



TRILOGY ENERGY TRUST

Calgary, Alberta

December 23, 2009

NEWS RELEASE: TRILOGY ENERGY TRUST ANNOUNCES A PROPOSED CONVERSION TO A DIVIDEND PAYING CORPORATION AND PROVIDES OPERATIONAL AND CORPORATE STRATEGY UPDATE

PROPOSED CORPORATE CONVERSION

Trilogy Energy Trust ("Trilogy" or the "Trust") (TSX: TET.UN) announces that it has entered into an arrangement agreement with a private corporation ("Newco") providing for an arrangement under the *Business Corporations Act* (Alberta) and related transactions (collectively, the "Conversion") pursuant to which Trilogy will convert from an income trust to a corporation to be named Trilogy Energy Corp. ("New Trilogy"). Following the Conversion, Trilogy's management expects that New Trilogy will pay a monthly dividend of 3.5 cents per share.

Rationale for the Conversion

Since early 2007, Trilogy has been considering alternatives available to it to provide long-term stability of distributions to its securityholders and to avoid the imposition of tax applicable commencing in 2011 in respect of specified investment flow-through ("SIFT") trusts and partnerships announced by the Department of Finance (Canada) on October 31, 2006 and enacted into legislation ("SIFT Rules") by the Government of Canada in June 2007. Trilogy believes that completing the Conversion will accomplish both of these objectives.

Anticipated Benefits of the Conversion

Trilogy's management believes that the Conversion will have the following anticipated benefits, among others:

- the Conversion will allow for a simplified and more efficient corporate structure;
- the 3.5 cent per share monthly dividend anticipated to be paid by New Trilogy to its shareholders following the Conversion is approximately equivalent, to a Canadian taxable unitholder, to the current 5 cent per unit monthly distribution on an after-tax basis;
- an attractive dividend yield of approximately 5%;
- the Conversion will enable New Trilogy to reinvest more cash flow into its business in order to capitalize on future growth opportunities, including its extensive Kaybob Montney opportunities where, as described below, Trilogy has had exciting recent success in proving up this exceptional tight gas reserve play;

- the "normal growth" and "undue expansion restrictions" in the SIFT Rules which currently limit Trilogy's ability to consider strategic acquisitions will not apply to New Trilogy following the Conversion;
- the Conversion may result in New Trilogy having greater access to capital and improved liquidity resulting in higher trading volumes; and
- certain unitholders ("Unitholders") of Trilogy resident in Canada may obtain a full or partial deferral (rollover) of any capital gain that may otherwise arise on the exchange of their trust units for shares under the Conversion by making a valid tax election with New Trilogy.

Details of the Conversion

Pursuant to the Conversion, Unitholders, other than Paramount Resources Ltd. ("Paramount") and a corporation ("CHRCo") controlled by Clayton H. Riddell, the Chairman of the Board of the administrator of Trilogy, will receive voting shares of Newco in exchange for the Trilogy trust units held by them on the effective date of the Conversion on a one-for-one basis. Paramount and CHRCo will receive under the Conversion a combination of voting and non-voting shares of Newco in exchange for the Trilogy trust units held by them on the effective date of the Conversion on, in either case, a one-for-one basis. After Conversion, Newco's sole shareholder will own 4,219,653 voting shares of New Trilogy.

At the time of the Conversion, Newco will no longer have any business, assets or liabilities, but will have residual tax pools. Upon completion of the Conversion, the business, directors and management of New Trilogy (formerly Newco) will be the same as Trilogy's business, directors and management immediately before the completion of the Conversion.

Following the Conversion, New Trilogy will have approximately 84,023,815 voting shares and 30,686,172 non-voting shares outstanding. Assuming no additional trust units are issued by Trilogy prior to the Conversion being completed, existing Unitholders (other than Paramount and CHRCo and persons related to it) will hold approximately 41% of the equity (approximately 54% of the votes) of New Trilogy, Paramount, CHRCo and other related persons will collectively hold approximately 55% of the equity (approximately 41% of the votes) of New Trilogy and Newco's sole shareholder will hold approximately 4% of the equity (approximately 5% of the votes) of New Trilogy. New Trilogy expects to have tax pools of approximately \$1 billion following the Conversion.

The Conversion is subject to the approval of the Court of Queen's Bench of Alberta, the approval of the Toronto Stock Exchange, competition bureau approval and the consent of Trilogy's lenders. The Conversion must also be approved by Unitholders. A management information circular respecting the Conversion is expected to be mailed to Unitholders in early to mid January 2010, and a special meeting of Unitholders has been scheduled for February 4, 2010. If all necessary approvals and consents are obtained, it is anticipated that the Conversion will be completed on February 5, 2010.

If the Conversion is completed, the last distribution to Unitholders will be payable in February 2010 in respect of the month of January, 2010.

Fairness Opinion

The board of directors of Trilogy Energy Ltd., as administrator of the Trust, retained BMO Capital Markets ("BMO") to act as its financial advisor in connection with the Conversion. Pursuant to this mandate, BMO provided the board of directors with its verbal opinion on December 22, 2009 that, as at the date thereof, the consideration to be received by Unitholders (other than Paramount and CHRCo) pursuant to the Conversion is fair, from a financial point of view, to such Unitholders. The full text of BMO's fairness opinion, along with the assumptions, limitations and considerations upon which it was based, will be appended to the management information circular to be mailed to Unitholders.

Board Approval

The board of directors of Trilog Energy Ltd., as administrator of the Trust, has determined that the Conversion is in the best interests of Trilog and the Unitholders. The board of directors recommends that Unitholders approve the Conversion.

OPERATIONAL UPDATE

Since its last operational update, Trilog completed drilling operations on three additional horizontal wells (Wells #6, #7 and #8 below). Results from these recent operations provide encouraging drilling, completion and production information that further support Trilog's Montney horizontal development plans. Third and fourth quarter wells were drilled to maximum depths between 4,000 and 4,500 meters and completed with twelve to sixteen-stage fracture stimulations, as compared to the Trust's first quarter wells that were drilled to 3,500 m and completed with seven-stage fracture stimulations. The additional length of horizontal lateral and additional fracture stimulations per well have increased reservoir contact, which is anticipated to provide incremental reserves and deliverability at costs similar to those associated with Trilog's first quarter wells as a result of the operational efficiencies gained from Trilog's new drilling practices. Recent wells, completed in November and December, have flowed back natural gas at rates of 15 to 23 MMcf/d during clean-up with flowing pressures between 10 to 15 MPa as compared to stabilized flow rates tabled below. Trilog has 7 (5.5 net) operated horizontal Montney wells producing as of mid December. One (1.0 net) additional operated horizontal Montney well was drilled and completed in the fourth quarter and is expected to be on production in the first quarter of 2010 when additional compression capacity is available.

Given its drilling and completion success in the third and fourth quarters of 2009, Trilog has applied for regulatory approval to expand its existing compression capacity by installing a fifth compressor at the 3-29-59-19W5M compressor site. This additional compressor will increase capacity to 50 MMcf/d. This additional compression capacity is expected to be available in the first quarter 2010. Trilog intends to pursue a development drilling plan in 2010 that will fully utilize this compression.

The following table updates and summarizes the well data, test results and costs for Trilog operated horizontal Montney wells drilled and completed in the Kaybob area during the third and fourth quarters.

	W.I. (%)	Measured Depth (m)	Horizontal Length (m)	Frac stages in well bore	Stabilized Test Rate (MMcf/d)	Flowing Pressure (MPa)	Est. Drilling and Compl. Costs (\$MM)
1.	100	4,440	1,435	12	9.0	14.7	3.8
2.	100	4,415	1,549	12	8.7	12.1	4.0
3.	50	4,440	1,546	16	9.5	10.5	3.9
4.	50	4,030	1,327	12	10.0	13.4	3.5
5.	50	4,045	1,269	13	8.3	13.5	3.5
6.	100	4,329	1,698	14	10.5	12.9	4.1
7.	100	4,140	1,410	13	14.8	14.5	3.7
8.	100	4,462	1,559	16	19.1	13.4	4.0

Presley Project Update

During the fourth quarter 2009, Trilog continued to engineer, design and procure material to construct its proposed sour gas pipeline (the "Presley Pipeline") from 3-29-59-19W5M to the Trilog-operated Kaybob North Sour Gas Plant (the "Plant") and to expand the Plant. The proposed Presley Pipeline is intended to be a 53 kilometer, 12 inch sour gas pipeline spanning from Trilog's Montney gas development project at Presley, in South Kaybob, to the Plant. Concurrent with the anticipated construction of the Presley Pipeline, the existing Plant would be expanded to include a functional unit designed to process approximately 50 MMcf/d of incremental raw sour gas production. The Presley

Pipeline and Plant expansion projects provide the economic justification for the proposed installation of an acid gas disposal system which would dispose of the acid gas (CO₂ and H₂S) generated at the Plant during the sweetening process. These projects are estimated to cost approximately \$38 million. Trilogy estimates cost savings of up to \$12 million per year through the reduction of operating expenses and a reduction in the shrinkage of the natural gas stream as compared to the current process. Additional benefits of these projects are expected to include increased reliability in the processing of Trilogy's natural gas, increased accountability for gas and liquids production, potential third party processing revenue and a reduction in green house gas emissions. Trilogy believes a further opportunity may exist to expand the Plant by an additional 50 MMcf/d of sour gas processing capacity to match the Presley Pipeline capacity of 100 MMcf/d.

Trilogy has received the approval of its Board of Directors to proceed with these proposed projects and arranged for a construction credit facility to fund construction. Trilogy is seeking the required regulatory approvals from the Energy Resources Conservation Board ("ERCB") prior to commencing construction and is currently addressing objections to the projects from two third parties. Further delays in the regulatory approval process beyond mid January 2010 may result in the proposed Pipeline and Plant projects being deferred for approximately one year, as a portion of the projects are located in winter-only access areas. If the projects are deferred, Trilogy will continue its Montney development drilling plans and flow new production through third party facilities.

Project Financing

Trilogy is pleased to report that its banking syndicate has reaffirmed the Trust's revolving credit facility borrowing base effective October 31, 2009 at \$350 Million. The next semi-annual review of the borrowing base is scheduled for April 2010.

In addition to the borrowing base, Trilogy has secured a \$40 Million committed non-revolving construction facility to be used to finance the proposed pipeline and plant projects described above. Trilogy is only able to draw on this facility once all regulatory approvals to proceed have been received.

Production Update

Drilling success during the third and fourth quarters of 2009 has added significant volumes to Trilogy's production during the fourth quarter. Second quarter production was 19,800 Boe/d, reflecting increased production from the four Montney horizontal wells drilled during the first quarter. Second quarter production gains were partially offset by production losses incurred during plant maintenance over the quarter. Third quarter average production was 19,033 Boe/d, largely as a result of a decrease in capital spending during the second quarter as well as problems with a non-operated gas plant's lean oil extraction unit, which significantly reduced natural gas liquid recovery during the quarter.

Trilogy estimates October 2009 production to be 18,300 Boe/d, which reflects continued natural declines, reduced capital spending in the prior quarter and regulatory delays affecting production from the first Montney horizontal wells. However, November production is estimated to be 20,800 Boe/d as a result of increased production from the new horizontal wells tied in during the month. Trilogy anticipates December production will be approximately 21,500 Boe/d, assuming minimal operational interruptions and no additional problems related to cold weather. Fourth quarter production is expected to be approximately 20,200 Boe/d, which represents a six percent increase over third quarter production.

Annual production for 2009, based on estimated fourth quarter production of 20,200 Boe/d, will be approximately 19,800 Boe/d, in line with annual production guidance of 20,000 Boe/d.

Trilogy is maintaining its 2009 capital guidance of \$80 Million (exclusive of \$12 Million in capital costs associated with the proposed Presley Pipeline and Kaybob North Sour Gas Plant projects).

2010 Guidance

For 2010, Trilogy's Board of Directors has approved a capital expenditure budget of \$120 Million, excluding estimated costs of \$26 Million to be incurred in 2010 to complete the Presley Pipeline and Kaybob North Sour Gas Plant expansion. The significant increase in capital spending as compared to 2009 reflects an increase in the use of cash flow towards low risk, high quality drilling and completion operations in 2010 in order to grow Trilogy's production and reserve base.

Trilogy is forecasting 2010 production guidance of 22,000 Boe/d. The ten percent increase in production from 2009 reflects the past year's successful development and implementation of horizontal drilling and completion technology. Trilogy will continue to exploit the tight gas reservoirs and develop infrastructure in the Kaybob and Grande Prairie areas to ensure a competitive advantage in its core operating areas

Operating costs for 2010 are forecast to be \$11.50/Boe. This estimate does not include the benefits that would be realized through the proposed Presley Pipeline and Plant projects. Annual operating cost savings for 2010 will be quantified when these projects receive regulatory approval and the timing of completion has been determined.

Corporate Strategy

Since inception, the Trust's major objective has been to maintain its production at current levels, replace produced reserves and distribute the remaining cash flow to its unitholders in the form of distributions. Over the past four years, 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. Following the Conversion, Trilogy expects to be in a better position to exploit its high quality asset base in order to grow production and reserves on an annual basis and to distribute excess cash flow to shareholders in the form of dividends. Trilogy's expected 10% year over year production growth in 2010 combined with an expected 5% dividend yield should represent an attractive total return investment opportunity for current Trilogy Unitholders and prospective New Trilogy shareholders.

About the Trust

Trilogy Energy Trust is a petroleum and natural gas-focused Canadian energy trust that actively acquires, develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy's trust units are listed on the Toronto Stock Exchange under the symbol "TET.UN".

For further information, please contact:

J.H.T. (Jim) Riddell, President and Chief Executive Officer
M.G. (Mike) Kohut, Chief Financial Officer
J.B. (John) Williams, Chief Operating Officer

Trilogy Energy Trust
c/o Trilogy Energy Ltd.
#1400, 332 - 6th Avenue S.W.
Calgary, Alberta T2P 0B2
Phone: (403) 290-2900
Fax: (403) 263-8915

Forward-Looking Statements Advisory

In the interests of providing the Trilogy Unitholders and potential investors with information regarding Trilogy, certain information included in this news release constitutes forward-looking statements or information (collectively “forward-looking statements”) within the meaning of applicable securities legislation. Forward-looking statements or information typically contain statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “continue”, “estimate”, “propose”, “budget”, “forecast”, “outlook”, “may”, “will”, “could”, “potential”, “target” or similar word suggesting future outcomes or statements regarding an outlook. In particular, this document contains, without limitation, forward-looking statements pertaining to the following: expectations of management of the administrator of the Trust regarding the proposed Conversion, including the timing of completion of the Conversion, distributable cash flow, taxes, plans and objectives, expected average production, average operating and other costs and capital expenditures for 2009 and 2010; development plans and the timing, cost and expected benefits thereof, including Trilogy’s Montney horizontal well program, proposed Presley Pipeline and Kaybob North Sour Gas Plant expansion projects and other drilling and construction plans; expected timing of regulatory approvals; effect of the Trust’s development plans on reserves and deliverability; and availability of financing.

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things, tax and SIFT Tax legislation, current production forecasts; current commodity price forecasts for petroleum and natural gas; the ability of Trilogy and its partners to obtain drilling, compression and operations results consistent with expectations; the timing and costs of pipeline and facility construction and expansion; the timely receipt of regulatory approvals; the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its activities; assumptions regarding expenses and royalties, including the application of the New Well Royalty Reduction program and the Drilling Royalty Credit Program to Trilogy’s operations; DRIP participation estimates; the ability of Trilogy to market oil and natural gas successfully to current and new customers; and the ability to secure adequate product processing, transmission and transportation; among others. 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. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause actual results to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: that the Conversion may not close when planned or at all or on the terms and conditions set forth herein and the failure of Trilogy to obtain the necessary unitholder, Court, regulatory and other third party approvals required in order to proceed with the Conversion; volatile economic and business conditions; fluctuation of oil and gas prices, foreign currency, exchange rates, interest rates and market demand; the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserves estimates and reserves life; the uncertainty of estimates and projections relating to future production, costs and expenses; DRIP participation consistent with estimates; the ability of management to execute its business plan; the possibility that regulatory approvals and licences may be delayed or withheld; 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; the ability of Trilogy to add production and reserves through development and exploration activities; weather conditions; Trilogy’s ability to enter into or renew leases; the possibility that government programs, policies, regulations or laws including without limitation those relating to the New Well Royalty Reduction Program and the Drilling Royalty Credit Program or others relating to royalties, taxation or the environment, may change;

risks inherent in Trilogy's marketing operations, including credit risk; risks associated with existing and potential future lawsuits and regulatory actions against Trilogy; health, safety and environmental risks; uncertainty regarding aboriginal land claims and co-existing local populations; and other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

The forward-looking statements contained in this news release 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.

Oil and Gas Advisory

This news release contains disclosure expressed as "Boe", "Boe/d", "Mcf/d", "MMcf/d", "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.