TRILOGY
ENERGY TRUST

2008 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, 2008	**March 31, 2008**	**Change %**	**2008**	**2007**	**Change %**
FINANCIAL						
Petroleum and natural gas sales	**141,749**	110,332	28	**252,081**	222,557	13
Funds flow						
From operations[1]	**68,210**	53,509	27	**121,719**	115,604	5
Per unit – diluted	**0.71**	0.56	27	**1.27**	1.25	2
Earnings						
Earnings (loss) before tax	**(19,250)**	4,143	(565)	**(15,107)**	28,085	(154)
Per unit – diluted	**(0.20)**	0.04	(600)	**(0.16)**	0.30	(153)
Earnings (loss) after future income tax	**(18,974)**	900	—	**(18,074)**	(52,776)	66
Per unit – diluted	**(0.20)**	0.01	—	**(0.19)**	(0.57)	67
Distributions declared	**25,928**	20,038	29	**45,966**	55,540	(17)
Per unit	**0.27**	0.21	29	**0.48**	0.60	(20)
Capital expenditures						
Exploration and development	**14,036**	51,824	(73)	**65,860**	61,076	8
Acquisitions, (dispositions) and other - net	**20,523**	(158)	—	**20,365**	(73,972)	128
Net capital expenditures (surplus)	**34,559**	51,666	(33)	**86,225**	(12,896)	—
Total assets	**976,879**	952,526	3	**976,879**	967,127	1
Net debt[1]	**422,155**	380,591	11	**422,155**	363,822	16
Unitholders' equity	**332,907**	370,811	(10)	**332,907**	413,801	(20)
Trust Units outstanding (thousands)						
- As at end of period	**96,210**	95,642	1	**96,210**	92,567	4
OPERATING						
Production						
Natural gas (MMcf/d)	**101**	94	7	**97**	117	(17)
Crude oil and natural gas liquids (Bbl/d)	**4,415**	4,802	(8)	**4,609**	4,825	(4)
Total production (Boe/d @ 6:1)	**21,195**	20,467	4	**20,831**	24,251	(14)
Average prices						
Natural gas (before financial instruments) ($/Mcf)	**10.56**	8.23	28	**9.44**	7.92	19
Natural gas ($/Mcf)[2]	**9.59**	8.23	17	**8.93**	8.64	3
Crude oil and natural gas liquids (before financial instruments) ($/Bbl)	**111.94**	91.45	22	**101.26**	63.60	60
Crude oil and natural gas liquids ($/Bbl)[2]	**96.89**	86.27	12	**91.35**	66.47	37
Drilling activity (gross)						
Gas	**—**	32	(100)	**32**	30	7
Oil	**3**	3	—	**6**	1	—
D&A	**—**	3	(100)	**3**	2	50
Total wells	**3**	38	(92)	**41**	33	24
Success rate	**100%**	92%	—	**93%**	94%	—

(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 6, 2008

Operations Review for the Second Quarter 2008

- Average production 21,195 Boe/d
- $14.0 million on capital expenditures excluding acquisitions
- $20.9 million for strategic acquisition of 500 Boe/d in Kaybob area
- Average operating costs $10.75/Boe
- $68.2 million funds flow from operations or $0.71 per diluted Trust Unit
- 38 percent payout ratio based on funds flow from operations

Trilogy's second quarter 2008 production was 21,195 Boe/d, (100.7 MMcf/d of natural gas and 4,415 Bbl/d of crude oil and natural gas liquids), up four percent from the 20,467 Boe/d reported in the previous quarter. This increase in volumes is a reflection of additional capital spending during the first quarter as well as the impact of one month of production from Trilogy's acquisition in the Kaybob area, which more than offset natural production declines and operational issues that were experienced during the quarter. Dry conditions in the summer months are expected to permit the resumption of planned operations. Trilogy maintains its original 2008 production guidance at 21,500 Boe/d for the year.

Trilogy spent $14.0 million on drilling, completion, facility and land acquisitions plus an additional $20.9 million (after preliminary adjustments) on acquisitions during the quarter. For 2008, Trilogy is budgeting $100 million of capital expenditures (excluding acquisitions).

Trilogy completed drilling operations on the first 3.0 net wells out of a five well drilling program targeting the Gething formation which is part of an oil development in the Kaybob area. Second quarter drilling activity was delayed by wet weather; however, given the positive results to date, Trilogy plans to complete the balance of its 2008 oil development program and evaluate additional exploitation opportunities for the Gething "K" oil pool in 2009. Trilogy intends to mitigate risks by drilling a high percentage of its wells in areas that have multi-zone potential and high quality technical interpretations.

Operating costs for the quarter were $10.75 per Boe, which is in line with the $10.66 per Boe reported for the first quarter of 2008 and $10.73 per Boe reported for the second quarter of 2007. Trilogy continues to focus on reducing costs and promoting operational efficiencies to realize lower operating costs in its core areas and maintain its full year guidance of $10.50 per Boe.

Funds flow from operations increased 27 percent in the second quarter to $68.2 million from $53.5 million in the first quarter of 2008. The increase in funds flow is due to the rise in natural gas and crude oil commodity prices, the increase in production volumes during the second quarter and the sale of $3.6 million of sulphur during the quarter. Monthly distributions to Unitholders were increased in May of this year from $0.07 to $0.10 per unit reflecting the increased funds flow and higher realized commodity prices. Distributions to Unitholders totaled $25.9 million for the quarter, representing 38 percent of funds flow from operations.

Kaybob

Production volumes in the Kaybob area increased to 19,386 Boe/d in the second quarter from 18,408 Boe/d reported in the first quarter. The production growth of 978 Boe/d was net of the natural declines of approximately 1,000 Boe/d for the quarter. Approximately 320 Boe/d of the volume increase was the result of Trilogy's recent Kaybob acquisition that closed on May 27, 2008 with the balance resulting from the first quarter drilling activity. Gas volumes increased by 7 MMcf/d in the quarter as a result of drilling, completion and construction activity, while at the same time crude oil production decreased by approximately 300 Bbl/d due to mechanical issues in the Simonette area . Access restrictions prevented the work from being completed in a timely manner. However the workovers have since been completed and the production volumes in the Simonette area have subsequently been restored.

Second quarter drilling activity got off to a slow start as a result of the wet weather that saturated central Alberta in the spring. During the second quarter Trilogy completed the drilling of three wells (one horizontal and two verticals) of a five-well drilling program. The remaining two wells finished drilling at the start of the third quarter. Completion operations have been initiated on the pad development and production is expected by the end of August. Given the encouraging drilling results to date we anticipate drilling another pad development in the first quarter of 2009 to further exploit the Gething "K" oil pool.

Trilogy has started its third quarter drilling operations with activity in the Simonette, Two Creeks and Pine Creek areas in Kaybob. Two development wells are planned for the Simonette "A" and "B" pools during the third quarter. These wells should be drilled by the end of the quarter with oil production projected to be on stream by the end of the year. We anticipate keeping one rig active in the Pine Creek area for the balance of the year to drill vertical and horizontal wells in the Gething, Cadomin, Nordegg and Montney formations. An additional 6 MMcf/d of compression capacity is being installed in the Pine Creek area to support additional drilling of these formations.

On May 27, 2008 Trilogy closed the acquisition of a property package in the Kaybob area from a private oil and gas company. The transaction is forecast to add approximately 500 Boe/d to Trilogy's average production for the remainder of the year. The assets are in the general vicinity of the Smoky River plant and will provide Trilogy with additional drilling opportunities on the acquired lands (2,020 net developed hectares and 12,467 net undeveloped hectares).

Grande Prairie

Second quarter operations in the Grande Prairie area were focused on optimizing the producing and shut-in wells. A number of gas processing plants in this area were shut in for maintenance for a portion of the second quarter impacting production volumes. Production decreased from 2,058 Boe/d in the first quarter to 1,809 Boe/d in the second quarter, of which approximately 150 Boe/d related to plant maintenance downtime with the balance resulting from natural production declines. Drilling, completion and construction activity will continue through the balance of the year with the expectation of reversing the production decline. Trilogy anticipates drilling an additional three to four net wells in this area before the end of the year.

Risk Management

The Trust's management believes that hedging a portion of production is prudent to provide the Trust with the certainty to maintain its distribution and capital spending programs. Trilogy is maintaining its hedge position at approximately 50 percent of current gas production from April 2008 to March 2009. The unhedged portion of the production provides Unitholders with the potential benefits of the exposure to commodity price fluctuations for the next year. A summary of Trilogy's hedging contracts is available in the Trust's interim consolidated financial statements.

Outlook

Successful production replacement, prudent asset management, continued control of operations and strong commodity prices are anticipated to help develop a strong balance sheet and provide a distribution level that is sustainable to the Trust. Acquisitions will continue to be evaluated for their strategic fit with Trilogy's business model and exploitation strategy, and will be pursued when they are considered to be accretive to Unitholders. Trilogy believes its large prospect inventory will continue to provide high quality drilling prospects to enable the Trust to maintain production at its forecast rate and also to replace produced reserves on an annual basis. Trilogy is confident in its strategy, its high quality assets and the proven expertise of its employees.

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, 2008, 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, 2007. 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 6, 2008.

SECOND QUARTER 2008 HIGHLIGHTS

- Sales volumes averaged 21,195 Boe/d for the second quarter, up from the average sales volume of 20,467 Boe/d for the previous quarter.
- Funds flow from operations increased to $68.2 million during the second quarter in comparison to $53.5 million for the previous quarter. Higher average realized sales prices, sales volume and other income contributed to the increase, partially offset by higher realized loss on financial instruments and royalty expenditures.
- The second quarter loss before tax of $19.2 million was down from the $4.1 million income before tax posted in the previous quarter primarily due to the increase in unrealized financial instruments losses, partially offset by the positive changes in funds flow described in the preceding paragraph.
- Capital expenditures, excluding acquisitions, totaled $14.0 million during the second quarter.
- Trilogy completed the acquisition of certain petroleum and natural gas assets in the Kaybob area on May 27, 2008 for approximately $20.9 million, after preliminary adjustments. The acquired assets are expected to add an average of 500 Boe/d of production from the acquisition date to the end of 2008.
- Distributions declared to Unitholders for the second quarter were $25.9 million or $0.27 per Trust Unit.

BUSINESS ENVIRONMENT

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

	Q2 2008	Q1 2008	Q2 2007
Crude Oil			
West Texas Intermediate monthly average (US$/Bbl)	**123.98**	97.90	64.98
Natural gas			
NYMEX (Henry Hub Close) monthly average (US$/MMBtu)	**10.93**	8.03	7.55
AECO monthly average (Cdn$/GJ)	**8.87**	6.76	6.99
Canadian – U.S. Dollar Quarter-end Closing Exchange Rates (Cdn$/US$1)	**1.02**	1.03	1.08

RESULTS OF OPERATIONS

	Three Months Ended			Six Months Ended	
	June 30, 2008	**March 31, 2008**	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
Operating income(1)	**88,347**	64,232	60,921	**152,579**	120,558
Other income (expenses)	**3,872**	489	(823)	**4,361**	(867)
Realized financial instruments(2)	**(14,973)**	(2,266)	514	**(17,239)**	17,755
General and administrative expenses(3)	**(4,040)**	(2,766)	(4,145)	**(6,806)**	(8,284)
Interest and financing charges	**(3,869)**	(4,357)	(5,597)	**(8,226)**	(12,298)
Exploration expenditures(3)	**(1,127)**	(1,823)	(712)	**(2,950)**	(1,260)
Funds flow from operations(1)	**68,210**	53,509	50,158	**121,719**	115,604
Non-cash operating items:					
Depletion and depreciation	**(30,757)**	(27,549)	(29,680)	**(58,306)**	(62,608)
Unrealized financial instruments(2)	**(51,908)**	(15,591)	(661)	**(67,499)**	(19,796)
General and administrative expenses	**(4,376)**	(4,334)	(623)	**(8,710)**	(733)
Exploration expenditures(4)	**489**	(674)	(345)	**(185)**	(3,087)
Gain on disposition of property, plant and equipment	**370**	158	1,046	**528**	1,046
Accretion on asset retirement obligations	**(1,278)**	(1,376)	(1,161)	**(2,654)**	(2,341)
Future income tax recovery (expense)(5)	**276**	(3,243)	(80,861)	**(2,967)**	(80,861)
Net earnings (loss)	**(18,974)**	900	(62,127)	**(18,074)**	(52,776)

(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 below.
(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			Six Months Ended	
	June 30, 2008	**March 31, 2008**	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
Gross revenue before financial instruments(1)	**73.44**	57.77	48.48	**65.74**	48.58
Royalties	**(14.88)**	(12.36)	(10.28)	**(13.64)**	(10.80)
Operating costs	**(10.75)**	(10.66)	(10.73)	**(10.71)**	(10.52)
Asset retirement obligation expenditures	**(0.58)**	(0.98)	(0.14)	**(0.78)**	(0.15)
General and administrative expenses(2)	**(2.10)**	(1.49)	(1.89)	**(1.80)**	(1.88)
Interest expense	**(2.01)**	(2.34)	(2.56)	**(2.17)**	(2.80)
Exploration expenditures	**—**	—	(0.19)	**—**	(0.14)
Realized gain (loss) on financial instruments	**(7.76)**	(1.22)	0.24	**(4.55)**	4.04
Funds flow from operations(3)	**35.36**	28.72	22.94	**32.09**	26.32
Net change in operating working capital	**(6.35)**	(3.26)	(0.18)	**(4.84)**	0.39
Cash flows from operating activities	**29.01**	25.46	22.74	**27.25**	26.71

(1) Net of transportation costs and including other income.
(2) Excluding non-cash unit and stock-based compensation expense.
(3) Refer to the advisories on non-GAAP measures towards the end of this MD&A.

Operating Income Items

Second Quarter 2008 vs. First Quarter 2008 (In thousand dollars except as otherwise indicated)	**Q2 2008**	**Q1 2008**	**Increase (Decrease)** **Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**100,677**	93,989	6,688	7
Oil and natural gas liquids (Bbl/d)	**4,415**	4,802	(387)	(8)
Total (Boe/d)	**21,195**	20,467	728	4
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**10.56**	8.23	2.33	28
Oil and natural gas liquids ($/Bbl)	**111.94**	91.45	20.49	22
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**9.59**	8.23	1.36	17
Oil and natural gas liquids ($/Bbl)	**96.89**	86.27	10.62	12
Petroleum and natural gas sales before financial instruments:				
Natural gas	**96,776**	70,366	26,410	38
Oil and natural gas liquids	**44,973**	39,966	5,007	13
Total petroleum and natural gas sales before financial instruments	**141,749**	110,332	31,417	28
Royalties	**(28,696)**	(23,016)	5,680	25
Operating costs	**(20,738)**	(19,863)	875	4
Transportation costs	**(3,968)**	(3,221)	747	23
Operating income(1)	**88,347**	64,232	24,115	38

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

Petroleum and Natural Gas Sales – Higher average realized natural gas prices resulted in a $20.0 million increase, while higher natural gas sales volume contributed a $6.4 million increase, in natural gas sales before financial instruments during the second quarter. The increase in oil and natural gas liquids sales before financial instruments of $8.9 million, as a result of higher oil and natural gas liquids realized prices, was partially offset by a $3.9 million impact of lower oil and natural gas liquids sales volume during the second quarter.

Natural gas sales volume increased during the second quarter as a result of new wells that came on production and the acquisition of wells in Kaybob. Oil and natural gas liquids sales volumes decreased as a result of downtime for oil producing wells in the Simonette area during the second quarter.

Royalties – Royalties increased in conjunction with the overall increase in petroleum and natural gas sales during the second quarter. Royalties as percentage of petroleum and natural gas sales were relatively consistent at 20 percent for the second quarter as compared to 21 percent for the previous 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, impact the overall rate. As a result, the reported royalty rates may change between periods.

Operating Costs – Operating costs were higher during the second quarter as a result of the increase in petroleum and natural gas sales volume. On a per unit basis, the operating costs of $10.75/Boe in the second quarter were relatively in line with the operating costs of $10.66/Boe in the previous quarter.

Second Quarter 2008 vs. Second Quarter 2007 (In thousand dollars except as otherwise indicated)	**Q2 2008**	**Q2 2007**	**Increase (Decrease) Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**100,677**	114,701	(14,024)	(12)
Oil and natural gas liquids (Bbl/d)	**4,415**	4,916	(501)	(10)
Total (Boe/d)	**21,195**	24,030	(2,835)	(12)
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**10.56**	7.81	2.75	35
Oil and natural gas liquids ($/Bbl)	**111.94**	66.05	45.89	69
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**9.59**	7.81	1.78	23
Oil and natural gas liquids ($/Bbl)	**96.89**	67.20	29.69	44
Petroleum and natural gas sales before financial instruments:				
Natural gas	**96,776**	81,506	15,270	19
Oil and natural gas liquids	**44,973**	29,544	15,429	52
Total petroleum and natural gas sales before financial instruments	**141,749**	111,050	30,699	28
Royalties	**(28,696)**	(22,477)	6,219	28
Operating costs	**(20,738)**	(23,458)	(2,720)	(12)
Transportation costs	**(3,968)**	(4,194)	(226)	(5)
Operating income(1)	**88,347**	60,921	27,426	45

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

Petroleum and natural gas sales – Natural gas sales, before financial instruments, increased by $28.7 million due to higher average realized natural gas prices during the current quarter, partially offset by a $13.4 million decrease as a result of lower average natural gas sales volume. Oil and natural gas liquid sales, before financial instruments, increased by $20.5 million due to higher average oil and natural gas liquid sales prices during the current quarter, partially offset by a $5.1 million decrease due to lower oil and natural gas liquids sales volume. Product sales volumes decreased in the second quarter of 2008 mainly as a result of the dispositions of the Marten Creek property in mid second quarter of 2007 and certain non-core properties in southern Alberta during the third quarter of 2007.

Royalties – Royalties increased in conjunction with the overall increase in petroleum and natural gas sales during the current quarter. Royalties as a percentage of petroleum and natural gas sales were consistent at 20 percent for each of the comparative quarters. 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, impact the overall rate. As a result, the reported royalty rates may change between periods.

Operating Costs – The decrease in operating costs in 2008 is attributable mainly to lower sales volumes as discussed above. Unit operating costs were relatively consistent at $10.75/Boe in the second quarter of 2008 as compared to $10.73 in the same quarter of 2007.

Year-to-date 2008 vs. Year-to-date 2007 (In thousand dollars except as otherwise indicated)	**YTD 2008**	**YTD 2007**	**Increase (Decrease) Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**97,333**	116,558	(19,225)	(16)
Oil and natural gas liquids (Bbl/d)	**4,609**	4,825	(216)	(4)
Total (Boe/d)	**20,831**	24,251	(3,420)	(14)
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**9.44**	7.92	1.52	19
Oil and natural gas liquids ($/Bbl)	**101.26**	63.60	37.66	59
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**8.93**	8.64	0.29	3
Oil and natural gas liquids ($/Bbl)	**91.35**	66.47	24.88	37
Petroleum and natural gas sales before financial instruments:				
Natural gas	**167,143**	167,002	141	—
Oil and natural gas liquids	**84,938**	55,555	29,383	53
Total petroleum and natural gas sales before financial instruments	**252,081**	222,557	29,524	13
Royalties	**(51,712)**	(47,403)	4,309	9
Operating costs	**(40,601)**	(46,160)	(5,559)	(12)
Transportation costs	**(7,189)**	(8,436)	(1,247)	(15)
Operating income(1)	**152,579**	120,558	32,021	27

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

Petroleum and natural gas sales – Natural gas sales, before financial instruments, increased by $32.1 million during the first six months of 2008, as a result of higher average realized natural gas prices, partially offset by a decrease of $31.9 million due to lower natural gas sales volume. Oil and natural gas liquid sales, before financial instruments, increased in 2008 by $32.9 million due to higher average oil and natural gas liquid sales prices, partially offset by a $3.5 million decrease due to lower oil and natural gas liquids sales volume. Total product sales volumes decreased during the first six months of 2008 mainly as a result of the disposition of the Marten Creek property during the second quarter of 2007 and certain non-core properties in southern Alberta during the third quarter of 2007.

Royalties – Royalties increased in conjunction with the overall increase in petroleum and natural gas sales during the current period. Royalties as percentage of petroleum and natural gas sales were relatively consistent at 20 percent in 2008 as compared to 21 percent in 2008. 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, impact the overall rate. As a result, the reported royalty rates may change between periods.

Operating Costs – The decrease in operating costs in 2008 is mainly attributable to lower sales volumes as discussed above. Operating costs per unit were slightly higher at $10.71/Boe in the first six months of 2008 as compared to $10.52 in the same period of 2007.

OTHER INCOME STATEMENT ITEMS

Other Income (Expense)

Other income (expense) includes revenue from the sale of sulphur of $3.6 million for the three months ended June 30, 2008 and $0.3 million for the previous quarter. Recently, the demand for sulphur has increased significantly causing a corresponding increase in the price of this by-product.

Depletion and Depreciation Expense

	Three Months Ended			Six Months Ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Reported amount (thousand dollars)	**30,757**	27,549	29,680	**58,306**	62,608
Expense per sales volume ($/Boe)	**15.95**	14.79	13.57	**15.38**	14.26

Depletion and depreciation expense increased in the second quarter of 2008 as compared to the previous quarter mainly due to expired mineral leases written off. Compared to the same quarter in 2007, depletion and depreciation expense increased as a result of higher expired mineral leases, offset by the impact of lower sales volumes. The decrease in sales volume is also 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 recoveries and unit-based compensation.

(thousand dollars except as otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Expenses before unit-based compensation and recoveries	**6,581**	6,589	6,764	**13,170**	13,967
Overhead recoveries	**(3,363)**	(3,906)	(2,641)	**(7,269)**	(5,703)
Expenses after recoveries and before unit-based compensation	**3,218**	2,683	4,123	**5,901**	8,264
Unit-based compensation expense	**5,198**	4,417	645	**9,615**	753
Reported amount	**8,416**	7,100	4,768	**15,516**	9,017
Expenses after recoveries and before unit-based compensation per sales volume ($/Boe)	**1.67**	1.44	1.89	**1.56**	1.88

General and administrative expenses (after recoveries and before unit-based compensation expense) were higher during the second quarter of 2008 as compared to the previous quarter due to lower recoveries as a result of lower capital spending.

Compared to the same periods in 2007, general and administrative expenses (after recoveries and before unit-based compensation), were lower during 2008 primarily due to higher recoveries from partners for overhead incurred, and lower professional and management fees and other corporate and administration cost reduction measures adopted by Trilogy. These reductions were partially offset by an increase in rental expense resulting from the move to Trilogy's new offices.

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

Interest and Financing Charges

	Three Months Ended			Six Months Ended	
	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Reported amount (thousand dollars)	**3,869**	4,357	5,597	**8,226**	12,298
Expense per sales volume ($/Boe)	**2.01**	2.34	2.56	**2.17**	2.80

Interest and financing charges were lower during the second quarter of 2008 as compared to the first quarter of 2008 due to a lower weighted average interest rate. In comparison to the same periods of 2007, interest and financing charges in 2008 declined because of a lower weighted average interest rate and a reduction in average debt balances.

Exploration Expenditures and Other

	Three Months Ended			Six Months Ended	
(thousand dollars)	June 30, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Exploration expenditures	**638**	2,497	1,057	**3,135**	4,347
Gain on sale of property, plant and equipment	**(370)**	(158)	(1,046)	**(528)**	(1,046)
Accretion on asset retirement obligations	**1,278**	1,376	1,161	**2,654**	2,341

Exploration expenditures consist of exploratory dry hole costs and geological and geophysical costs. The change in exploration expenditures is mainly due to the fluctuation in dry hole costs from period to period.

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 June 30, 2008 interim consolidated financial statements.

Trilogy's outstanding financial contracts are also disclosed in the notes to its June 30, 2008 interim consolidated financial statements. Such financial instruments 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, 2008	March 31, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Realized gain (loss) on financial instruments	**(14,973)**	(2,266)	514	**(17,239)**	17,755
Unrealized loss on financial instruments	**(51,908)**	(15,591)	(661)	**(67,499)**	(19,796)
Total loss on financial instruments	**(66,881)**	(17,857)	(147)	**(84,738)**	(2,041)
Realized gain (loss) on financial instruments per Boe ($/Boe)	**(7.76)**	(1.22)	0.24	**(4.55)**	4.04

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 and new contracts entered into during the period.

Operational and Other Risks

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

LIQUIDITY AND CAPITAL RESOURCES

(In thousand dollars)	June 30, 2008	December 31, 2007
Current liabilities – net of current assets	**80,857**	23,919
Long-term debt	**341,298**	326,496
Net debt[1]	**422,155**	350,415
Unitholders' equity	**332,907**	382,005
Total	**755,062**	732,420

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

Working Capital

The working capital deficiency increased from $23.9 million as at December 31, 2007 to $80.9 million as at June 30, 2008 primarily due to the increases in the mark-to-market valuation of financial instruments by $67.5 million and unit-based compensation liabilities by $7.4 million, and higher distributions payable by $3.0 million, partially offset by an increase in accounts receivable of $20.2 million primarily as a result of increased revenues.

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

Long-term Debt and Credit Facilities

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

Trilogy's bank debt outstanding from its $378 million revolving credit and working capital facility was $342.4 million (before unamortized discount) as at June 30, 2008. Trilogy also had $8.8 million in undrawn letters of credit as at June 30, 2008 that reduce the amount available for draw under the credit facility. The size of this committed credit facility is primarily based on the discounted value of Trilogy's producing petroleum and natural gas assets. The revolving feature of the Trust's credit facility expires on March 27, 2009, if not extended. Upon the expiry of the credit agreement's revolving phase, amounts outstanding will have a term maturity date of one additional year. The $378 million borrowing base is subject to semi-annual review by the lenders.

Contractual Obligations

There was no material change to the Trust's contractual obligations as at December 31, 2007, except for the payment of previously reported obligations and new obligations that arose during the first six months of 2008 as disclosed elsewhere in this MD&A and in the June 30, 2008 interim consolidated financial statements.

Off-balance Sheet Arrangements

No off-balance sheet arrangements were outstanding as at June 30, 2008.

Trust Units, Options and Rights

In connection with Trilogy's distribution reinvestment plan ("DRIP"), 1,601,457 Trust Units were issued from January through June 2008. Trilogy Trust had 96,210,161 Trust Units outstanding as June 30, 2008 and 96,414,571 Trust Units outstanding as at August 6, 2008.

Outstanding unit options issued under Trilogy's unit option plan were 4,079,500 unit options as at June 30, 2008 and 4,053,500 as at August 6, 2008, of which 242,000 unit options were exercisable as at those dates. Outstanding unit rights issued under Trilogy's unit appreciation plan were 1,111,500 unit rights as at June 30, 2008 and 1,076,000 unit rights as at August 6, 2008, of which 718,500 unit rights and 689,000 unit rights were exercisable as at those dates, respectively.

Distributions

	Three Months Ended June 30		Six Months Ended June 30	
(In thousand dollars except where stated otherwise)	**2008**	**2007**	**2008**	**2007**
Funds flow from operations[1]	**68,210**	**50,158**	**121,719**	115,604
Net changes in operating working capital	**(12,251)**	**(404)**	**(18,331)**	1,711
Cash flow from operations	**55,959**	**49,754**	**103,388**	117,315
Net loss	**(18,974)**	**(62,127)**	**(18,074)**	(52,776)
Distributions declared[2]	**25,928**	**27,770**	**45,966**	55,540
Distributions declared per Trust Unit (in full amount)	**0.27**	**0.30**	**0.48**	0.60
Excess of cash flow from operations over distributions declared	**30,031**	**21,984**	**57,422**	61,775
Excess of distributions declared over net loss	**(44,902)**	**(89,897)**	**(64,040)**	(108,316)

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

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

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

Wells Drilled

(Number of wells)	Three Months Ended June 30				Six Months Ended June 30			
	2008		2007		2008		2007	
	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]
Natural gas	—	—	2	1.0	**32**	**21.4**	30	21.4
Oil	**3**	**3.0**	—	—	**6**	**4.2**	1	—
Dry	—	—	—	—	**3**	**3.0**	2	1.0
Total	**3.0**	**3.0**	2	1.0	**41**	**28.6**	33	22.4

(1) "Gross" wells means the number of wells in which Trilogy has a working interest or a royalty interest, that were rig-released during the period.

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

Capital Expenditures

(In thousand dollars)	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Land	**531**	492	**1,364**	2,809
Geological and geophysical	**284**	643	**284**	1,167
Drilling	**9,759**	2,591	**46,995**	43,203
Production equipment and facilities	**3,352**	—	**17,282**	11,513
Exploration and development expenditures	**13,926**	3,726	**65,925**	58,692
Property acquisitions	**20,935**	—	**20,935**	—
Proceeds received from property dispositions	**(412)**	(73,972)	**(570)**	(73,972)
Corporate assets	**110**	2,380	**(65)**	2,384
Net capital expenditures (surplus)	**34,559**	(67,866)	**86,225**	(12,896)

Exploration and development expenditures were higher during the second quarter of 2008 as compared to the same quarter in 2007 due to the increase in drilling, completion and construction activity.

INCOME TAXES

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

Trilogy recognizes a provision for future income tax in its financial statements pursuant to the enactment of the new tax legislation. The provision represents management's estimate of the difference between the book and tax basis of the Trust's assets and liabilities anticipated to exist in 2011 under current legislation 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, 2008, the following is a summary of the Trust's transactions with related parties:

- Paramount Resources, a wholly-owned subsidiary of Paramount Resources Ltd. ("Paramount") which owns 21.44 percent of the outstanding Trust Units at June 30, 2008, provides administrative and operating services to the Trust and its subsidiaries, pursuant to an agreement dated April 1, 2005, to assist Trilogy Energy Ltd. in carrying out its duties and obligations as general partner of Trilogy Energy LP and as the administrator of the Trust and Trilogy Holding Trust. The amount of expenses paid and accrued for such services was $0.1 million and $0.2 million for the three and six months ended June 30, 2008, 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 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)

(In thousand dollars except per unit amounts)	**Q2 2007**	**Q1 2007**	**Q4 2006**	**Q3 2006**
Revenue after financial instruments, royalties and other income	87,603	84,643	92,306	111,540
Earnings (loss) before tax	18,734	9,351	24,582	38,338
Net earnings (loss)	(62,127)	9,351	24,582	38,338
Earnings (loss) per Trust Unit (in full amounts):				
Basic	(0.67)	0.10	0.27	0.42
Diluted	(0.67)	0.10	0.27	0.42

The fluctuations in Trilogy's revenue and net earnings from quarter to quarter are primarily caused by variations in sales volumes, realized oil and natural gas prices and the related impact on royalty rates, and realized and unrealized gains/losses on financial instruments. In addition, future income tax estimates and change in estimates contributed to the changes in net earnings commencing from the second quarter of 2007. Please refer to the Results of Operations and other sections of this MD&A for the detailed discussions on changes from the first quarter of 2008 to the second quarter of 2008, 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 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, 2007.

IFRS IMPLEMENTATION

On March 11, 2008, the Accounting Standards Board of Canada confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will become Canadian GAAP for publicly accountable enterprises such as Trilogy. At this time, the impact on our future consolidated balance sheets and statements of operations, comprehensive income and retained earnings are not reasonably determinable or estimable.

Trilogy has commenced its IFRS project and has established a project charter with a target changeover date of January 11, 2011. Trilogy's IFRS project team includes members of financial management tasked to manage and implement the change, and individual working groups focusing on specific potential issues and potentially affected areas. The team will regularly report to the senior executive management and the Audit Committee.

At this stage, Trilogy is completing the initial scoping of this project by performing a high-level diagnostic analysis of the major differences between IFRS and Canadian GAAP. Based on this analysis, Trilogy will be developing its implementation plan to address the differences including scheduling training sessions with IFRS experts to develop the appropriate knowledge to accommodate the transition to IFRS.

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 months ended June 30, 2008.

ADVISORIES

Forward-looking Statements and Information

Certain statements included in this document constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget" or similar words suggesting future outcomes or statements regarding an outlook; or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information in this document include but are not limited to statements with respect to capital expenditures, business strategy and objectives, net revenue, future production levels, development plans and the timing thereof, operating and other costs, royalty rates, and other statements about possible future events, conditions, results of operations or performance.

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

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

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

- the ability of management to execute its business plan;
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- risks and uncertainties involving geology of oil and gas deposits;
- risks associated with obtaining timely access to areas where Trilogy's operations are to be conducted;
- risks inherent in Trilogy's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to future production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- Trilogy's ability to secure adequate product processing, transmission and transportation;
- Trilogy's ability to enter into or renew leases;

- fluctuations in oil and gas prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;
- the ability of Trilogy to add production and reserves through development and exploration activities and acquisitions;
- Trilogy's ability to generate cash flow from operations to meet its current and future obligations;
- weather conditions;
- general economic and business conditions;
- the possibility that government policies, regulations or laws may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments and change to royalty regimes and government regulations regarding royalty payments;
- imprecision in estimates of product sales, tax pools, tax shelter, tax deductions available to Trilogy, changes to tax legislation and regulation applicable to Trilogy, and timing and amounts of reversals of temporary differences between assets and liabilities recognized for accounting and tax purposes.
- uncertainty regarding aboriginal land claims and co-existing with local populations;
- restrictions on Trilogy's growth as a result of the SIFT rules;
- changes to environmental legislation and regulations applicable to Trilogy;
- risks associated with existing and potential future law suits and regulatory actions against Trilogy;
- hiring/maintaining staff;
- the impact of market competition; and
- other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

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

Non-GAAP Measures

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

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

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

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

Numerical References

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

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

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

ADDITIONAL INFORMATION

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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TRILOGY ENERGY TRUST

Interim Consolidated Balance Sheets (Unaudited)

(In thousand dollars)

	June 30, 2008	December 31, 2007
ASSETS		
Current Assets		
Accounts receivable *(notes 10, 11 and 13)*	**$ 71,755**	$ 51,603
Prepaid expenses	**3,332**	656
	75,087	52,259
Property, plant and equipment *(note 4)*	**747,064**	721,756
Future income taxes *(note 14)*	**14,257**	13,705
Goodwill	**140,471**	140,471
	$ 976,879	$ 928,191
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(notes 10, 11 and 13)*	**$ 61,344**	$ 59,500
Distributions payable *(notes 8, 10, 11 and 13)*	**9,621**	6,623
Financial instruments *(notes 10 and 11)*	**74,462**	6,963
Unit-based compensation liability *(notes 9, 10 and 11)*	**10,517**	3,092
	155,944	76,178
Long-term debt *(notes 5, 10 and 11)*	**341,298**	326,496
Asset retirement obligations *(note 6)*	**60,451**	60,752
Future income taxes *(note 14)*	**86,279**	82,760
	488,028	470,008
Unitholders' equity		
Unitholders' capital *(note 7)*	**717,759**	704,100
Contributed surplus *(note 9)*	**6,841**	5,558
Accumulated deficit after distributions	**(391,693)**	(327,653)
	332,907	382,005
	$ 976,879	$ 928,191

Commitments and contingencies *(notes 6, 10, and 11)*

See accompanying notes to interim consolidated financial statements.

TRILOGY ENERGY TRUST

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

(In thousand dollars except as otherwise indicated)

	Three Months Ended June 30		Six Months Ended June 30	
	2008	**2007**	**2008**	**2007**
Revenue				
Petroleum and natural gas sales	**$ 141,749**	$ 111,050	**$ 252,081**	$ 222,557
Realized gain (loss) on financial instruments *(note 11)*	**(14,973)**	514	**(17,239)**	17,755
Unrealized loss on financial instruments *(note 11)*	**(51,908)**	(661)	**(67,499)**	(19,796)
Royalties	**(28,696)**	(22,477)	**(51,712)**	(47,403)
Other	**3,872**	(823)	**4,361**	(867)
	50,044	87,603	**119,992**	172,246
Expenses				
Operating	**20,738**	23,458	**40,601**	46,160
Transportation	**3,968**	4,194	**7,189**	8,436
General and administrative *(notes 9 and 13)*	**8,416**	4,768	**15,516**	9,017
Exploration expenditures *(note 4)*	**638**	1,057	**3,135**	4,347
Gain on disposition of property, plant and equipment	**(370)**	(1,046)	**(528)**	(1,046)
Accretion on asset retirement obligations *(note 6)*	**1,278**	1,161	**2,654**	2,341
Depletion and depreciation *(note 4)*	**30,757**	29,680	**58,306**	62,608
Interest and financing charges	**3,869**	5,597	**8,226**	12,298
	69,294	68,869	**135,099**	144,161
Earnings (loss) before taxes	**(19,250)**	18,734	**(15,107)**	28,085
Future income taxes *(note 14)*	**(276)**	80,861	**2,967**	80,861
Net loss / Total comprehensive loss	**$ (18,974)**	$ (62,127)	**$ (18,074)**	$ (52,776)
Loss per Trust Unit (in full amounts)				
— Basic	**$ (0.20)**	$ (0.67)	**$ (0.19)**	$ (0.57)
— Diluted	**$ (0.20)**	$ (0.67)	**$ (0.19)**	$ (0.57)
Weighted average Trust Units outstanding (in thousands)				
— Basic	**95,914**	92,567	**95,578**	92,567
— Diluted	**96,397**	92,567	**95,578**	92,567

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, 2008					
	Opening Balance	**Net Loss**	**DRIP** *(Note 7)*	**Distributions Declared** *(Note 8)*	**Unit/Stock Option Recognition**	**Closing Balance**
No. of Trust Units	94,608,704	—	1,601,457	—	—	**96,210,161**
Unitholders' capital *(note 7)*	$ 704,100	$ —	$ 13,659	$ —	$ —	**$ 717,759**
Accumulated earnings	193,629	(18,074)	—	—	—	**175,555**
Accumulated distributions	(521,282)	—	—	(45,966)	—	**(567,248)**
Accumulated other comprehensive income	—	—	—	—	—	**—**
Subtotal	(327,653)	(18,074)	—	(45,966)	—	**(391,693)**
Contributed surplus *(note 9)*	5,558	—	—	—	1,283	**6,841**
Total unitholders' equity	$ 382,005	$ (18,074)	$ 13,659	$ (45,966)	$ 1,283	**$ 332,907**

	Six Months Ended June 30, 2007					
	Opening Balance	**Net Loss**	**Other Comprehensive Inomce**	**Distributions Declared**	**Unit/Stock Option Recognition**	**Closing Balance**
No. of Trust Units	92,566,681	—	—	—	—	92,566,681
Unitholders' capital *(note 7)*	$ 689,816	$ —	$ —	$ —	$ —	$ 689,816
Accumulated earnings	243,379	(52,776)	—	—	—	190,603
Accumulated distributions	(415,441)	—	—	(55,540)	—	(470,981)
Accumulated other comprehensive income	—	—	—	—	—	—
Subtotal	(172,062)	(52,776)		(55,540)		(280,378
Contributed surplus *(note 9)*	3,100	—	—	—	1,263	4,363
Total unitholders' equity	$ 520,854	$ (52,776)	$ —	$ (55,540)	$ 1,263	$ 413,801

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	
	2008	2007	**2008**	2007
Operating activities				
Net loss	**$ (18,974)**	$ (62,127)	**$ (18,074)**	$ (52,776)
Add (deduct) non-cash and other items:				
Depletion and depreciation	**30,757**	29,680	**58,306**	62,608
Gain on disposition of property, plant and equipment	**(370)**	(1,046)	**(528)**	(1,046)
Exploration expenditures	**638**	646	**3,135**	3,736
Asset retirement obligation expenditures (note 6)	**(1,127)**	(301)	**(2,950)**	(649)
Accretion on asset retirement obligations *(note 6)*	**1,278**	1,161	**2,654**	2,341
Future income tax expense (recovery) *(note 14)*	**(276)**	80,861	**2,967**	80,861
Non-cash general and administrative expense *(note 9)*	**4,376**	623	**8,710**	733
Unrealized loss on financial instruments *(note 10)*	**51,908**	661	**67,499**	19,796
	68,210	50,158	**121,719**	115,604
Net changes in operating working capital	**(12,251)**	(404)	**(18,331)**	1,711
Cash flow from operating activities	**55,959**	49,754	**103,388**	117,315
Financing activities				
Credit facilities – draws	**130,213**	125,055	**173,059**	228,607
Credit facilities – repayments	**(112,442)**	(192,399)	**(157,303)**	(289,887)
Distributions to unitholders *(note 8)*	**(16,633)**	(27,770)	**(29,309)**	(61,094)
Cash flow provided by (used in) financing activities	**1,138**	(95,114)	**(13,553)**	(122,374)
Investing activities				
Property, plant and equipment expenditures	**(14,036)**	(6,106)	**(65,860)**	(61,076)
Property acquisitions	**(20,935)**	—	**(20,935)**	—
Proceeds on disposition of property, plant and equipment	**412**	73,972	**570**	73,972
Net change in investing working capital	**(22,538)**	(22,506)	**(3,610)**	(7,837)
Cash flow provided by (used in) investing activities	**(57,097)**	45,360	**(89,835)**	5,059
Net change in cash / cash, end of period	**$ —**	$ —	**$ —**	$ —
Cash interest and financing charges paid	**$ 3,743**	$ 5,504	**$ 9,180**	$ 12,156

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. 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, 2007 (the "Audited Financial Statements"), except as disclosed in note 3. 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.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, Trilogy adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Sections 3862 *(Financial Instruments – Disclosures)*, 3863 *(Financial Instruments – Presentation)* and 1535 *(Capital Disclosures)*. The adoption of these new accounting standards did not impact the amounts reported in the Trust's financial statements but it required the Trust to provide additional disclosures relating to financial instruments (note 10) and the Trust's capital (note 12).

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

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008			December 31, 2007		
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas properties	**1,415,112**	**(674,252)**	**740,860**	1,334,534	(619,817)	714,717
Other	**8,894**	**(2,690)**	**6,204**	8,959	(1,920)	7,039
	1,424,006	**(676,942)**	**747,064**	1,343,493	(621,737)	721,756

Capital costs associated with non-producing petroleum and natural gas properties totaling approximately $120.1 million as at June 30, 2008 (December 31, 2007 - $125.6 million) were not subject to depletion. No interest costs were capitalized for the three and six months ended June 30, 2008 and 2007.

The costs of exploratory dry holes amounted to $0.3 million and $2.9 million for the three and six months ended June 30, 2008, respectively (nil and $2.6 million for the three and six months ended June 30, 2007, respectively) and were written off having been included in exploration expenditures.

5. LONG-TERM DEBT

	June 30, 2008	December 31, 2007
Revolving credit and working capital facility	**342,411**	326,655
Less unamortized discount	**(1,113)**	(159)
Carrying value of long-term debt	**341,298**	326,496
Weighted average interest rate for the period/year	**4.86%**	5.62%

The Trust has a $343 million revolving credit facility and a $35 million working capital facility with a syndicate of 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 27, 2009, 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 a 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. The $378 million borrowing base is subject to semi-annual review by the banks.

The Trust has undrawn letters of credit totaling $8.8 million as at June 30, 2008. These letters of credit reduce the amount available for draw under the Trust's working capital facility.

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

6. ASSET RETIREMENT OBLIGATIONS

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Asset retirement obligations, beginning of period	59,703	60,752
Liabilities incurred	790	1,796
Revisions to estimates	—	(1,608)
Liabilities settled	(1,127)	(2,950)
Liabilities disposed	(193)	(193)
Accretion expense	1,278	2,654
Asset retirement obligations, end of period	60,451	60,451

The undiscounted asset retirement obligations at June 30, 2008 is estimated to be $159.8 million (December 31, 2007 - $156.4 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 between 10 to 30 years and will be funded from the general resources of the Trust at the time of incurrence.

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 96,210,161 Trust Units outstanding as at June 30, 2008 (94,608,704 Trust Units as at December 31, 2007). No Special Voting Rights have been issued to date.

For the three and six months ended June 30, 2008, 568,254 Trust Units and 1,601,457 Trust Units were issued, respectively, under Trilogy's Distribution Reinvestment Plan ("DRIP") (see note 8).

Normal Course Issuer Bid

Under a normal course issuer bid through the facilities of the Toronto Stock Exchange, Trilogy may purchase up to 4,771,579 Trust Units during the period March 11, 2008 through March 10, 2009. No Trust Units were purchased through this normal course issuer bid as at June 30, 2008.

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

8. ACCUMULATED DISTRIBUTIONS

	Three Months Ended June 30, 2008				Six Months Ended June 30, 2008			
	Cash	DRIP	Accrual	Total	Cash	DRIP	Accrual	Total
Balance at beginning of period	497,075	37,550	6,695	541,320	484,399	30,260	6,623	521,282
Distributions paid/reinvested	16,633	6,369	—	23,002	29,309	13,659	—	42,968
Change in distribution accrual	—	—	2,926	2,926	—	—	2,998	2,998
Distributions declared	16,633	6,369	2,926	25,928	29,309	13,659	2,998	45,966
Balance at end of period	513,708	43,919	9,621	567,248	513,708	43,919	9,621	567,248

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, 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.

On July 15, 2008, Trilogy announced its cash distribution for July 2008 at $0.10 per Trust Unit. The distribution is payable on August 15, 2008 to Unitholders of record on July 31, 2008.

9. UNIT BASED COMPENSATION

Unit Option Plan

A continuity of the unit option plan for the three and six months ended June 30, 2008 is as follows:

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
	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	$ 11.47	$ 1.64	4,052,500	$ 11.52	$ 1.64	4,106,500
Granted	11.28	1.84	104,000	9.85	1.57	154,000
Exercised	10.54	1.59	(7,500)	10.54	1.59	(7,500)
Cancelled	10.63	1.56	(69,500)	11.15	1.62	(173,500)
Balance, end of period	$ 11.48	$ 1.64	4,079,500	$ 11.48	$ 1.64	4,079,500
Exercisable at end of period	$ 14.65	$ 1.91	242,000	$ 14.65	$ 1.91	242,000

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

The Trust has recorded a compensation expense of $0.5 million and $0.9 million for the three and six months ended June 30, 2008, respectively ($0.3 million and $0.6 million for the three and six months ended June 30, 2007, 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	—	2.55% to 4.25%
Expected life	—	4.5 to 5.5 years
Expected volatility	—	30% to 35%
Expected distributions	—	12% to 16%

Additional information about Trilogy's unit options outstanding as at June 30, 2008 is as follows:

Exercise Price Range	Weighted Average Contractual Life	Outstanding Options: Number of Options	Outstanding Options: Weighted Average Exercise Price	Exercisable Options: Number of Options	Exercisable Options: Weighted Average Exercise Price
$6.65 to $9.25	4.8	1,285,000	$ 6.71	—	$ —
$10.25 to $11.89	3.2	1,720,500	10.84	103,250	10.80
$18.03 to $23.95	2.8	1,074,000	18.20	138,750	19.86
Total	3.6	4,079,500	$ 11.48	242,000	$ 14.65

Unit Appreciation Plan

Trilogy's unit appreciation plan expires on December 15, 2008. A continuity of the unit appreciation rights for the three and six months ended June 30, 2008 is as follows:

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008	
	Exercise Price	No. of Unit Rights	Exercise Price	No. of Unit Rights
Balance, beginning of period	$ 3.93	1,203,250	$ 4.14	1,232,250
Exercised	3.85	(91,750)	3.88	(109,750)
Cancelled	—	—	3.99	(11,000)
Balance, end of period	$ 3.66	1,111,500	$ 3.66	1,111,500
Exercisable at end of period	$ 3.66	718,500	$ 3.66	718,500

A compensation expense of $4.5 million and $8.3 million for the three and six months ended June 30, 2008, respectively ($41 thousand expense and $0.5 million recovery for the three and six months ended June 30, 2007, respectively) has been recognized in earnings with respect to the unit appreciation plan. Cash paid for the exercise of unit rights amounted to $0.8 million and $0.9 million for the three and six months ended June 30, 2008, respectively (nil for the three and six months ended June 30, 2007).

Non-reciprocal Awards to Trust Employees

The Trust also recognized compensation expense of $0.2 million and $0.4 million for the three and six months ended June 30, 2008, respectively ($0.3 million and $0.6 million for the three and six months ended June 30, 2007, respectively) with respect to the non-reciprocal awards of stock options to Trust employees made by Paramount Resources Ltd. ("Paramount"), a related party. These amounts were credited to contributed surplus.

(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 draw-downs from its credit facilities. The credit facilities are the main source of Trilogy's finances after cash flow from operations. Trilogy has other financial assets and liabilities such as accounts receivable, accounts payable and accrued liabilities, unit-based compensation liability and distributions payable, which arise directly from its operations and trust activities. 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.

Credit Risk

Under the Services Agreement described in note 13, Paramount carries out marketing functions on behalf of the Trust. The Trust is exposed to credit risk from financial instruments to the extent of non-performance by third parties. Credit risks associated with the possible non-performance by financial instrument counterparties are minimized by entering into contracts with only highly rated counterparties and third party credit risk with credit approvals, limits on exposures to any one counterparty, and monitoring procedures.

Trilogy's production is sold to a variety of purchasers under normal industry sale and payment terms. Accounts receivable are from customers and joint venture partners in the Canadian petroleum and natural gas industry and are subject to normal credit risk. As at June 30, 2008, $6.2 million or 8.7 percent of the outstanding accounts receivable are outstanding for 90 days or more. Also included in accounts receivable at June 30, 2008 is a [$2.7 million] receivable from a customer which has filed for protection under the Companies' Creditors Arrangement Act. Trilogy expects to set off its payable to such customer against the outstanding receivable.

Liquidity Risk

Trilogy's principal sources of liquidity are its cash flow from operations and existing or new credit facilities. Trilogy mitigates liquidity risk by using forward commodity price contracts, maintaining adequate reserves and banking facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Furthermore, Trilogy may adjust the levels of distribution to Unitholders and capital spending to maintain its liquidity (see notes 11 and 12). A contractual maturity analysis for Trilogy's financial liabilities as at June 30, 2008 is as follows:

	Within 1 Year	After 1 Year	Total
Accounts payable and accrued liabilities	61,344	—	61,344
Financial instruments[1]	74,462	—	74,462
Distributions payable	9,621	—	9,621
Unit-based compensation liability (full intrinsic value)	11,037	—	11,037
Long-term debt and estimated interest[2]	15,528	354,892	370,420
Total	171,992	354,892	526,884

[1] Estimated settlement on fixed forward commodity contracts using forecast prices and exchange rates at June 30, 2008.

[2] Estimated interest for future periods was calculated using the weighted average interest rate for the six months ended June 30, 2008 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.

Commodity Price Risk

Inherent to Trilogy's business of producing petroleum and natural gas is the commodity price risk where fluctuations in the market price of natural gas (and oil to a lesser extent) could significantly impact the Trust's ability to generate cash flow from operations. As numerous items, including but not limited to the amounts of distributions to Unitholders, capital expenditures and debt repayments or draw-downs, are dependent upon the level of cash flow generated from operations, the fluctuation in petroleum and natural gas prices (in addition to normal operational and external risks) impacts Trilogy's liquidity.

To protect cash flow against commodity price volatility, Trilogy uses from time to time forward commodity price contracts that require financial settlement between counterparties. This financial instruments program is generally for periods of up to one year and would not exceed 50 percent of Trilogy's annual production (see note 11 for details of outstanding financial instruments as at June 30, 2008).

Interest Rate Risk

As described in note 5, Trilogy's credit facilities are subject to floating interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin. The interest rate margin is determined by the lenders based on their periodic review of the Trust's results and is generally dependent upon Trilogy's debt to cash flow ratio, which may also be impacted by commodity price risk.

The draw-downs from Trilogy's credit facilities are generally in the form of bankers' acceptances with fixed terms ranging from 10 to 180 days which are then rolled-over if not repaid on their due dates. Trilogy may enter into interest rate swap contracts to mitigate the impact of interest rate fluctuations. There are no interest rate swap contracts outstanding as at June 30, 2008.

Foreign Exchange Risk

Foreign exchange rate exposure may impact the Trust mainly due to the outstanding U.S. Dollar denominated financial instrument contracts mentioned in note 11, in addition to normal conversions of U.S. Dollar denominated revenues into Canadian Dollar. Approximately 13 percent of Trilogy's petroleum and natural gas sales for the six months ended June 30, 2008 was denominated in U.S. Dollar. Trilogy may enter into foreign currency contracts to mitigate the impact of foreign exchange rate exposure. There are no outstanding fixed forward currency contracts as at June 30, 2008.

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

Market Risk Sensitivity Analysis

A sensitivity analysis showing how net earnings for the six months ended June 30, 2008 would have been affected by changes in commodity prices, and interest and exchange rates is set out below.

Risk Variations	Estimated Effect on Net Earnings[1]
Natural gas price change of $0.10/Mcf	1,079
Oil and natural gas liquids price change of U.S.$1.00/Bbl	458
US Dollar to Canadian Dollar exchange rate fluctuation of $0.01	228
Average interest rate change of 1 percent	839

(1) The effect of each risk variation is mutually exclusive.

In deriving the above analysis, specific exposures to each risk were quantified upon which the risk variations were applied. The historical information for the six months ended June 30, 2008, which were used as key inputs in the sensitivity analysis above, are as follows:

Average production:	
Natural gas	97 MMcf/d
Crude oil and natural gas liquids	4,609 Bbl/d
Average royalty as a percentage of sales	20 percent
Average exchange rate (U.S.$/Cdn$)	Cdn$1.01/U.S.$1.00
Weighted average interest rate on indebtedness	4.86 percent per annum
Income tax	Nil
Forward pricing of outstanding financial contracts	As at June 30, 2008

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, 2008	December 31, 2007
Financial assets		
Receivables[1]	**71,755**	51,603
Financial liabilities		
Non-trading liabilities[1] [2]	**(81,482)**	(69,215)
Financial instruments held-for-trading[3]	**(74,462)**	(6,963)
Indebtedness[4]	**(341,298)**	(326,496)

(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 and accrued liabilities, distributions payable and unit-based compensation liability.
(3) Carried at the estimated fair value of the related financial instruments based on third party quotations. See Forward Contracts below.
(4) Carried at amortized cost.

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

Forward Contracts

At June 30, 2008, the Trust had the following outstanding financial forward commodity sales contracts:

Description	Quantity	Price	Remaining Term
WTI Fixed Price	2,000 Bbl/d	U.S.$90.40/BBl	July 2008 – December 2008
WTI Fixed Price	1,000 Bbl/d	U.S.$133.75/BBl	January 2009 – December 2009
NYMEX Fixed Price	50,000 MMBtu/d	U.S.$8.99/MMBtu	July 2008 – October 2008
NYMEX Fixed Price	20,000 MMBtu/d	U.S.$10.02/MMBtu	November 2008 – March 2009
NYMEX Collar	10,000 MMBtu/d	Floor – U.S.$9.50 Ceiling – U.S.$13.00	April 2009 – October 2009
AECO Fixed Price	30,000 GJ/d	$9.50/GJ	November 2008 – March 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.

12. CAPITAL DISCLOSURE

The Trust's capital structure currently consists of (a) revolving long-term debt pursuant to a credit facility, (b) working capital facility pursuant to a credit facility, (c) letters of credit issued as financial security to third parties, and (d) unitholders' equity.

The objectives in managing the capital structure are to:

- utilize an appropriate amount of leverage to maximize return on unitholders' equity; and
- provide for borrowing capacity and financial flexibility to maintain the petroleum and natural gas reserve base by replacing production at competitive finding and development costs.

Management and the Board of Directors review and assess the Trust's capital structure and distribution policy at each regularly scheduled board meeting. The financial strategy may be adjusted based on the current outlook of the underlying business, the capital required to fund the reserves program and the state of the debt and equity capital markets. In order to maintain or adjust the capital structure, the Trust may (1) issue new Trust Units, (2) issue new debt securities, (3) amend, revise, renew or extend the terms of the existing long-term debt and working capital facilities, (4) enter into new agreements establishing new credit facilities, (5) adjust the amount of distributions to unitholders, (6) reduce capital spending, and/or (7) sell non-core and/or non-strategic assets.

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

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

	June 30, 2008	December 31, 2007
Committed amount that can be drawn from credit facilities	**378,000**	370,000
Outstanding undrawn letters of credit	**(8,780)**	(8,232)
Amount that can be drawn after letters of credit	**369,220**	361,768
Long-term debt	**(341,298)**	(326,496)
Net current liabilities (working capital)	**(80,857)**	(23,919)
Net debt(1)	**(422,155)**	(350,415)
Add back mark-to-market valuation of financial instruments	**74,462**	6,963
Adjusted net debt(1)	**(347,693)**	(343,452)
Remaining available credit	**21,527**	18,316

(1) Net debt and adjusted net debt as calculated above are not standard terms/measures used by others.

The increase in adjusted net debt from $343.5 million at December 31, 2007 to $347.7 million at June 30, 2008 is attributable primarily to an asset acquisition and the increase in the value of unit-based compensation liability as a result of the appreciation in Trilogy's Trust Unit market prices.

13. RELATED PARTY TRANSACTIONS

Trilogy had the following transactions with Paramount, a Unitholder of the Trust.

- Pursuant to a Services Agreement dated April 1, 2005, a Paramount subsidiary provides administrative and operating services to the Trust and its subsidiaries to assist a Trust subsidiary in carrying out its duties and obligations as general partner of Trilogy's main operating entity and as the administrator of the Trust and its holding trust. Under this agreement, Paramount is reimbursed at cost for all expenses it incurs in providing the services to the Trust and its subsidiaries. The agreement is in effect until March 31, 2009 however may be terminated by either party with at least six months written notice. The amount of expenses billed and accrued as management fees under this agreement was $0.1 million and $0.2 million for the three and six months ended June 30, 2008, respectively ($0.3 million and $0.6 million for the three and six months ended June 30, 2007, respectively). This amount is included as part of the general and administrative expenses in the Trust's consolidated statement of earnings.

- The Trust and Paramount also had transactions with each other arising from the normal course of business. These transactions were recorded at exchange amounts.

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

	June 30, 2008			December 31, 2007		
Presented in the Balance Sheet as	Normal Business	Services Agreement	Trust Distribution	Normal Business	Services Agreement	Trust Distribution
Accounts receivable	**1,216**	**—**	**—**	441	—	—
Accounts payable and accrued liabilities	**(151)**	**(60)**	**—**	(3,220)	(60)	—
Distributions payable	**—**	**—**	**(2,062)**	—	—	(1,168)

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

14. INCOME TAXES

The nature and tax effect of temporary differences that give rise to estimated future income tax assets and liabilities are as follows:

	June 30, 2008	December 31, 2007
Differences between the book and tax basis of the following accounts which are expected to reverse commencing January 1, 2011:		
Property, plant and equipment	**(94,336)**	(90,436)
Asset retirement obligation	**16,060**	16,096
Loss carryforwards and other	**6,254**	5,285
Net estimated future income tax liability	**(72,022)**	(69,055)

Future changes in tax rates and technical interpretations of tax legislations 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 used on the preceding items could materially affect the Trust's estimated future income tax liability.

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
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)
Vice President, Business Development
Pembina Pipeline Corporation
Calgary, Alberta

D.A. Garner (2)
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)
Partner, Heenan Blaikie LLP
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D.F. Textor (1)
Portfolio Manager,
Dorset Energy Fund
Partner, Knott Partners Management LLC
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The Bank of Nova Scotia
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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