (MM\$)	ROYALTIES (MM\$) <sup>(1)</sup>	OPERATING COSTS (MM\$)	DEVELOPMENT COSTS (MM\$)	WELL ABANDONMENT COSTS (MM\$)	FUTURE NET REVENUE BEFORE INCOME TAXES (MM\$)	INCOME TAXES (MM\$) <sup>(2)</sup>	FUTURE NET REVENUE AFTER INCOME TAXES (MM\$) <sup>(2)</sup>
Proved	2,979.4	535.2	827.6	16.8	27.8	1,571.9	291.1	1,280.9
Proved Plus Probable	4,747.8	924.6	1,328.0	36.4	32.6	2,426.1	501.9	1,924.2

**Notes:**

- (1) Royalties include crown royalties, freehold royalties, overriding royalties and mineral taxes.
- (2) As at December 31, 2009, pro-forma adjusted for the additional tax pools of Trilogy as a result of the Conversion and assuming that such tax pools are available for use commencing January 1, 2010 for the period covered, Income Taxes would be \$137.7MM on a Proved basis and \$350.8MM on a Proved plus Probable basis. Future Net Revenue After Income Taxes would be \$1,434.2MM on a Proved basis and \$2,075.2MM on a Proved plus Probable basis.

**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 for each production group before income taxes attributable to Trilogy's reserves evaluated at December 31, 2009 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)	705.75	\$3.51/Mcf
	Light and Medium Crude Oil (including solution gas and other by-products such as natural gas liquids)	181.61	\$27.53/Stb
Proved Plus Probable	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	888.57	\$3.14/Mcf
	Light and Medium Crude Oil (including solution gas and other by-products such as natural gas liquids)	237.62	\$23.59/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.

- (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.

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

- (c) **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.

- (d) **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.

- (e) **Gross Reserves** are defined as the reserves owned before deduction of any royalties.
- (f) **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 2009 were \$4.33/Mcf for natural gas, \$67.04/Bbl for crude oil and \$49.90/stb for natural gas liquids.

### **Forecast Prices**

	<b>US Henry Hub Gas Price</b> (US\$/MMbtu)	<b>Alberta Gas Reference Price</b> (Cdn\$/MMbtu)	<b>WTI @ Cushing</b> (US\$/Bbl)	<b>Edmonton Reference Price</b> (Cdn\$/Bbl)	<b>Condensate</b> (Cdn\$/Bbl)	<b>Butane</b> (Cdn\$/Bbl)	<b>Propane</b> (Cdn\$/Bbl)	<b>Inflation Rates<sup>(1)</sup></b> (%/year)	<b>Exchange Rate<sup>(2)</sup></b> (Cdn\$/US\$)
2010.....	6.00	5.56	80.00	82.43	83.25	61.82	49.46	0	0.950
2011.....	6.50	6.03	82.50	85.02	85.87	63.77	51.01	2	0.950
2012.....	7.00	6.50	85.00	87.62	88.49	65.71	52.57	2	0.950
2013.....	7.50	7.01	90.00	92.84	93.77	69.63	55.71	2	0.950
2014.....	8.00	7.52	95.00	98.07	99.05	73.55	58.84	2	0.950

#### **Notes:**

- (1) Inflation rates for forecasting prices and costs subsequent to 2014 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 Trilogy's gross reserves for the year ended December 31, 2009 using forecast prices and costs.

	Light and Medium Crude 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, 2009	6,123.6	3,495.9	9,619.5	220,290.7	99,549.3	319,840.0	6,021.6	2,625.4	8,647.0	48,860.4	22,712.8	71,573.2
Extensions & Improved Recovery	78.4	40.9	119.2	27,695.8	11,195.1	38,890.9	677.3	292.1	969.4	5,371.6	2,198.8	7,570.4
Technical Revisions	1.5	-326.3	-324.8	12,756.8	-12,535.0	221.8	502.4	-103.6	398.9	2,630.1	-2,519.0	111.1
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	118.8	44.2	163.0	13.8	5.1	18.9	33.6	12.5	46.1
Dispositions	-	-	-	-44.4	-17.6	-62.0	-1.0	-0.4	-1.3	-8.3	-3.3	-11.7
Economic Factors	-	-	-	-	76.3	76.3	-	-	-	-	12.7	12.7
Production	-674.5	-	-674.5	-34,038.8	-	-34,038.8	-872.4	-	-872.4	-7,220.0	-	-7,220.0
December 31, 2009	5,529.0	3,210.4	8,739.4	226,779.0	98,312.3	325,091.3	6,341.9	2,818.6	9,160.5	49,667.3	22,414.4	72,081.8

### 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	2009	2008	2007
Natural Gas (MMcf)	3,131.4	3,179.0	6,638.6
Light and medium crude oil (Mstb)	-	-	-
Natural Gas Liquids (Mstb)	40.4	39.6	178.8

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	2009	2008	2007
Natural Gas (MMcf)	5,476.3	5,962.0	5,613.9
Light and medium crude oil (Mstb)	-	-	-
Natural Gas Liquids (Mstb)	76.8	78.8	83.1

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.

<b>Reserve Category</b> (\$ millions)	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
Proved.....	5.5	3.1	4.5	0.5	0.4
Proved plus Probable .....	15.9	6.3	4.4	0.5	0.5

Trilogy expects that funding for future development costs will come from Trilogy's cash flow from operations, 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, 2009, Trilogy had an interest in 1,278 gross (831.67 net) producing and non-producing oil and natural gas wells, located in Alberta and British Columbia, as follows:

	<b>Producing</b>		<b>Non-producing<sup>(1)</sup></b>	
	<b>Gross<sup>(2)</sup></b>	<b>Net<sup>(3)</sup></b>	<b>Gross<sup>(2)</sup></b>	<b>Net<sup>(3)</sup></b>
<b>Crude Oil Wells</b>				
Kaybob.....	137	85.63	91	59.37
Grande Prairie.....	17	11.4	3	1.23
Other <sup>(4)</sup> .....	7	2.8	2	0.98
Subtotal.....	161	99.82	96	61.57
<b>Natural Gas Wells</b>				
Kaybob.....	598	385.09	308	216.77
Grande Prairie.....	56	31.46	53	34.67
Other <sup>(4)</sup> .....	3	0.85	3	1.45
Subtotal.....	657	417.4	364	252.88
<b>Total.....</b>	<b>818</b>	<b>517.22</b>	<b>460</b>	<b>314.45</b>

#### **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 area of Alberta and wells located in British Columbia.

### ***Facilities***

Approximately 50% of Trilogy's natural gas production from the Kaybob, Alberta property is processed through five Trilogy-operated natural gas plants in which Trilogy holds an average 90% working interest. Trilogy also holds an average 60% interest in three Trilogy-operated oil batteries, which process approximately 60% of Trilogy's oil and condensate production in this area.

The gathering systems and processing plants in the Grande Prairie area are operated by large, independent oil and gas producers. Trilogy does not have ownership in any oil or gas processing facilities in this area.

On September 24, 2009, Trilogy applied to the *Energy Resources Conservation Board* (Alberta) for approval to construct a 53 kilometre, 12 inch sour gas pipeline (the “Presley Pipeline”) spanning from Trilogy’s Montney gas development project in the Presley area to the Trilogy operated Kaybob North Sour Gas Plant (the “Plant”). Concurrent with the anticipated construction of the Presley Pipeline, the existing Plant would be expanded to include a functional unit designed to process approximately 50 MMcf/d of incremental raw sour gas production.

### ***Properties with No Attributed Reserves***

Trilogy’s properties with no attributed reserves at December 31, 2009 total 521,605 gross (418,811 net) acres. Such acreage amounts are approximately 59% and 63% of total gross and net land holdings, respectively. As at December 31, 2009, there were 83,563 gross (72,213 net) acres of undeveloped lands that are due to expire in 2010. 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***

Trilogy's financial contracts and future commitments to purchase and sell natural gas, crude oil and natural gas liquids as at December 31, 2009 are set forth at note 11 of Trilogy's audited consolidated financial statements as at and for the year ended December 31, 2009. Such financial statements are available on SEDAR ([www.sedar.com](http://www.sedar.com)).

### ***Abandonment & Reclamation Costs***

As at December 31, 2009, Trilogy had 291 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 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. Trilogy estimates these costs based on the Energy Resources Conservation Board (Alberta) Directive 006: *Licensee Liability Rating (LLR) Program and Licence Transfer Process (September 20, 2005)* and Directive 011: *Licensee Liability Rating (LLR) Program Updated Industry Parameters and Liability Costs (April 1, 2005)*. These Directives are used as a baseline, as the estimation criteria set out therein generally result in a low estimate. Trilogy’s practice is to increase the estimated abandonment and reclamation costs for wells that are calculated based on these Directives. Estimated remediation costs are not included in Trilogy’s estimate of abandonment and reclamation costs as these costs are determined on a case by case basis and may involve the assistance of third party environmental companies.

Estimated abandonment and reclamation costs for surface leases, wells, facilities and pipelines, undiscounted and discounted at 7.875% to 8.5%, are \$183.3 million and \$75.4 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 \$32.6 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 Horizon***

Based on the current tax regime, and Trilogy’s available tax pools and anticipated level of cash flow from operations and capital spending, Trilogy does not expect to pay cash taxes prior to 2018. This estimate is highly sensitive to assumptions on production, cash flow from operations and capital expenditure levels. As at December 31, 2009, Trilogy’s tax pools were estimated to be \$147 million for tangibles and \$149 million for intangibles. Post Conversion, Trilogy’s aggregate tax pools for tangibles and intangibles are estimated to be in excess of \$1 billion.

### Costs Incurred

The following table summarizes, for the periods indicated, the costs incurred by Trilogy for exploration and development costs, prior to the application of any drilling credits available to Trilogy. For information regarding drilling incentives, see "RISK FACTORS – *New Royalty Framework*".

Cost Type	Q4	Q3	Q2	Q1
	(\$ millions)			
Non-corporate acquisitions and dispositions				
Proved properties .....	0.1	(0.1)	(0.1)	0.1
Unproved properties (including undeveloped land) .....	0.6	0.9	1.0	0.3
Exploration .....	(0.8)	1.5	1.4	2.5
Development (including facilities) .....	28.3	12.2	7.0	34.3
<b>Total</b> .....	28.3	14.5	9.3	37.1

### Exploration and Development Activities

The following table summarizes the results of Trilogy's drilling activities for 2009. The working interest in certain of these wells may change after payout.

	2009	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
<b>Development Wells<sup>(3)</sup></b>		
Gas.....	24	17.9
Oil.....	2	0.9
Service .....	-	-
Dry.....	-	-
Subtotal.....	26	18.8
<b>Exploratory Wells<sup>(4)</sup></b>		
Gas.....	2	1.3
Oil.....	1	0.3
Dry.....	-	-
Subtotal.....	3	1.6
<b>Total wells</b> .....	29	20.4
Success rate .....	100%	100%

#### 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 2010 capital expenditures for Trilogy's assets will be approximately \$15.9 million (on a proved plus probable basis with forecast pricing). Trilogy currently expects that its 2010 capital expenditures, excluding acquisitions, dispositions, drilling credits and Trilogy's proposed Presley pipeline project (see "Other Oil and Gas Information – *Facilities*"), will be approximately \$120 million.

## Production Estimates

The following table summarizes the total estimated gross production for 2010 using forecast prices and costs.

	Estimated Production — Forecast Prices and Costs	
	Proved	Proved plus Probable
Natural gas (Bcf) .....	32.1	33.9
Light and medium crude oil (MBbls) .....	664.8	692.4
Natural gas liquids (MBbls) .....	869.7	916.9
<b>Total (MBoe).....</b>	<b>6,886</b>	<b>7,270</b>

## Sales History

The following tables summarize daily sales volume results for Trilogy's assets on a quarterly and annual basis for 2009.

	2009	Q4	Q3	Q2	Q1
Produced gas (MMcf/d) <sup>(1)</sup> .....	93	94	92	93	94
Light and medium crude oil and natural gas liquids (Bbl/d) .....	4,237	4,457	3,740	4,234	4,524

### 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 received by Trilogy on a quarterly and annual basis for 2009.

	Netbacks – 2009				
	2009	Q4	Q3	Q2	Q1
<b>Produced Gas (\$/Mcf) <sup>(1)</sup></b>					
Price, before transportation	4.33	4.60	3.28	3.82	5.61
Transportation	0.30	0.28	0.29	0.30	0.32
Royalties	-	(0.27)	(0.59)	0.07	0.78
Operating costs <sup>(2)</sup>	1.75	1.47	1.55	1.96	2.02
Netback excluding realized financial instruments	2.28	3.12	2.03	1.49	2.49
Realized financial instruments	0.93	0.48	0.73	0.74	1.76
Netback including realized financial instruments	3.21	3.60	2.76	2.23	4.25
<b>Total Conventional Oil and Natural Gas Liquids (\$/Bbl)</b>					
Price, before transportation	57.37	65.32	62.03	55.69	47.03
Transportation	1.20	1.03	1.34	1.19	1.26
Royalties	17.49	23.27	22.39	10.99	13.69
Operating costs <sup>(2)</sup>	13.99	8.57	13.34	16.26	17.84
Netback excluding realized financial instruments	24.69	32.45	24.96	27.25	14.24
Realized financial instruments	(0.02)	-	-	-	(0.07)
Netback including realized financial instruments	24.67	32.45	24.96	27.25	14.17

### 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 Trilogy's assets for 2009.

<b>Natural Gas (MMcf)</b>	
Kaybob.....	30,498
Grande Prairie.....	3,540
Other.....	-
<b>Total.....</b>	<b>34,038</b>
<b>Light and Medium Crude Oil and Natural Gas Liquids (MBbl)</b>	
Kaybob.....	1,427
Grande Prairie.....	119
Other.....	-
<b>Total.....</b>	<b>1,546</b>
<b>Total (Mboe).....</b>	<b>7,220</b>

## GENERAL

### Competitive Conditions

The petroleum and natural gas industry is highly competitive. Trilogy competes with numerous other participants in the search for and acquisition of crude oil and natural gas and in the marketing of these commodities. Competition is particularly intense in the acquisition of prospective oil and natural gas properties and reserves. Trilogy'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 drilling and exploration.

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, 2009, Trilogy had 224 full-time and contract personnel; this includes 84 full-time head office employees plus 11 contract personnel. In the field Trilogy employs 70 full-time employees and 56 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 Common Share trading price and cash dividends on the Common Shares.

### 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, 2009, 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 2009 at note six (such note incorporated by reference herein), asset retirement obligations representing an estimate of the cost to retire its assets at the end of their useful lives, which include estimated abandonment, surface reclamation and groundwater protection costs. 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 "RISK FACTORS – Greenhouse Gas Emissions"

### **DIRECTORS AND OFFICERS**

The following information is provided for each individual who is a director of or holds an executive office with Trilogy Energy Corp. as at the date of this annual information form. All directors serve until the next annual meeting of Shareholders or until their successor is elected or appointed.

#### **Directors**

<b>Names and Place of Residence</b>	<b>Director Since</b>	<b>Principal Occupation for Past Five Years</b>
Clayton H. Riddell <sup>(1)(6)(8)</sup> Calgary, Alberta, Canada	April 1, 2005	Chairman of the Board and Chief Executive Officer of Paramount Resources Ltd. (a petroleum and natural gas company).
James H.T. Riddell <sup>(5)(6)(8)</sup> Calgary, Alberta, Canada	Formation	President and Chief Operating Officer of Paramount Resources Ltd. since June 2002. Prior thereto, Mr. Riddell held various positions with Paramount Resources Ltd.
M. H. (Mick) Dilger <sup>(2)(4)</sup> 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 <sup>(2)(4)</sup> 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.

<b>Names and Place of Residence</b>	<b>Director Since</b>	<b>Principal Occupation for Past Five Years</b>
Wilfred A. Gobert <sup>(1)(3)</sup> 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 <sup>(2)(3)(7)</sup> 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.
E. Mitchell Shier <sup>(3)(4)</sup> Calgary, Alberta, Canada	April 1, 2005	General Counsel, Corporate Secretary and Manager, Land of Paramount Resources Ltd., 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 <sup>(1)</sup> 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.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Member of the Environmental, Health and Safety Committee.
- (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 Trilogy and devote substantial time to Trilogy's business, they are not paid a salary by Trilogy for their services. Accordingly, their offices with Trilogy 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 Resources Ltd ("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**

<b>Names and Place of Residence</b>	<b>Office</b>	<b>Principal Occupation for Past Five Years</b>
Clayton H. Riddell <sup>(1)</sup> Calgary, Alberta, Canada	Chairman of the Board	Chairman of the Board and Chief Executive Officer of Paramount Resources Ltd.
James H.T. Riddell <sup>(1)</sup> Calgary, Alberta, Canada	President and Chief Executive Officer	President and Chief Operating Officer of Paramount Resources Ltd. since June 2002.

<u>Names and Place of Residence</u>	<u>Office</u>	<u>Principal Occupation for Past Five Years</u>
Michael G. Kohut Calgary, Alberta, Canada	Chief Financial Officer	Chief Financial Officer of Trilogy 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.
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 Resources Ltd.
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 Resources Ltd.

**Note:**

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

As at December 31, 2009, the directors and officers of Trilogy Energy Ltd. (now Trilogy Resources Ltd.) as a group beneficially owned or controlled, directly or indirectly, 39,565,032 units of the Trust, representing approximately 35.81% of the 110,490,334 units of the Trust outstanding at such date. As at December 31, 2009, Paramount Resources Ltd., a company in which Mr. C.H. Riddell owns approximately 51.88% of the shares, owned or controlled, directly or indirectly, 23,994,645 units of the Trust, representing approximately 21.72% of the 110,490,334 units of the Trust outstanding at such date.

As at the date hereof, the directors and officers of Trilogy Energy Corp. as a group beneficially own or control, directly or indirectly, 20,364,630 Common Shares and 19,447,372 Non-Voting Shares, representing approximately 24.20% of the Common Shares, 63.07% of the Non-Voting Shares and 34.62% of Trilogy's 114,997,972 shares outstanding at the date hereof. As at the date hereof, Paramount Resources Ltd., a company in which Mr. C.H. Riddell owns approximately 51.88% of the shares, owns or controls, directly or indirectly, 12,755,845 Common Shares and 11,388,490 Non-Voting Shares, representing approximately 15.16% of the Common Shares, 36.93% of the Non-Voting Shares and 21.00% of Trilogy's 114,997,972 shares outstanding at the date hereof.

Certain directors and officers of Trilogy 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. Trilogy's internal policies respecting conflicts of interest require that directors and officers of Trilogy avoid putting themselves in a conflict of interest position and, if such a position arises, that disclosure of such position be made so that Trilogy 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 Resources Ltd. and Trilogy. While Trilogy is independent of Paramount Resources Ltd. and its affiliates, three of the directors and officers of Trilogy Energy Corp. are directors and/or officers of Paramount Resources Ltd. The directors and officers of Paramount Resources Ltd. and Trilogy have fiduciary duties to manage Paramount Resources Ltd. and Trilogy, respectively, in a manner beneficial to Paramount Resources Ltd. and Trilogy, respectively. The duties of the directors and officers of Trilogy and Paramount Resources Ltd. to those entities may come into conflict.

## **DESCRIPTION OF SHARE CAPITAL**

Trilogy is authorized to issue an unlimited number of Common Shares and an unlimited number of Non-Voting Shares. The rights, privileges, restrictions and conditions attaching to the Common Shares and the Non-Voting Shares are as follows:

### ***Voting Rights***

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the Shareholders and to one vote in respect of each Common Share held at all such meetings.

The holders of the Non-Voting Shares are entitled to receive notice of and to attend and speak at any meeting of the Shareholders to the same extent as a holder of Common Shares, but, except as required by applicable law, the holders of Non-Voting Shares are not entitled to vote at any such meeting.

### ***Dividends***

The holders of Common Shares and Non-Voting Shares are entitled to receive, if, as and when declared by Trilogy's Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time. The rights of holders of Common Shares and the rights of holders of Non-Voting Shares to receive a dividend are equal in all respects and no dividends may be declared or paid on either the Common Shares or the Non-Voting Shares unless a dividend in the same per share amount is declared or paid on both such classes.

### ***Rights upon Dissolution***

The holders of Common Shares and Non-Voting Shares will participate rateably in any liquidation, dissolution or winding-up of Trilogy or other distribution of the assets of Trilogy among its Shareholders for the purpose of winding up its affairs.

### ***Conversion of Non-Voting Shares***

The holders of Non-Voting Shares do not, under any circumstance, have a right to convert the Non-Voting Shares into Common Shares.

Trilogy has the limited right, upon notice to the holders of Non-Voting Shares, to convert all or any number of the Non-Voting Shares into Common Shares on the basis of one Common Share for each Non-Voting Share. Trilogy may not exercise its right to convert the Non-Voting Shares unless Trilogy's Board of Directors has determined that the conversion would not result in certain restricted persons (being Paramount Resources Ltd. and Warner Investment Holdings Ltd., the two holders of Non-Voting Shares, and persons related or affiliated with them (the "Restricted Persons")) collectively beneficially owning more than 45% of the issued Common Shares. **There are no provisions in the articles of incorporation of Trilogy granting the holders of Non-Voting Shares the right to convert their Non-Voting Shares into Common Shares or any similar right designed to enable them to participate in a take-over bid.**

If, as a result of any transfer of the beneficial ownership of Non-Voting Shares, such Non-Voting Shares become beneficially owned by a person who is not a Restricted Person, then, immediately upon completion of such transfer, such Non-Voting Shares will automatically convert into Common Shares on the basis of one Common Share for each such Non-Voting Share.

### *Equality of Shares*

Except as provided in the articles of incorporation of Trilogy (as described above), the Common Shares and the Non-Voting Shares shall have the same rights and attributes and shall be the same in all respects. No consolidation, subdivision or distribution shall be effected in respect of the Common Shares unless an equivalent consolidation, subdivision or distribution is effected in respect of the Non-Voting Shares to preserve the equivalence of such classes of shares.

### **MARKET FOR SECURITIES**

The Common Shares are listed on the Toronto Stock Exchange under the trading symbol "TET". Prior to the Conversion, the units of Trilogy Energy Trust were 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 of the Trust on the Toronto Stock Exchange for the fiscal year ended December 31, 2009.

<b>2009</b>	<b>Price Range (\$)</b>		<b>Trading Volume</b>
	<b>High</b>	<b>Low</b>	
January.....	6.75	5.01	1,556,671
February.....	5.47	4.50	1,548,328
March.....	6.47	4.53	1,658,063
April.....	6.74	5.70	1,156,783
May.....	7.19	5.92	1,460,245
June.....	6.98	5.78	1,879,581
July.....	7.99	5.33	2,078,980
August.....	8.00	6.63	1,460,819
September.....	8.24	6.79	2,138,021
October.....	9.34	7.20	4,317,032
November.....	8.38	7.25	2,384,261
December.....	8.66	6.90	2,374,355

### **RECORD OF CASH DIVIDENDS AND DISTRIBUTIONS**

For each of the three most recently completed financial years, Trilogy declared the following monthly cash distributions:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
January	\$0.05	\$0.07	\$0.10
February	\$0.05	\$0.07	\$0.10
March	\$0.05	\$0.07	\$0.10
April	\$0.05	\$0.07	\$0.10
May	\$0.05	\$0.10	\$0.10
June	\$0.05	\$0.10	\$0.10
July	\$0.05	\$0.10	\$0.10
August	\$0.05	\$0.10	\$0.10
September	\$0.05	\$0.10	\$0.10
October	\$0.05	\$0.10	\$0.10
November	\$0.05	\$0.10	\$0.07
December	\$0.05	\$0.10	\$0.07
<b>TOTAL</b>	<b>\$0.60</b>	<b>\$1.08</b>	<b>\$1.14</b>

Trilogy paid a cash distribution of \$0.05 per Trust Unit for January, 2010 on February 16, 2010 and declared a monthly cash dividend per Common Share and Non-Voting Share of \$0.035 for February, 2010 payable on March 15, 2010.

## 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:

### ***Robert M. MacDonald***

Bob MacDonald is an oil and gas banking professional with seven 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 Corporation.

### ***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 thirty 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 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 Trilogy's independent auditors may be pre-approved. The audit committee has identified the following four categories of services that may be provided by Trilogy'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 Trilogy'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 Trilogy'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 Trilogy'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 Trilogy's business, accounting systems, people, risk profile and other factors, and whether the service might enhance Trilogy'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.

	<b>2009</b>	<b>2008</b>
Audit Services	\$200,000	\$136,900
Audit –Related Fees <sup>(1)</sup>	\$75,000	\$60,000
Tax Fees <sup>(2)</sup>	Nil	Nil
All Other Fees <sup>(3)</sup>	Nil	\$7,290
<b>Total:</b>	<b>\$275,000</b>	<b>\$204,190</b>

**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 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 Trilogy and the ownership of Common Shares which should be carefully considered.

#### **Risks Relating to Trilogy's Properties and Assets**

##### *Volatility of Commodity Prices*

Trilogy'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 Trilogy. 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 Trilogy's operations, financial condition and the level of expenditures provided for the development of its natural gas and oil reserves. Trilogy may manage the risk associated with changes in commodity prices and foreign exchange rates by entering into, from time to time, natural gas and crude oil price hedges and forward foreign exchange contracts. To the extent that Trilogy engages in risk

management activities related to commodity prices and foreign exchange rates, it will be subject to credit risks associated with counterparties with which it contracts 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 Trilogy.

### ***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.

### ***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 Trilogy's oil and gas properties and possible liability to third parties. Trilogy employs prudent risk management practices and maintains suitable liability and other insurance, where available. Trilogy 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 from operations of Trilogy.

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.

### ***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.

### ***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 Trilogy's net production revenue, cash flow and the price of Common Shares. 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 Trilogy to replace reserves through acquisitions.

### ***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.

### ***Regulatory Approvals***

In order to conduct its oil and natural gas operations, Trilogy will require licences from various governmental authorities. There can be no assurance that Trilogy will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

### ***Depletion and Sustainability of Reserves***

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

### ***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 winter 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.

### ***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 upon 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. 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 Trilogy. 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.

### ***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, or claiming that traditional lands may be adversely impacted by Trilogy's development plans, 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 assent 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 has brought significant changes to the royalty structure that existed in Alberta prior to January 1, 2009 by establishing new royalty formulas for conventional oil and natural gas that operate on sliding scales that are determined by commodity prices, well productivity and measured depths of wells.

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 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. All wells drilled for which transitional rates are elected will revert to the new royalty regime effective January 1, 2014.

The Government of Alberta also announced in the New Royalty Framework that it intended to implement shallow rights reversion with respect to all Crown petroleum and natural gas leases, whereby geological zones above the shallowest productive zone of lands subject to a Crown lease would revert to the Crown in right of Alberta at the expiry of the primary term of the lease or, in the case of Crown leases already past their primary term, 3 years after notice thereof to the lessee. All Crown petroleum and natural gas leases that have been issued since January 1, 2009 have been subject to shallow rights reversion at expiry and amendments have been made to the Mines and Minerals Act (Alberta) to include provisions for shallow rights reversion notices, which the Government of Alberta has indicated it intends to start serving in 2011.

In response to global financial events and decreased commodity prices, the Government of Alberta introduced several incentive programs, including drilling and production incentives. Such incentives result in adjustments to the royalty rates payable. The Government of Alberta has extended certain of these incentives beyond their initial term and is currently conducting a competitiveness review to determine if, among other matters, the New Royalty Framework needs to be revised or additional incentives introduced.

If the Government of Alberta further modifies the province's royalty regime, such changes could have a material adverse effect on Trilogy's assets, results of operations and its ability to execute its business plan.

### ***Current Economic Conditions***

The economic recession that commenced in the United States (U.S.) in the latter part of 2008 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.

The significant decline in energy commodity prices associated with the recession impacted Trilogy's operations in the latter part of 2008 and 2009 resulting in reductions to cash flow, distributions to the Trust's unitholders and forecast capital spending, and heightened risks on financial instruments, among other things.

Positive economic indicators are suggesting a cessation of the economic recession in North America in 2010. However, the effects of the recession are still being felt in Canada as evidenced by cautious investor confidence, commodity and market volatility, an increased cost of debt, tight credit controls, higher unemployment rates and lower natural gas commodity prices, among other factors.

It is uncertain how long these economic conditions will exist or what the future impact on Trilogy will be, however such conditions and their effects could have 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.

### ***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 Trilogy 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 Trilogy.

### ***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 Trilogy'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 and the suspension or revocation of regulatory permits. Although it is not expected that the costs of complying with environmental legislation will have a material adverse effect on Trilogy'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.

### ***Net Asset Value***

The net asset value of the assets of Trilogy 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 Common Shares 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 Trilogy's assets.

### ***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 ("CO<sub>2</sub>") 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 2020 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. Recently the Canadian federal government announced that it would be modifying its plan to soften the impact of GHG regulation on Canadian industry. 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. It is not known when the federal government will enact GHG emission reduction legislation.

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; iii) contributing to the Climate Change and Emissions Management Fund for GHG emissions reduction or (iv) purchasing or using emission performance credits. 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***

Trilogy 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 its interest in such properties. Remediation of title problems could

result in additional costs and litigation. If title defects are unable to be remedied, Trilogy may lose some of its interest in the disputed properties resulting in reduced production and a reduction in the cash flow of Trilogy.

### ***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, including opposition by industry participants, 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.

## **Risk Factors relating to Trilogy Resulting from the Conversion**

### ***Tax Risks Associated with the Conversion***

While Trilogy believes that its tax filing positions will be appropriate and supportable, it is possible that the tax authorities could successfully challenge the tax consequences of the Conversion, subsequent Trilogy or Shareholder transactions or prior transactions and tax filings of Newco. Furthermore, Canadian federal or provincial income tax legislation may be amended, or its interpretation changed, retroactively or prospectively, resulting in different tax consequences than those contemplated by Trilogy. Such challenge or legislative amendment or interpretation could have a material adverse impact on the availability or quantum of the tax attributes of Trilogy.

### ***Due Diligence, Obligations to Third Parties and Indemnity Risks***

Trilogy conducted investigations of, and engaged legal counsel and accountants to review, the corporate, legal, financial, business and tax records of Newco and certain of its affiliates; however, there may be liabilities, obligations, claims and deficiencies in the tax pools or other risks that Trilogy may not have uncovered in its due diligence investigations. While Trilogy has ensured that all liabilities, obligations and claims have been or will be assumed by third parties or affiliates of Newco, Trilogy may be exposed to risks relating to any obligations of Newco that were not properly assumed by such parties, or if properly assumed, from which obligations Trilogy has not been released by third parties. Trilogy has attempted to ensure that it will not be subject to, and will be indemnified for, any liabilities, obligations, claims and losses relating to the business of Newco prior to the completion of the Conversion. However, in the event that Newco's former affiliates who agreed to indemnify Newco fail or are unable to meet such contractual obligations to Trilogy and to the extent that any applicable insurance coverage or the 2,239,884 Common Shares pledged by Newco's sole shareholder (the "Pledged Shares") in connection with the Conversion are not available, as a result of the release or partial release of the Pledged Shares or the value of the Pledged Shares being insufficient to cover the liabilities, obligations, claims or losses, Trilogy may be liable for such liabilities, obligations, claims and losses, which could have a material adverse effect on the business, financial condition and results of operations of Trilogy.

### ***Possible Failure to Realize Anticipated Benefits of the Conversion***

Achieving the anticipated benefits of the Conversion will depend in part on Trilogy's ability to realize the anticipated growth opportunities from reorganizing the Trust into a corporate structure. There can be no assurance that Trilogy's management will be successful in refocusing Trilogy into a growth-oriented entity. If Trilogy's management is not successful, it may have a material adverse effect on the business and affairs of Trilogy as well as the trading price of, and dividends on, the Common Shares.

### **Risks Relating to the Common Shares**

#### ***Dividends***

Future dividend payments by Trilogy and the level thereof is uncertain, as the funds available for the payment of dividends from time to time will be dependent upon, among other things, cash flow from operations generated by Trilogy and its subsidiaries, financial requirements for Trilogy's operations and the execution of its growth strategy, fluctuations in working capital, the timing and amount of capital expenditures, debt service requirements, statutory liquidity requirements under the *Business Corporations Act* (Alberta) and other factors beyond the control of Trilogy. The market value of the Common Shares may deteriorate if Trilogy reduces, suspends or terminates its cash dividends in the future, and such deterioration may be material.

#### ***Reliance on Management***

Shareholders will be dependent on the management of Trilogy in respect of the management and administration of all matters relating to Trilogy. Trilogy may also retain third parties to assist it in providing these services. If Trilogy is not able to employ such required personnel or obtain such replacement arrangements on favourable terms, Trilogy's consolidated revenues and profits may decline and Trilogy's revenue may be negatively affected.

#### ***Additional Financing***

The timing and amount of capital expenditures will directly affect the amount of dividends to Shareholders. Dividends 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 Common Shares or additional credit facilities, becomes limited or unavailable, the ability of Trilogy 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 Shareholders***

Trilogy may issue additional Common Shares or securities convertible into Common Shares in the future, which may dilute a Shareholder's cash dividend per Common Share, as well as per Common Share production, reserves and net asset value. The articles of Trilogy permit Trilogy to issue an unlimited number of Common Shares without the approval of Shareholders, subject to stock exchange rules. Shareholders will have no pre-emptive rights in connection with such further issues. The directors of Trilogy have the discretion to determine the price and the terms of issue of further Common Shares, subject to stock exchange rules.

#### ***Access to Capital***

Trilogy's credit facility contains covenants that require Trilogy to meet certain financial tests and that restrict, among other things, the ability of Trilogy to incur additional debt, dispose of assets or pay dividends in certain circumstances. These restrictions may preclude Trilogy from returning capital or paying dividends.

The payout by Trilogy of substantially all of its available cash flow means that capital expenditures to fund growth opportunities can only be made in the event that other sources of financing are available. Lack of access to such additional financing could limit the future growth of the business of Trilogy and, over time, have a material adverse effect on the amount of cash available for dividends to Shareholders.

To the extent that external sources of capital, including public and private markets, become limited or unavailable, Trilogy's ability to make the necessary capital investments to maintain or expand its current business and to make necessary principal payments, uncertainties and assumptions under its term credit facility may be impaired.

### ***Trading in, and Trading Price of, Common Shares***

Trilogy cannot predict at what price the Common Shares will trade and there can be no assurance that an active trading market in the Common Shares will continue to exist. Common Shares will not necessarily trade at values determined solely by reference to the underlying value of Trilogy's assets. One of the factors that may influence the market price of the Common Shares is the effective dividend on the Common Shares. An increase in market interest rates could adversely affect the market price of the Common Shares. In addition, the market price for the Common Shares may be affected by changes in oil and gas prices, general market conditions, fluctuations in the market for equity or debt securities and numerous other factors beyond the control of Trilogy.

### **TRANSFER AGENT AND REGISTRAR**

Trilogy's transfer agent and registrar is Computershare Trust Company of Canada located at the following address:

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

### **MATERIAL CONTRACTS**

Trilogy is party to the following material contracts which were not entered into in the ordinary course of Trilogy's business, all of which are filed on SEDAR under Trilogy's profile.

1. The arrangement agreement in respect of the Conversion described under "GENERAL DEVELOPMENT OF THE BUSINESS – 2009".
2. The pledge agreement dated February 5, 2010 between Trilogy Energy, Newco's former sole shareholder and Alliance Trust Company as collateral agent, the purpose of which is to secure the indemnity obligations of certain Newco entities under the arrangement agreement described in 1. above and the form of indemnity agreement attached thereto which was subsequently executed by Trilogy and such Newco entities on February 5, 2010. Under the pledge agreement, 2,239,884 Common Shares were pledged, representing approximately 2% of the Common Shares issued and outstanding as at the date hereof. For detailed information with respect to the pledge agreement and indemnity agreement, see the information under the headings "Indemnity Agreement" and "Pledge Agreement" on pages 30-33 of the information circular of the Trust dated January 6, 2010 available under the Trust's profile on SEDAR, which two sections of the information circular are incorporated by reference herein.

### **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](http://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 Shareholders 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, 2009.

**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 Corp. (the "Corporation"):

1. We have evaluated the Corporation's reserves data (as defined in the Corporation's annual information form to which this report is attached) as at December 31, 2009. The reserves are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, using forecast prices and costs.
2. The reserves data are the responsibility of the Corporation'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 Corporation evaluated by us for the year ended December 31, 2009, and identifies the respective portions thereof that we have evaluated and reported on to the Corporation'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.	February 11, 2010	Canada	-	\$1,128,875	-	\$1,128,875

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 2, 2010

**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 Corp. (the "Corporation") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation'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 Corporation 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 Corporation 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 Corporation has, on recommendation of the Audit Committee, approved:

- (d) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information contained in the Corporation's annual information form accompanying this report;
- (e) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (f) 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 2, 2010

**APPENDIX C**  
**AUDIT COMMITTEE CHARTER**

**TRILOGY ENERGY CORP.  
AUDIT COMMITTEE CHARTER**

(Adopted by the Board of Directors on May 19, 2005, Revised March 2, 2007 and February 5, 2010)

**A. INTRODUCTION**

The Board of Directors (the "Board") of Trilogy Energy Corp. (the "Corporation") has the responsibility for the overall stewardship of the conduct of the business of the Corporation 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 Corporation. Where the context requires, references to the "Corporation" refer collectively to the Corporation and all direct and indirect subsidiaries of the Corporation.

**B. PURPOSE**

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Corporation'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 Corporation, to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts and to review the Corporation'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 Corporation's reserves.

**C. COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Committee shall consist of at least three members of 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*<sup>i</sup> and who meet the requirements of Section 3.5(1) of National Instrument 51-101<sup>ii</sup> - *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 Corporation and that can be reasonably expected to be raised by the Corporation'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 Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, 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 Corporation 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 Corporation'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 Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation'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 Corporation's internal (if any) and external auditors and assess their performance;
  - (c) to ensure that the management of the Corporation 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 Corporation'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 Corporation; and
- (j) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

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 Corporation, 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 shareholders of the Corporation, 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 Corporation's financial and auditing personnel;
  - (iv) co-operation received from the Corporation's personnel during the audit;
  - (v) internal resources used;
  - (vi) significant transactions outside of the normal business of the Corporation;
  - (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 Corporation'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 Corporation; 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 Corporation are to:
- (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to insurance, accounting, information services and systems and financial controls, management reporting and risk management;
  - (b) review compliance under the Corporation's Code of Business Conduct Policy with those matters addressed in the policy which affect the financial integrity of the Corporation and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate; and
  - (c) periodically review the Corporation'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 Corporation's annual financial statements, management's discussion and analysis, annual information form and annual earnings press releases before the Corporation publicly discloses this information;
  - (b) review and approve the Corporation'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 Corporation's interim earnings press releases before the Corporation publicly discloses this information;
  - (c) review and approve the financial sections of:
    - (i) the annual report to shareholders;
    - (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 Corporation's consolidated financial statements;
  - (e) review the appropriateness of the policies and procedures used in the preparation of the Corporation'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 Corporation's consolidated financial statements;

- (g) review the minutes of any audit committee meeting of any subsidiary of the Corporation;
- (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 Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (i) review the Corporation'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 shareholders.

5. The duties and responsibilities of the Committee as they relate to the Corporation's oil and gas reserves estimates are to:

- (a) review, with reasonable frequency, the Corporation'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 Corporation'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 Corporation;
- (c) review, with reasonable frequency, the Corporation'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.

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<sup>i</sup> 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.

<sup>ii</sup>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.