TRILOGY
ENERGY TRUST

2009 SECOND QUARTER REPORT

FINANCIAL AND OPERATING HIGHLIGHTS

(In thousand Canadian dollars except per unit amounts and where stated otherwise)

	Three Months Ended			Six Months Ended June 30		
	June 30, 2009	**March 31, 2009**	**Change %**	**2009**	**2008**	**Change %**
FINANCIAL						
Petroleum and natural gas sales	**53,924**	66,654	(19)	**120,578**	252,081	(52)
Funds flow						
From operations(1)	**21,011**	37,193	(44)	**58,205**	121,719	(52)
Per unit – diluted	**0.21**	0.38	(45)	**0.59**	1.27	(54)
Earnings						
Earnings (loss) before tax	**(20,493)**	(1,739)	1,078	**(22,232)**	(15,107)	47
Per unit – diluted	**(0.21)**	(0.02)	950	**(0.23)**	(0.16)	44
Earnings (loss) after future income tax	**(19,695)**	5,876	(435)	**(13,819)**	(18,074)	(24)
Per unit – diluted	**(0.20)**	0.06	(433)	**(0.14)**	(0.19)	(26)
Distributions declared	**14,743**	14,645	1	**29,388**	45,966	(36)
Per unit	**0.15**	0.15	—	**0.30**	0.48	(38)
Capital expenditures						
Exploration and development	**9,429**	37,176	(75)	**46,605**	65,860	(29)
Acquisitions, (dispositions) and other - net	**(109)**	52	(310)	**(57)**	20,365	(100)
Net capital expenditures (surplus)	**9,320**	37,228	(75)	**46,548**	86,225	(46)
Total assets	**925,240**	949,305	(3)	**925,240**	976,879	(5)
Net debt(1)	**324,778**	312,333	4	**324,778**	422,155	(23)
Unitholders' equity	**385,658**	419,416	(8)	**385,658**	332,907	16
Trust Units outstanding (thousands)						
- As at end of period	**98,295**	98,250	—	**98,295**	96,210	2
OPERATING						
Production						
Natural gas (MMcf/d)	**93**	94	(1)	**94**	97	(3)
Crude oil and natural gas liquids (Bbl/d)	**4,234**	4,524	(6)	**4,378**	4,609	(5)
Total production (Boe/d @ 6:1)	**19,800**	20,211	(2)	**20,004**	20,831	(4)
Average prices						
Natural gas (before financial instruments) ($/Mcf)	**3.82**	5.61	(32)	**4.71**	9.44	(50)
Natural gas ($/Mcf)(2)	**4.56**	7.37	(38)	**5.96**	8.93	(33)
Crude oil and natural gas liquids (before financial instruments) ($/Bbl)	**55.69**	47.03	18	**51.25**	101.26	(49)
Crude oil and natural gas liquids ($/Bbl)(2)	**55.69**	46.96	19	**51.22**	91.35	(44)
Drilling activity (gross)						
Gas	**2**	10	(80)	**12**	32	(63)
Oil	**—**	1	(100)	**1**	6	(83)
D&A	**—**	—	—	**—**	3	(100)
Total wells	**2**	11	(82)	**13**	41	(68)
Success rate	**100%**	100%	—	**100%**	93%	—

(1) Funds flow from operations and net debt are non-GAAP terms. Funds flow from operations represents cash flow from operating activities before net changes in operating working capital accounts. Net debt is equal to long-term debt plus/minus working capital. Please refer to the advisory on Non-GAAP measures below.

(2) Includes realized but excludes unrealized gains and losses on financial instruments.

MESSAGE TO UNITHOLDERS

August 4, 2009

Operations Review for the Second Quarter 2009

- Average production of 19,800 Boe/d
- $9.4 million of capital expenditures
- Average operating costs of $12.71/Boe
- $21.0 million funds flow from operations or $0.21 per diluted Trust Unit
- 93 percent payout ratio based on cash flow from operations (49 percent for the year to date)
- 70 percent payout ratio based on funds flow from operations

Trilogy's second quarter production was 19,800 Boe/d, (93.4 MMcf/d of natural gas and 4,234 Bbl/d of crude oil and natural gas liquids), down marginally from the 20,211 Boe/d reported in the previous quarter. Second quarter volumes increased with the addition of production from the Montney horizontal wells that were drilled in the first quarter, but left shut-in until after April 1, 2009 to take advantage of the Alberta Government's new royalty reduction program. These production gains were offset by natural declines and the impact of two plant turnarounds in the Kaybob area during the quarter. The non-operated Kaybob Amalgamated Gas Plant was down for four weeks reducing the second quarter volumes by approximately 400 Boe/d and the Trilogy operated Kaybob North Gas Plant was also down for ten days resulting in a further reduction of approximately 600 Boe/d. In addition to these planned turnarounds, second quarter production was reduced due to an unexpected shut down of the lean oil natural gas liquid extraction unit at the non-operated Kaybob #3 Gas Plant from May 22 until mid August. This shutdown was required to accommodate maintenance work on the extraction unit as well as to incorporate integrity work on the natural gas liquids pipeline that transports the liquids to Fort Saskatchewan. The shutdown resulted in a significant decrease in the amount of natural gas liquids recovered through the plant, partially offset by an increase in the heat content of the gas that flowed through the plant. Production for the first half of the year averaged 20,004 Boe/d.

In total during the quarter, Trilogy spent $9.4 million on drilling, completion and facility construction operations, inclusive of land acquisitions. Year-to-date capital expenditures were $46.6 million representing approximately 58 percent of the original $80 million of capital budgeted for 2009. The Trust's second quarter capital program concentrated on infrastructure construction, including the installation of additional compression in the Presley area in South Kaybob to handle the expected production additions from the 2009 drilling program. Trilogy spent $1.0 million during the quarter to supplement its existing prospect inventory with the acquisition of 3,648 hectares of new Crown acreage. The Alberta Government recently announced that its original royalty reduction and drilling incentive programs would be extended to March 31, 2011, providing Trilogy with a better opportunity to effectively plan and budget capital expenditures over the next two years.

Trilogy has been evaluating opportunities to capitalize on the current competitive pricing environment to generate additional value for its Unitholders. Trilogy has begun initial work to plan the construction of a major sour gas gathering pipeline and the expansion of the Trilogy operated Kaybob North Gas Plant. The pipeline project would involve construction of a 12 inch pipeline that would run 53 kilometers from Trilogy's Montney gas development project at Presley, in South Kaybob, to the Trilogy operated Kaybob North Gas Plant. An expansion of the existing sour gas plant would be required to handle an additional 50 MMcf/d of raw sour gas production and would require the installation of an acid gas disposal system to reduce the greenhouse gas emissions that are generated during the sweetening process. The project would cost approximately $38 million. If this project proceeds, Trilogy estimates cost savings of up to $12 million per year, through reduced operating expense and a reduction in the shrinkage of the natural gas stream as compared to the current processing fees and shrinkage factor, assuming the facilities are fully utilized. Additional benefits of the project could include better run time for Trilogy's natural gas, more accountability for gas and liquids production, potential third party processing revenue and a reduction in greenhouse gas emissions. A further opportunity would exist to expand the Kaybob North Gas Plant by an additional 50 MMcf/d of sour gas processing capacity to match the pipeline capacity of 100 MMcf/d.

During the quarter, Trilogy drilled 2 (1.25 net) wells, both located in the Kaybob area. Drilling operations in the second quarter are generally curtailed compared to the rest of the year as spring break-up makes drilling, completion and construction operations very difficult. The first well Trilogy completed was the re-entry and deepening of a well that could be used for disposal of the acid gas emissions from the Kaybob North Gas Plant should Trilogy elect to proceed with the Kaybob North Gas Plant expansion projects. Trilogy has applied for regulatory approval to convert the well into an injector to permit the injection of waste gas into the Gilwood formation. The second well (0.25 net) was a non-operated well drilled horizontally into the Bluesky formation. This well has been placed on production in the third quarter and will help identify additional drilling locations in the area.

Operating costs for the second quarter were $12.71 per Boe, down 5 percent from $13.39 per Boe during the first quarter of 2009. Increased costs related to the Kaybob North Gas Plant turnaround and reduced production from the Kaybob Amalgamated and Kaybob North plant turnarounds have masked some of the cost reductions that Trilogy realized during the quarter. Trilogy intends to continue its focus of reducing costs and increasing production in order to lower per unit operating costs for the balance of the year. We anticipate that costs for the remainder of the year will be approximately $11.50 per Boe.

Funds flow from operations decreased 44 percent in the second quarter to $21.0 million from $37.2 million in the first quarter of 2009, mainly due to the decline in natural gas prices, the decrease in production volumes and the reduced realized gains on financial instruments, partially offset by lower royalties and lower operating costs. Monthly distributions to Unitholders were maintained at $0.05 per unit during the quarter. Distributions to Unitholders totaled $14.7 million for the quarter, representing 70 percent of funds flow from operations (93 percent of cash flow from operations).

Kaybob

Production volumes in the Kaybob area decreased to 17,829 Boe/d in the second quarter from 18,117 Boe/d reported in the first quarter. This quarter over quarter production decline of 288 Boe/d is attributed to natural declines (approximately 1,000 Boe/d for the quarter) and to the plant turnarounds (approximately 1,000 Boe/d for the quarter) which were substantially offset by the production gains from the new wells drilled in the area during the first quarter.

Based on the results of the first quarter drilling program, Trilogy will continue to exploit the Montney formation in the Kaybob area. Plans include drilling 5 (4 net) Montney horizontal wells in the second half of the year, followed by an aggressive winter drilling program, that could include up to eight additional Montney horizontal wells. Given continued success, Trilogy plans to expand current compression capacity by installing additional compressors at the 3-29 site to increase capacity to 50 MMcf/d. Trilogy will be pursuing a development drilling plan that will fully utilize the compression**.** Drilling operations are expected to begin in early August and production from the first well in the program is anticipated to be on-stream in early October.

Trilogy has evaluated the changes to the royalty regime implemented by the Alberta Government over the past several months to determine the optimum strategy in electing between the various programs given the current information. The five Montney horizontal wells planned for the remainder of the year will be drilled to a maximum total depth of 4,000 to 4,500 meters. This should provide Trilogy and its partners with significant royalty savings on successful wells over the next five years under the current regime.

In addition to the Montney drilling activity, Trilogy will continue to manage and exploit the remaining high quality assets in the Kaybob area. This may include drilling up to four Kaybob area wells in the balance of the year to offset production declines and replace produced reserves.

Grande Prairie

Second quarter operations in the Grande Prairie area were focused on optimizing existing producing and shut-in wells. Production decreased from 2,094 Boe/d in the first quarter to 1,970 Boe/d in the second quarter due to natural production declines and the deferral of drilling until the second half of the year. Trilogy anticipates drilling 3 (2.0 net) wells during the balance of the year, with the expectation of maintaining area production at approximately 2,000 Boe/d for the year in this area.

Risk Management

The Trust's management believes that hedging a portion of production can be a prudent strategy in providing the Trust with stable cash flows, minimizing volatility in distribution levels and capital spending programs. However, the volatility in commodity prices during the second quarter did not provide an adequate entry point for Trilogy to implement attractive commodity hedges. As a result, Trilogy has approximately ten percent of its current production hedged until October 2009. Trilogy continues to remain optimistic regarding future natural gas prices and believes that the decline in drilling activity around the globe over the past twelve months will have a significant impact on future gas supply and that Trilogy will participate fully in the potential benefits of a natural gas commodity price increase. A summary of Trilogy's hedging contracts is available in the Trust's interim consolidated financial statements.

Outlook

Trilogy has continued to develop its land position and technical expertise on its large, tight gas resource plays in the deep basin, resulting in the accumulation of a significant inventory of high quality drilling prospects that should enable the Trust to maintain production at its forecasted rate and also to replace produced reserves on an annual basis. Trilogy believes it has high quality producing and non-producing assets and is confident in its strategy to generate significant value for its Unitholders.

Certain statements included in this report constitute forward-looking statements under applicable securities legislation. Please refer to the Management's Discussion and Analysis for advisories on forward-looking statements and the assumptions, risks and uncertainties related to forward-looking information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Trilogy Energy Trust ("Trilogy" or the "Trust") as at and for the three and six months ended June 30, 2009, and should be read in conjunction with the Trust's interim consolidated financial statements for the three and six months then ended and its annual consolidated financial statements and MD&A for the year ended December 31, 2008. The consolidated financial statements have been prepared in Canadian Dollars in accordance with Canadian generally accepted accounting principles ("GAAP").

Readers are cautioned of the advisories on forward-looking statements, estimates, non-GAAP measures and numerical references which can be found at the end of this MD&A. This MD&A is dated and was prepared using currently available information as of August 4, 2009.

SECOND QUARTER 2009 HIGHLIGHTS

- Sales volumes averaged 19,800 Boe/d for the second quarter, down marginally from the average sales volume of 20,211 Boe/d for the previous quarter. The decrease in production was attributed to scheduled plant maintenance performed in the quarter, which was almost offset by production additions.
- Funds flow from operations decreased to $21 million during the second quarter in comparison to $37.2 million for the previous quarter. Lower average realized sales prices for natural gas, the decline in sales volumes and lower realized gains on financial instruments contributed to the decrease, partially offset by lower royalty and operating costs.
- The second quarter loss before tax of $20.5 million was up from the $1.7 million loss before tax posted in the previous quarter primarily due to the factors discussed in the preceding paragraph, in addition to the recording of a $3 million provision for a doubtful debt, and an increase in depletion expense offset by a decline in the unrealized loss on financial instruments.
- Capital expenditures, including land acquisitions, the installation of additional compression and the drilling of 1.25 net wells totaled $9.4 million for the second quarter.
- Distributions declared to Unitholders for the second quarter were $14.7 million or $0.15 per Trust Unit.
- During the quarter, the Alberta government extended the New Well Royalty Credit Program and the Drilling Royalty Credit Program for an additional year.

BUSINESS ENVIRONMENT

The economic recession that commenced in the United States (U.S.) has significantly impacted the global economy. In Canada, the effects of the economic downturn have been felt as evidenced by the loss of investors' confidence, limited and more expensive access to capital, tight credit controls, an increased unemployment rate and low commodity prices, among other factors.

The significant decline in energy commodity prices has impacted Trilogy's operations, resulting in reductions to cash flow from operating activities, distributions to unitholders, forecast capital spending, and heightened counterparty risk. These financial statements do not include any adjustments that may be required should Trilogy be adversely impacted by worsening economic conditions in the foreseeable future.

The following table summarizes the key commodity price benchmarks for the comparative quarters:

	Q2 2009	Q1 2009	Q2 2008
Crude Oil			
West Texas Intermediate monthly average (US$/Bbl)	**59.62**	43.23	123.98
Natural gas			
NYMEX (Henry Hub Close) monthly average (US$/MMBtu)	**3.60**	4.89	10.93
AECO monthly average (Cdn$/GJ)	**3.47**	5.34	8.87
Canadian – U.S. Dollar Quarter-end Closing Exchange Rates (Cdn$/US$1)	**1.16**	1.26	1.02

SUBSEQUENT EVENTS

Holders of 1,761,249 Trust Units have reinvested their June 2009 distributions totaling $0.1 million through Trilogy's distribution reinvestment program, resulting in the issuance of an additional 15,618 Trust Units on July 15, 2009.

On July 20, 2009, Trilogy announced its cash distribution for July 2009 at $0.05 per Trust Unit. The distribution will be paid on August 17, 2009 to Unitholders of record on July 31, 2009. Distribution reinvestment participation in respect of this distribution period is estimated to be approximately 62 percent.

RESULTS OF OPERATIONS

Operating Results Summary (In thousand dollars)	Three Months Ended **June 30, 2009**	Three Months Ended **March 31, 2009**	Three Months Ended **June 30, 2008**	Six Months Ended **June 30, 2009**	Six Months Ended **June 30, 2008**
Operating income[1]	**23,219**	26,899	88,347	**50,118**	152,579
Other income (expenses)	**(1,162)**	862	3,872	**(300)**	4,361
Realized financial instruments[2]	**6,282**	14,860	(14,973)	**21,142**	(17,239)
General and administrative expenses [3]	**(3,466)**	(3,282)	(4,040)	**(6,747)**	(6,806)
Interest and financing charges	**(3,019)**	(1,736)	(3,869)	**(4,755)**	(8,226)
Exploration expenditures[3]	**(843)**	(410)	(1,127)	**(1,253)**	(2,950)
Funds flow from operations[1]	**21,011**	37,193	68,210	**58,205**	121,719
Non-cash operating items:					
Depletion and depreciation	**(30,520)**	(26,772)	(30,757)	**(57,293)**	(58,306)
Unrealized financial instruments[2]	**(6,687)**	(9,625)	(51,908)	**(16,312)**	(67,499)
General and administrative expenses	**(402)**	(137)	(4,376)	**(539)**	(8,710)
Provision for doubtful debt	**(3,000)**	—	—	**(3,000)**	—
Exploration expenditures[4]	**469**	(879)	489	**(410)**	(185)
Gain (loss) on disposition of property, plant and equipment	**95**	(52)	370	**43**	528
Accretion on asset retirement obligations	**(1,477)**	(1,467)	(1,278)	**(2,944)**	(2,654)
Future income tax recovery (expense)[5]	**798**	7,615	276	**8,413**	(2,967)
Other	**18**	—	—	**18**	—
Net earnings (loss)	**(19,695)**	5,876	(18,974)	**(13,819)**	(18,074)

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

[2] See Risk Management section below.

[3] Excluding the non-cash portion of the expenditures, and including asset retirement obligations paid for exploration expenditures.

[4] Net of asset retirement obligations paid.

[5] See Income Taxes section below.

Cash Flow From Operations Per Unit of Sales Volume (Dollars per Boe)	Three Months Ended **June 30, 2009**	Three Months Ended **March 31, 2009**	Three Months Ended **June 30, 2008**	Six Months Ended **June 30, 2009**	Six Months Ended **June 30, 2008**
Gross revenue before financial instruments[1]	**27.63**	35.34	73.44	**31.51**	65.74
Royalties	**(2.67)**	(6.69)	(14.88)	**(4.69)**	(13.64)
Operating costs	**(12.71)**	(13.39)	(10.75)	**(13.06)**	(10.71)
Asset retirement obligation expenditures	**(0.47)**	(0.22)	(0.58)	**(0.35)**	(0.78)
General and administrative expenses[2]	**(1.92)**	(1.80)	(2.10)	**(1.86)**	(1.80)
Interest expense	**(1.68)**	(0.95)	(2.01)	**(1.31)**	(2.17)
Realized gain (loss) on financial instruments	**3.49**	8.17	(7.76)	**5.84**	(4.55)
Funds flow from operations[3]	**11.67**	20.46	35.36	**16.08**	32.09
Net change in operating working capital	**(2.83)**	3.61	(6.35)	**0.41**	(4.84)
Cash flows from operating activities	**8.84**	24.07	29.01	**16.49**	27.25

[1] Net of transportation costs and including other income.

[2] Excluding non-cash unit and stock-based compensation expense but including the cash paid for the exercises of unit appreciation rights which expired on December 15, 2008.

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

Operating Income Items

Second Quarter 2009 vs. First Quarter 2009 (In thousand dollars except as otherwise indicated)	**Q2 2009**	**Q1 2009**	**Increase (Decrease) Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**93,398**	94,126	(728)	(1)
Oil and natural gas liquids (Bbl/d)	**4,234**	4,524	(290)	(6)
Total (Boe/d)	**19,800**	20,211	(411)	(2)
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.82**	5.61	(1.79)	(32)
Oil and natural gas liquids ($/Bbl)	**55.69**	47.03	8.66	18
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**4.56**	7.37	(2.81)	(38)
Oil and natural gas liquids ($/Bbl)	**55.69**	46.96	8.73	19
Petroleum and natural gas sales before financial instruments:				
Natural gas	**32,468**	47,505	(15,037)	(32)
Oil and natural gas liquids	**21,456**	19,149	2,307	12
Total	**53,924**	66,654	(12,730)	(19)
Royalties	**(4,814)**	(12,167)	7,353	(60)
Operating costs	**(22,909)**	(24,361)	1,452	(6)
Transportation costs	**(2,982)**	(3,227)	245	(8)
Operating income[1]	**23,219**	26,899	(3,680)	(14)

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

Petroleum and Natural Gas Sales – Natural gas sales, before financial instruments, decreased by $15.1 million due to lower natural gas prices. Oil and natural gas liquid sales increased by $3.5 million due to higher realized prices, partially offset by a $1.2 million decrease due to lower sales volumes. Sales volumes were lower in the second quarter primarily as a result of scheduled plant turnarounds, partially offset by production from new wells.

Royalties – Royalties, as a percentage of petroleum and natural gas sales, were 9 percent for the second quarter as compared to 18 percent for the previous quarter. Royalties decreased in the quarter primarily as a result of the decline in natural gas prices giving rise to lower effective royalty rates. The decrease in royalties is also, in part, attributed to lower production volumes in the current quarter. Crown royalties on Alberta gas are calculated based on the Alberta reference price, which may vary significantly from Trilogy's realized corporate price. In addition, various items, including gas cost allowance credits and other royalty credit programs impact the overall rate.

Operating Costs – On a per unit basis, the operating costs were $12.71/Boe in the second quarter and $13.39/Boe in the previous quarter. Operating costs were lower in the second quarter given decreased field projects and regulatory compliance work performed in the first quarter, partially offset by increased costs and lower production associated with plant turnarounds in the second quarter.

Second Quarter 2009 vs. Second Quarter 2008 (In thousand dollars except as otherwise indicated)	**Q2 2009**	**Q2 2008**	**Increase (Decrease) Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**93,398**	100,677	(7,279)	(7)
Oil and natural gas liquids (Bbl/d)	**4,234**	4,415	(181)	(4)
Total (Boe/d)	**19,800**	21,195	(1,395)	(7)
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.82**	10.56	(6.74)	(64)
Oil and natural gas liquids ($/Bbl)	**55.69**	111.94	(56.25)	(50)
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**4.56**	9.59	(5.03)	(52)
Oil and natural gas liquids ($/Bbl)	**55.69**	96.89	(41.20)	(43)
Petroleum and natural gas sales before financial instruments:				
Natural gas	**32,468**	96,776	(64,308)	(66)
Oil and natural gas liquids	**21,456**	44,973	(23,517)	(52)
Total	**53,924**	141,749	(87,825)	(62)
Royalties	**(4,814)**	(28,696)	23,882	(83)
Operating costs	**(22,909)**	(20,738)	(2,171)	10
Transportation costs	**(2,982)**	(3,968)	986	(25)
Operating income[1]	**23,219**	88,347	(65,128)	(74)

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

Petroleum and natural gas sales – Natural gas sales, before financial instruments, decreased by $61.7 million due to significantly lower average realized natural gas prices during the current quarter, in addition to a $2.6 million decrease due to lower sales volumes. Oil and natural gas liquid sales, before financial instruments, decreased by $22.6 million due to lower oil and natural gas liquid sales prices during the current quarter, in addition to a $0.9 million decrease due to lower oil and natural gas liquids sales volumes. Sales volumes decreased in the second quarter of 2009 mainly as a result of Trilogy's reduced 2009 capital expenditure program in conjunction with the low natural gas commodity price environment, in addition to scheduled plant turnarounds in the quarter.

Royalties – Royalties, as a percentage of petroleum and natural gas sales, were 9 percent for the second quarter as compared to 20 percent for the same quarter of the prior year. Royalties decreased in the quarter primarily as a result of the decline in commodity prices giving rise to lower effective royalty rates. The decrease in royalties is also, in part, attributed to lower production volumes in the current quarter. Crown royalties on Alberta gas are calculated based on the Alberta reference price, which may vary significantly from Trilogy's realized corporate price. In addition, various items, including gas cost allowance credits and other royalty credit programs impact the overall rate.

Operating Costs – On a per unit basis, operating costs were $12.71/Boe in the second quarter and $10.75/Boe for the same quarter of the previous year. In response to the decline in commodity prices, Trilogy reduced its capital expenditures for 2009, however did allocate additional funds to projects undertaken for the purpose of maintaining production. Such expenditures, in addition to lower production volumes in 2009 contributed to higher operating expenditures on a per unit basis.

Year-to-date 2009 vs. Year-to-date 2008 (In thousand dollars except as otherwise indicated)	**YTD 2009**	**YTD 2008**	**Increase (Decrease)** **Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**93,760**	97,333	(3,573)	(4)
Oil and natural gas liquids (Bbl/d)	**4,378**	4,609	(231)	(5)
Total (Boe/d)	**20,004**	20,831	(827)	(4)
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**4.71**	9.44	(4.73)	(50)
Oil and natural gas liquids ($/Bbl)	**51.25**	101.26	(50.01)	(49)
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**5.96**	8.93	(2.97)	(33)
Oil and natural gas liquids ($/Bbl)	**51.22**	91.35	(40.13)	(44)
Petroleum and natural gas sales before financial instruments:				
Natural gas	**79,973**	167,143	(87,170)	(52)
Oil and natural gas liquids	**40,605**	84,938	(44,333)	(52)
Total	**120,578**	252,081	(131,503)	(52)
Royalties	**(16,981)**	(51,712)	34,731	(67)
Operating costs	**(47,270)**	(40,601)	(6,669)	16
Transportation costs	**(6,209)**	(7,189)	980	(14)
Operating income[1]	**50,118**	152,579	(102,461)	(67)

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

Petroleum and natural gas sales – Natural gas sales, before financial instruments, decreased by $83.7 million during the first six months of 2009, as a result of lower average realized natural gas prices, in addition to a decrease of $3.5 million due to lower natural gas sales volume. Oil and natural gas liquid sales, before financial instruments, decreased in 2009 by $42 million due to lower average oil and natural gas liquid sales prices, in addition to a decrease of $2.4 million due to lower oil and natural gas liquids sales volumes. Sales volumes were lower in 2009 primarily as a result of Trilogy's reduced 2009 capital expenditure program in conjunction with the low natural gas commodity price environment, in addition to scheduled plant turnarounds in the second quarter.

Royalties – Royalties, as a percentage of petroleum and natural gas sales, were 14 percent for the year-to-date as compared to 21 percent for same period of the prior year. Royalties year-to-date decreased primarily as a result of the decline in commodity prices giving rise to lower effective royalty rates. The decrease in royalties is also, in part, attributed to lower production volumes in the current quarter. Crown royalties on Alberta gas are calculated based on the Alberta reference price, which may vary significantly from Trilogy's realized corporate price. In addition, various items, including gas cost allowance credits and other royalty credit programs impact the overall rate.

Operating Costs – On a per unit basis, operating costs were $13.06/Boe year-to-date and $10.71/Boe for the same period of the previous year. In response to the decline in commodity prices, Trilogy reduced its capital expenditures for 2009, however did allocate additional funds to projects undertaken for the purpose of maintaining production. Such expenditures, in addition to certain regulatory and compliance work carried out in the first quarter of 2009 and lower production volumes in 2009, contributed to higher operating expenditures on a per unit basis.

OTHER INCOME STATEMENT ITEMS

Other Income (Expense)

During the second quarter of 2009 Trilogy incurred realized exchange losses of $0.9 million as opposed to realized exchange gains of $0.6 million in the first quarter of 2009. Other income for the three and six months ended June 30, 2008 included sulphur revenues of $3.6 million and $3.9 million, respectively. Prices for sulphur increased significantly during the first part of 2008 but then declined dramatically with the result that such revenues were minimal during the first six months of 2009.

Depletion and Depreciation Expense

	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Reported amount (thousand dollars)	**30,520**	**26,772**	**30,757**	**57,293**	58,306
Expense per sales volume ($/Boe)	**16.94**	**14.72**	**15.95**	**15.82**	15.38

Depletion and depreciation expense increased in the second quarter of 2009 as compared to the previous quarter mainly due to the increase in expired mineral leases. Compared to the same quarter in 2008, depletion and depreciation expense was consistent. The decrease in sales volume is the primary reason for the decrease in reported depletion and depreciation expense on a year-to-date comparative basis, offset by higher expired mineral leases.

General and Administrative Expenses

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

(thousand dollars except as otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Expenses before unit-based compensation and recoveries	**6,666**	6,887	6,581	**13,553**	13,170
Overhead recoveries	**(3,200)**	(3,605)	(3,363)	**(6,806)**	(7,269)
Expenses after recoveries and before unit-based compensation	**3,466**	3,282	3,218	**6,747**	5,901
Unit-based compensation expense	**402**	137	5,198	**539**	9,615
Reported amount	**3,868**	3,419	8,416	**7,286**	15,516
Expenses after recoveries and before unit-based compensation per sales volume ($/Boe)	**1.92**	1.80	1.67	**1.86**	1.56

General and administrative expenses (after recoveries and before unit-based compensation expense) were higher for the three and six months ended June 30, 2009, as compared to the same periods in 2008, due to lower overhead recoveries in conjunction with Trilogy's reduced 2009 capital expenditure program.

The significant decrease in unit based compensation expense in 2009 relative to amounts recorded in 2008 is attributed primarily to the changes in the periodic revaluation of Trilogy's unit appreciation rights liability in reference to the market price of Trust Units. Unit-based compensation expense in 2008 also included the cash paid on exercised unit appreciation rights. Trilogy's unit appreciation rights expired on December 15, 2008 and there is no current intention to make further grants under this plan. Unit based compensation expense in 2009 consisted of the amortization of the grant date fair market value of options issued under Trilogy's unit option plan, in addition to amortization on a related party's option plan issued to Trilogy employees.

Interest and Financing Charges

	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Reported amount (thousand dollars)	**3,019**	1,736	3,869	**4,755**	8,226
Expense per sales volume ($/Boe)	**1.68**	0.95	2.01	**1.31**	2.17

Interest and financing charges were higher during the second quarter of 2009 as compared to the first quarter of 2009. The increase is attributed to: a higher weighted average interest rate for the second quarter, reflecting lender margin increases in conjunction with the extension of Trilogy's credit facility agreement; increased average credit facility debt balances over the second quarter as compared to the first quarter; and the amortization of financing charges incurred at the end of the first quarter of 2009. In comparison to the same periods of 2008, interest and financing charges in 2009 were lower given slightly reduced average debt balances and lower average interest rates, partially offset by the amortization of financing charges, for the six months ended June 30, 2009.

Provision for doubtful debt

Trilogy recorded a provision for a doubtful debt in the second quarter of 2009 of $3.0 million in respect of a customer that filed for protection under the Companies' Creditors Arrangement Act. Trilogy is appealing an initial ruling denying its ability to offset the customer receivable against an amount payable to the customer. Trilogy continues to believe it has the right of setoff, however, given the initial ruling, has made a doubtful debt provision in respect of this customer.

Exploration Expenditures and Other

	Three Months Ended			Six Months Ended	
(thousand dollars)	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Exploration expenditures	**374**	1,289	638	**1,663**	3,135
Gain on sale of property, plant and equipment	**(95)**	52	(370)	**(43)**	(528)
Accretion on asset retirement obligations	**1,477**	1,467	1,278	**2,944**	2,654

Exploration expenditures consist of exploratory dry hole costs and geological and geophysical costs. The change in exploration expenditures between the second quarters of 2008 and 2009 and first quarter of 2009 is mainly attributed to varying levels of geological and geophysical expenditures. Dry-hole costs for the six months ended June 2009 decreased $2.3 million as compared to the same period in 2008, offset by an increase in geological and geophysical expenses of $0.9 million.

RISK MANAGEMENT

Financial Risks

Trilogy's main financial risks include credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, and are discussed in detail in the notes to Trilogy's December 31, 2008 consolidated financial statements, the Advisories and other sections of that MD&A, as well as the Trust's 2008 Annual Information Form.

The Trust had the following financial forward sales contract outstanding as at June 30, 2009:

Description	Quantity	Price	Remaining Term
NYMEX Collar	10,000 MMBtu/d	Floor – U.S.$9.50 Ceiling – U.S.$13.00	July 2009 – October 2009

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

(thousand dollars except as indicated)	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Realized gain (loss) on financial instruments	**6,282**	14,860	(14,973)	**21,142**	(17,239)
Unrealized loss on financial instruments	**(6,687)**	(9,625)	(51,908)	**(16,312)**	(67,499)
Total gain (loss) on financial instruments	**(405)**	5,235	(66,881)	**4,830**	(84,738)
Realized gain (loss) on financial instruments per Boe ($/Boe)	**3.49**	8.17	(7.76)	**5.84**	(4.55)

The fair value accounting of financial instruments causes significant fluctuations in the unrealized gain (loss) on financial instruments due to the volatility of energy commodity prices, interest and foreign exchange rates and new contracts entered into during the period, if any. In addition, the fair value of financial instruments as at the balance sheet date may change in the future as a result of changes in these economic benchmarks upon which the fair value is primarily based. Accordingly, the amount actually realized from financial instruments may vary from such fair value estimation.

Operational and Other Risks

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

LIQUIDITY AND CAPITAL RESOURCES

(In thousand dollars)	June 30, 2009	December 31, 2008
Net current liabilities (assets)	**2,283**	(7,424)
Long-term debt	**322,495**	307,405
Net debt[1]	**324,778**	299,981
Unitholders' equity	**385,658**	416,097
Total	**710,436**	716,078

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

Working Capital

The decrease in working capital from December 31, 2008 to June 30, 2009 was primarily the result of the realization of financial instrument contracts outstanding as at December 31, 2008. In addition, the decrease can be attributed to lower receivable balances for revenue, as well as the provision for a doubtful account, offset partially by lower accounts payable balances as a result of reduced capital expenditures, a decrease in distributions payable and an increase in prepaid amounts as at June 30, 2009.

Any working capital deficiency is funded by cash flow from operations (see additional comments under "Distributions") and draws from the Trust's credit facilities.

Long-term Debt and Credit Facilities

Long-term debt represents the outstanding draws from Trilogy's revolving credit and working capital facility described in the notes to Trilogy's interim consolidated financial statements. Financing fees incurred in conjunction with the credit facility extension have been applied against the long-term debt amount and are being amortized to income over a one year period.

Trilogy's bank debt outstanding from its revolving credit and working capital facility was $324.1 million (before unamortized discount and financing fees) as at June 30, 2009. The revolving feature of the Trust's credit facility expires on March 26, 2010, if not extended. In the event the revolving period is not extended, the revolving facility would be available for a one year term on a non-revolving basis, at the end of which time amounts drawn down under the facility would be due and payable.

The size of this committed credit facility ($368 million as of June 30, 2009, decreasing to $358 million and $350 million on July 31, 2009 and October 31, 2009, respectively) is based primarily on the value of Trilogy's producing petroleum and natural gas assets as determined by the lenders. Trilogy's borrowing base is subject to semi-annual review by the banks. Trilogy continues to monitor its cash flow requirements in conjunction with the scheduled reductions to its credit facilities. Such requirements will likely be managed through monitoring its Distribution

Reinvestment Plan participation and adjusting its capital expenditure program and/or distribution levels, as required.

In conjunction with the annual credit facility extension at the end of the first quarter of 2009, Trilogy's applicable interest rate margins were increased by its lenders. The margin increase, ranging from 1.5 percent to 3 percent, is dependent on certain financial ratios computed quarterly. The increase in margins are offset, in part, by a decrease in the base market interest rate currently applicable on Trilogy's borrowings.

Contractual Obligations

There was no material change to the Trust's contractual obligations as disclosed at December 31, 2008.

Off-balance Sheet Arrangements

No off-balance sheet arrangements were outstanding as at June 30, 2009**.**

Trust Units and Options

In connection with Trilogy's distribution reinvestment plan ("DRIP"), for the three and six months ended June 30, 2009, 45,100 ($0.3 million) Trust Units and 2,298,116 ($12.2 million) Trust Units were issued.

Trilogy had 98,294,762 Trust Units and 98,310,380 Trust Units outstanding as at June 30, 2009 and August 4, 2009, respectively.

Outstanding unit options issued under Trilogy's unit option plan were 3,783,500 unit options as at June 30, 2009 and August 4, 2009, of which 345,250 unit options were exercisable as at those dates, respectively.

In 2009, Trilogy received necessary approvals for a normal course issuer bid through the facilities of the Toronto Stock Exchange. Under the normal course issuer bid, Trilogy may purchase up to 4,912,483 Trust Units during the period March 24, 2009 through March 23, 2010. No Trust Units were purchased through this normal course issuer bid as at June 30, 2009.

Distributions

(In thousand dollars except where stated otherwise)	Three Months Ended June 30 2009	2008	Six Months Ended June 30 2009	2008
Funds flow from operations[1]	**21,011**	68,210	**58,205**	121,719
Net changes in operating working capital	**(5,107)**	(12,251)	**1,466**	(18,331)
Cash flow from operations	**15,904**	55,959	**59,671**	103,388
Net earnings (loss)	**(19,695)**	(18,974)	**(13,819)**	(18,074)
Distributions declared[2]	**14,742**	25,928	**29,388**	45,966
Distributions declared per Trust Unit (in full amount)	**0.15**	0.27	**0.30**	0.48
Excess of cash flow from operations over distributions declared	**1,162**	30,031	**30,283**	57,422
Deficiency of net earnings over distributions (distributions declared over net earnings)	**(34,437)**	(44,902)	**(43,207)**	(64,040)

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

(2) Including amounts reinvested under the distribution reinvestment plan as disclosed in the notes to consolidated financial statements.

Trilogy's distributions to its Unitholders are funded by cash flow from operating activities with the remaining cash flow directed towards capital spending and debt (including any working capital deficiency) repayments. To the extent that the excess of cash flow from operations over distributions is not sufficient to cover capital spending, the shortfall is funded by draws from Trilogy's credit facilities. Trilogy intends to provide distributions to Unitholders that are sustainable to the Trust considering its liquidity and long-term operational strategy. The level of distributions is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors. Future distributions cannot be assured (refer to Trilogy's 2008 annual MD&A and 2008 Annual Information Form for additional discussion on distributions). As a result of a continued decline in energy commodity prices, Trilogy reduced its monthly distributions to Unitholders to $0.05 per Trust Unit commencing for the January 2009 distribution month and continues to review the level of its monthly distributions.

Trilogy's payout ratio, calculated as a percentage of distributions declared over cash flow from operations, was 49 percent for the six months ended June 30, 2009 (44 percent for the six months ended June 30, 2008).

Trilogy's 2008 annual MD&A includes additional disclosures regarding a comparison of distributions to net earnings and its productive capacity and the management thereof.

Capital Expenditures

(In thousand dollars)	Three Months Ended June 30 2009	2008	Six Months Ended June 30 2009	2008
Land	**1,011**	531	**1,332**	1,364
Geological and geophysical	**76**	284	**1,132**	284
Drilling	**1,380**	9,759	**26,556**	46,995
Production equipment and facilities	**6,921**	3,352	**17,440**	17,282
Exploration and development expenditures	**9,388**	13,926	**46,460**	65,925
Property acquisitions	**5**	20,935	**5**	20,935
Proceeds received from property dispositions	**(114)**	(412)	**(62)**	(570)
Corporate assets	**41**	110	**145**	(65)
Net capital expenditures	**9,320**	34,559	**46,548**	86,225

Exploration and development expenditures were lower during the first and second quarters of 2009 as compared to the same quarters in 2008. The reduction is attributed to Trilogy's reduced 2009 capital expenditure program in conjunction with the current low natural gas commodity price environment.

Wells Drilled

(Number of wells)	Three Months Ended June 30 2009		2008		Six Months Ended June 30 2009		2008	
	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]
Natural gas	**2**	**1.25**	—	—	**12**	**10.25**	32	21.4
Oil	—	—	**3**	**3.0**	**1**	**0.26**	6	4.2
Dry	—	—	—	—	—	—	3	3.0
Total	**2**	**1.25**	**3**	**3.0**	**13**	**10.51**	41	28.6

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

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

INCOME TAXES

In 2007, the Government of Canada enacted legislation imposing trust-level income taxes on publicly traded income trusts at a rate comparable to a combined federal and provincial corporate tax rate for the taxation years commencing January 1, 2011. Under this tax legislation, distributions from publicly traded income trusts would be treated effectively as dividends to the trust unitholders and the distribution tax would apply in respect of distributions of income as opposed to returns on capital. During the first quarter of 2009, the Government of Canada substantively enacted legislation reducing Trilogy's trust entity's effective future provincial tax rate from 13 percent to 10 percent, resulting in a reduction in the estimated liability. The intention of the enacted legislation was to better align the effective provincial tax rate with the provincial rate in which business activities are conducted. Based on substantively enacted future income tax rates, Trilogy's effective future tax rate on trust legal entities under the legislation is currently anticipated to be 26.5 percent in 2011 and 25 percent for 2012 onward. The effective future tax rate of corporate entities under Trilogy is estimated to be 25 percent.

Trilogy recognizes a provision for future income tax in its financial statements pursuant to the enactment of the above tax legislation. The provision represents management's estimate of the difference between the book and tax basis of trust entity assets and liabilities anticipated to exist in 2011 under current legislation, in addition to the Trust's corporate subsidiary current book and tax basis, tax effected at the above tax rates. The provision is adjusted from time to time for changes in estimates and tax rates.

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

RELATED PARTY TRANSACTIONS

As described in more detail in the notes to the Trust's interim consolidated financial statements for the six months ended June 30, 2009, the following is a summary of the Trust's transactions with related parties:

- Paramount Resources ("Paramount"), a wholly-owned subsidiary of Paramount Resources Ltd. (which owns 23.6 percent of the outstanding Trust Units at June 30, 2009), provides administrative and operating services to the Trust and its subsidiaries, pursuant to an agreement dated April 1, 2005 (as amended), to assist Trilogy Energy Ltd. in carrying out its duties and obligations as general partner of Trilogy Energy LP and as the administrator of the Trust and Trilogy Holding Trust. The amount of expenses paid and accrued for such services was $0.1 million and $0.2 million for the three and six months ended June 30, 2009, respectively.

- In addition, the Trust and Paramount also had transactions with each other arising from normal business activities.

QUARTERLY FINANCIAL INFORMATION

(In thousand dollars except per unit amounts)	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Revenue after financial instruments, royalties and other income	**47,561**	60,584	106,509	199,258
Earnings (loss) before tax	**(20,493)**	(1,739)	9,489	137,302
Net earnings (loss)	**(19,695)**	5,876	10,342	131,085
Earnings (loss) per Trust Unit (in full amounts):				
Basic	**0.20**	0.06	0.11	1.36
Diluted	**0.20**	0.06	0.11	1.35

(In thousand dollars except per unit amounts)	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Revenue after financial instruments, royalties and other income	50,044	69,948	71,527	60,521
Earnings (loss) before tax	(19,250)	4,143	(969)	(7,811)
Net earnings (loss)	(18,974)	900	6,509	(3,483)
Earnings (loss) per Trust Unit (in full amounts):				
Basic	(0.20)	0.01	0.07	(0.04)
Diluted	(0.20)	0.01	0.07	(0.04)

The fluctuations in Trilogy's revenue and net earnings from quarter to quarter are primarily caused by variations in production volumes, commodity prices and the related impact on royalties, and realized and unrealized gains/losses on financial instruments. In addition, future income tax estimates and changes in estimates contributed to the changes in net earnings. Please refer to the Results of Operations and other sections of this MD&A for detailed discussions on changes from the first quarter of 2009 to the second quarter of 2009, and to Trilogy's previously issued interim and annual MD&A for changes in prior quarters.

CRITICAL ACCOUNTING ESTIMATES

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

The critical accounting estimates that are inherent in the preparation of the Trust's consolidated financial statements pertain to the accounting for petroleum and natural gas properties, estimates of reserves, impairment of petroleum and natural gas properties, asset retirement obligations, unit-based compensation, the provision for doubtful accounts and future income tax. These are discussed in the Trust's annual consolidated financial statements and MD&A as at and for the year ended December 31, 2008.

Certain of these estimates have been impacted by the current economic condition. Trilogy continues to consider the impact of these conditions as at June 30, 2009 and beyond.

NEW ACCOUNTING PRONOUNCEMENTS

Change in Accounting Policies

On January 1, 2009, Trilogy adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3064 (Goodwill and Intangible Assets). CICA HB 3064 replaces CICA HB 3062 and establishes new standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA HB 3064's provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Accounting Standards ("IAS") 38, Intangible Assets. A number of CICA handbooks and EIC Abstracts were amended and/or replaced as a consequence of this new standard.

FINANCIAL REPORTING AND DISCLOSURE CONTROLS

There were no material changes to Trilogy's financial reporting disclosure controls and procedures and internal controls over financial reporting for the three and six months ended June 30, 2009.

IFRS IMPLEMENTATION

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAEs") such as Trilogy. The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a December 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ending March 31, 2011, with comparative financial information for the quarter ending March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ending December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

Trilogy intends to adopt these requirements as set out by the AcSB and other regulatory bodies. While at this time the impact of adopting IFRS cannot be reasonably quantified, Trilogy has developed and commenced implementing its plan for the changeover to IFRS. The IFRS changeover plan ensures that Trilogy addresses matters such as accounting policies, information technology systems, internal controls, disclosure controls and procedures, staffing requirements, and business activities impacted by accounting processes and measures.

The impact of converting to IFRS may be material. Current accounting under GAAP may materially differ from IFRS, with IFRS generally requiring analysis and computation at a greater level of detail than current GAAP. Further differences are anticipated to be in note disclosures, which are more onerous under IFRS than current GAAP.

ADVISORIES

Forward-looking Statements and Information

Certain statements included in this document (including the Message to Unitholders) constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "goal", "objective", "possible", "probable", "projected", "scheduled", or state that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved, or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to statements regarding capital expenditures, business strategy and objectives, net revenue, approach to distributions, future production levels, timing and duration of plant turnarounds, expected impact of industry drilling declines, development plans and the timing and expected benefits thereof, including Trilogy's Montney horizontal well program, proposed Presley Pipeline and Kaybob North Gas Plant expansion projects and other drilling and construction plans, operating and other costs, royalty rates, and expected impact of royalty programs and incentives, changes to income tax legislation and government incentive programs affecting the Trust, expected counterparty risk, credit limits and the cost of borrowing, the merits or anticipated outcome or timing of pending litigation and accounts receivable collection, DRIP participation estimates and the expected impact of new accounting pronouncements. Statements regarding "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based estimates and assumption that the reserves and resources described exist in the quantities predicted or estimated, and can be profitable produced in the future.

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

- future oil and gas supply and prices;
- drilling and operational results consistent with expectations;
- Trilogy's ability to obtain competitive pricing;
- the ability of Trilogy to market oil and natural gas successfully to current and new customers;
- currency, exchange and interest rates;
- assumptions based on Trilogy's current guidance;
- cash flow consistent with expectations;
- continuity of government drilling and royalty incentive programs;
- the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the timing and costs of plant turnaround and pipeline and storage facility construction and expansion and the ability to secure adequate product processing and transportation;
- the timely receipt of required regulatory approvals;
- Trilogy's interpretation of the law of setoff, among other laws;
- the ability of Trilogy to obtain financing on acceptable terms; and
- the timing and estimate of reversals of temporary differences between assets and liabilities recorded for accounting and tax purposes;

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

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

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

Additional information on these and other factors which could affect the Trust's operations or financial results are included in the Trust's most recent Annual Information Form and in other documents on file with the Canadian Securities regulatory authorities. The forward-looking statements or information contained in this document are made as of the date hereof and Trilogy undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

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

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

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

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

Numerical References

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

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

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

ADDITIONAL INFORMATION

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TRILOGY ENERGY TRUST

Interim Consolidated Balance Sheets (Unaudited)

(In thousand dollars)

	June 30, 2009	December 31, 2008
ASSETS		
Current Assets		
Accounts receivable *(notes 10, 11 and 13)*	$ 44,492	$ 55,149
Financial instruments *(notes 10 and 11)*	5,875	22,187
Prepaid expenses	5,854	826
	56,221	78,162
Property, plant and equipment *(note 4)*	716,352	728,207
Future income taxes *(note 14)*	12,196	10,749
Goodwill	140,471	140,471
	$ 925,240	$ 957,589
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(notes 10, 11 and 13)*	$ 53,589	$ 61,138
Distributions payable *(notes 8, 10, 11 and 13)*	4,915	9,600
	58,504	70,738
Long-term debt *(notes 5, 10 and 11)*	322,495	307,405
Asset retirement obligations *(note 6)*	77,414	75,213
Future income taxes *(note 14)*	81,169	88,136
	481,078	470,754
Unitholders' equity		
Unitholders' capital *(note 7)*	727,177	714,950
Contributed surplus *(note 9)*	9,517	8,977
Accumulated deficit after distributions	(351,036)	(307,830)
	385,658	416,097
	$ 925,240	$ 957,589

Commitments and contingencies *(notes 5 and 10)*

See accompanying notes to interim consolidated financial statements.

TRILOGY ENERGY TRUST

Interim Consolidated Statements of Loss and Other Comprehensive Loss (Unaudited)

(In thousand dollars except as otherwise indicated)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	**2008**	**2009**	**2008**
Revenue				
Petroleum and natural gas sales	**$ 53,924**	$ 141,749	**$ 120,578**	$ 252,081
Realized gain (loss) on financial instruments *(notes 10 and 11)*	**6,282**	(14,973)	**21,142**	(17,239)
Unrealized loss on financial instruments *(notes 10 and 11)*	**(6,687)**	(51,908)	**(16,312)**	(67,499)
Royalties	**(4,814)**	(28,696)	**(16,981)**	(51,712)
Other income (expenses)	**(1,144)**	3,872	**(282)**	4,361
	47,561	50,044	**108,145**	119,992
Expenses				
Operating	**22,909**	20,738	**47,270**	40,601
Transportation	**2,982**	3,968	**6,209**	7,189
General and administrative *(notes 9 and 13)*	**3,868**	8,416	**7,286**	15,516
Provision for doubtful debt *(note 10)*	**3,000**	—	**3,000**	—
Exploration expenditures *(note 4)*	**374**	638	**1,663**	3,135
Gain on disposition of property, plant and equipment	**(95)**	(370)	**(43)**	(528)
Accretion on asset retirement obligations *(note 6)*	**1,477**	1,278	**2,944**	2,654
Depletion and depreciation *(note 4)*	**30,520**	30,757	**57,293**	58,306
Interest and financing charges	**3,019**	3,869	**4,755**	8,226
	68,054	69,294	**130,377**	135,099
Loss before taxes	**(20,493)**	(19,250)	**(22,232)**	(15,107)
Future income taxes *(note 14)*	**(798)**	(276)	**(8,413)**	2,967
Net loss / Total comprehensive loss	**$ (19,695)**	$ (18,974)	**$ (13,819)**	$ (18,074)
Loss per Trust Unit (in full amounts)				
— Basic	**$ (0.20)**	$ (0.20)	**$ (0.14)**	$ (0.19)
— Diluted	**$ (0.20)**	$ (0.20)	**$ (0.14)**	$ (0.19)
Weighted average Trust Units outstanding (in thousands)				
— Basic	**98,273**	95,914	**97,769**	95,578
— Diluted	**98,446**	96,397	**97,883**	95,578

See accompanying notes to interim consolidated financial statements.

TRILOGY ENERGY TRUST

Interim Consolidated Statements of Unitholders' Equity (Unaudited)

(In thousand dollars except Trust Unit information)

	Six Months Ended June 30, 2009				
	Outstanding Trust Units	**Paid-in Capital**	**Accumulated Deficit**	**Contributed Surplus**	**Unitholders' Equity**
Opening balance	**95,996,646**	**$ 714,950**	**$ (307,830)**	**$ 8,977**	**$ 416,097**
Net loss	**—**	**—**	**(13,819)**	**—**	**(13,819)**
Distribution reinvestment plan *(notes 7 and 8)*	**2,298,116**	**12,227**	**—**	**—**	**12,227**
Distributions declared *(note 8)*	**—**	**—**	**(29,387)**	**—**	**(29,387)**
Unit/stock option recognition *(note 9)*	**—**	**—**	**—**	**540**	**540**
Closing balance	**98,294,762**	**$ 727,177**	**$ (351,036)**	**$ 9,517**	**$ 385,658**

	Six Months Ended June 30, 2008				
	Outstanding Trust Units	**Paid-in Capital**	**Accumulated Deficit**	**Contributed Surplus**	**Unitholders' Equity**
Opening balance	94,608,704	$ 704,100	$ (327,653)	$ 5,558	$ 382,005
Net loss	—	—	(18,074)	—	(18,074)
Distribution reinvestment plan *(notes 7 and 8)*	1,601,457	13,659	—	—	13,659
Distributions declared *(note 8)*	—	—	(45,966)	—	(45,966)
Unit/stock option recognition *(note 9)*	—	—	—	1,283	1,283
Closing balance	96,210,161	$ 717,759	$ (391,693)	$ 6,841	$ 332,907

See accompanying notes to interim consolidated financial statements.

TRILOGY ENERGY TRUST

Interim Consolidated Statements of Cash Flows (Unaudited)

(In thousand dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	**2008**	**2009**	**2008**
Operating activities				
Net loss	**$ (19,695)**	$ (18,974)	**$ (13,819)**	$ (18,074)
Add (deduct) non-cash and other items:				
Depletion and depreciation	**30,520**	30,757	**57,293**	58,306
Gain on disposition of property, plant and equipment	**(95)**	(370)	**(43)**	(528)
Exploration expenditures	**374**	638	**1,663**	3,135
Asset retirement obligation expenditures *(note 6)*	**(843)**	(1,127)	**(1,253)**	(2,950)
Accretion on asset retirement obligations *(note 6)*	**1,477**	1,278	**2,944**	2,654
Future income tax expense (recovery) *(note 14)*	**(798)**	(276)	**(8,413)**	2,967
Provision for doubtful debt	**3,000**	—	**3,000**	—
General and administrative expense *(note 9)*	**402**	4,376	**539**	8,710
Unrealized loss on financial instruments *(note 11)*	**6,687**	51,908	**16,312**	67,499
Other	**(18)**		**(18)**	
Net changes in operating working capital	**(5,107)**	(12,251)	**1,466**	(18,331)
Cash flow from operating activities	**15,904**	55,959	**59,671**	103,388
Financing activities				
Credit facilities – draws	**125,330**	130,213	**189,864**	173,059
Credit facilities – repayments	**(102,475)**	(112,442)	**(174,486)**	(157,303)
Distributions to unitholders *(note 8)*	**(14,466)**	(16,633)	**(21,846)**	(29,309)
Cash flow provided by (used in) financing activities	**8,389**	1,138	**(6,468)**	(13,553)
Investing activities				
Property, plant and equipment expenditures	**(9,429)**	(14,036)	**(46,605)**	(65,860)
Property acquisitions	**(5)**	(20,935)	**(5)**	(20,935)
Proceeds on disposition of property, plant and equipment	**114**	412	**62**	570
Net change in investing working capital	**(14,973)**	(22,538)	**(6,655)**	(3,610)
Cash flow used in investing activities	**(24,293)**	(57,097)	**(53,203)**	(89,835)
Net change in cash / cash, end of period	**$ —**	$ —	**$ —**	$ —
Cash interest and financing charges	**$ 4,402**	$ 3,743	**$ 5,947**	$ 9,180

See accompanying notes to interim consolidated financial statements.

1. GENERAL

Trilogy Energy Trust ("Trilogy" or the "Trust") is an open-ended unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to its Trust Indenture dated February 25, 2005, as amended and restated from time to time. The Trust is managed by Trilogy Energy Ltd., the administrator of the Trust. The beneficiaries of the Trust are the holders of Trust Units (the "Unitholders").

The interim consolidated financial statements of Trilogy have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian Dollars.

2. ACCOUNTING CHANGES

Change in Accounting Policies

In conjunction with the transition to IFRS (as discussed below), the CICA has issued several new standards that harmonize Canadian GAAP to IFRS, including Handbook Section 3064 *(Goodwill and Intangible Assets)*. CICA HB 3064 replaces CICA HB 3062 and establishes new standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA HB 3064's provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Accounting Standards ("IAS") 38, *Intangible Assets*. A number of CICA handbook and EIC Abstracts were amended and/or replaced as a consequence of this new standard. CICA HB 3064 was effective January 1, 2009 for Trilogy, however did not impact its financial statements.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAEs") such as Trilogy. The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAEs with a December 31 year-end, the first unaudited interim financial statements under IFRS will be for the quarter ending March 31, 2011, with comparative financial information for the quarter ending March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ending December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

Trilogy intends to adopt these requirements as set out by the AcSB and other regulatory bodies. While at this time the impact of adopting IFRS cannot be reasonably quantified, Trilogy has developed and commenced implementing its plan for the changeover to IFRS. The IFRS changeover plan ensures that Trilogy addresses matters such as accounting policies, information technology systems, internal controls, disclosure controls and procedures, staffing requirements, and business activities impacted by accounting processes and measures.

The impact of converting to IFRS may be material. Current accounting under GAAP may materially differ from IFRS, with IFRS generally requiring analysis and computation at a greater level of detail than current GAAP. Further differences are anticipated to be in note disclosures, which are more onerous under IFRS than current GAAP.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Trust follow the same accounting policies and basis of presentation as the audited consolidated financial statements as at and for the year ended December 31, 2008 (the "Audited Financial Statements"), except as disclosed in note 2. These interim financial statement note disclosures do not include all of those required by Canadian GAAP applicable for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Audited Financial Statements.

Trilogy's consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries. The timely preparation of these interim consolidated financial statements in conformity with Canadian GAAP requires that management make estimates and assumptions and use judgment that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, including those relating to the accounting for petroleum and natural gas properties, estimates of reserves, impairment of petroleum and natural gas properties, asset retirement obligations, unit-based compensation and future income tax. Such estimates primarily relate to unsettled transactions and events as of the date of the interim consolidated financial statements. Actual results could differ materially from those estimates.

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties	**1,518,399**	**(806,961)**	**711,438**	1,477,303	(754,669)	722,634
Other	**9,183**	**(4,269)**	**4,914**	9,038	(3,465)	5,573
	1,527,582	**(811,230)**	**716,352**	1,486,341	(758,134)	728,207

Capital costs associated with non-producing petroleum and natural gas properties totaling approximately $98.0 million as at June 30, 2009 (December 31, 2008 - $112.5 million) were not subject to depletion. No interest costs were capitalized for the three and six months ended June 30, 2009 and 2008.

The costs of exploratory dry holes amounted to $0.3 and $0.5 million for the three and six months ended June 30, 2009, respectively ($0.3 and $2.9 million for the three and six months ended June 30, 2008, respectively) and are included in exploration expenditures.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

5. LONG-TERM DEBT

	June 30, 2009	December 31, 2008
Revolving credit and working capital facility	**324,069**	307,787
Less unamortized discount and financing fees	**(1,574)**	(382)
Carrying value of long-term debt	**322,495**	307,405
Weighted average interest rate for the period/year (excluding amortization of financing fees)	**2.87%**	4.46%

The Trust has a $333 million revolving credit facility (decreasing to $323 million and $315 million on July 31, 2009 and October 31, 2009, respectively) and a $35 million working capital facility with a syndicate of mostly Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin dependent on certain conditions. The facilities are available on a revolving basis for a period of at least 364 days and can be extended a further 364 days upon request. The revolving phase of this credit facility expires on March 26, 2010, if not extended. In the event the revolving period is not extended, the revolving facility would be available for a one year term on a non-revolving basis, at the end of which time amounts drawn down under the facility would be due and payable. The working capital facility would continue on a revolving basis for the one year term. Advances drawn on the Trust's facility are secured by a fixed and floating charge debenture over the assets of the Trust. Trilogy's borrowing base is subject to semi-annual review by the banks.

The Trust has undrawn letters of credit totaling $9.3 million as at June 30, 2009. These letters of credit reduce the amount available for draw under the Trust's working capital facility.

6. ASSET RETIREMENT OBLIGATIONS

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Asset retirement obligations, beginning of period	76,706	75,213
Liabilities incurred	74	510
Liabilities settled	(843)	(1,253)
Accretion expense	1,477	2,944
Asset retirement obligations, end of period	77,414	77,414

The undiscounted asset retirement obligations at June 30, 2009 is estimated to be $184.0 million (December 31, 2008 - $182.6 million). The credit-adjusted risk-free rate used to estimate asset retirement obligation liability ranges from 7.875 to 8.5 percent. These obligations will be settled based on the expected life of the underlying assets, the majority of which are expected to be paid after 10 to 30 years and will be funded from the general resources of the Trust at the time of incurrence.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

7. UNITHOLDERS' CAPITAL

Authorized

The authorized capital of the Trust is comprised of an unlimited number of Trust Units and an unlimited number of Special Voting Rights. Compared to the holders of the Trust Units, holders of Special Voting Rights are not entitled to any distributions of any nature from the Trust nor have any beneficial interest in any property or assets of the Trust on termination or winding-up of the Trust.

Issued and Outstanding

Trilogy had 98,294,762 Trust Units outstanding as at June 30, 2009 (95,996,646 Trust Units as at December 31, 2008). No Special Voting Rights have been issued to date.

For the three and six months ended June 30, 2009, 45,100 ($0.3 million) Trust Units and 2,298,116 ($12.2 million) Trust Units were issued, respectively, under Trilogy's Distribution Reinvestment Plan ("DRIP") (see note 8).

Normal Course Issuer Bid

Pursuant to a normal course issuer bid program, Trilogy may purchase and cancel up to 4,912,483 Trust Units during the period March 24, 2009 through March 23, 2010. No Trust Units were purchased through this normal course issuer bid as at June 30, 2009.

8. ACCUMULATED DISTRIBUTIONS

	Three Months Ended June 30, 2009				Six Months Ended June 30, 2009			
	Cash	DRIP	Accrual	Total	Cash	DRIP	Accrual	Total
Balance at beginning of period	545,737	88,808	4,912	639,457	538,355	76,857	9,600	624,812
Distributions paid/reinvested	14,464	276	—	14,740	21,846	12,227	—	34,073
Change in distribution accrual	—	—	3	3	—	—	(4,685)	(4,685)
Distributions declared	14,464	276	3	14,743	21,846	12,227	(4,685)	29,388
Balance at end of period	560,201	89,084	4,915	654,200	560,201	89,084	4,915	654,200

The Trust intends to make cash distributions to Unitholders at a level that supports the sustainability of the Trust. Such distributions are at the sole discretion of the Trust and subject to numerous factors including, but not limited to, the financial performance of the Trust, debt covenants and obligations including credit availability, and the working capital and future capital requirements of the Trust.

Trilogy's DRIP program provides eligible Unitholders with the opportunity to reinvest their cash distributions, on each distribution payment date, for additional Trust Units at a price equal to 95 percent of the average market price as defined by the plan.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

9. UNIT BASED COMPENSATION

Unit Option Plan

A continuity of the unit option plan for the three and six months ended June 30, 2009 is as follows:

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value per Option	No. of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value per Option	No. of Options
Balance, beginning of period	$ 8.11	$ 1.20	3,767,500	$ 10.18	$ 1.41	4,765,500
Granted	6.00	0.91	16,000	6.00	0.91	16,000
Exercised	—	—	—	—	—	—
Cancelled	—	—	—	18.00	2.18	(998,000)
Balance, end of period	$ 8.10	$ 1.20	3,783,500	$ 8.10	$ 1.20	3,783,500
Exercisable at end of period	$ 9.19	$ 1.45	345,250	$ 9.19	$ 1.45	345,250

The Trust has recorded a compensation expense of $0.3 million and $0.3 million for the three and six months ended June 30, 2009, respectively ($0.5 million and $0.9 million for the three and six months ended June 30, 2008, respectively) representing the recognition of the grant date fair value of outstanding unit options, with a corresponding credit to contributed surplus. The fair value of options was determined under the binomial model using the following key assumptions:

Risk-free interest rate	—	1.6% to 3.1%
Expected life	—	4.5 to 5.5 years
Expected volatility	—	30% to 35%
Expected distributions	—	9.5% to 23.4%

Additional information about Trilogy's unit options outstanding as at June 30, 2009 is as follows:

	Weighted Average Contractual Life	Outstanding Options		Exercisable Options	
Exercise Price Range		Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$4.85 to $6.98	4.4	2,109,000	5.89	140,500	6.67
$8.38 to $10.72	1.8	1,066,000	10.61	172,750	10.68
$11.11 to $12.88	2.9	608,500	11.37	32,000	12.19
Total	3.4	3,783,500	8.10	345,250	9.19

Unit Appreciation Rights Plan

All remaining unit appreciation rights were paid as at the expiry date of December 15, 2008 and no further amounts are anticipated to be recorded under this plan as there is no current intention to make further grants of unit appreciation rights. A compensation expense of $8.3 million relating to the unit appreciation plan was recognized in earnings for the six months ended June 30, 2008. Of this amount, $7.4 million of compensation expense resulted from the valuation of the related unit-based compensation liability and $0.9 million of compensation expense represented cash paid for the exercises of unit rights.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

10. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

Trilogy's principal financial instruments, other than financial derivatives, are its outstanding amounts drawn from its credit facilities. The credit facilities and the DRIP are the main source of Trilogy's finances after cash flow from operations. Trilogy has other financial assets and liabilities arising directly from its operations and trust activities, including accounts receivable, accounts payable and accrued liabilities, unit-based compensation liability and distributions payable. Trilogy also enters into financial derivative transactions, the purpose of which is to mitigate the impact of market volatility.

The main risks arising from Trilogy's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk. These risks are explained in detail in the notes to the consolidated financial statements as at December 31, 2008. The following disclosure provides updated information to June 30, 2009:

Credit Risk

As at June 30, 2009, $8.3 million or 18.7 percent of the accounts receivable are outstanding for 90 days or more (December 31, 2008, $8.2 million or 14.9%). Included within accounts receivable is a $4.3 million receivable (of which $4.3 million is outstanding for more than 90 days) from a customer which has filed for protection under the Companies' Creditors Arrangement Act. Trilogy has setoff certain amounts payable to this customer, which are sufficient to offset any receivable amount. Trilogy is applealing an initial ruling denying its ability to setoff and continues to believe it has the right to setoff, however, given the initial ruling, Trilogy has recorded during the quarter a $3 million provision for a doubtful debt in respect of this customer.

Liquidity Risk

A contractual maturity analysis for Trilogy's financial liabilities as at June 30, 2009 is as follows:

	Within 1 Year	After 1 Year	Total
Accounts payable and accrued liabilities	$ 53,589	$ —	$ 53,589
Distributions payable	4,915	—	4,915
Long-term debt and estimated interest[(1) (2)]	9,256	331,751	341,007
Total	$ 67,760	$ 331,751	$ 399,511

[(1)] Estimated interest for future periods was calculated using the weighted average interest rate for the six months ended June 30, 2009 applied to the debt principal balance outstanding as at that date. Principal repayment is assumed one year after the expiry of the current revolving phase of the credit facility.

[(2)] Refer to Note 5 (Long-Term Debt).

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

11. FINANCIAL INSTRUMENTS

Carrying Values

Set out below are the carrying amounts by category of Trilogy's financial assets and liabilities that are reflected in the financial statements.

	June 30, 2009	December 31, 2008
Financial assets		
Receivables(1)	**44,492**	55,149
Financial instruments held-for-trading(3)	**5,875**	22,187
Financial liabilities		
Non-trading liabilities(1) (2)	**(58,504)**	(70,738)
Indebtedness(4)	**(322,495)**	(307,405)

(1) Carried at cost which approximates the fair value of the assets or liabilities due to the short-term nature of the accounts.
(2) Consists of accounts payable, accrued liabilities and distributions payable.
(3) Carried at the estimated fair value of the related financial instruments. See Forward Contracts below.
(4) Carried at amortized cost.

Forward Contracts

At June 30, 2009, the Trust had the following outstanding financial forward commodity sales contracts:

Description	Quantity	Price	Remaining Term
NYMEX Collar	10,000 MMBtu/d	Floor – U.S.$9.50 Ceiling – U.S.$13.00	July 2009 – October 2009

The Trust classified these financial instruments as held-for-trading and therefore has recognized the fair value of such financial instruments on the balance sheet. The estimated fair values of these financial instruments are based on quoted prices or, in their absence, third-party market indicators and forecasts.

The changes in the fair value associated with the above financial contracts are recorded as an unrealized gain or loss on financial instruments in the statement of earnings. Gains or losses arising from monthly settlements with counterparties are recognized as a realized gain or loss in the statement of earnings.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

12. CAPITAL DISCLOSURE

A comparison of Trilogy's debt structure against the committed amount on existing credit facilities at the balance sheet dates is as follows:

	June 30, 2009	December 31, 2008
Committed amount that can be drawn from credit facilities	**368,000**	378,000
Outstanding undrawn letters of credit	**(9,345)**	(9,373)
Amount that can be drawn after letters of credit	**358,655**	368,627
Long-term debt (note 5)	**(322,495)**	(307,405)
Net current assets (liabilities)	**(2,283)**	7,424
Net debt[1]	**(324,778)**	(299,981)
Mark-to-market valuation of financial instruments	**(5,875)**	(22,187)
Adjusted net debt[1]	**(330,653)**	(322,168)
Remaining available credit	**28,002**	46,459

[1] Net debt and adjusted net debt as calculated above are non-GAAP measures and are not standard terms/measures used by others.

The increase in adjusted net debt from $322.2 million at December 31, 2008 to $330.7 million at June 30, 2009 is attributable primarily to lower cash flow from operations in conjunction with the current low gas commodity price environment, in addition to significant capital expenditures incurred in the first quarter of 2009. To the extent capital resources are insufficient to fund Trilogy's ongoing expenditure commitments, Trilogy may consider, among other things, reducing its capital expenditure budget and/or adjusting its distribution level on Trust Units.

13. RELATED PARTY TRANSACTIONS

Trilogy had the following transactions with Paramount Resources Ltd. ("Paramount"), a Unitholder of the Trust.

- Under the Services Agreement, Paramount provides certain limited services to Trilogy. The amount of expenses billed and accrued as fees from Paramount to Trilogy was $0.1 million and $0.2 million for the three and six months ended June 30, 2009 ($0.1 million and $0.2 for the three and six months ended June 30, 2008). This amount is included as part of the general and administrative expenses in the Trust's interim consolidated statement of earnings.
- The Trust and Paramount also had transactions with each other arising from the normal course of business.

All of the above transactions were recorded at exchange amounts.

(Tabular amounts expressed in thousand dollars except as otherwise indicated)

The amounts due from (to) Paramount as at the balance sheet dates are as follows:

	June 30, 2009			December 31, 2008		
Presented in the Balance Sheet as	**Normal Business**	**Services Agreement**	**Trust Distribution**	**Normal Business**	**Services Agreement**	**Trust Distribution**
Accounts receivable	**304**	**—**	**—**	222	—	—
Accounts payable and accrued liabilities	**(310)**	**(60)**	**—**	(159)	(120)	—
Distributions payable	**—**	**—**	**(1,159)**	—	—	(2,234)

14. INCOME TAXES

The nature and tax effect of temporary differences and unused carryforwards that give rise to future income tax assets and liabilities as at June 30, 2009 and December 31, 2008 are as follows:

Description of Temporary Differences and Carryforwards	June 30, 2009	December 31, 2008
Property, plant and equipment	**(91,540)**	(101,150)
Asset retirement obligation	**18,933**	20,536
Loss carryforwards and other	**3,634**	3,227
Net future income tax liability	**(68,973)**	(77,387)

Future changes in tax rates and the technical interpretation of tax legislation could materially affect management's estimate of the Trust's future income tax liability. The amount and timing of reversals of temporary differences will be dependent upon, among other things, the Trust's future operating results, acquisitions and dispositions of assets and liabilities, and its distribution policy. A change in the assumptions on the preceding items could materially affect the Trust's estimated future income tax liability.

15. SUBSEQUENT EVENTS

Holders of 1,761,249 Trust Units have reinvested their June distributions totaling $0.1 million through Trilogy's distribution reinvestment program, resulting in the issuance of an additional 15,618 Trust Units on July 15, 2009.

On July 20, 2009, Trilogy announced its cash distribution for July 2009 at $0.05 per Trust Unit. The distribution will be paid on August 17, 2009 to Unitholders of record on July 31, 2009.

CORPORATE INFORMATION

OFFICERS

J.H.T. Riddell
President and Chief Executive Officer

M.G. Kohut
Chief Financial Officer

J.B. Williams
Chief Operating Officer

G.L. Yester
General Counsel & Corporate Secretary

DIRECTORS

C.H. Riddell (1)
Chairman of the Board
Calgary, Alberta

J.H.T. Riddell (4)
President and Chief Executive Officer
Calgary, Alberta

M.H. Dilger (2)(4)
Chief Operating Officer
Pembina Pipeline Corporation
Calgary, Alberta

D.A. Garner (2)(4)
Independent Businessman
Calgary, Alberta

W.A. Gobert (1)(3)
Independent Businessman
Calgary, Alberta

R.M. MacDonald (2)(3)(5)
Independent Businessman and Corporate Director
Calgary, Alberta

E.M. Shier (3)(4)
General Counsel, Corporate Secretary & Manager,
Land, Paramount Resources Ltd.
Counsel to Heenan Blaikie LLP
Calgary, Alberta

D.F. Textor (1)
Portfolio Manager,
Dorset Energy Fund
Partner, Knott Partners Management LLC
Locust Valley, New York

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The Bank of Nova Scotia
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

ATB Financial
Calgary, Alberta

Société Général
Calgary, Alberta

CONSULTING ENGINEERS

Paddock Lindstrom and Associates Ltd.
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
Calgary, Alberta
Toronto, Ontario

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
"TET.UN"

Committees of the Board of Directors of Trilogy Energy Ltd. (Administrator of the Trust)
(1) Member of the Compensation Committee
(2) Member of the Audit Committee
(3) Member of the Corporate Governance Committee
(4) Member of the Environmental, Health & Safety Committee
(5) Lead Director