



NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

WITH RESPECT TO

AN ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD:

AT CENTRIUM PLACE
332 – 6TH AVENUE SOUTH WEST
CALGARY, ALBERTA

IN THE

CONFERENCE CENTRE
(MEZZANINE LEVEL)

ON THURSDAY, MAY 13, 2010
AT 2:00 PM (CALGARY TIME)

March 4, 2010

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

An annual meeting (the "Meeting") of the holders ("Shareholders") of Common Shares of Trilogy Energy Corp. ("Trilogy") will be held in the Conference Centre, Centrium Place, 332 – 6th Avenue S.W., Calgary, Alberta, on Thursday, May 13, 2010, at 2:00 pm Calgary time, for the following purposes:

1. to receive the consolidated financial statements of Trilogy Energy Trust for the year ended December 31, 2009, together with the report of the auditor thereon;
2. to elect the directors of Trilogy;
3. to appoint the auditor of Trilogy, for the ensuing year; and
4. to transact such other business as may properly come before the Meeting and any adjournment or adjournments thereof.

Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of proxy and return it in the envelope provided for that purpose to Computershare Trust Company of Canada ("Computershare"), the transfer agent for Trilogy, in person or by mail to 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. To be valid, Shareholders' proxies must be deposited with Computershare at least 48 hours (excluding weekends and holidays) prior to the commencement of the Meeting or any adjournment or adjournments thereof.

Shareholders of record as at the close of business on March 24, 2010 will be entitled to receive notice of and to attend and vote at the Meeting.

**BY ORDER OF THE BOARD OF DIRECTORS
OF TRILOGY ENERGY CORP.**

**(signed) "Gail L. Yester"
Corporate Secretary**

GENERAL INFORMATION

This Management Information Circular (the "Circular") is provided in connection with the solicitation of proxies by the management ("Management") of Trilogy Energy Corp. ("Trilogy"), for use at the annual meeting (the "Meeting") of the holders (the "Shareholders") of Common Shares of Trilogy ("Trilogy Shares") to be held on May 13, 2010, and at all adjournments of the Meeting.

Date of Information

The information in this Circular is as of March 4, 2010, unless otherwise noted.

Currency

All dollar figures are in Canadian currency, except as noted.

Record Date and Voting of Trilogy Shares

The record date for the Meeting is March 24, 2010. Shareholders of record at the close of business on the record date are entitled to receive notice of and to attend and vote at the Meeting. However, if a Shareholder has transferred the ownership of any of the holder's Trilogy Shares after that date and the transferee of those Trilogy Shares produces properly endorsed share certificates, or otherwise establishes that the transferee owns the Trilogy Shares and demands at any time before the Meeting that the transferee's name be included in the list of persons entitled to vote at the Meeting, the transferee will be entitled to vote the Trilogy Shares at the Meeting or any adjournment thereof. Each Trilogy Share entitles the holder thereof to one vote at the Meeting.

When any Trilogy Share is held jointly by several persons, any one of them who is present at the Meeting may in the absence of the others vote at the Meeting in respect of such Trilogy Share. If, however, more than one of them shall be present at the Meeting, in person or by proxy, they shall vote as one on the Trilogy Shares jointly held by them.

Outstanding Trilogy Shares and Principal Holders

As at March 4, 2010, 84,162,110 Trilogy Shares and 30,835,862 Non-Voting Shares of Trilogy were issued and outstanding. To the knowledge of the directors and officers of Trilogy, no person or company beneficially owns, directly or indirectly, or has control or direction over Trilogy Shares carrying more than ten percent (10%) of the voting rights attached to all of the issued and outstanding Trilogy Shares as of March 4, 2010 other than: (1) Paramount Resources Ltd. which as of that date owned or exercised control or direction over 12,755,845 Trilogy Shares or approximately 15.16 % of the then outstanding

Trilogy Shares, and (2) Clayton H. Riddell who as of that date beneficially owned or exercised control or direction over, directly or indirectly, 19,420,391 Trilogy Shares representing 23.07% of the then outstanding Trilogy Shares. The information as to Trilogy Shares beneficially owned is not within the knowledge of Trilogy and has been derived from sources available to Trilogy.

See the section entitled "Description of Share Capital" in Trilogy's annual information form for the year ended December 31, 2009 for a description of the rights, privileges, restrictions and conditions attaching to the Trilogy Shares and the Non-Voting Shares, which section is incorporated by reference herein. All of the Non-Voting Shares are held by Paramount Resources Ltd. and Warner Investment Holdings Ltd.

Registered and Beneficial Shareholders

You are a registered Shareholder if your Trilogy Shares are held in your name and you have a Trilogy Share certificate. You are a beneficial Shareholder if your Trilogy Shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

Mailing of Circular

This Circular, a proxy and our 2009 annual report will be mailed to Shareholders beginning April 1, 2010. The 2009 annual report is being mailed to:

- all registered Shareholders, except those who have asked not to receive it; and
- beneficial Shareholders who requested a copy.

We will provide proxy materials to brokers, custodians, nominees and fiduciaries and request that the materials be forwarded promptly to our beneficial Shareholders.

Annual and Interim Reports

If you are a registered Shareholder, a copy of our 2009 annual report is included in this package, unless you asked not to receive it. If you (i) do not wish to receive our annual report next year; or (ii) wish to receive our interim reports but currently do not, please fill out and return the blue card enclosed with this package.

If you are a beneficial Shareholder and you did not return the card sent out last year to request a copy, an annual report has not been forwarded to you. If you wish to receive our annual and/or interim reports next year, please fill out and return the card enclosed with this package.

Our annual report can be accessed online at www.trilogyenergy.com, or you may request a copy from G. L. Yester, General Counsel and Corporate Secretary, at Suite 1400, 332 - 6th Avenue S.W., Calgary, Alberta, T2P 0B2

REGISTERED SHAREHOLDER VOTING

You are a registered Shareholder if your Trilogy Shares are held in your name and you have a Trilogy Share certificate.

Voting Options



In person at the Meeting (see below);



By proxy (see below);



By telephone (see enclosed proxy form); or



By internet (see enclosed proxy form).

Voting in Person

If you plan to attend the Meeting and wish to vote your Trilogy Shares in person, don't complete or return the enclosed proxy. Your vote will be taken and counted at the Meeting. Please register with the transfer agent, Computershare Trust Company of Canada, at the Meeting.

Voting by Proxy

Whether or not you attend the Meeting, you can appoint someone else to attend and vote as your proxyholder. You can use the enclosed proxy or any other proper form of proxy to do this. The persons named in the enclosed proxy are Management of Trilogy. You can also choose another person to be your proxyholder by printing that person's name in the space provided. Then complete the rest of the proxy, sign it and return it. Your votes can only be counted if the person you appointed attends the Meeting and votes on your behalf. **If you have voted by proxy, you may not vote in person at the Meeting, unless you revoke your proxy.**

Return your completed proxy in the envelope provided or fax it to Computershare Trust Company of Canada so that it arrives by at least 48 hours (excluding weekends and holidays) before the time set for the Meeting or, if the Meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume.

Revoking your Proxy

You may revoke your proxy at any time before it is acted on. You can do this by following the directions in the following section.

BENEFICIAL OWNER VOTING

You are a beneficial Shareholder if your Trilogy Shares are held in the name of a nominee. That is, your Trilogy Share certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

Voting Options



In person at the Meeting (see below);



By voting instructions (see below);



By telephone (see enclosed voting instruction form); or



By internet (see enclosed voting instruction form)

Voting in Person

If you plan to attend the Meeting and wish to vote your Trilogy Shares in person, insert your own name in the space provided on the enclosed voting instruction form. Then follow the signing and return instructions provided by your nominee. Your vote will be taken and counted at the Meeting so don't complete the voting instructions on the form. Please register with the transfer agent, Computershare Trust Company of Canada, at the Meeting.

Voting Instructions

Whether or not you attend the Meeting, you can appoint someone else to attend and vote as your proxyholder. Use the enclosed voting instruction form to do this. The persons named in the enclosed voting instruction form are Management. You can also choose another person to be your proxyholder by printing that person's name in the space provided. Then complete the rest of the voting instruction form, sign it and return it. Your votes can only be counted if the person you appointed attends the Meeting and votes on your behalf. **If you have sent in your voting instruction form, you may not vote again at the Meeting unless you revoke your instructions.**

Return your completed voting instruction form in the envelope provided or fax it to one of the numbers set out in the form so that it arrives at least 48 hours (excluding weekends and holidays) before the time set for the Meeting or, if the Meeting is adjourned at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume.

Revoking Voting Instructions

Follow the procedures provided by your nominee as set out in the following section. This will give your nominee time to submit the revocation to us.

PROXY INFORMATION

Solicitation of Proxies

This Notice of Meeting and Circular are accompanied by a form of proxy. Proxies are solicited by Management to be used at the Meeting or any adjournment thereof. Solicitations will be primarily by mail but also may be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Trilogy. All costs of the solicitation by Management will be paid by Trilogy.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are Management of Trilogy. **A Shareholder desiring to appoint some other person (who need not be a Shareholder) to represent such Shareholder at the Meeting may do so by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy** and, in either case, delivering the completed proxy to Trilogy's transfer agent, Computershare Trust Company of Canada ("Computershare"), in person or by mail to 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. To be valid, Shareholders' proxies must be deposited with Computershare at least 48 hours (excluding weekends and holidays) prior to the commencement of the Meeting. Failure to so deposit a form of proxy shall result in its invalidation.

A Shareholder who has signed and returned the enclosed form of proxy may revoke it (a) by signing a proxy bearing a later date and delivering same to Trilogy's transfer agent, Computershare, at the address set out above at least 48 hours (excluding weekends and holidays) prior to the commencement of the Meeting, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by depositing written notice of revocation at the registered office of Trilogy at 1400, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2, or with Trilogy's transfer agent, Computershare, at the address set out above at any time up to and including the last business day preceding the day of the Meeting or by delivering it to the Chairman of the Meeting, or (c) by attending and voting at the Meeting.

Voting of Proxies

Trilogy Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for. If the Shareholder specifies a choice with respect to any matter to be acted upon, the Shareholder's Trilogy Shares will be voted accordingly. If a choice is not specified, the person designated by Management in the accompanying form of proxy will vote

Trilogy Shares represented by the form of proxy in favour of each matter identified.

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and to any other matters which may properly come before the Meeting. At the date of this Circular, Management knows of no such amendment, variation or matter to come before the Meeting other than the matters referred to in the enclosed Notice of Meeting. If other matters do properly come before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in their best judgment.

Notice to Beneficial Holders of Trilogy Shares

The information in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Trilogy Shares in their own name. Shareholders who do not hold their Trilogy Shares in their own name (referred to in this Circular as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records as the registered holders of Trilogy Shares can be recognized and acted upon at the Meeting. If Trilogy Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Trilogy Shares will not be registered in the Shareholder's name on Trilogy's records. Such Trilogy Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Trilogy Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., a wholly-owned subsidiary of The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Trilogy does not know for whose benefit Trilogy Shares registered in the name of CDS & Co. are held. Trilogy Shares held by brokers or their nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents are prohibited from voting Trilogy Shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Trilogy Shares are communicated to the appropriate person.**

Applicable regulatory policy requires intermediaries or brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients. These

instructions should be carefully followed by Beneficial Shareholders in order to ensure that their Trilogy Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of that broker) is similar to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Investor Communications Inc.) ("Broadridge"). Broadridge typically mails a scannable voting instruction form ("Voting Instruction Form") in lieu of the form of proxy. The Beneficial Holder is requested to complete and return the Voting Instruction Form to Broadridge by mail. Alternatively, the Beneficial Shareholder can call a toll-free telephone number to convey his or her voting instructions for Trilogy Shares held by the Beneficial Shareholder or vote on-line over the Internet. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of

Trilogy Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Trilogy Shares directly at the Meeting as the Voting Instruction Form must be returned as directed by Broadridge well in advance of the Meeting in order to have Trilogy Shares voted.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Trilogy Shares registered in the name of a broker (or agent of the broker) a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered Shareholder and vote the beneficially owned Trilogy Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Trilogy Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

CORPORATE 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, employees, 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 ("Unitholders") becoming the shareholders of Newco, receiving one Newco share for each of their trust units of the Trust ("Trust Units"), along with Newco's sole shareholder. Newco's name was changed 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 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 a simplified organizational structure in which Trilogy Energy Corp. and its wholly owned subsidiary, Trilogy Resources Ltd., are the only partners of the operating partnership Trilogy Energy, which holds all of Trilogy's oil and gas properties and assets. **References to "Trilogy", "Trilogy Shares" and "dividends" in this Circular are references to the Trust and/or its subsidiaries, trust units of the Trust and distributions of the Trust, respectively, as the context may require for periods prior to February 5, 2010.**

BUSINESS OF THE MEETING

The business of the Meeting is: (1) the placing before the Shareholders of the financial statements of Trilogy Energy Trust for fiscal 2009 and the auditors' report thereon; (2) the election of the board of directors of Trilogy (the "Board"); (3) the appointment of the auditor of Trilogy, to hold office until the next annual meeting of Shareholders; and (4) any other business to come before the Meeting. Management knows of no other business to be considered at the Meeting.

Financial Statements

The consolidated financial statements of Trilogy Energy Trust for the year ended December 31, 2009, together with the auditor's report on those statements, will be placed before the Meeting and are contained in Trilogy's 2009 Annual Report to Shareholders.

Election of Directors

Shareholders will be asked at the Meeting to pass a resolution electing the directors of Trilogy. The nominees are:

C. H. (CLAY) RIDDELL
J. H. T. (JIM) RIDDELL
M. H. (MICK) DILGER
D. A. (DON) GARNER
W. A. (WILF) GOBERT
R. M. (BOB) MacDONALD
E. M. (MITCH) SHIER
D. F. (DON) TEXTOR

See further information under "**DIRECTOR NOMINEES**" and the section titled "**CORPORATE GOVERNANCE**".

In the absence of instructions to the contrary, the persons named in the accompanying form of proxy intend to vote for the election of the above nominees as directors of Trilogy.

Appointment of Auditor

PricewaterhouseCoopers LLP has been auditor of Trilogy since February 25, 2005.

The total fees paid to PricewaterhouseCoopers LLP for professional services rendered from January 1, 2009 to December 31, 2009 amounted to \$275,000, attributable as follows: (i) audit services - \$200,000; and (ii) audit-related services consisting of assistance and advice to enable Trilogy to comply with securities legislation related to internal controls - \$75,000. Trilogy's consolidated financial statements as at and for the year ended December 31, 2009 were audited by PricewaterhouseCoopers LLP, which is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

In the absence of instructions to the contrary, the persons named in the accompanying form of proxy intend to vote for the appointment of PricewaterhouseCoopers LLP as the auditor of Trilogy until the next annual meeting of Shareholders.

DIRECTOR NOMINEES

Trilogy is required by its Articles of Incorporation to have a minimum of three and a maximum of eleven directors. Directors are elected each year at the annual meeting of Shareholders. Trilogy's Articles permit the Board, between annual meetings of the Shareholders, to appoint one or more additional directors (but no more than 1/3 of the number of directors who held office at the expiration of the last annual meeting of the Shareholders of Trilogy). Eight directors are to be elected at the Meeting. The Board and Management have concluded that each nominee is well qualified to serve on Trilogy's Board and that the Board is the appropriate size for effectiveness and appropriately composed to permit a diversity of views and to manage the Board committees.

Management intends to nominate for election and, in the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote for, as directors of Trilogy, the persons whose names are set forth below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director.

However, if for any reason any of the proposed nominees withdraw from standing for election or are unable to serve, proxies in favour of Management designees will be voted for another nominee in their discretion unless the Shareholder has specified in his or her proxy that his or her Trilogy Shares are to be withheld from voting on the election of directors.

All proposed nominees have consented to be named in this Circular to stand for election and to serve as directors if elected. Each director elected will hold office until the close of the next annual meeting of Shareholders. The following table sets out various information with respect to each proposed nominee. The table shows, among other things, the period during which each proposed nominee has served as a director of Trilogy, the board and committee positions held and the number of Trilogy Shares that each proposed nominee has advised Trilogy that he beneficially owns, directly or indirectly, or over which he exercises control or direction.

**Clayton H. Riddell (Non-Independent Director) ⁽¹⁾⁽⁴⁾
Calgary, Alberta, Canada (Age 72)**

Director Since:	April 1, 2005
Principal Occupation:	Chairman of the Board and Chief Executive Officer of Paramount Resources Ltd.
Board Committees:	Chairman of the Board Compensation Committee
Business Experience:	<p>Clay Riddell has been Chairman of the Board and Chief Executive Officer of Paramount Resources Ltd. (a petroleum and natural gas exploration and development company) ("Paramount") since 1978. Until June 2002 he was also President. He is also a director and Chief Executive Officer of MGM Energy Corp. (a public oil and gas exploration and development company), Chairman of the Board of Paramount Energy Operating Corp., a wholly-owned subsidiary and the administrator of Paramount Energy Trust (a public energy trust), and a director of Alaris Royalty Corp. (a Canadian private equity fund).</p> <p>Mr. Riddell graduated from the University of Manitoba with a Bachelor of Science (Honours) degree in Geology. He received the J. C. Sproule Memorial Plaque from the Canadian Institute of Mining (1994), the Stanley Slipper Gold Medal from the Canadian Society of Petroleum Geologists (1999), an Honorary Doctor of Science degree from the University of Manitoba (2004), and Outstanding Explorer award from the American Association of Petroleum Geologists (2004). In 2006, Mr. Riddell was inducted to the Calgary Business Hall of Fame and in 2008 he was made an Officer of the Order of Canada.</p>
Directorships of other Public Issuers	Alaris Royalty Corp. MGM Energy Corp. Paramount Energy Trust Paramount Resources Ltd.
Trilogy Shares Held:	19,420,391 Trilogy Shares and 19,447,372 Non-Voting Shares ⁽³⁾

**James H. T. Riddell (Non-Independent Director) ⁽¹⁾⁽²⁾⁽⁴⁾
Calgary, Alberta, Canada (Age 43)**

Director Since:	February 25, 2005
Principal Occupation:	President and Chief Operating Officer of Paramount Resources Ltd.
Business Experience:	<p>Jim Riddell has held the office of President and Chief Executive Officer of Trilogy since inception. He has also been the President and Chief Operating Officer of Paramount since June 2002 and a director since 2000. From May 1991 until June 2002, he held various positions with Paramount.</p> <p>Mr. Riddell is also a director and Executive Chairman of the Board of MGM Energy Corp. (a public oil and gas exploration and development company), a director and Vice Chairman of Big Rock Brewery Income Trust (a public business trust which produces and markets beer) and a director of Canadian Superior Energy Inc. (a public oil and gas exploration company).</p> <p>Mr. Riddell graduated from Arizona State University with a Bachelor of Science degree in Geology (1989) and from the University of Alberta with a Master of Science degree in Geology (1993).</p>
Directorships of other Public Issuers	Big Rock Brewery Income Trust MGM Energy Corp. Paramount Resources Ltd. Canadian Superior Energy Inc.
Trilogy Shares Held:	355,588

Michael H. (Mick) Dilger (Independent Director)
Calgary, Alberta, Canada (Age 46)

Director Since: May 18, 2005

Principal Occupation: Chief Operating Officer of Pembina Pipeline Corporation

Board Committees: Environmental, Health & Safety Committee (Chair)
Audit Committee

Business Experience: 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.

Trilogy Shares Held: 30,000

Donald A. Garner (Independent Director)
Calgary, Alberta, Canada (Age 52)

Director Since: June 15, 2008

Principal Occupation: Independent Businessman

Board Committees: Audit Committee
Environmental, Health and Safety Committee

Business Experience: Don Garner is a professional engineer and oil and gas professional with twenty-nine years experience in the upstream petroleum industry. Since June 2008, he has been an independent businessman. Prior thereto, Mr. Garner was the Chief Executive Officer and advisor to TAQA North (a private oil and gas exploration and development company), successor to PrimeWest Energy Trust (a public 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 (a public oil and gas exploration company). Prior to 1998, he spent nineteen years in various capacities with Imperial Oil Limited (a public oil and gas exploration company), 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.

Directorships of other Public Issuers: North Peace Energy Corp.

Trilogy Shares Held: 78,500

Wilfred A. Gobert (Independent Director)
Calgary, Alberta, Canada (Age 61)

Director Since: November 15, 2006

Principal Occupation: Independent Businessman

Board Committees: Compensation Committee (Chair)
Corporate Governance Committee (Chair)

Business Experience: Wilf Gobert has been an independent businessman since May 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. He had been an equity analyst since January 1973 and an oil industry financial analyst since 1976.

Mr. Gobert is a Chartered Financial Analyst and holds a Bachelor of Science degree (Mathematics) from the University of Windsor, Ontario (1971) and a Master of Business Administration from McMaster University, Ontario (1976). He is a Senior Fellow, Energy Studies, Centre for Energy Policy Studies with The Fraser Institute. In 2008, he was named the Chairman of the Board of Calgary Economic Development.

Directorships of other Public Issuers: Catapult Energy 2008 Inc.
(General Partner of Catapult Energy 2008 FTS Limited Partnership)
Aston Hill Energy 2010 GP Inc.
(General Partner of Aston Hill Energy 2010 FT LP)
Gluskin Sheff + Associates Inc.

Trilogy Shares Held: 41,300

Robert M. MacDonald (Independent Director)
Calgary, Alberta, Canada (Age 64)

Director Since: April 1, 2005

Principal Occupation: Independent Businessman and Corporate Director

Board Committees: Lead Director
Audit Committee (Chair)
Corporate Governance Committee

Business Experience: 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 restructuring. 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.

Directorships of other Public Issuers: Newalta Corporation

Trilogy Shares Held: 8,000

**E. Mitchell Shier (Non-Independent Director)
Calgary, Alberta, Canada (Age 52)**

Director Since:	April 1, 2005
Principal Occupation:	General Counsel, Corporate Secretary and Manager, Land of Paramount Resources Ltd.
Board Committees:	Corporate Governance Committee Environmental, Health & Safety Committee
Business Experience:	<p>Mitch Shier is General Counsel, Corporate Secretary and Manager, Land of Paramount, which he joined in November 2008. From 2002 until January 2009, Mr. Shier practiced oil and gas and commercial law as a partner with Heenan Blaikie LLP (a national law firm) and remains counsel to that firm. Prior to 2002, he practiced as a partner with other major law firms in Calgary. He has twenty-four years of legal experience with an emphasis on mergers and acquisitions and energy and environmental law.</p> <p>Mr. Shier obtained his Bachelor of Science degree from the University of Calgary in 1981, his Bachelor of Laws from the University of Alberta in 1984 and his Master of Laws in Environmental and Natural Resources Law from the University of Calgary in 1994. He is currently on the board of directors of Alaris Royalty Corp. (a Canadian private equity fund) and the Society for Energy and Environmental Development Studies.</p>
Directorships of other Public Issuers	Alaris Royalty Corp.
Trilogy Shares Held:	2,200

**Donald F. Textor (Independent Director)
Calgary, Alberta, Canada (Age 63)**

Director Since:	April 1, 2005
Principal Occupation:	Portfolio Manager
Board Committees:	Compensation Committee
Business Experience:	<p>Don Textor is Portfolio Manager at Dorset Energy Fund (an investment company) and Partner with Knott Partners Management LLC (an investment advisory firm) in New York. Until 2001, Mr. Textor was a partner and managing director at Goldman Sachs (a global investment banking firm), where he was senior security analyst for domestic integrated oils and exploration and production companies. Prior to joining Goldman Sachs in 1980, he was an oil analyst with First Boston (an investment bank).</p> <p>Mr. Textor graduated from Lehigh University in Bethlehem, Pennsylvania with a Bachelor of Arts degree in International Relations. He serves on the board of directors for EOG Resources, Inc., one of the largest independent oil and gas producers in the United States, and is a member of EOG's Audit Committee and Compensation Committee. Mr. Textor is a member of the National Association of Petroleum Investment Analysts.</p>
Directorships of other Public Issuers	EOG Resources, Inc.
Trilogy Shares Held:	297,349

Notes:

- (1) 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.
- (2) Mr. J. H. T. 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.
- (3) Of these 19,420,391 Trilogy Shares, 9,115,308 are held by Warner Investment Holdings Ltd., 8,764,705 are held by Dreamworks Investment Holdings Ltd. and 609,792 are held by Treherne Resources Ltd., in all of which C.H. Riddell is the controlling

shareholder. Warner Investment Holdings Ltd. also holds 19,447,372 Non-Voting Shares. Paramount Resources Ltd., an associate of C. H. Riddell, owns or controls 12,755,845 Trilogy Shares and 11,388,490 Non-Voting Shares.

- (4) Messrs C.H. Riddell and J.H.T. Riddell are directors and executive officers of Paramount. From 1992 to 2008, Paramount was the general partner of T.T.Y. Paramount Partnership No. 5 ("TTY"), a limited partnership, which was an unlisted reporting issuer in certain provinces of Canada. TTY was established in 1980 to conduct oil and gas exploration and development but had not carried on active operations since 1984 and had only nominal assets. A cease trade order against TTY was issued by the Québec Securities Commission in 1999 for failing to file the June 30, 1998 interim financial statements in Québec. The cease trade order was revoked on April 9, 2008. TTY was dissolved on July 21, 2008.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Program

The compensation philosophy of Trilogy is to be competitive with other Canadian natural resource and energy companies in order to attract, retain and motivate a highly qualified workforce and provide career opportunities within Trilogy. The compensation program for executives is built around reward systems that recognize financial and operational results of Trilogy and individual performance. Currently, five primary elements

comprise Trilogy's compensation program: base salary; long-term incentives provided through periodic Trilogy stock option grants; short to long-term incentives provided through grants of Trilogy Shares under the Share Incentive Plan; bonuses under the Cash Bonus Plan; and discretionary cash bonuses, as set out in the following table. The objective of the compensation program is to provide a combination of short, medium and long-term incentives that reward performance and also encourage retention.

ELEMENTS OF COMPENSATION PROGRAM

Compensation Element	Award Type per NI 51-102F6	Objective	Key Features
Base Salary	Salary	Provide a fixed level of cash compensation for performing day-to-day responsibilities	Compared with salaries in peer group, with adjustments for individual performance
Option Plan	Option-based award	Align performance with Trilogy Share price and align Management interests with those of Shareholders. Encourage retention	Long-term stock incentives. Option awards vest rateably over several years
Share Incentive Plan (formerly Unit Incentive Plan)	Share-based award	Reward performance in previous year, while spreading payment out over two years to increase stake in Trilogy and encourage retention	Stock participation arrangement. Grants of Trilogy Shares, generally vesting over two years. Dividends on unvested Trilogy Shares paid out each year
Cash Bonus Plan	Long-term non-equity incentive plan	Align performance with dividends paid on Trilogy Shares and with those of Shareholders	Cash payment each year, on vested, unexercised options from date of grant, generally paid on January 15 of the following year
Discretionary Cash Bonus	Annual non-equity incentive plan	Encourage exceptional contributions	At the discretion of the CEO and Compensation Committee

The role of the Board with respect to executive compensation is to assess the performance, and review succession plans, of key executive positions. It is the responsibility of the Compensation Committee of the Board to make recommendations on executive compensation. The charter of the Compensation Committee provides that compensation for the Chief Executive Officer shall be recommended by the Compensation Committee, for approval by the Board, and

that compensation for all other designated officers be approved by the Compensation Committee, based on the recommendation of the Chief Executive Officer. Trilogy relies on the experience and expertise of its Compensation Committee in determining all of its compensation plans and awards. Where applicable, Trilogy also relies on independent compensation surveys in making compensation determinations.

Base Salary

The objective of the base salary component of executive compensation is to provide a fixed level of cash compensation to executives for performing day-to-day responsibilities. It is designed to reward executives for providing the services within their job descriptions in a competent, professional manner and for demonstrating leadership within their respective departments and within Trilogly in general. Trilogly strives to provide base salaries that are competitive within the Canadian oil and gas industry because it believes base salaries are a significant factor in attracting and retaining talented leaders who will be focused on Trilogly's operations, finances and assets.

While Messrs. C. H. Riddell and Mr. J. H. T. Riddell hold executive offices with Trilogly and devote substantial time to Trilogly's business, their principal occupation is considered to be their executive positions with Paramount Resources Ltd. Accordingly, they are not paid a salary by Trilogly for their services.

Salary determinations for Messrs. Kohut and Williams and Ms. Yester, who along with Messrs. C. H. Riddell and J. H. T. Riddell, are the "named executive officers", are made utilizing a compensation survey (the "Compensation Survey"). The Compensation Survey is prepared by a major independent human resources consulting firm and provides detailed comparative compensation information across the oil and gas industry including, without limitation, education, areas of expertise, specific job description, years of service, previous employment background and type and size of company. Trilogly compares its named executive officers with executive officers performing similar functions as shown for companies of a similar size as contained in the Compensation Survey data. Trilogly's comparison group is selected based on criteria including production volumes (between 10,000 and 25,000 Boe/d), gross revenue (between \$100 and \$500 million), and market capitalization. The composition of Trilogly's peer group is reviewed regularly, however due to the nature of the oil and gas industry, the companies in its peer group change frequently. On the basis of this information, the Chief Executive Officer makes salary recommendations for Mr. Kohut, Mr. Williams and Ms. Yester to the Compensation Committee.

For the 2009 calendar year, the Compensation Committee determined to grant salary increases to employees and officers, including Messrs. Kohut and Williams and Ms. Yester, of approximately 5%. Commencing January 1, 2009, base salaries were \$268,000 for Messrs. Kohut and Williams and \$190,000 for Ms. Yester. This decision was made, in part, on the basis that no salary increases had been granted in 2008. However, continued low commodity prices throughout the year necessitated additional cost-cutting measures, and Trilogly initiated a program in which twelve designated unpaid days were

mandated for all office employees, including Messrs. Kohut, Williams and Ms. Yester. These unpaid days are not reflected in the 2009 base salaries shown for the named executive officers in the Summary Compensation Table.

In December 2009, on the recommendation of the Chief Executive Officer, the Compensation Committee reviewed Trilogly's compensation program and determined not to approve salary increases for employees or officers for 2010 except in the case of promotion or where a competitive adjustment is deemed necessary. Accordingly, 2010 base salaries remain at \$268,000 for Messrs. Kohut and Williams and \$190,000 for Ms. Yester.

Trilogly Stock Option Plan ("Option Plan")

On February 4, 2010, the Unitholders approved a new Stock Option Plan for Trilogly post-Conversion. The terms of the Option Plan are substantially the same as the terms of the Trust Unit Option Plan of the Trust prior to the Conversion. Following the Conversion, all rights to acquire Trust Units under the Trust Unit Option Plan became rights to acquire Trilogly Shares on a one-for-one basis.

The named executive officers are eligible to receive grants of options under the Option Plan. The Option Plan has been chosen as the primary long-term incentive plan of Trilogly because the Compensation Committee believes its features instill an important sense of ownership and, together with the other compensation elements of Trilogly, provide an appropriate blend of short, medium and long-term incentives. An important element of the Option Plan is that vesting periods are lengthy, typically four and five years. The objective of the Option Plan is to align the interests of the named executive officers with those of the Shareholders. It is designed to reward those who are responsible for the management and growth of Trilogly to develop a long-term vision for Trilogly and to conduct its business in ways that increase its ongoing value. Through lengthy vesting periods, the Option Plan is also designed to support long-term retention of valuable employees.

Named executive officers are eligible for grants of options at the time of employment and thereafter in the annual option grants. The Compensation Committee approves grants to all named executive officers other than the Chief Executive Officer based on the recommendation of the Chief Executive Officer. Factors considered in determining grants include the experience, responsibilities and performance of the officer. The Board approves grants to the Chief Executive Officer based on the recommendation of the Compensation Committee. In evaluating the compensation of the Chief Executive Officer, the Compensation Committee will consider his general management expertise and experience and his performance. In addition to financial results, the Compensation Committee will consider factors relevant to the natural resource industry and the overall public image

of Trilogy. In approving grants of options, the Compensation Committee also takes into account previous grants of option-based awards, the other elements of compensation received by the grantee and the amount that will be received by the grantee under the Cash Bonus Plan as a result of the option grant. The grant or exercise price is the volume weighted average trading price of Trilogy Shares on the TSX for the five completed trading days immediately prior to the date of the grant, which is the date of the applicable Compensation Committee meeting or resolution, as the case may be.

See "**Trilogy Stock Option Plan**" under "**INCENTIVE PLAN AWARDS**" for a full description of the significant terms of the Option Plan.

Share Incentive Plan ("SIP")

The SIP is a continuation of the Trust's Unit Incentive Plan ("UIP"), revised to reflect Trilogy's corporate structure post-Conversion. Upon the Conversion, all existing rights to Trust Units under the UIP became rights to Trilogy Shares on a one-for-one basis.

The objective of the SIP is to provide a combined short and medium-term incentive plan that is paid out over time in Trilogy Shares rather than in immediately available cash. This is to reward near-term performance and encourage ownership in Trilogy as well as retention. The SIP rewards employees and officers of affiliates of Trilogy who have met or exceeded their goals and shown exceptional performance contributing to the success of Trilogy, as well as to encourage investment and ownership of Trilogy Shares. The awards are made annually, subject to corporate and individual performance targets being met, and are approved by the Board, based on the recommendation of the Compensation Committee, with respect to the Chief Executive Officer, and the Compensation Committee, based on the recommendation of the Chief Executive Officer, with respect to all other named executive officers and employees. Mr. C. H. Riddell does not currently participate in the SIP.

The number of Trilogy Shares awarded under the SIP to each named executive officer is calculated based on a combined corporate target and individual target as determined by the Chief Executive Officer and the Compensation Committee. The maximum corporate target is determined annually once the year-end financial and operating results are available. The individual target is assigned based on the duties and responsibilities of the named executive officer. The Chief Executive Officer and the Compensation Committee evaluate the performance of each named executive officer in the previous year and assign an appropriate percentage of the corporate and individual targets, the sum of which is multiplied by the named executive officer's base salary to produce a monetary value. In the case of the Chief Executive Officer, who does not receive a base salary from Trilogy,

the Board relies on the expertise of the Compensation Committee in their review of the performance of the Chief Executive Officer and determining the monetary value of the SIP award which, in turn, is based on the overall management expertise, experience and performance of the Chief Executive Officer. The monetary value of the award is then divided by the fair market value of a Trilogy Share, calculated as the five-day weighted average trading price for a Trilogy Share on the TSX for the five trading days immediately preceding the grant, in order to determine the number of Trilogy Shares the named executive officer is granted. The awarded Trilogy Shares are purchased on the open market by an independent custodian on behalf of the grantees. One-third of the granted Trilogy Shares vests immediately; one-third vests on the first anniversary of the grant and the final one-third vests on the second anniversary of the grant with respect to all officers and employees other than the Chief Executive Officer, whose award is fully vested at the time of the grant.

The custodian purchases Trilogy Shares and holds the unvested Trilogy Shares in Trilogy for the participants in the SIP. Dividends and other income are received by the custodian on Trilogy Shares while they are held in Trilogy. Such dividends and other income are paid out annually to the participants in the SIP as of December 30 of each year on a pro rata basis. All such payments received in 2009 by named executive officers are included in "**All Other Compensation**" in the **SUMMARY COMPENSATION TABLE**, below. See "**Share Incentive Plan**" under "**INCENTIVE PLAN AWARDS**" for further information on the significant elements of the SIP.

Cash Bonus Plan

The Cash Bonus Plan, originally approved by the Compensation Committee in 2006 and amended in November 2008, has been revised to reflect Trilogy's corporate structure post-Conversion on substantially the same terms and conditions as prior to Conversion.

The objective of the Cash Bonus Plan is to further align the interests of Trilogy's employees, officers and directors with those of the Shareholders by encouraging maximization of dividends paid on Trilogy Shares. All employees, officers and directors who participate in the Option Plan will receive a bonus under the Cash Bonus Plan if they remain an employee, officer or director of Trilogy at the time the bonus is to be paid. The bonus is generally paid on January 15 of each year in reference to dividends paid on unexercised options to purchase Trilogy Shares that vested under the Option Plan in the previous year.

Each of the named executive officers received a payment on or about January 15, 2010 in reference to options that were vested and unexercised on that date, as shown in "**Long-Term Annual Non-Equity Incentive Plans**"

(Column f2) of the **SUMMARY COMPENSATION TABLE**, below.

See "**Cash Bonus Plan**" under '**INCENTIVE PLAN AWARDS**' for further information on the significant elements of the Cash Bonus Plan.

Discretionary Cash Bonus

The intent of discretionary cash bonuses is to reward executives who have exceeded their goals and shown exceptional performance which has contributed to the success of Trilogy in the previous year. Trilogy may choose to approve discretionary cash bonuses in years when the Compensation Committee deems it appropriate based on the performance of Trilogy in financial,

operational or other areas. Discretionary cash bonuses are short-term incentives and may be made annually. The Compensation Committee, based upon the recommendations of the CEO and having regard to other elements of compensation paid to the named executive officers, determines the discretionary cash bonuses for the named executive officers, other than the Chief Executive Officer. Discretionary cash bonuses for the Chief Executive Officer are determined by the Board based on the recommendation of the Compensation Committee. No discretionary bonuses have been granted to the Chairman of the Board or the Chief Executive Officer since the inception of Trilogy.

No discretionary bonuses were paid to any of the named executive officers in 2008 or 2009.

SUMMARY COMPENSATION TABLE

The following table sets out information concerning the compensation awarded to, earned by, paid to, or payable to the Chief Executive Officer, the Chief Financial Officer and the three other executive officers of Trilogy who

received the highest compensation for services performed for Trilogy in the year ended December 31, 2009 (collectively the "Named Executive Officers" or "NEOs").

Name and principal occupation (a)	Year (b)	Salary (\$) (c)	Share-based awards (\$) (d)	Option-based awards (\$) ⁽⁴⁾ (e)	Non-equity incentive plan compensation (\$) (f)		Pension value (\$) (g)	All other compensation (\$) (h)	Total compensation (\$) (i)
					Annual incentive plans ⁽⁵⁾ (f1)	Long-term incentive plans (f2)			
Clayton H. Riddell Chairman of the Board	2009	Nil ⁽¹⁾	Nil	171,530 ⁽³⁾	Nil	218,000 ⁽⁶⁾	N/A	36,500 ⁽⁷⁾	426,030
	2008	Nil	Nil	42,260 ⁽³⁾	Nil	23,000 ⁽⁶⁾	N/A	17,250 ⁽⁷⁾	82,510
James H. T. Riddell President and Chief Executive Officer	2009	Nil ⁽¹⁾	225,065 ⁽²⁾	257,295 ⁽³⁾	Nil	264,250 ⁽⁶⁾	N/A	5,579 ⁽⁸⁾	752,189
	2008	Nil	216,186 ⁽²⁾	63,390 ⁽³⁾	Nil	23,000 ⁽⁶⁾	N/A	22,234 ⁽⁸⁾	324,810
Michael G. Kohut Chief Financial Officer	2009	268,000	70,125 ⁽²⁾	85,765 ⁽³⁾	Nil	166,125 ⁽⁶⁾	N/A	17,587 ⁽⁸⁾	607,602
	2008	255,000	73,957 ⁽²⁾	21,130 ⁽³⁾	Nil	170,250 ⁽⁶⁾	N/A	23,107 ⁽⁸⁾	543,444
John B. Williams Chief Operating Officer	2009	268,000	70,125 ⁽²⁾	128,648 ⁽³⁾	Nil	191,000 ⁽⁶⁾	N/A	17,721 ⁽⁸⁾	675,494
	2008	255,000	73,957 ⁽²⁾	31,695 ⁽³⁾	Nil	11,500 ⁽⁶⁾	N/A	24,871 ⁽⁸⁾	397,023
Gail L. Yester General Counsel and Corporate Secretary	2009	190,000	49,500 ⁽²⁾	85,765 ⁽³⁾	Nil	77,600 ⁽⁶⁾	N/A	15,596 ⁽⁸⁾	418,461
	2008	180,000	52,209 ⁽²⁾	21,130 ⁽³⁾	Nil	11,500 ⁽⁶⁾	N/A	20,435 ⁽⁸⁾	285,274

Notes:

- (1) Messrs. C. H. Riddell and J. H. T. Riddell hold executive offices with Trilogy and devote substantial time to Trilogy's business, but they are not paid a salary by Trilogy for their services.
- (2) The amounts included represent the value of the vested and unvested Trilogy Shares granted to NEOs under Trilogy's Share Incentive Plan ("SIP") during the year. Mr. C. H. Riddell does not currently participate in the SIP. Trilogy Shares for the entire grant are purchased through the facilities of the TSX by an independent custodian prior to each grant. Grantees receive the number of Trilogy Shares that is obtained by dividing the dollar value of the bonus determined for them by the market value of a Trilogy Share on the grant date. Accordingly, the grant date fair value has been calculated based on the market price of a Trilogy Share on the grant date (determined on a five day weighted average price). 2009 SIP grants are recorded in Trilogy's financial statements as of December 31, 2009 at an average cost of \$5.9052 per Trilogy Trust Unit. For Mr. J. H. T. Riddell, the amount included represents Trilogy Shares all vested on the grant date. For Mr. Kohut, Mr. Williams and Ms. Yester, one-third of Trilogy Shares granted vested immediately on the grant date of April 15, 2009, one-third will vest April 15, 2010 and the final one-third vest on April 15, 2011. Dividends on the unvested Trilogy Shares, together with a pro rata share of dividends earned on forfeited Trilogy Shares in the SIP and any other income in the SIP, are paid to the SIP participants at the end of each year and are included in column (h), "All Other Compensation". See information under "**Share Incentive Plan**" in "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (3) The amounts included represent the grant date fair value of options granted under Trilogy's Stock Option Plan during the year. None of the options granted in 2009 are currently vested. One-fifth of the options vest each October from 2010 through 2014. One-fifth of the options granted in 2008 vested during 2009. See information under "**Trilogy Stock Option Plan**" in "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (4) Grant date fair value has been calculated in accordance with Section 3870 of the CICA Handbook.
- (5) No discretionary cash bonus payments were made in 2008 or 2009.
- (6) The amounts included represent cash payments received by the NEO under the Cash Bonus Plan with respect to vested, unexercised options as of December 31, 2008 and December 31, 2009. See information under "**Cash Bonus Plan**" in "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (7) The amount shown represents \$36,500 paid to Mr. C. H. Riddell for Board and committee meeting attendance and Board honorarium.
- (8) The amounts shown for Mr. Kohut, Mr. Williams and Ms. Yester include a \$10,500 contribution by Trilogy to each NEO's 2009 RRSP (\$10,000 for 2008), a benefit payable to all employees and officers of Trilogy and computed in accordance with a formula of 7.5% of the employee's regular salary to a maximum of 50% of the CRA contribution limits. The amount shown for Mr. J. H. T. Riddell and the remainder of the amounts shown for the other NEOs (excluding C. H. Riddell) represents pro rata payment with respect to dividends on unvested Trilogy Shares and income held in Trilogy's account for the Share Incentive Plan at the end of the year. (See "**Share Incentive Plan**" in "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**"). Other than as disclosed in this footnote, no NEO received perquisites, including property or other personal benefits not generally available to all employees, that are in the aggregate worth \$50,000 or more or more than 10% of their total salary for 2009.

INCENTIVE PLAN AWARDS

Outstanding Share-based Awards and Option-based Awards

Name	Option-based Awards ⁽¹⁾			Share-based Awards ⁽²⁾		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date (d)	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽³⁾ (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Clayton H. Riddell	100,000	8.40	Apr 30/15	19,000		
Chairman of the Board	100,000	4.85	Apr 30/14	374,000	Nil	Nil
	150,000	6.65	Jun 30/13	291,000		
	50,000	11.11	Apr 30/12	-		
	100,000	10.72	Apr 30/11	-		
James H. T. Riddell	150,000	8.40	Apr 30/15	28,500		
President and Chief Executive Officer	150,000	4.85	Apr 30/14	561,000	Nil	Nil
	150,000	6.65	Jun 30/13	291,000		
	62,500	11.11	Apr 30/12	-		
	125,000	10.72	Apr 30/11	-		

Option-based Awards⁽¹⁾

Share-based Awards⁽²⁾

Name	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽³⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested ⁽³⁾
	(#)	(\$)		(\$)	(#)	(\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Michael G. Kohut	50,000	8.40	Apr 30/15	9,500	7,339	63,042
Chief Financial Officer	50,000	4.85	Apr 30/14	187,000	2,280	19,585
	100,000	6.65	Jun 30/13	194,000		
	35,000	11.11	Apr 30/12	-		
	125,000	10.72	Nov 30/10	-		
John B. Williams	75,000	8.40	Apr 30/15	14,250		
Chief Operating Officer	75,000	4.85	Apr 30/14	280,500	7,339	63,042
	100,000	6.65	Jun 30/13	194,000	2,280	19,585
	50,000	11.11	Apr 30/12	-		
	100,000	10.72	Apr 30/11	-		
Gail L. Yester	50,000	8.40	Apr 30/15	9,500	5,180	44,496
General Counsel and	50,000	4.85	Apr 30/14	187,000	1,610	13,830
Corporate Secretary	100,000	6.65	Jun 30/13	194,000		
	35,000	11.11	Apr 30/12	-		
	30,000	10.72	Apr 30/11	-		

Notes:

- (1) Awards of options to purchase Trilogy Shares under Trilogy's Stock Option Plan. See "**Trilogy Stock Option Plan**" under "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (2) Includes the final one-third of the 2008 grant and two-thirds of the 2009 grant of Trilogy Shares under the Share Incentive Plan ("SIP"). See "**Share Incentive Plan**" under "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**". Mr. C. H. Riddell currently does not participate in the SIP.
- (3) Based upon the trading price of \$8.59 for a Trilogy Trust Unit on the TSX on December 31, 2009 and in respect of all vested and unvested options.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year ⁽¹⁾	Share-based awards – Value vested during the year ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year ⁽³⁾
	(\$)	(\$)	(\$)
(a)	(b)	(c)	(d)
Clayton H. Riddell Chairman of the Board	118,800	N/A	218,000
James H. T. Riddell President and Chief Executive Officer	157,500	255,065	264,250
Michael G. Kohut Chief Financial Officer	59,400	44,762	166,125
John B. Williams Chief Operating Officer	78,750	50,476	191,000
Gail L. Yester General Counsel and Corporate Secretary	59,400	35,583	77,600

Notes:

- (1) Represents the aggregate value that would have been realized if the NEO's options vested during the year had been exercised on the vesting date, computed by determining the difference between the market price of the underlying shares available to be exercised and the exercise price of the options on the vesting date.
- (2) The amounts included represent the value of one-third of Trilogy Shares granted under the Share Incentive Plan in each of 2007, 2008 and 2009 that vested in 2009. The value of the one-third of Trilogy Shares that vested in 2009 is also included in Share-based Awards in the Summary Compensation Table, above. The amounts included represent the aggregate dollar value realized upon vesting of share-based awards, computed by multiplying the number of Trilogy Shares by the market value of the underlying Trilogy Shares on the vesting date, based on a five day weighted average price. See "**Share Incentive Plan**" under

"COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program" and "INCENTIVE PLAN AWARDS".

- (3) The amounts shown represent cash payments received under the Cash Bonus Plan (as previously shown in Column f2 – Long Term Non-equity Incentive Plan payments - of the Summary Compensation Table). The bonus is calculated by reference to vested and unexercised options under the Option Plan, and is equal to the aggregate of all amounts that would have been payable by Trilogy as dividends to the Participant if a Trilogy Share had been held by the NEO instead of each vested and unexercised option held by the NEO from the date of grant of the option up to the earlier of the date the option was exercised and the end of the previous calendar year. See "Cash Bonus Plan" under "COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program" and "INCENTIVE PLAN AWARDS".

Trilogy Stock Option Plan ("Option Plan")

The Option Plan was adopted by the Board on January 5, 2010 and was adopted by the Unitholders of Trilogy Energy Trust on February 4, 2010. The Option Plan is administered by the Board and the Compensation Committee or, at the discretion of the Board, any other duly authorized committee of the Board. Directors, officers and employees of Trilogy and its subsidiaries may be granted options ("Options") to purchase Trilogy Shares under the Option Plan. The purpose of the Option Plan is to provide effective long-term incentives to the directors, officers and employees of Trilogy and its subsidiaries and to reward them on the basis of the long-term Trilogy Share trading price performance. Options hold no value if the trading price of Trilogy Shares does not appreciate. By this approach, optionee and Shareholder interests are closely aligned.

The aggregate number of Trilogy Shares that may be subject to all outstanding Options at the time of the grant, together with the aggregate number of Trilogy Shares issuable by Trilogy in connection with any other compensation arrangement involving the issuance of Trilogy Shares from the treasury of Trilogy, shall not exceed 10% of the outstanding Trilogy Shares at that time.

The Board, the Compensation Committee or any other duly authorized committee of the Board shall determine the number of Trilogy Shares subject to each Option, the exercise price of each Option, the expiration date of each Option and the extent to which each Option is exercisable from time to time during the term of the Option. The exercise price of any Option shall not be lower than the volume weighted average trading price of Trilogy Shares on the TSX for the five completed trading days immediately prior to the date of the grant of the Option. No financial assistance is provided by Trilogy or any of its subsidiaries to facilitate the exercise of Options by holders. An Option will not be exercisable for a period exceeding ten years. Options are non-transferrable and non-assignable.

Vested Options may be surrendered for an amount equal to the excess, if any, net of any amounts required to be withheld under applicable legislation, of the volume weighted average trading price of Trilogy Shares on the TSX for the five trading days immediately prior to the date the Options are surrendered (the "VWAP") multiplied by the number of Trilogy Shares represented by the Options

surrendered, over the aggregate exercise price of the surrendered Options (the "Cash Settlement Amount"). Alternatively, vested Options may be surrendered for the number of Trilogy Shares determined by dividing the net Cash Settlement Amount by the VWAP, and rounding down to the next highest whole number. In no circumstances will either the optionholder or Trilogy, at any time, be obligated to surrender Options or accept the surrender of Options, as the case may be.

The Option Plan may be amended, suspended or discontinued by the Board at any time provided that no such amendment may adversely alter or impair any Option previously granted without the consent of the holder thereof. Any amendment to the Option Plan is subject to the approval of the TSX and Shareholders. However, the Board may approve amendments relating to the Option Plan or to Options, without further approval of the Shareholders, including, without limitation, to the extent that such amendment: (a) is for the purpose of curing any ambiguity, error or omission in the Option Plan or to correct to supplement any provision of the Option Plan that is inconsistent with any other provision of the Option Plan; (b) is necessary to comply with applicable law or stock exchange rules; (c) is respecting administration and eligibility for participation under the Option Plan; (d) changes the terms and conditions on which Options may be or have been granted pursuant to the Option Plan including the re-pricing of such Options and changes to the vesting provisions and term; (e) alters, extends or accelerates the terms of vesting applicable to any Option; (f) changes the termination provisions of an Option, provided that the change does not entail an extension beyond the original expiry date of such Option; (g) amends or modifies the mechanics of exercise of Options; (h) determines the adjustment provisions pursuant to the Option Plan; (i) permits a subsidiary of Trilogy to grant Options of Trilogy; or (j) is an amendment of a "housekeeping" nature; *provided* that in the case of any alteration, amendment or variance referenced to in paragraph (a) or (b) above, the alteration, amendment or variance does not: (k) amend the number of Trilogy Shares issuable under the Option Plan; (l) add any form of financial assistance by Trilogy for the exercise of any Option; (m) result in a material or unreasonable dilution in the number of outstanding Trilogy Shares or any material benefit to an eligible optionee; or (n) change the class of eligible participants to the Option Plan which would have the potential of broadening or increasing participation by

insiders of Trilogy. Without limiting the generality of the foregoing, but subject to any required approval of any regulatory authority or stock exchange, the Board may amend the exercise price, the Option term (which in no event shall exceed 10 years for the date of grant) and the termination provisions of Options granted pursuant to the Option Plan, without Shareholder approval, provided that if the Board proposes to increase the number of Trilogy Shares issuable under the Option Plan, amend the provision relating to amendments which can be made without Shareholder approval or reduce the exercise price or extend the terms of Options granted to insiders of the Corporation pursuant to the Option Plan (unless the

extension is pursuant to any Black-Out Expiration Term that may be in effect), such amendments will require Shareholder approval.

As of the date hereof, 36,500 Trilogy Shares have been issued upon exercise of Options granted under the Option Plan and a total of 4,593,500 Trilogy Shares are issuable upon exercise of currently outstanding Options, representing approximately 5.46% of the issued and outstanding Trilogy Shares as of the date hereof. Of the currently outstanding Options, 1,040,750 are exercisable. The majority of these Options will vest at various times in 2010 through 2014.

Equity Compensation Plan Information⁽¹⁾

Plan Category	Number of Trilogy Shares to be issued upon exercise of outstanding Options	Weighted average exercise price of outstanding Options	Number of Trilogy Shares remaining available for future issuance under Trilogy Share Option Plan
Trilogy Stock Option Plan approved by security holders	4,627,500	\$8.16	6,421,533

Note:

(1) All information is as at December 31, 2009.

Share Incentive Plan ("SIP")

Trilogy adopted the SIP (formerly the Unit Incentive Plan) on April 10, 2006. All officers and permanent employees of Trilogy are eligible to receive awards under the SIP. The SIP is administered by the Compensation Committee.

The SIP is a share-based incentive plan in that it involves a grant of Trilogy Shares that have been purchased on the open market rather than an issuance from treasury. The objectives of the plan are: (1) to strengthen the ability of Trilogy to attract and retain qualified officers and employees; (2) to encourage the acquisition of Trilogy Shares by employees and officers through the granting of Trilogy Share Rights as bonuses in respect of services rendered by the employees and officers in a particular service year; and (3) to focus officers and employees of Trilogy on operating and financial performance and the total long-term return for Shareholders by providing an increased incentive to contribute to Trilogy's growth and profitability. It is designed to reward performance in the immediately preceding calendar year.

The Compensation Committee (or the Board in the case of the Chief Executive Officer) determines the number of Trilogy Share Rights to be awarded to grantees. Trilogy provides an independent custodian with the funds required to purchase the requisite number of Trilogy Shares. The

custodian purchases the required Trilogy Shares through the facilities of the TSX and holds them in trust for the grantees until the applicable vesting dates. None of Trilogy, the Board, the Compensation Committee or the Chief Executive Officer shall have any direct or indirect control over the time, price, amount and manner of such purchases of Trilogy Shares or the choice of broker through which the purchases are to be made.

Grants to the Chief Executive Officer of Trilogy Share Rights under the SIP vest immediately. Grants to all other officers and employees vest as follows: one-third vests immediately on the grant date, one-third on the first anniversary of the grant date and the final one-third on the second anniversary of the grant date. If a service provider's rights to unvested Trilogy Share Rights terminates, Trilogy may either retain the applicable Trilogy Shares and use them toward the following year's grant or instruct the custodian to liquidate the excess Trilogy Shares through the facilities of the TSX and pay the cash proceeds to Trilogy. While unvested Trilogy Shares are held in Trilogy by the custodian, dividends and other income are accumulated in trust. Such dividends and proceeds are paid out by the custodian at the end of the first and second year of each grant, and upon vesting of the final one-third of each grant, to the participants in each grant on a pro-rata basis. Dividends on forfeited Trilogy Shares (when a participant ceases to be an employee or officer) are included in this payment.

Cash Bonus Plan

The Compensation Committee approved Trilogy's Cash Bonus Plan in 2006 and amendments thereto in November of 2008. A cash bonus is payable to the holders of vested and unexercised options to purchase Trilogy Shares under the Option Plan issued on or after November 15, 2006. Participants receive the cash bonus calculated by reference to vested and unexercised options regardless of the then-current trading value of a Trilogy Share. The bonus is not contingent upon the exercise or surrender for cash of the options. The cash bonus in reference to such vested and unexercised options is calculated on or before January 15th in each year, for payment to the holders thereof generally on January 15th of such year provided he/she is still an executive officer of Trilogy as of such date ("Payment Date"). The amount of the cash bonus payable to a particular Participant on the Payment Date in any year will

be equal to the aggregate of all amounts that would have been payable by TET as dividends to the Participant if a Trilogy Share had been held by the Participant instead of each vested and unexercised option held by the Participant from the date of grant of the option up to the earlier of the date the option was exercised and the end of the previous calendar year. The cash bonus on a Payment Date will be reduced by prior year cash bonuses (the bonus cannot be calculated in reference to an option more than once).

The amount of the cash bonus will be calculated from the date of grant of an option but only in respect of options that become vested. If a Participant exercises or surrenders for cash vested options, the cash bonus will be calculated and payable only up to the date of exercise or surrender for cash, as the case may be.

No cash bonus is payable in reference to any expired or terminated options.

DIRECTOR COMPENSATION

The directors of Trilogy (excluding the President & Chief Executive Officer) receive an annual honorarium for serving as a director of Trilogy, and fees for each Board, Committee and Shareholder meeting attended in person or by telephone and each resolution approved in writing in lieu of a meeting. For the 2008/2009 corporate year, each director (excluding the President & Chief Executive Officer) received an honorarium of \$20,000, plus an additional \$5,000 to the Chairman of the Board and the Chair of each Committee. Directors (excluding the President & Chief Executive Officer) received a fee of \$1,250 for each meeting attended in person or by telephone and \$500 for each resolution in lieu of a meeting. All such fees are paid in quarterly instalments. The directors are also reimbursed for their reasonable expenses for attending meetings. The directors of Trilogy are eligible to receive grants of Options to acquire Trilogy Shares under the Option Plan, as may be determined from time to time by the President & Chief Executive Officer, and approved by the Compensation Committee. Newly appointed or elected directors receive their initial grant upon joining the Board. Thereafter, directors are eligible for grants of Options annually. The directors other than the Chairman of the Board and the President & Chief

Executive Officer were granted Options to acquire an aggregate of 60,000 Trilogy Shares during the year ended December 31, 2009. See information under "**Trilogy Share Option Plan**" in the "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation**" and "**INCENTIVE PLAN AWARDS**".

Directors are entitled to receive a cash payment in January of each year equal to the amount of dividends paid on a Trilogy Share, multiplied by each Trilogy Share under Option from the date of the grant to the vesting date with respect to all unexercised options that vested during the previous calendar year. See information in "**Cash Bonus Plan**" in the "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation**" and "**INCENTIVE PLAN AWARDS**".

The following table sets out all compensation awarded to, earned by, paid to, or payable to each director of Trilogy excluding Mr. C. H. Riddell and Mr. J. H. T. Riddell during the year ended December 31, 2009. For information on compensation paid to Messrs. C. H. Riddell and J. H. T. Riddell, see the **SUMMARY COMPENSATION TABLE** above.

Name	Fees earned	Share-based awards	Option-based awards ⁽²⁾	Non-equity incentive plan compensation ⁽³⁾	Pension value	All other compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
M. H. Dilger	43,000	Nil	17,153 ⁽¹⁾	24,940	N/A	Nil	85,093
D. A. Garner	36,750	Nil	17,153 ⁽¹⁾	16,600	N/A	Nil	70,503
W. A. Gobert	40,250	Nil	17,153 ⁽¹⁾	32,140	N/A	Nil	89,543
R. M. MacDonald	43,000	Nil	17,153 ⁽¹⁾	24,940	N/A	Nil	85,093
E. M. Shier ⁽⁴⁾	36,750	Nil	17,153 ⁽¹⁾	24,940	N/A	Nil	78,843
D. F. Textor	31,500	Nil	17,153 ⁽¹⁾	24,940	N/A	Nil	73,593

Notes:

- (1) Grant date fair value of options granted under Trilogy Share Option Plan. Entire value shown is with respect to unvested options, as none of the options granted in 2009 are currently vested. One-fifth of the options vest each October from 2010 through 2014. See information under "**Trilogy Stock Option Plan**" under "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (2) Grant date fair value has been calculated in accordance with Section 3870 CICA Handbook.
- (3) The amounts included represent cash payments received by the directors under the Cash Bonus Plan with respect to vested, unexercised options as of December 31, 2009. See information under "**Cash Bonus Plan**" in "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (4) The above table does not include legal fees paid to Heenan Blaikie LLP in 2009 in the amount of \$13,350.00. Mr. Shier was a partner of Heenan Blaikie LLP until January 2009 and remains counsel to that firm.

INCENTIVE PLAN AWARDS**Outstanding Share-based Awards and Option-based Awards**

Name	Option-based Awards ⁽¹⁾			Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽²⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)		(\$)	(#)	(\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
M. H. Dilger	10,000	8.40	Apr 30/15	1,900	-	-
	10,000	4.85	Apr 30/14	37,400	-	-
	16,000	6.65	Jun 30/13	31,040	-	-
	6,000	11.11	Apr 30/12	-	-	-
	12,000	10.72	Apr 30/11	-	-	-
D. A. Garner	10,000	8.40	Apr 30/15	1,900	-	-
	10,000	4.85	Apr 30/14	37,400	-	-
	40,000	12.70	Jun 30/13	-	-	-
W. A. Gobert	10,000	8.40	Apr 30/15	1,900	-	-
	10,000	4.85	Apr 30/14	37,400	-	-
	16,000	6.65	Jun 30/13	31,040	-	-
	6,000	11.11	Apr 30/12	-	-	-
	24,000	10.72	Nov 30/10	-	-	-
R. M. MacDonald	10,000	8.40	Apr 30/15	1,900	-	-
	10,000	4.85	Apr 30/14	37,400	-	-
	16,000	6.65	Jun 30/13	31,040	-	-
	6,000	11.11	Apr 30/12	-	-	-
	12,000	10.72	Apr 30/11	-	-	-
E. M. Shier	10,000	8.40	Apr 30/15	1,900	-	-
	10,000	4.85	Apr 30/14	37,400	-	-
	16,000	6.65	Jun 30/13	31,040	-	-
	6,000	11.11	Apr 30/12	-	-	-
	12,000	10.72	Apr 30/11	-	-	-
D. F. Textor	10,000	8.40	Apr 30/15	1,900	-	-
	10,000	4.85	Apr 30/14	37,400	-	-
	16,000	6.65	Jun 30/13	31,040	-	-
	6,000	11.11	Apr 30/12	-	-	-
	12,000	10.72	Apr 30/11	-	-	-

Notes:

- (1) Awards of options to purchase Trilogy Shares under Trilogy's Stock Option Plan. See "**Trilogy Stock Option Plan**" under "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".
- (2) Based upon the trading price of \$8.59 for a Trilogy Trust Unit on the TSX on December 31, 2009 and in respect of all vested and unvested options.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾ (\$)
(a)	(b)	(c)	(d)
M. H. Dilger	11,880	-	24,940
D. A. Garner	7,740	-	16,600
W. A. Gobert	11,880	-	32,140
R. M. MacDonald	11,880	-	24,940
E. M. Shier	11,880	-	24,940
D. F. Textor	11,880	-	24,940

Notes:

- (1) Represents the aggregate value that would have been realized if the director's options vested during the year had been exercised on the vesting date, computed by determining the difference between the market price of the underlying shares available to be exercised and the exercise price of the options on the vesting date.
- (2) The amounts shown represent cash payments received under the Cash Bonus Plan (as previously shown in Column (e) – Directors' Compensation Table). The bonus is calculated by reference to vested and unexercised options under the Option Plan, and is equal to the aggregate of all amounts that would have been payable by Trilogy as dividends to the Participant if a Trilogy Share had been held by the director instead of each vested and unexercised option held by the Director from the date of grant of the option up to the earlier of the date the option was exercised and the end of the previous calendar year. See "**Cash Bonus Plan**" under "**COMPENSATION DISCUSSION AND ANALYSIS – Elements of Compensation Program**" and "**INCENTIVE PLAN AWARDS**".

EMPLOYMENT AGREEMENTS AND TERMINATION/CHANGE OF CONTROL AGREEMENTS

Trilogy does not have employment agreements with any of its employees, officers or directors which include change of control rights or rights upon termination of employment or office.

However, the Option Plan, Share Incentive Plan and Cash Bonus Plan contain provisions as to the effect of a recipient's rights to previously awarded compensation in the event of termination of the relationship between Trilogy and the employee, officer or director as the case may be, or in the event of a change of control.

Under the Option Plan, unvested options terminate immediately upon termination of the relationship between Trilogy and the employee or director. Vested options may be exercised by the personal representative of a deceased employee or director within six months of death. Vested options may be exercised within 60 days of retirement. In

all other cases, vested options must be exercised within three days of termination of the relationship. The Board may, in its discretion, accelerate vesting of options upon takeover bid, change of control, liquidation, dissolution or upon failure to re-elect the Board of Trilogy.

Under the Share Incentive Plan, unvested Trilogy Shares terminate immediately upon termination of the relationship between Trilogy and the employee except in the case of death, in which case vesting is accelerated, and retirement, in which case vesting continues according to the Plan. The Board may, in its discretion, accelerate vesting of options upon takeover bid, change of control, liquidation, dissolution or upon failure to re-elect the Board of Trilogy.

Under the Cash Bonus Plan, all rights to a cash bonus terminate upon termination of options under the Option Plan.

SHARE OWNERSHIP / HOLD PERIOD REQUIREMENTS

There are no specific requirements of officers or directors regarding the ownership of or hold periods with respect to Trilogy Shares.

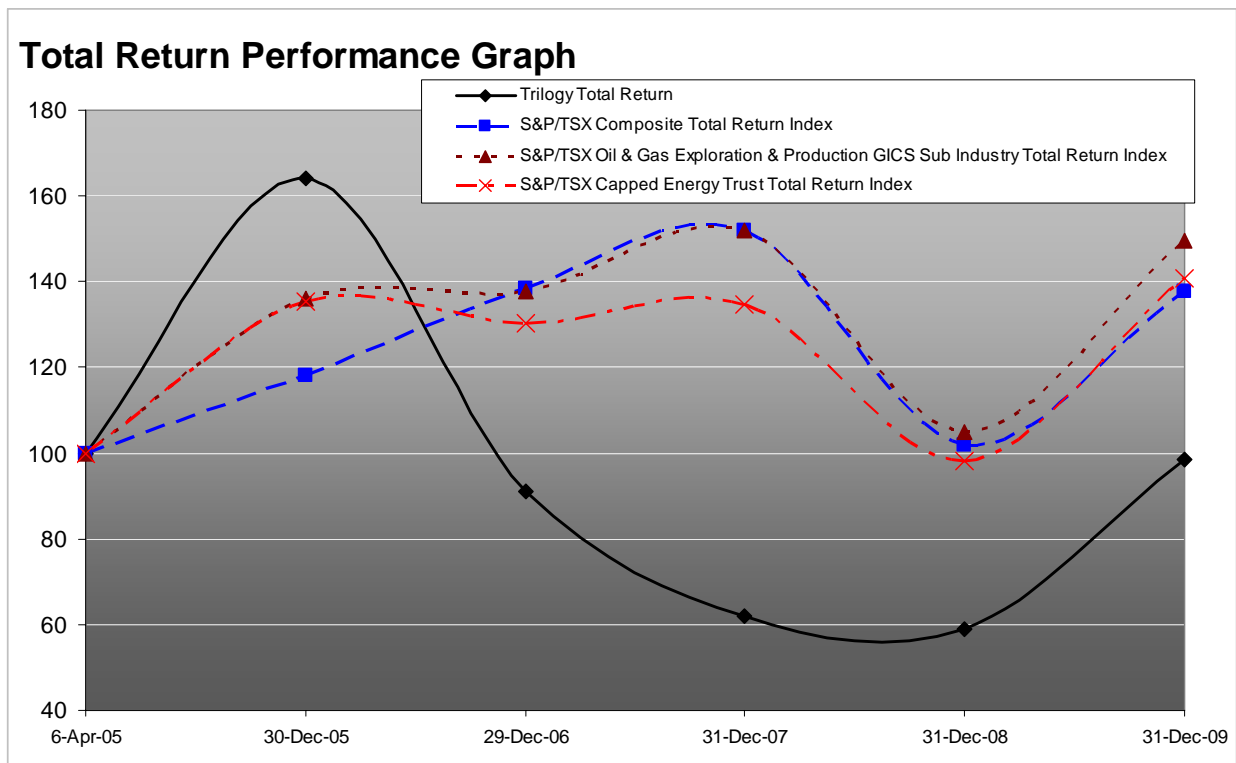
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Trilogy has not loaned money to or borrowed money from its officers or directors since its inception.

PERFORMANCE GRAPH

The following graph illustrates changes from April 6, 2005, the day Trilogly Trust Units began trading on the TSX, to December 31, 2009, in cumulative Shareholder return, assuming an initial investment of \$100 with all distributions on Trilogly Trust Units reinvested in

additional Trilogly Trust Units, compared to the S&P/TSX Composite Total Return Index, the S&P/TSX Oil & Gas Exploration Total Return Index and the S&P/TSX Capped Energy Trust Total Return Index, with all dividends and/or distributions reinvested.



	6-Apr-05	30-Dec-05	29-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09
Trilogly Total Return	100	164	91	62	59	98
S&P/TSX Composite Total Return Index	100	118	138	152	102	138
S&P/TSX Oil & Gas Exploration & Production GICS Sub Industry Total Return Index	100	136	138	152	105	149
S&P/TSX Capped Energy Trust Total Return Index	100	135	130	135	98	141

* Trilogly total return data acquired through the TSX Historical Data Access (HDA) website.

** Prior to 2009 Total Return Performance Graph prepared by Hay Group Limited.

Trilogly believes Trilogly's Total Return, as depicted in the line graph above, reflects not only operational and financial performance within the control of Trilogly, but also volatile commodity prices and economic and market conditions beyond its control. Trilogly's trading price has been significantly affected by external factors including, without limitation, the October 31, 2006 SIFT taxation announcement and subsequent implementation by the Canadian Federal Government, the New Royalty Framework announced by the Alberta Government in 2008 and implemented on January 1, 2009 and the turbulent global economic and market conditions experienced since

the end of the second quarter of 2008. During the same period, base salaries have increased moderately since 2005, with no salary increase having been granted in 2008, a 5% average increase in January 2009 and no salary increases for 2010. Option grants and Share Incentive Plan grants have trended upward to coincide with a greater emphasis on incentive plan compensation. No discretionary bonuses were paid in 2008 or 2009. Trilogly does not provide the named executive officers with significant perquisites that are not generally available to all employees. Accordingly, Trilogly believes its executive compensation has been prudent and reasonable over the

period covered by the line graph depicted above, as the compensation is based on market comparisons and also

recognizes Management's financial and operational achievements during this period.

CORPORATE GOVERNANCE

Trilogy is committed to implementing best practices in corporate governance. The Corporate Governance Committee provides a focus on corporate governance that seeks to enhance Trilogy's performance and ensure, on behalf of all stakeholders, that Trilogy has an effective corporate governance regime.

The Corporate Governance Committee is presently comprised of W. A. Gobert (Chair), R. M. MacDonald (Lead Director) and E. M. Shier. A majority of the members are independent within the meaning of independence set out in National Instrument 58-101.

In developing its approach to governance, the Committee has given consideration to applicable legislation, Trilogy's by-laws, the organization, structure and ownership of

Trilogy as well as to existing policies reflecting Trilogy's values.

Trilogy was established during a period of significant regulatory focus on corporate governance and developed its approach to corporate governance with a view to ensuring compliance with the regulatory initiatives that have been adopted. The information required by National Instrument 58-101 *Disclosure of Corporate Governance Practices* is set out in Schedule A to this Circular, and the Mandate of the Board is set out in Schedule B. The information required by National Instrument 52-110 *Audit Committees* is included in Trilogy's annual information form dated March 2, 2010 (the "AIF") under the heading "Audit Committee Information" and the Audit Committee Charter is set out in Appendix C to the AIF.

ADDITIONAL INFORMATION

Additional information about Trilogy, including financial information, is provided in Trilogy's financial statements and Management's discussion and analysis for the year ended December 31, 2009, which can be found, along with all documents publicly filed by Trilogy, on Trilogy's website at www.trilogyenergy.com and on SEDAR at www.sedar.com.

For additional copies of this Circular or the financial statements and management's discussion and analysis for the year ended December 31, 2009, please contact Gail L. Yester, the Corporate Secretary of Trilogy, at 1400, 332 - 6th Avenue S.W., Calgary, Alberta T2P 0B2.

SCHEDULE A
Trilogy Energy Corp.
Statement of Corporate Governance Practices

Disclosure Requirement	Our Corporate Governance Practices
1. Board of Directors	
a. Disclose the identity of directors who are independent.	M. H. Dilger, D. A. Garner, W. A. Gobert, R. M. MacDonald and D. F. Textor are independent, in accordance with the meaning of independence set out in National Instrument 58-101 <i>Disclosure of Corporate Governance Practices</i> ("NI 58-101"). M. H. Dilger, D. A. Garner and R. M. MacDonald, all of the members of the Audit Committee, are also independent as that term is defined in National Instrument 52-110 <i>Audit Committees</i> .
b. Disclose the identity of directors who are not independent, and describe the basis for that determination.	C. H. Riddell, J. H. T. Riddell and E. M. Shier are not independent. C. H. Riddell is not independent because he is the Chairman of the Board and he has a familial relationship with the President and Chief Executive Officer (the "CEO") of Trilogy. J. H. T. Riddell is not independent because he is the President and CEO of Trilogy. E.M. Shier is not independent because he is an executive officer of Paramount Resources Ltd., which is an affiliated entity.
c. Disclose whether or not a majority of directors is independent. If a majority of directors is not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.	A majority of the directors is independent.
d. If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	The following directors are also directors of the reporting issuers (or the equivalent) set out beneath their names: C. H. Riddell Paramount Resources Ltd. Paramount Energy Operating Corp., Administrator of Paramount Energy Trust MGM Energy Corp. J.H.T. Riddell Paramount Resources Ltd. MGM Energy Corp. Big Rock Brewery Income Trust Canadian Superior Energy Inc. Robert M. MacDonald Newalta Corporation Donald F. Textor EOG Resources, Inc.

Disclosure Requirement

Our Corporate Governance Practices

E. M. Shier

Alaris Royalty Corp.

Wilfred A. Gobert

Gluskin Sheff + Associates Inc.

Catapult Energy 2008 Inc. (General Partner of Catapult Energy 2008 FTS Limited Partnership)

Aston Hill Energy 2010 GP Inc. (General Partner of Aston Hill Energy 2010 FT LP)

Donald A. Garner

North Peace Energy Corp.

- e. Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of Management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.
- f. Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.
- g. Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

The independent directors hold regularly scheduled meetings at which non-independent directors and members of Management are not in attendance. These meetings are typically held at the end of each Board meeting. Six such meetings have been held since the beginning of Trilogy's most recently completed financial year. In 2009, both the Corporate Governance Committee and the Audit Committee also met without Management being present at each of their regularly scheduled committee meetings.

C. H. Riddell, the Chairman of the Board, is not an independent director. Mr. R. M. MacDonald is Lead Director, to assist the Board in fulfilling its duties effectively, efficiently and, when necessary, independently of Management of Trilogy. The Lead Director's responsibilities include, among other things, ensuring that the differences between the responsibilities of the Board and Management are understood by the Board and Management, ensuring the Board has adequate resources to support its decision-making requirements, ensuring a process is in place to monitor legislation and best practices, assisting and providing input to the Chairman of the Board on preparation of agendas for Board meetings as required, ensuring that independent directors have adequate opportunity to meet to discuss issues without Management present, acting as a liaison between the independent directors and Management as required, and chairing meetings as required.

	Board Meeting Attended	Committee Meetings Attended
C. H. Riddell	8 of 8	1 of 2
J.H.T. Riddell	8 of 8	2 of 2
D. A. Garner	8 of 8	6 of 6
M.H. Dilger	8 of 8	6 of 6
W.A. Gobert	6 of 8	4 of 4
R.M. MacDonald	8 of 8	7 of 7
E.M. Shier	8 of 8	4 of 4
D.F. Textor	8 of 8	2 of 2
Total Attendance Rate	96.4 %	96.9 %

2. Board Mandate

- a. Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The Mandate of the Board is attached as Schedule B.

3. Position Description

- a. Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.
- b. Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

The Board has developed position descriptions for the Chairman of the Board and the chair of each Board committee.

The Board and CEO have developed a position description for the CEO.

4. Orientation and Continuing Education

- a. Briefly describe what measures the board takes to orient new directors regarding:
 - (i) the role of the board, its committees and its directors, and
 - (ii) the nature and operation of the issuer's business.
- b. Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

A Corporate Governance Manual is provided to assist new and existing Board members in understanding the role of the Board, its committees and the contribution individual Board members are expected to make. New directors will be made aware of the nature and operation of the business of Trilogy through interviews with the Chairman and Management during which they are briefed on Trilogy and its current business issues, and also through a review of operations which is presented to the Board semi-annually. In addition, Trilogy plans to arrange field trips to Trilogy's operations as appropriate.

An orientation program for new directors will be provided as required. Directors are provided with any available information that will facilitate the maintenance of their industry knowledge and professional skills. Directors are continuously updated on the business operations of Trilogy through the semi-annual sessions to review operations. Trilogy intends to facilitate directors' field trips to Trilogy's areas of operation as appropriate. Directors are also updated on developments in best corporate governance practices through reports from the Corporate Governance Committee and on changes to financial reporting requirements through presentations from the auditors of Trilogy.

5. Ethical Business Conduct

- a. Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

(i) disclose how a person or company may obtain a copy of the code;

(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

- b. Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

The Board has adopted a written Code of Business Conduct for all directors, officers, employees and consultants and a Code of Ethics for the CEO, President, CFO and senior financial supervisors. Both documents are available on Trilogy's website at www.trilogyenergy.com and on SEDAR. In addition, each director has a copy of the Corporate Governance Manual which sets out the standard of conduct expected of directors as does the Disclosure and Insider Trading Policy of Trilogy. The Board has also adopted a Whistleblower Policy.

Should anyone wish a hard copy of the Code of Business Conduct or the Code of Ethics, they may be obtained on request from G. L. Yester, Corporate Secretary, at 1400, 332 – 6th Avenue S.W., Calgary, Alberta T2P 0B2.

Each director, officer, employee and consultant receives a copy of the Code of Business Conduct, or is required to access an electronic copy of the Code of Business Conduct, on commencing his or her association with Trilogy and is asked to certify that the Code of Business Conduct has been read and understood and that the Code of Business Conduct has and will be complied with. Officers and employees must also certify that to their knowledge and belief, after due inquiry, no employee or consultant under their direct control or supervision is in violation of the Code of Business Conduct. Currently, Trilogy monitors compliance by receiving, annually, certificates from all directors, officers, employees and consultants of Trilogy confirming their continued compliance with the Code of Business Conduct.

No material change reports have been filed by Trilogy during the 2009 financial year relating to a director's or executive officer's departure from either the Code of Business Conduct or the Code of Ethics.

Directors and officers must disclose all interests and relationships of which the director or officer is aware which may give rise to a material conflict of interest. Directors are also required to disclose any actual or potential personal interest in a matter on which the Board is making a decision and withdraw from the deliberations. In addition, the Board Mandate provides that directors have the responsibility to act honestly and in good faith with a view to the best interests of Trilogy.

- c. Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

All directors, officers, employees and consultants are provided with a copy of the Code of Business Conduct which stresses that directors, officers, employees and consultants are expected and required to adhere to the highest ethical standards. Directors, officers, employees and consultants are asked to certify their review of and compliance with the provisions of the Code of Business Conduct and, both initially and on an ongoing basis, any actual or potential conflict of interest situations they are in. Trilogy has also adopted a Disclosure and Insider Trading Policy which provides additional guidance on legal and ethical conduct required of all directors, officers, employees and consultants of Trilogy and its affiliates. This Policy is available on Trilogy's website at www.trilogyenergy.com or may be requested from G. L. Yester, General Counsel and Corporate Secretary at 1400, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2.

6. Nomination of Directors

- a. Describe the process by which the board identifies new candidates for board nomination.

The Corporate Governance Committee is responsible, in conjunction with the Chairman of the Board, for identifying new candidates for nomination to the Board and recommending them to the Board when appropriate. Upon there being a vacancy on the Board or a determination having been made that the Board should be expanded, the Corporate Governance Committee will meet to review whether there are particular competencies needed by the Board and to set forth the criteria in the selection process. The Committee will also determine whether any of the members are aware of potential candidates and will also review the advisability of securing independent consultants to assist in the search. Once a suitable candidate or candidates are identified, the Committee will meet with the Chairman for input, after which time, the candidate or candidates will be presented to the Board. The Board will discuss the competencies of the various candidates and, if applicable, identify one or more to be approached. The Board will also determine which Board member should make the contact after which that member will report back to the Board.

- b. Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

The nominating function is performed by the Corporate Governance Committee. Until January 1, 2009, the Corporate Governance Committee was composed entirely of independent directors within the meaning of independence set out in NI 58-101. Effective January 1, 2009, Mr. E. M. Shier ceased to be an independent director. Mr. Shier remains a member of the Corporate Governance Committee but he is no longer the chair of that Committee. When there is a vacancy on the board, the Board is open to referrals from all directors and the status of the search for a director is openly discussed at Board meetings.

- c. If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The Corporate Governance Committee is responsible for considering the appropriate size of the Board, establishing the criteria for Board membership, assessing the competencies and skills of each existing director and any new nominees with a view to achieving competencies and skills that the Board as a whole should possess, proposing candidates for election or re-election and ensuring there is an orientation program in place for new Board members and a continuing education program in place for all directors.

7. Compensation

- a. Describe the process by which the board determines the compensation for the issuer's directors and officers.

The Corporate Governance Committee Charter provides that the Corporate Governance Committee will periodically review the adequacy and form of compensation of directors to ensure that the level of compensation realistically reflects the responsibilities and risks involved in being an effective director and report and make recommendations to the Board accordingly.

The annual bonus and other benefits, direct and indirect, of the CEO is recommended by the Compensation Committee for approval by the Board. The Compensation Committee also approves the compensation for all other designated officers after considering the recommendations of the CEO, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits approved by the Board.

- b. Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

The Compensation Committee is composed of two independent members, and one member who is not independent within the meaning of independence set out in NI 58-101. The Chairman of the Compensation Committee is independent. Trilogy participates in an annual compensation survey conducted by independent consultants encompassing, *inter alia*, executive compensation. This survey examines the salary, benefits and other incentive programs in effect with other oil and gas issuers operating in Canada.

- c. If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

In addition to the Compensation Committee's responsibilities discussed in 7 a. above, the Compensation Committee also ensures that Trilogy has programs in place to attract and develop Management of the highest caliber and to ensure orderly succession of Management; implements and administers compensation and general human resources policies and guidelines concerning executive compensation, contracts, stock option and other incentive plans, and proposed personnel changes involving officers reporting to the CEO; reviews Trilogy's policies and programs relating to benefits; receives the CEO's recommendations relating to annual compensation policies and budgets for all employees, reviews Trilogy's compensation policies and overall labour relations strategy; reports to the Board on the Committee's recommendations with regard to compensation of the CEO; and develops a calendar of annual activities to be undertaken by the Committee.

- d. If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

No compensation consultant or advisor has, at any time since the beginning of the 2009 financial year, been retained to assist in determining compensation for any of the directors and officers.

8. Other Board Committees

- a. If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The nominating function is performed by the Corporate Governance Committee as described above. The Board's fourth standing committee is the Environmental, Health and Safety Committee. The Committee's purpose is to review and monitor the environmental and employee health and safety policies and activities of Trilogy and its subsidiaries.

In addition, the Audit Committee is responsible for, inter alia, reviewing Trilogy's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. The Audit Committee also reviews the appointment of the independent engineering firm responsible for evaluating Trilogy's reserves and reviews the reserves data and the report of the reserves evaluator prior to making recommendations to the Board with respect thereto.

9. Assessments

- a. Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Board is responsible for making regular assessments of its effectiveness as well as the effectiveness and contribution of each Board committee and each individual director. The Corporate Governance Committee establishes and administers a process (including a review by the full Board and discussion with Management) for assessing the effectiveness of the Board as a whole and the Board committees. A Board assessment and evaluation questionnaire is included in the Corporate Governance Manual and each director, as part of the overall assessment process, completes a questionnaire on an annual basis.

SCHEDULE B

TRILOGY ENERGY CORP. BOARD OF DIRECTORS MANDATE

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.

The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates its business in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests of other stakeholders such as employees, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its powers to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining Director compensation. Subject to the Articles and By-Laws of the Corporation and the *Business Corporations Act* (Alberta) (the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. Legal Requirements

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the responsibility to:
 - (i) manage the business and affairs of the Corporation;
 - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
 - (iii) to exercise the care, diligence and skill that a reasonable, prudent trustee would exercise in comparable circumstances; and
 - (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations;
- (c) The Board has the responsibility for considering the following matters as a full Board which shall not be delegated to management or to a committee of the Board:
 - (i) any submission to the shareholders of the Corporation of a question or matter requiring the approval of the shareholders;
 - (ii) the filling of a vacancy among the directors or in the office of auditor;

- (iii) the issuance of securities of the Corporation;
- (iv) the declaration of dividends of the Corporation;
- (v) the purchase, redemption or any other form of acquisition of securities issued by the Corporation;
- (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
- (vii) the approval of management proxy circulars of the Corporation;
- (viii) the approval of the annual financial statements of the Corporation, the Corporation's management discussion and analysis and annual information form; and
- (ix) the adoption, amendment or repeal of By-Laws of the Corporation.

2. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to facilitate the Board to function independently of management. In this regard, the Board shall consist of a majority of "independent directors"¹, as that term is defined in Section 1.4 of National Instrument 52-110, *Audit Committees* or such guidelines as may hereafter replace the same. The independent board members should hold separate, regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

3. Strategy Determination

The Board has the responsibility to ensure there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving, as required, the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. Division of Responsibilities

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so; and
- (b) develop position descriptions for:
 - (i) the Chair of the Board;
 - (ii) the President and Chief Executive Officer;
 - (iii) the Chief Operating Officer; and
 - (iv) the Chief Financial Officer.

6. Appointment, Training and Monitoring Senior Management

The Board has the responsibility:

- (a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to determine and approve the Chief Executive Officer's compensation, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) to approve the appointment and remuneration of all other designated corporate officers, acting upon the advice of the Chief Executive Officer;
- (c) to the extent feasible, to satisfy itself as to the integrity of the Chief Executive Officer and other corporate officers and that the Chief Executive Officer and other corporate officers create a culture of integrity throughout the organization;
- (d) to ensure that adequate provision has been made to train and develop management and for the orderly succession of management; and
- (e) to ensure that management is aware of the Board's expectations of management.

7. Policies, Procedures and Compliance

The Board has the responsibility:

- (a) to ensure that the Corporation and its affiliates operate at all times within applicable laws and regulations and to the highest ethical and moral standards;
- (b) to approve and monitor compliance with significant policies and procedures by which the Corporation and its affiliates are operated;
- (c) to ensure the Corporation and its affiliates sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and
- (d) to ensure the Corporation and its affiliates has in place appropriate programs and policies for the health and safety of its employees in the workplace.

8. Reporting and Communication

The Board has the responsibility:

- (a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (d) to ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
- (e) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and
- (f) to develop appropriate measures for receiving shareholder feedback.

9. Monitoring and Acting

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) to ensure that the Corporation has implemented adequate internal control and management information systems which ensure the effective discharge of its responsibilities; and
- (d) to make regular assessments of the Board's effectiveness, as well as the effectiveness and contribution of each Board Committee and each individual director, which responsibility has been delegated to the Corporate Governance Committee in conjunction with the Chairman of the Board.

¹ 1.4 **Meaning of Independence --**

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" means a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (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.