2015 Annual Report

	Three Months Ended			Twelve Months Ended December 31		
	December 31, 2015	September 30, 2015	Change %	2015	2014	Change %
FINANCIAL						
Petroleum and natural gas sales	**56,730**	65,734	(14)	**286,161**	618,949	(54)
Funds flow						
From operations[1]	**19,493**	22,154	(12)	**109,346**	349,360	(69)
Per share - diluted	**0.15**	0.18	(12)	**0.87**	2.75	(69)
Earnings						
Income (Loss) before tax	**(17,646)**	(95,826)	(82)	**(177,002)**	44,258	(500)
Per share - diluted	**(0.14)**	(0.76)	(82)	**(1.40)**	0.35	(502)
Loss after tax	**(19,248)**	(70,929)	(75)	**(137,658)**	(61,011)	123
Per share - diluted	**(0.15)**	(0.56)	(75)	**(1.09)**	(0.49)	123
Dividends declared	**-**	-	-	**-**	48,417	(100)
Per share	**-**	-	-	**-**	0.385	(100)
Capital expenditures						
Exploration, development, land, and facility	**5,599**	17,132	(67)	**80,928**	425,769	(81)
Acquisitions (dispositions) and other - net	**(111,492)**	(44,867)	148	**(160,181)**	14,232	(1,225)
Net capital expenditures	**(105,893)**	(27,735)	282	**(79,253)**	440,001	(118)
Total assets	**1,266,492**	1,410,853	(10)	**1,266,492**	1,618,953	(22)
Net debt[1]	**544,167**	674,247	(19)	**544,167**	751,603	(28)
Shareholders' equity	**447,742**	464,872	(3)	**447,742**	572,135	(22)
Total shares outstanding (thousands)						
- As at end of period [2]	**126,024**	126,123	-	**126,024**	125,854	-
OPERATING						
Production						
Natural gas (MMcf/d)	**98**	97	1	**108**	126	(14)
Oil (Bbl/d)	**4,675**	5,227	(11)	**5,577**	8,326	(33)
Natural gas liquids (Boe/d)	**3,175**	3,779	(16)	**4,214**	5,706	(26)
Total production (Boe/d @ 6:1)	**24,171**	25,090	(4)	**27,775**	35,104	(21)
Average prices before financial instruments						
Natural gas ($/Mcf)	**2.81**	3.41	(18)	**3.14**	4.98	(37)
Crude Oil ($/Bbl)	**48.21**	52.23	(8)	**53.07**	89.17	(40)
Natural gas liquids ($/Boe)	**36.59**	29.78	23	**35.52**	56.69	(37)
Average realized price	**25.51**	28.48	(10)	**28.23**	48.31	(42)
Drilling activity (gross)						
Gas	**-**	8	(100)	**16**	35	(54)
Oil	**-**	-	-	**5**	50	(90)
Total wells	**-**	8	(100)	**21**	85	(75)

(1) Funds flow from operations and net debt are non-GAAP terms. Please refer to the advisory on Non-GAAP measures below.

(2) Excluding shares held in trust for the benefit of Trilogy's officers and employees under the Company's Share Incentive Plan. Includes Common Shares and Non-voting Shares. Refer to the notes to the interim consolidated financial statements for additional information.

MESSAGE TO SHAREHOLDERS

At the risk of stating the obvious, the past 18 months have evolved into one of the most challenging times in the history of the energy industry. We are proud to tell you that Trilogy's management team is doing everything it can to manage the Company through this period with the goal of improving ourselves and returning to a growth profile as commodity prices recover. Looking back over this period, Trilogy's management has taken the steps it feels are necessary to achieve this goal. This includes reducing our dividend to zero in the fall of 2014, significantly reducing our capital expenditure program through 2015 and disposing of certain Duvernay assets and other non-core assets at very compelling valuations totaling approximately $160.5 million.

These actions, among others, have allowed us to manage our Company through this period while reducing our net debt by approximately 30 percent. Trilogy has aggressively pursued and achieved significant operating and general and administrative cost reductions through the year. In addition, we re-engineered our drilling and completions methods and supply chain management for our main play areas. Based on our most recent wells and the cost-saving measures described above, Trilogy believes it may see reductions in drilling and completions costs for new wells of up to 35 percent for its Montney and Duvernay wells. Also based on recent operations, we anticipate increased lateral lengths and fracture intensities on these horizontal wells, which we believe have the potential to significantly increase estimated ultimate recoveries. These improvements help to generate better returns at lower commodity price levels. Trilogy is very excited by these technological improvements and resulting efficiencies.

Over the last eight years, the oil and gas industry experienced an immense amount of change as it adjusted to revolutionary technological advancements in horizontal drilling and multi-stage fracture stimulation practices. This initial step change in technology has been followed by a period of continuous improvement. Advances in drilling technology allow us to drill faster, cheaper and to longer lateral lengths than previously possible. Improvements in fracture stimulation technology have also occurred, resulting in the ability to pump more proppant at higher rates, yet at significantly lower costs.

These main themes of longer wells, higher fracture intensities and lower costs demonstrate continued productivity improvement and improved economics at lower commodity prices. Although industry continually discovers new sources of hydrocarbons, costs vary dramatically across the different plays and the key is in being able to produce them economically. Trilogy has managed to secure opportunities that we believe are some of the very best in North America and the most cost efficient considering cost structure, productivity, and market access. Trilogy shifted its strategy several years ago from capturing as much resource as possible, to targeting only the most profitable opportunities. Producers and investors, now more than ever, are realizing this is critical to long-term success in the industry. The Company believes it has done an excellent job in allocating its capital to the three main resource play types it has captured, being the Montney gas and oil, and the Kaybob Duvernay shale plays.

During 2015, Trilogy's daily production declined 21 percent from 2014 levels to 27,775 Boe/d as a result of materially reduced capital expenditures. We endured the steeper declines associated with newer high rate horizontal wells not being replaced with new ones, and expect to have a lower decline base to grow from when capital reinvestment resumes. Trilogy's production levels for oil and natural gas liquids as a percentage of overall production declined from 40 to 35 percent. This decline was mainly in the Montney oil pool, the source of the majority of the Company's recent production additions. At $9.18/Boe, operating costs in 2015 were 9 percent lower than 2014 despite lower production levels as Trilogy focused considerable effort on reducing labor costs through improved efficiencies and reduced vendor pricing. Funds flow from operations declined from $349.4 million in 2014 to $109.3 million in 2015 as a result of materially lower commodity prices and reduced production levels. Capital expenditures were reduced to $81 million, prior to acquisitions and dispositions, from $426 million in 2014 as Trilogy adapted to this materially lower cash flow level. Trilogy was able to conclude dispositions of properties totaling $160.5 million in 2015, helping deleverage the Company considerably. The combination of under-spending cash flow, cost control and property dispositions allowed us to reduce net debt by approximately 30 percent, to $544 million at December 31, 2015 from $751 million at year-end 2014. At year-end 2015, Trilogy had available liquidity of approximately $200 million, which we anticipate will provide the necessary flexibility to manage through these turbulent times.

One of the highlights of our year-end reserves report is that proved reserves remained essentially the same as the prior year-end at 95 MMBoe. Proved plus probable reserves grew 13 percent, from 140 MMBoe to 158 MMBoe at year-end 2015. However, proved developed reserves declined from 72.6 MMBoe at December 31, 2014 to 58.3 MMBoe at December 31, 2015. This decline was mainly a function of reduced capital expenditures and the property divestitures we concluded, as well as the termination in November 2015 of our Aux Sable NGL Volumes Recovery Agreement, pursuant to which we previously booked additional reserves associated with our natural gas liquids. To date, and due in part to the low NGL and natural gas commodity price environment, Trilogy has not entered into a replacement agreement. Trilogy did increase its future booking of undeveloped reserves as our significantly improved understanding of the Duvernay play allows us to recognize these reserves. Trilogy estimates that its finding costs for reserves discovered with the 2015 capital program is approximately $20.00/Boe for proved reserves and $14.00/Boe for proved plus probable reserves. When looking at the overall program, including the Company's divestitures, Trilogy had very positive results.

Looking forward to 2016, Trilogy has not provided formal guidance for its capital expenditure budget or production. We expect to manage our activity levels to efficiently maximize production and cash flow levels and maintain our future opportunity base, ultimately undertaking capital expenditures that approximate cash flow levels. To date in the first quarter of 2016, Trilogy has drilled 2 Montney oil wells, two longer lateral Montney gas wells, a Duvernay vertical well for land retention purposes, and a Duvernay horizontal well into the liquids rich portion of the Company's land base.

Two major themes have developed in our industry, namely the material adjustment in commodity prices and the significant changes in capital efficiencies on unconventional resource plays. After several years of very strong liquids commodity pricing, world oil prices steeply declined through 2014 and 2015 as supply increased and outpaced demand through this period. Lower world oil prices will result in the opposite reaction, as capital expenditures for major projects throughout the world are reduced. In turn, demand for lower priced oil will likely accelerate, which could not only rebalance this market, but may produce a major positive price response as this happens. Natural gas markets exhibit the same dynamics and are arguably further advanced in this process than oil. Low natural gas prices, together with the shift to reduce carbon emissions, have resulted in major demand increases for natural gas used in power generation, petrochemicals and exports such as LNG projects. Where prices will ultimately settle will have much to do with industry's improvements in capital efficiencies as a result of drilling longer wells faster, pumping higher intensity fracture treatments, all combined with lower oilfield services costs and efficiencies. Whether further step change improvements will develop in the near future remains to be seen; we are of the view that the next few years are not likely to see improvements on the scale of those made over the last few years and that the main differentiator in success will be the quality of the plays themselves. Trilogy is very excited about this as we feel we have captured material positions in some of the very best plays in North America.

In closing, we want to assure all our stakeholders, including our equity investors, debt investors, employees and the communities we work in, that we are excited about the relationships we have forged and the future ahead of us. Trilogy is uniquely positioned to participate in a changed, but very exciting, future for our industry. Trilogy is proud of what we do to contribute to providing investment returns for our investors while contributing to the high standard of living that our community and our population enjoys.

James H. T. Riddell
Chief Executive Officer
March 3, 2016

2015 Annual Highlights

- Production averaged 27,775 Boe/d (10.1 MMBoe, 35% oil and natural gas liquids) for the year.
- Completed sales of certain Dunvegan and Duvernay assets for proceeds of $160.5 million.
- Trilogy reduced its net debt levels by approximately $207 million year over year, while preserving capacity under its revolving credit facility of approximately $200 million at year-end.
- Annual exploration and development expenditures totaled $81.1 million.
- Drilled 21 (9.0 net) wells, evaluating the Duvernay, Montney, Bluesky, Gething, Falher and Cardium formations.
- Added 14.6 MMBoe of proved reserves and 37.5 MMBoe of proved plus probable reserves.
- Replaced 144 percent of 2015 produced reserves when compared to total proven reserve additions, and 370 percent when compared to proven plus probable reserves.
- Finding and development costs were $20.13/Boe for total proved reserves and $14.09/Boe for proved plus probable reserves.
- Annual operating costs were $9.18/Boe.
- Annual operating netback of $15.67/Boe.
- Annual funds flow from operations of $10.79/Boe.

During 2015, the Company limited capital spending to completing projects that were initiated in the previous year; progressing the development of key oil and liquids-rich natural gas plays that provided acceptable rates of return and lower risk profiles; and, activities that had a strategic benefit to the Company. Given the low commodity price environment, and to preserve liquidity, Trilogy chose to restrict further development of its high quality prospect inventory of oil and liquids-rich natural gas locations until commodity prices improve. Similarly for 2016, Trilogy will maintain this disciplined approach of capital spending at, or below, funds flow from operations. Capital expenditures in 2016 will be weighted more to the second half of the year and commodity prices will dictate expenditure levels.

Certain statements included in this Review of Operations constitute forward-looking statements under applicable securities legislation. Please refer to the Management Discussion and Analysis ("MD&A") to which this Review of Operations is attached for Advisories on forward-looking statements, the assumptions upon which such statements are made and the 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. Please also refer to the MD&A for applicable definitions of non-GAAP measures used including: funds flow from operations, operating income, operating netback, net debt, finding and development costs and recycle ratio

2015 Review of Operations

First Quarter Review

- Average production of 33,041 Boe/d
- $47.7 million net capital expenditures
- Average operating costs of $ 9.32/Boe
- Operating netback of $ 15.60/Boe
- $33.9million funds flow from operations ($0.27/share fully diluted)
- 13 (7.2 net) wells drilled, all drilled horizontally with a 100 percent success rate
- Drilled 2 net oil wells in the Kaybob Montney Oil Pool
- Drilled 3 (2.5 net) Presley Montney gas wells
- Drilled 3 (1.0 net) Duvernay shale condensate/oil wells
- Drilled 1 (1.0 net) horizontal Gething oil well

Second Quarter Review

- Average production of 28,926 Boe/d
- $6.6 million net capital expenditures
- Average operating costs of $9.86/Boe
- Operating netback of $17.56/Boe
- $33.8 million funds flow from operations ($0.27/share fully diluted)
- No wells were rig released during the quarter

Third Quarter Review

- Average production of 25,090 Boe/d
- $17.2 million capital expenditures, before proceeds of disposition
- Average operating costs of $9.28/Boe
- Operating netback of $14.79/Boe
- $22.2 million funds flow from operations ($0.18/share fully diluted)
- Participated in 8 (1.8 net) wells
- Completed sale of Dunvegan oil property in Kaybob area for net proceeds of $45 million

Fourth Quarter Review

- Average production of 24,171 Boe/d
- $5.7 million capital expenditures, before proceeds of disposition
- Average operating costs of $8.11/Boe
- Operating netback $14.41/Boe
- $19.5 million funds flow from operations ($0.15/share fully diluted)
- No wells were rig released during the quarter
- Completed sale of certain Duvernay assets for net proceeds of $112 million

Production

Trilogy's annual 2015 production averaged 27,775 Boe/d (107.9 MMcf/d of natural gas, 5,577 Bbl/d of crude oil and 4,214 Boe/d of natural gas liquids) as compared to annual guidance of 28,000 Boe/d. This 21 percent decrease from the annual production volume for the prior year is largely the result of a significant decrease in capital spending due to lower realized commodity prices through the year. The reduced capital spending program executed during the year was not sufficient to offset the effects of natural production declines, asset sales and pipeline outages. Additional volumes were shut in where poor realized pricing made them uneconomic to produce, and well workovers and optimization projects were postponed until such time as commodity prices improve sufficiently to support the increased spending. In addition, production was significantly impacted by unscheduled downtime in some of the major pipelines and gas processing infrastructure in the Kaybob and Grande Prairie areas during the second half of the year.

The following table summarizes the average daily production by product for the past six years:

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Natural Gas Production *(MMcf/d)*	108.9	119.8	120.3	117.0	126.0	107.9
NGL Production *(Boe/d)*	2,707	4,287	4,315	4,827	5,706	4,214
Crude Oil Production *(Bbl/d)*	1,935	3,759	9,153	10,175	8,326	5,577
Total Production *(Boe/d)*	22,788	28,012	33,510	34,509	35,104	27,775
Liquids Composition (%)	20	29	40	43	40	35

Capital Expenditures

2015 capital expenditures were budgeted to be $100 million. The Company was prepared to adjust its capital spending plans to operate within anticipated funds flow through the year. Approximately 65 percent of Trilogy's 2015 capital budget was originally allocated to non-operated activities, primarily in the Duvernay play. A significant portion of these expenditures were subsequently delayed from the first half of the year until the second half of the year. Ultimately, the assets related to these delayed capital projects were sold to a third party in the fourth quarter, resulting in a decrease to both the non-operated capital commitment and the production volumes that had been anticipated from those projects. Accordingly, the Company was able to reduce its spending to $81.1 million on capital projects while disposing of approximately $160 million of assets.

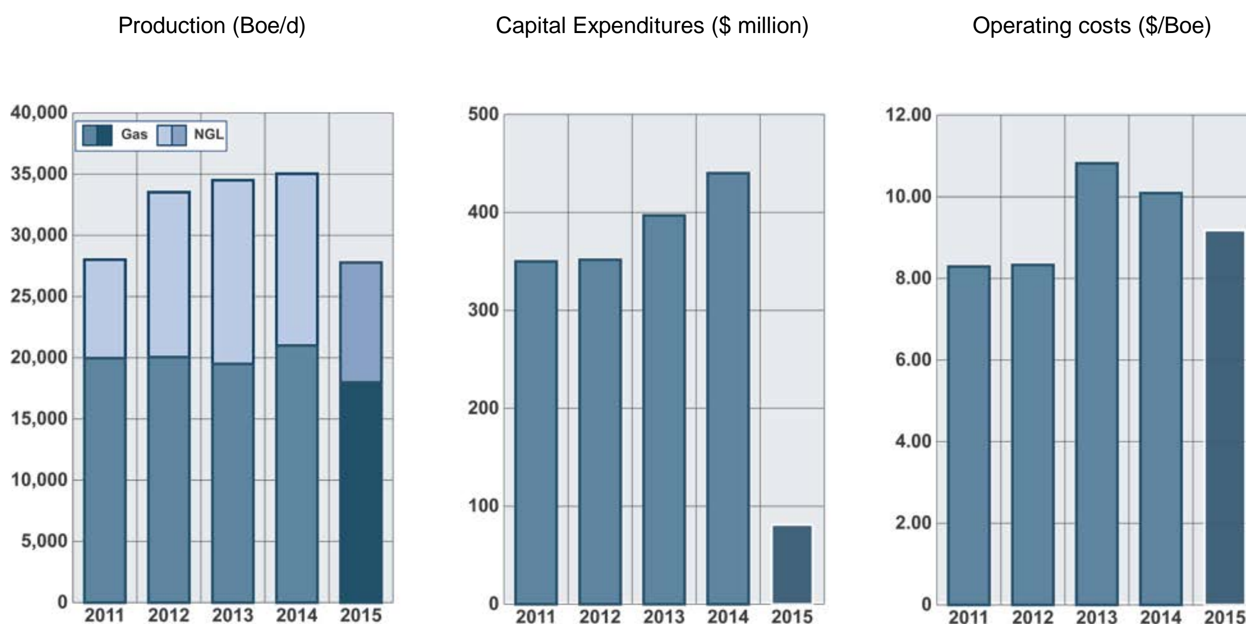
Capital Expenditures *(millions of dollars)*	**2015**	**2014**
Land	1.2	0.2
Geological and geophysical	-	1.5
Drilling and completion	71.8	334.4
Production equipment, facilities and inventory	8.0	89.7
Exploration and development expenditures	81.0	425.8
Corporate and Field office	0.1	0.9
Net property acquisitions / (dispositions)	(160.4)	13.3
Net capital expenditures	($79.3)	440.0

Trilogy has not provided capital spending or production guidance for 2016 given the volatility in crude oil and natural gas prices. Trilogy does expect its annual capital budget for 2016 to be in line with cash flow estimates based on actual and forecast commodity prices for the year and annual production volumes will be a function of the capital spent.

Relative strength in crude oil and condensate pricing through 2012, 2013 and into 2014 afforded Trilogy the

opportunity to allocate a significant portion of its cash flow to attractive plays which it believed targeted higher returns. Continued emphasis on capital allocation to higher rate of return projects, controlling costs and achieving successful drilling results should facilitate the Company's strategy to maintain liquidity and ensure that it remains operationally competitive in the future. Trilogy has employed and continues to employ the following strategies, among others, in achieving its goals:

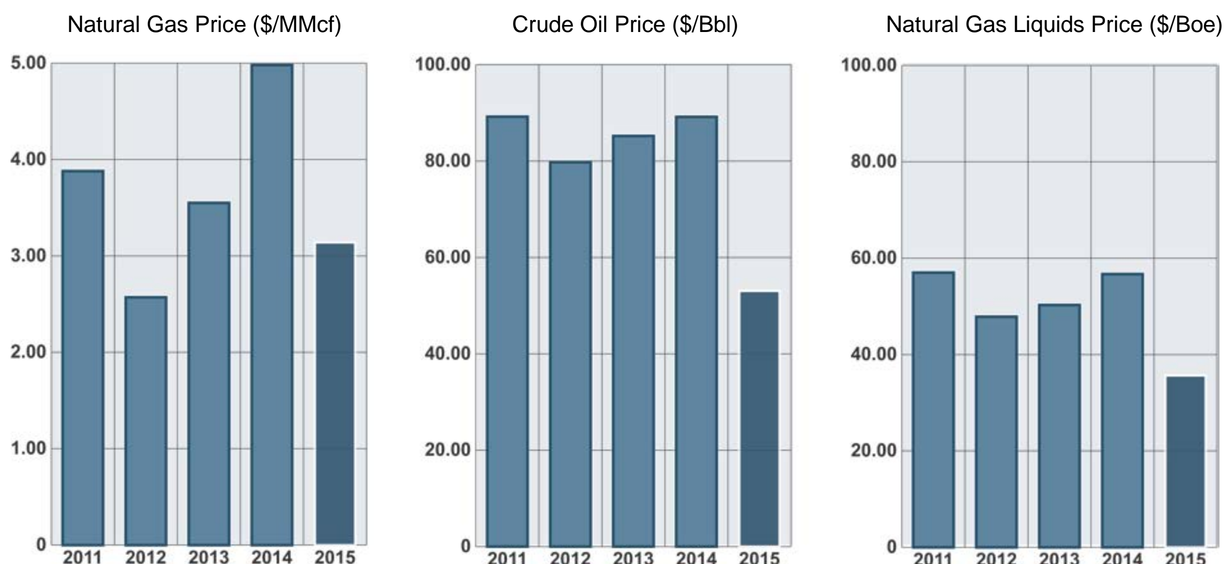
- Trilogy's staff continues to develop its expertise in drilling and completing horizontal wells in the Montney and Duvernay formations, providing greater certainty in budgeting, allocating capital and analyzing risk for the key plays that Trilogy pursues;
- Participating in joint venture operations has afforded Trilogy additional opportunities to monitor technology changes in order to improve on the execution of Trilogy-operated projects;
- Working with employees, contractors and suppliers to ensure that costs savings are realized in all aspects of our business;
- Monitoring forecasted commodity price trends to ensure capital is allocated to projects with higher rates of return.



Operating Costs

Operating costs decreased 9 percent in 2015 to $9.18/Boe as compared to $10.09/Boe in 2014. Trilogy was able to reduced fixed operating costs through reduced labour-related costs and reductions in vendor pricing. Variable costs were reduced due to the shut-in of higher cost production and reduced workover activity. Fourth quarter operating costs were $8.11/Boe, reflecting the ongoing efforts by Trilogy employees, contractors and suppliers to reduce expenditures. Trilogy anticipates that operating costs in 2016 will approximate $9.00/Boe.

Trilogy continues to challenge its employees, contractors and suppliers to find ways to reduce the Company`s cost structure wherever possible without impacting negatively on the Company's environmental, health or safety standards. The request has been generally accepted by our employees, suppliers and contractors and we look forward to moving ahead with those people and service providers who have supported Trilogy`s cost-cutting measures.



Profitability

Trilogy's average natural gas sales price (before financial instruments and transportation) was down 37 percent year over year to $3.14/Mcf in 2015 as compared to $4.98/Mcf in 2014. Approximately 65 percent of Trilogy's 2015 production on a per barrel of oil equivalent basis (6 Mcf: 1 Boe) was natural gas. Trilogy's realized oil price (before financial instruments) decreased 40 percent, to $53.07/Bbl from $89.17/Bbl in the prior year, while natural gas liquids prices were down 37 percent, to $35.52/Boe from $56.69/Boe over the same period. In total, Trilogy's realized price decreased 42 percent, to $28.23/Boe in 2015 compared to $48.30/Boe in 2014. Operating netback in 2015, including realized financial instruments and actual decommissioning and restoration costs, decreased 50 percent, to $15.67/Boe as compared to $31.03/Boe in 2014. This decrease is attributed to lower natural gas, crude oil and natural gas liquids commodity prices which were offset in part by lower royalties and operating costs in 2015.

Funds Flow Reconciliation	**2015**		**2014**	
Production *(Boe/d)*	**27,775**		**35,104**	
	$ million	**$/Boe**	**$ million**	**$/Boe**
Revenue (including other income and realized financial instruments)	**293.8**	**28.98**	**620.5**	**48.43**
Royalties	**(17.7)**	**(1.75)**	**(69.9)**	**(5.46)**
Operating	**(93.1)**	**(9.18)**	**(129.3)**	**(10.09)**
Transportation	**(22.0)**	**(2.17)**	**(19.0)**	**(1.48)**
Decommissioning and restoration	**(2.1)**	**(0.21)**	**(4.7)**	**(0.37)**
Operating Netback	**158.9**	**15.67**	**397.6**	**31.03**
General and administrative	**(14.5)**	**(1.43)**	**(11.3)**	**(0.88)**
Interest and financing	**(35.0)**	**(3.45)**	**(37.0)**	**(2.89)**
Funds flow	**109.4**	**10.79**	**349.4**	**27.26**
Weighted average shares (in thousands) outstanding for the year (fully diluted)	**126,160**		**126,968**	
Funds flow per Share ($/share)	**0.87**		**2.75**	

Drilling Activity

Trilogy participated in the drilling of 21 (9.0 net) wells during 2015, as compared to 85 (53.6 net) wells in 2014, to evaluate the Duvernay, Montney, Bluesky, Gething, Falher and Cardium formations. Trilogy operated 6 (5.5 net) wells and the remaining 15 (3.5 net) wells were non-operated, with 5 (1.5 net) of the non-operated wells being sold to a third party prior to year-end. These wells were not included in the 2015 year-end reserves report. Each year, Trilogy has the opportunity to participate in strategic non-operated joint venture operations on its lands. When the proposed operations are supported by Trilogy's internal technical and economic evaluations, Trilogy participates in these additional projects to ensure that it does not forgo an investment opportunity, the realization of near term financial returns or the opportunity to monitor technology changes that may improve Trilogy's ability to execute on its operated projects.

The Company's continued drilling success rate in the Kaybob area reflects its capital allocation strategy, its expertise in developing large, lower risk resource plays on its lands and the degree to which the Company has successfully adapted horizontal drilling and multi-stage fracture completions to its key development plays.

	Development		**Exploration**	
Drilling Results	**Gross**	**Net**	**Gross**	**Net**
Gas	16	6.0	-	-
Oil	5	3.0	-	-
D&A	-	-	-	-
Total All Wells	21	9.0	-	-
Success *(%)*	100	100	-	-

In 2016, Trilogy expects to continue to operate within forecast cash flow and reduce its drilling and completion operations until commodity prices improve. Current prices do not justify the allocation of capital to many projects, particularly since high initial production rates from horizontal wells makes single well economics very sensitive to commodity prices in the first year of production. At the same time, drilling and completion costs have continued to decline over the past year, helping to support activity levels at generally lower commodity prices. As a result, Trilogy will operate with the expectation that commodity prices will be close to current strip pricing forecast and adjust its capital spending accordingly until there is a clear trend to improving commodity prices.

Land

In 2015, Trilogy spent $1.2 million to acquire 5,120 net acres of land at Alberta Crown land sales. This brings Trilogy's total acreage count to 867,480 gross acres (629,678 net acres) of land as of December 31, 2015, of which 63 percent (397,112 net acres) is considered undeveloped (no reserves assigned).

Trilogy has demonstrated that multiple wells per section need to be drilled to adequately develop its land base to more fully extract the underlying reserves. Trilogy intends to continue to acquire acreage that it believes has future development potential in order to maintain a competitive advantage in its core operating areas.

Land Area *(acres)*	**Gross**	**Net**
Reserves acreage	342,201	232,566
Unproven acreage	525,279	397,112
Total	867,480	629,678

Operating Areas

Kaybob

The Kaybob area accounted for approximately 94 percent of Trilogy's production and 98 percent of its capital expenditures in 2015 and will be allocated a similar percentage of Trilogy's 2016 capital. Trilogy's large portfolio of tight oil and gas assets in Kaybob lends itself to low-cost development and optimization using horizontal drilling and multi-stage completion technology. Activity in this area will provide Trilogy with the opportunity to grow production and replace produced reserves on economic plays with a low risk profile when crude oil and natural prices improve. Trilogy also expects it will be able to leverage off of its substantial investment in infrastructure in the area to minimize production disruptions and reduce operating costs.

Trilogy's Kaybob area production fell 20 percent to 26,191 Boe/d in 2015 as compared to 32,894 Boe/d in 2014. Trilogy was exposed to numerous sales gas pipeline outages and restrictions through the third and fourth quarters that reduced production in the second half of the year by approximately 2,000 Boe/d. Trilogy has contracted an additional 50 MMcf/d of firm TCPL capacity which is expected to be in-service April 2016 to mitigate future interruptions on the main line.

In Kaybob, Trilogy's 2015 capital expenditures before acquisitions and dispositions totaled approximately $80 million. Trilogy drilled 20 (8.5 net) wells in the area during the year as compared to 83 (51.7 net) wells in the prior year. The decrease in drilling activity reflects Trilogy's strategy to reduce capital spending while still participating in strategic joint venture opportunities to preserve long term value of its assets. Much of the horizontal drilling in the Kaybob area has been focused on the Gething, Montney and Duvernay formations. However, Trilogy has also participated for its working interest in a number of third party operated horizontal wells that were drilled to evaluate the Bluesky, Falher and Cardium formations.

Kaybob Montney Oil Pool Development

In 2015, Trilogy drilled 2 wells into its Kaybob Montney oil pool, bringing the total horizontal wells drilled into the pool to date to 109. Given the current commodity price environment, Trilogy plans to drill 2 additional horizontal Montney oil wells in the first quarter of 2016. This 2 well program will adapt new drilling and completion technology and implement vendor cost reductions that are expected to reduce drilling and completions costs from $4.1 million per well in prior years to approximately $2.9 million per well in 2016. Trilogy will evaluate its activity levels in this pool when crude oil prices begin to improve. As of year-end 2015, the pool has produced approximately 10 MMBbl of oil since its discovery in 2010.

Production in 2015 was lower than expected due to certain workover and optimization projects being delayed until commodity prices improve. Pool production averaged 7,562 Boe/d (57 percent oil and natural gas liquids), with operating costs of $6.09/Boe and operating netback of $25.64/Boe, as compared to 10,437 Boe/d, $7.92/Boe and $47.74/Boe respectively, in 2014.

Presley Montney Gas Development

Trilogy's 2015 budget provided for 3 (2.5 net) wells to be drilled into the Presley Montney liquids-rich gas pool. Production from the area averaged approximately 7,850 Boe/d in 2015 as compared to 10,309 Boe/d in 2014. Operating costs for this pool increased from $5.50/Boe in 2014 to $6.04/Boe in 2015 as production declined, while over the same period operating netback fell from $26.56 /Boe in 2014 to $13.33/Boe in 2015 reflecting the decline in commodity prices.

Trilogy currently plans to limit drilling operations in the Presley Montney gas pool to 2 (1.5 net) wells in 2016 given the current weak natural gas price forecast. The drilling program consists of 2 extended length horizontal (approximately 2 mile lateral) wells that are forecast to cost approximately $5.3 million each to drill, complete and tie-in, which compares favourably to similar wells that were drilled, completed and tied-in in the past for approximately $7 million. However, if commodity prices improve through the year, Trilogy could allocate additional capital to this pool provided

the economic rates of return are justified given the expected capital cost and commodity price. Trilogy will continue to prepare drilling locations and evaluate infrastructure alternatives for the Montney gas pool as well as operated Duvernay production in the Presley area so as to be prepared for efficient full field development when commodity prices increase.

Duvernay Shale Oil/Gas Development

Trilogy has been active in the Duvernay shale play for approximately five years. Since its initial involvement in the play, Trilogy has participated in the drilling of approximately 60 Duvernay wells in the Kaybob area. The Company spent approximately $353 million net to evaluate these wells during this period while receiving $108 million in operating income.

In 2015, Trilogy allocated $45 million towards non-operated Duvernay projects, with approximately $25 million being spent in the first half of the year, $15 million in the third quarter and the balance allocated to fourth quarter operations.

In the first and second quarters of 2015, Trilogy participated in the drilling of 3 (1.0 net) horizontal Duvernay wells and the completion of 1 (0.5 net) horizontal Duvernay well that was drilled in the fourth quarter of 2014. These wells were completed through the second and third quarters and brought on production in the third and fourth quarters of 2015. Initial production and flow test results from these four wells are encouraging and will support continued development in the future. During the third quarter, Trilogy participated for its 33 percent working interest in a non-operated well, drilled to a bottom hole location at 16-12-061-20W5M, in the gas condensate area of the Duvernay play. The well was completed in November and is expected to be on production in the first quarter of 2016.

The following table summarizes production information from these wells to December 31, 2015.

	Cumulative Condensate MBbl	Cumulative Gas MMcf	Average Condy Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
4-31-60-20W5	9	124	243	3.5	4.3	1	Nov. 24, 2015
13-7-61-20W5	2	177	280	3.3	3.8	2	Nov. 6, 2015
02/14-8-61-20W5	56	630	302	3.4	5.1	6	May 13, 2015
16-12-61-20W5	0.4	4	105	1.0	24	4 days	Flow Test
15-15-62-23W5	35	291	220	1.8	4.4	5	July 9, 2015

Trilogy participated for its 30 percent working interest in the first 5 wells of an 18 well program (3 six well pads) that were rig released during the third quarter. On November 19, 2015, Trilogy announced that it had entered into a definitive agreement to sell 11 net sections of its Duvernay mineral rights in the volatile oil window for net proceeds of approximately $112 million. In connection with the sale, and in an effort to consolidate Trilogy's Duvernay land position, Trilogy also swapped 5.25 net sections of its Duvernay undeveloped lands for an equivalent number of sections of Duvernay rights for no additional consideration.

The assets were predominantly non-operated Duvernay assets with average production (net to Trilogy) of approximately 730 Boe/d (1.8 MMcf/d of natural gas and 440 Bbl/d of natural gas liquids) for the first eleven months of 2015. The transaction included Trilogy's net proved plus probable reserves attributable to the assets of approximately 2.9 MMBoe as of the October 1, 2015 effective date based on Trilogy's internal adjustment to the December 31, 2014 year end reserves estimate completed by its independent reserves evaluator to take into account production from January 1, 2015 to September 30, 2015 and no other factors. Trilogy estimates that net of current reserves value and the developed acreage being disposed, it sold the equivalent acreage of approximately 9 undeveloped net sections for approximately $14,000/acre ($35,000/ha).

As a result of the sale, Trilogy's capital expenditure commitments for these lands were reduced by approximately $15 million for the fourth quarter of 2015 and up to $75 million for 2016. Trilogy continues to hold a substantial land position in the Kaybob area Duvernay play with approximately 190 sections of land (121,600 acres) in areas that the Company believes to be highly prospective for Duvernay shale development.

Trilogy continues to be encouraged with the progress that has been made by industry in the past five years with respect to the understanding and development of the Duvernay play. The continued evolution of drilling, completion and production techniques led to some very impressive results in 2015. Continued advancements in Duvernay shale completion techniques over this period provided for improved initial production rates and what is expected to be greater ultimate recoverable reserves. Trilogy believes that the Duvernay is proving to be a high quality shale play with attractive economics, as ultimate recoverable reserves increase through the evolving completion techniques and reduced well costs. Over the past year, drilling and completion costs on multi-well pads have come down significantly, from what was originally thought to be $10-12 million per well to expected costs in the $8-10 million per well range. Additional production information over the past year has provided Trilogy the opportunity to generate improved Duvernay type curves for its land position to better value the land base and thereby allocate development funds into what it believes to be the highest rate of return projects when commodity prices improve. Trilogy plans to continue to advance its Duvernay land base towards full scale commercial development and will be considering all options to accelerate the development of the play.

Gething Oil Development

In the first quarter of 2015, Trilogy drilled one well at 3-20-63-19W5 (the "3-20 well"), resulting in a successful horizontal Gething oil well, which was completed and brought on production in the third quarter of the year. The 3-20 well information further supported Trilogy's existing mapping in the area and generated attractive economics that will support the allocation of additional capital to this Gething oil pool.

Trilogy has had positive production results from the four wells that have been drilled in the Gething oil pool to date. Trilogy plans to expand the drilling activity in this pool when crude oil prices improve. The following table contains production information up to December 31, 2015 for these four wells.

	Cumulative Oil MBbl	Cumulative Gas MMcf	Average Oil Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
10-17-63-19W5	133	430	246	0.8	1.4	18	April 7, 2014
7-17-63-19W5	114	379	257	0.9	1.2	15	Aug. 26, 2014
13-21-63-19W5	68	244	156	0.6	1.1	14	Sept. 13, 2014
3-20-63-19W5	60	546	400	3.6	2.9	5	July 13, 2015

Average horizontal well costs for Gething wells in this play are expected to be approximately $5 million to drill, complete, equip and tie-in to a single well battery. Average reserves per well, based on the Company's 2015 year end reserves report for these four wells are 290 MBoe of proved reserves (223 MBoe of crude oil and natural gas liquids and 440 MMcf of natural gas) and 416 MBoe of proved plus probable reserves (321 MBoe of crude oil and natural gas liquids and 569 MMcf of natural gas).

Dunvegan Oil Play

In the third quarter, Trilogy sold its interest in its Kaybob Dunvegan oil play for net proceeds of approximately $45 million. This asset produced approximately 650 Boe/d for the first seven months of 2015 (1.1 MMcf/d of natural gas

and 450 Bbl/d of crude oil and natural gas liquids) from the Dunvegan formation. The transaction included approximately 15 net sections of both developed and undeveloped Dunvegan mineral rights in the immediate area. Trilogy retained its non-Dunvegan mineral rights and producing infrastructure as part of the transaction. Trilogy divested of this play in support of its strategy of maintaining its focus and capital spending on the Montney and Duvernay formations in the Kaybob area.

Grande Prairie

Trilogy's annual production from the Grande Prairie area decreased from 2,210 Boe/d in 2014 to 1,584 Boe/d in 2015, reflecting the decrease in capital spending from approximately $20 million in 2014 to approximately $1.7 million in 2015. The decreased capital spending and resulting production decline reflects Trilogy's efforts to preserve its most economic projects until commodity prices improve. Trilogy remains optimistic regarding the future development of the Grande Prairie area when pipeline and infrastructure capacity becomes more available. At the same time, the Company will continue to evaluate opportunities to generate additional value from these assets, which may include asset dispositions.

2015 Year End Reserves Report Highlights

The following is a summary of Trilogy's 2015 year end reserves and reserves value, as evaluated and reported by the independent engineering firm McDaniel & Associates Consultants. The reserves report has been prepared in accordance with National Instrument 51-101 definitions, standards and procedures.

Below are some highlights:

- Total proved reserves and total proved plus probable reserves at the end of 2015 were 94.9 MMBoe and 157.9 MMBoe, respectively (December 31, 2014 – 95.6 MMBoe and 139.8 MMBoe).
- Before tax NPV_{10} for total proved reserves and for total proved plus probable reserves at the end of 2015 were $779 million and $1,311 billion respectively based on McDaniel Associates & Consultants December 31, 2015 pricing forecast.
- Finding and development costs including future development capital were $20.13/Boe for total proved reserves and $14.09/Boe for total proved plus probable reserves.
- Reserves life index increased to 15.6 years for total proved plus probable reserves in 2015 as compared to 10.9 years in 2014.
- Replaced 144 percent of 2015 produced reserves when compared to total proved reserves additions and 370 percent when compared to total proved plus probable reserves addition.

Trilogy has dedicated substantial resources and capital to further its knowledge base in the Montney and Duvernay plays over the past number of years. Over the past year, industry has made significant progress improving drilling and completion techniques and reducing the associated costs. These advancements have enabled Trilogy the opportunity to generate and refine several production type curves for its land base, as well as other estimates including estimates for recoverable reserves, liquid ratios, infrastructure requirements and operating costs related to these plays. Accordingly, the continued advancements of Trilogy's Montney and Duvernay resource plays has contributed to further derisking the plays and has afforded Trilogy the opportunity to book additional proved and probable undeveloped reserves in the Kaybob area.

The results of the 2015 year end reserves report is summarized in the table below (working interest reserves before royalty deductions):

	Oil	Gas	NGLs	Boe (6:1)	Before tax NPV ($000)		
Reserve Category	**MBbl**	**MMcf**	**MBoe**	**MBoe**	**0%**	**5%**	**10%**
Proved developed producing	9,377	251,273	7,051	58,306	854,000	672,400	549,600
Proved developed nonproducing	1,250	12,436	1,143	4,466	64,900	51,100	41,300
Proved undeveloped	4,275	102,530	10,766	32,129	509,600	309,800	188,000
Total Proved	14,902	366,239	18,959	94,901	1,428,500	1,033,300	778,900
Probable	5,506	223,112	20,323	63,014	1,514,500	860,900	532,200
Total P+P	20,408	589,351	39,282	157,915	2,943,000	1,894,200	1,311,100

Notes
(i) Reserve values were determined by McDaniel as of December 31, 2015, using the forward-pricing assumptions in effect by the firm for that date.
(ii) McDaniel evaluated 100 percent of Trilogy's reserves.
(iii) No value has been assigned to tangible assets other than those associated with proved producing reserves.

Full commercial potential of the Duvernay shale is still considered by some to be in the preliminary stage in the Kaybob area, however, it is Trilogy's belief that the de-risking of the Duvernay play in Kaybob South and Smoky River areas has progressed to the point that an initial development plan for the area was required.

It should be noted that while the proved undeveloped and the probable undeveloped reserves are planned to be exploited over the next five years, the fruition of such plans depends heavily on numerous factors, many of which may be outside the control of Trilogy, one important factor is the fluctuation of commodity prices which can affect the funding for these projects, causing them to be accelerated, deferred or cancelled. Changing technical and production factors can also affect the timely development of these projects.

The following table summarizes the future development capital Trilogy has included in the 2015 reserves evaluation for the next 5 years.

	Capital for Future Development $ millions	
Year	Total Proved	Total Proved plus Probable
2016	68.8	99.4
2017	201.2	252.5
2018	223.6	320.2
2019	83.2	177.6
2020	-	193.8
Total	576.6	1,043.5

Reserves Reconciliation

For 2015, total proved reserves and total proved plus probable reserves were revised upward by 1.3 MMBoe and downward 4.0 MMBoe respectively. The majority of the negative technical revision, approximately 2.9 MMBoe, was due to the termination of the Aux Sable Natural Gas Liquids Recovery Agreement as of November 30, 2015 and the current depressed liquids commodity price environment that did not permit the economics to enter into a similar arrangement thereafter.

Through 2015 Trilogy disposed of certain Dunvegan and Duvernay properties in the Kaybob area, accounting for a decrease of approximately 5.1 MMBoe of proved reserves and 9.2 MMBoe of proved plus probable reserves and 9 undeveloped net land sections for approximately $160.5 million.

Lower commodity prices at the end of 2015 resulted in negative adjustments to the reserve base of 5.7 MMBoe of proved reserves and 5.1 MMBoe of proved plus probable reserves.

The following table below summarizes the reserves reconciliation for 2015.

	Total Proved				Probable				Total Proved+Probable			
	Oil	Gas	NGL	Boe	Oil	Gas	NGL	Boe	Oil	Gas	NGL	Boe
	MBbl	MMcf	MBoe	MBoe	MBbl	MMcf	MBbl	MBoe	MBbl	MMcf	MBbl	MBoe
December 31, 2014	15,921	359,527	19,716	**95,558**	7,354	164,104	9,493	**44,198**	23,274	523,632	29,209	**139,756**
Extensions & Improved Recovery	2,504	64,564	5,819	**19,084**	1,077	81,614	12,815	**27,494**	3,582	146,178	18,633	**46,578**
Technical Revisions*	-496	23,994	-2,242	**1,261**	-2,143	-13,821	-770	**-5,216**	-2,638	10,174	-3,012	**-3,955**
Dispositions	-598	-13,938	-2,211	**-5,131**	-707	-10,966	-1,517	**-4,052**	-1,305	-24,904	-3,727	**-9,183**
Economic Factors	-301	-27,190	-900	**-5,733**	-75	2,180	302	**590**	-376	-25,010	-598	**-5,142**
Production*	-2,128	-40,719	-1,224	**-10,138**	0	0	0	**0**	-2,128	-40,719	-1,224	**-10,138**
December 31, 2015	**14,902**	**366,239**	**18,959**	**94,901**	**5,506**	**223,112**	**20,323**	**63,014**	**20,408**	**589,351**	**39,282**	**157,915**

Notes

(i) Columns and rows may not add due to rounding

In the 2015 year end reserves, McDaniel used the following price forecast for the evaluation which was developed by them.

	WTI @ CUSHING	**EDM REF PRICE**	**HENRY HUB**	**AECO C**	**US/CAD EXCHANGE RATE**
Year	**$US/BBL**	**$C/BBL**	**US$/MMBTU**	**C$/MMBTU**	
2016	45.00	56.60	2.50	2.70	0.73
2017	53.60	66.40	2.95	3.20	0.75
2018	62.40	72.80	3.40	3.55	0.8
2019	69.00	80.90	3.70	3.85	0.8
2020	73.10	83.20	3.90	3.95	0.825
Next 5 years average	84.52	96.70	4.52	4.61	0.825

Finding and Development Costs

Since inception, Trilogy has successfully exploited many of the opportunities afforded by its land base. Its success rate reflects the high quality of the Company's prospect inventory, its undeveloped land base and its producing asset base as well as the technical expertise of Trilogy's staff. The reserve potential of these lands, both developed and undeveloped, is expected to continue to provide Trilogy with low cost reserve additions in the future.

For the year 2015, Trilogy spent approximately $75.7 million, net of $5.4 million in capital related to projects that were not evaluated as they were disposed of prior to year-end. Trilogy booked approximately 3.6 MMBoe and 4.8 MMBoe for total proved and for total proved plus probable reserves respectively. Based on the related capital spent during

the year, Trilogy's finding and development costs for the total proved reserves is $21.03/Boe and for the total proved plus probable reserves is $15.77/Boe.

Finding and development costs including future development capital for 2015 are reported to be $20.13/Boe for total proved reserves and $14.09/Boe for total proved plus probable reserves. Inclusive in the calculation of F&D is the increase in future development capital over the prior year ($218.2 and $452.1 million on a proved and proved plus probable basis respectively).

Finding and development costs for the past 3 years are shown in the table below.

	Proved			Proved plus probable		
	Capital	**Reserves**	**F&D**	**Capital**	**Reserves**	**F&D**
	$MM	MBoe	$/Boe	$MM	MBoe	$/Boe
2013	417.5	19,460	$ 21.45	408.2	20,826.6	$19.60
2014	766.4	30,873	$ 24.82	984.4	47,378.7	$20.78
2015	294.2	14,612	$20.13	528.1	37,480.5	$14.09
3 Year average	1,478.0	64,946	$22.76	1,920.7	105,685.8	$18.17

When calculated over the three-year period ended December 31, 2015, F&D costs were $22.76/Boe for proven reserves and $18.17/Boe for proven plus probable reserves. Calculating finding and development costs over a longer period reduces the effect of spending capital in one year and booking reserves in the following year and reduces the impact of technical revisions.

2016 Outlook

The past year was challenging operationally and financially; significantly lower realized oil and gas prices combined with unscheduled pipeline outages ultimately led to a year-over-year decline in funds flow from operations, from $349 million in 2014 to $109 million in 2015.

Asset quality with disciplined cost structures and balance sheet liquidity ultimately equate to value creation for all stakeholders. Trilogy's Kaybob asset is very well established; it has been accumulated by Trilogy and its predecessors over the past 25 years and Trilogy believes it would not be possible to duplicate. Trilogy's management believes that many of the cost improvements it has made over the past year are permanent and will ultimately strengthen Trilogy and position it to be more profitable in the long term. Through strategic assets dispositions, Trilogy believes it has enough liquidity to not only withstand the current commodity price cycle, but to continue to pursue its growth objectives through its Montney and Duvernay land positions once commodity prices improve. With low commodity prices, Trilogy has been able to renegotiate its operating and capital cost structures and, as a result, they have improved significantly. As long as the current commodity price environment continues, Trilogy is committed to capital spending equal to or less than funds flow from operations in order to preserve liquidity on its balance sheet which, at year end, is approximately $200 million.

Environment, Health and Safety ("EH&S")

Trilogy's ability to fulfill its responsibilities in the areas of environment, health and safety continues to be a significant focus of the Company. We are committed to fostering a culture that respects the people involved in our work and the communities and environment in which we operate. We strive to instill high EH&S standards at all levels of our operations, focusing on education, training and compliance with established policies and procedures. Trilogy closely monitors its performance in these areas, reinforcing accountability among every individual working on Trilogy sites.

Working in a highly regulated industry, Trilogy places a great deal of importance on keeping abreast of current regulatory requirements and, under the oversight of the EH&S Committee of the Board of Directors, directing the activities of its business in a manner that complies with these requirements.

The activities conducted by Trilogy in these areas in 2015 included, among other things, participating with Alberta Occupational Health and Safety in the Proactive Strategic Initiatives Program, implementing a third party competency management and development system, completing emergency response training exercises, holding monthly Safety Meetings and participating in annual Safety Stand Down Meetings with employees, consultants and contractors in the field.

Health and Safety

Trilogy's first priority is the health and safety of its employees, contractors and the public. This is promoted by the Company's "safetyfirst" logo. The policies, practices and procedures associated with Trilogy's Health and Safety Management System are an integral part of its daily operations; Trilogy endeavors to make safety a guiding factor in all of its decisions with safety awareness, training and accountability being well established fundamentals of Trilogy's corporate culture. Hazard and risk assessment, incident/accident reporting and investigation, and site inspections and audits, internally as well as by insurance companies and regulatory agencies, provide a means of measuring our performance. Trilogy strives for continual improvement in its Health and Safety Management System to ensure it is meeting or exceeding applicable occupational health and safety legislation obligations, and maintaining its Certificate of Recognition (COR), which is issued by Alberta Jobs, Skills, Training and Labour and awarded to employers who develop health and safety programs that meet established standards.

Environment

Commitment to environmental protection and stewardship is a critical aspect of our operations and a significant component of Trilogy's decision making process. Environmental pre-site assessments are conducted on cultivated lands to determine baseline criteria to which the reclamation assessment can be compared and to aid in the development of site specific construction practices. New technology implementation and continued regulatory changes aid in reducing the footprint on the land. Impacted material from spills are cleaned up and remediated, and other generated wastes, as a result of our business activities, are identified, processed and tracked in accordance with regulatory requirements and guidelines. This is to ensure that the land is restored to its original state at the time of surface reclamation. An asset retirement inventory to assess future abandonment and reclamation liabilities has been developed and is maintained.

Trilogy reports air emissions and greenhouse gases (GHG) to federal and provincial regulatory agencies. Trilogy's commitment to reducing greenhouse gas emissions makes implementing economically-viable GHG emission reduction projects an important part of our operations. As part of Trilogy's continuing commitment to reduce greenhouse gas emissions from its operations, several emissions reduction practices have been implemented at Trilogy operated facilities including:

- acid gas disposal
- electrifying pump jack drivers;
- upgrading facilities to include gas conservation and hydrocarbon vapour recovery;
- installing and using telematics devices on Trilogy's truck fleet to assist in the reduction of vehicle idling;
- scavenging H_2S from solution gas to allow gas conservation into sweet infrastructure;
- installing floating roof oil storage tanks to minimize fuel gas makeup and hydrocarbon vapour recovery requirements;
- working with our power distributors to extend the electrical grid to new development areas;
- adopting a pad drill philosophy wherever possible to aggregate wells onto a single well pad to reduce the number of flare stacks, roads and pipelines required, and to reduce the volume of purge/pilot fuel gas required, thereby lessening the overall environmental footprint of our operations; and

- utilizing waste flash gas volumes to replace fuel gas in flare pilot supply and thereby reducing our total flare volume requirements.

Trilogy also works with industry and government to ensure our water resources, including rivers, streams, lakes and wetlands, as well as the groundwater systems that are linked to them are being used in a safe and sustainable manner.

For the benefit of all our stakeholders, Trilogy continues to monitor, review and implement new operational processes to demonstrate its commitment to improving environmental performance.

Community Involvement

TRILOGY CARES

Trilogy's financial commitment to Calgary, Fox Creek and First Nations communities continued in 2015, albeit reduced when compared to previous years. In 2015, Trilogy's commitment to the Fox Creek Operator's Group ("FCOG") expanded and continues to be a priority. The man hours associated with the various FCOG subcommittees has increased and the commitment to the stakeholders in the Fox Creek region expanded to included focus on issues such as better drinking water, water sourcing, road use, induced seismicity, community development, air monitoring and overall operational efficiencies, with a mandate to develop natural resources in a transparent, sustainable and responsible manner.

In 2015, Trilogy employees gave their personal time to support local charities in Calgary and Fox Creek by assisting charities such as: Unlocking Potential, Santa's Anonymous, The Fox Creek Nordic Trail and The Calgary Food Bank. Calgary employees also gave, where they could, to the Calgary United Way by way of payroll deductions in an effort to support this local Calgary initiative.

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 Corp. ("Trilogy" or the "Company") for the year- ended December 31, 2015, and should be read in conjunction with the Company's annual consolidated financial statements, the ("Annual Financial Statements).The Annual Financial Statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

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 available information as of March 3, 2016.

Financial and Operating Highlights

- Trilogy added 14.6 MMBoe of proved reserves and 37.5 MMBoe of proved plus probable reserves, including technical revisions.
- Trilogy replaced 144 percent of 2015 produced reserves when compared to total proven reserve additions, and 370 percent when compared to proven plus probable reserves.
- Production decreased in 2015 to 27,775 Boe/d as compared to 35,104 Boe/d in 2014. Reported sales volumes for the fourth quarter of 2015 were lower at 24,171 Boe/d as compared to 25,090 Boe/d for the third quarter.
- Trilogy completed the sale of certain assets in the Kaybob area during the year for net proceeds of approximately $160.5 million ($112 million of this amount was sold in the fourth quarter).
- Capital expenditures in 2015, excluding acquisitions and dispositions, totaled $80.1 million as compared to $426.7 million in 2014. $5.7 million was spent in the fourth quarter as compared to $17.2 million in the third quarter.
- 21 wells (9.0 net) were drilled in 2015 as compared to 85 (53.6 net) in 2014. Zero wells were drilled in the fourth quarter as compared to 8 (1.8 net) wells in the third quarter.
- Finding and development costs [(1)] in the year were $20.13/Boe (total proved reserves) and $14.09/Boe (proved plus probable reserves).
- Operating expenditures decreased to $93.1 million ($9.18/Boe) in 2015 from $129.3 million ($10.09/Boe) in 2014. $18 million ($8.11/Boe) was spent in the fourth quarter as compared to $21.4 million ($9.28/Boe) for the third quarter.
- Funds flow from operations [(1)] decreased to $109.3 million for 2015 as compared to $349.4 in 2014. $19.5 million was generated in the fourth quarter as compared to $22.2 million in the third quarter.
- Net debt [(1)] decreased to $544.2 million at the end of 2015 from $751.6 million at the end of 2014. Capacity under Trilogy's revolving credit facility was approximately $200 million as at year-end.

Reduced capital and operating expenditure levels and the successful disposition of certain properties throughout the year reflect Trilogy's commitment to preserve shareholder value and promote financial sustainability during the depressed commodity price environment.

(1) Refer to Non-GAAP measures in the MD&A

Business Environment and Economic Conditions

World oil over-supply concerns surfacing in the latter half of 2014 through to the date hereof continued to weigh on realized oil and liquids prices received in Canada. In the United States ("U.S."), crude oil stocks reached record inventories and domestic oil production remained strong throughout 2015. These factors, combined with continued strong supply from both Organization of the Petroleum Exporting Countries ("OPEC") and Non OPEC producers continued to reinforce over-supply concerns. Financial instability in Europe and China further contributed to a reduction in the growth in demand and related price for oil and liquids. Strength in the U.S. dollar, relative to the Canadian dollar, provided a partial offset to the reduction in oil prices, increasing the price realized in Canada. Significant market volatility in the price for oil through the year reinforced the diversity and uncertainty in the market as to the timing and extent of a meaningful and sustained recovery in oil and liquids prices. Similarly, gas prices continued to weaken in 2014 through to the date hereof as moderate temperatures experienced throughout most of North America in 2014 and 2015 failed to draw significantly on gas storage levels. This factor, combined with strong supply from industry continued to place downward pressure on the price of natural gas. Lastly, uncertainty created for industry and investors as it relates to the details surrounding changes proposed pursuant to the Alberta government's royalty review and the successful approval and construction of a number of proposed pipelines that could export producer's oil and gas to new markets continue to deter investment in Alberta and negatively impact the prices producers receive for their products.

The aforementioned softness in commodity prices and uncertainties continue to have a direct and profound impact on a large number of oil and gas producers in Canada. Producers have had to quickly respond to the depressed commodity price environment in an effort to preserve shareholder value and their existence as a going concern. Financing initiatives, decreases in distribution levels, asset rationalization programs, capital allocation decisions, labour reductions and other cost reduction strategies have been crucial measures that industry has had to adopt in an effort to mitigate the low commodity price environment and successfully compete as an industry in Canada. As commodity prices regain strength, Trilogy expects to continue profitably exploiting its current land base, focusing on plays that meet its investment return criteria and growing production over the long-term. Trilogy is confident in the success of its business model, asset base, and its ability to generate long-term shareholder value. The following table summarizes the key commodity price benchmarks for the following periods:

	Q4 2015	Q3 2015	YTD 2015	YTD 2014
Crude Oil				
West Texas Intermediate monthly average (U.S.$/Bbl)	**42.18**	46.43	**48.80**	92.99
Canadian Light Sweet monthly average (Cdn$/Bbl)	**52.55**	55.10	**57.44**	94.18
Natural Gas				
NYMEX (Henry Hub close) monthly average (U.S.$/MMBtu)	**2.24**	2.73	**2.63**	4.28
AECO monthly average (Cdn$/GJ)	**2.48**	2.92	**2.70**	4.50
Canada - U.S. dollar closing exchange rate (Cdn$/U.S.$1)	**1.38**	1.33	**1.38**	1.15

Business Overview and Strategy

Trilogy is a petroleum and natural gas-focused Canadian energy corporation that actively develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy's geographically concentrated assets are primarily high working interest properties that provide abundant low risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and controlled by Trilogy. The Company continues to focus its exploitation efforts on play types with better economics, including those that contain oil and natural gas liquids and which utilize horizontal drilling and multi-stage fracture completion techniques.

Trilogy's successful operations are dependent upon several factors, including but not limited to, the price of energy commodity products, the effectiveness of the Company's approach to managing commodity price volatility, capital spending allocations, Trilogy's ability to maintain desired levels of production, control over its infrastructure, its efficiency in developing and operating properties and its ability to manage costs. As at the date hereof, significant uncertainty exists

as to the extent and timing of any meaningful and sustained increase in the realized price for oil, gas and natural gas liquids in North America.

In response to the aforementioned decrease in commodity prices, Trilogy quickly adopted several meaningful measures aimed at sustaining its financial health and to preserve shareholder value which included:

- discontinuing of its monthly dividend for periods subsequent to November 2014;
- reducing capital expenditure levels to be equal to or less than cash flow from operations and targeting only those projects that are strategic and/or meet Trilogy's return requirements;
- continuously evaluating its asset base, identifying and implementing several operational and cost efficiencies;
- shutting in production volumes deemed uneconomic at depressed commodity price levels;
- continuously negotiating with third party contractors and service providers to reduce Trilogy's cost of their goods and services;
- implementing reduction to salary and other benefit for its officers, directors and employees base; and
- disposing of certain assets in 2015 for proceeds of approximately $160.5 million and exploring opportunities to dispose of non-core assets within the Company's portfolio.

Throughout 2015, the aforementioned measures have enabled Trilogy to reduce its net debt levels by approximately $207 million year over year, while preserving capacity of approximately $200 million under its revolving credit facility.

Key Performance Measures

(In thousand dollars except as otherwise indicated)	2015	2014	2013	2012	2011
FINANCIAL					
Total revenue and other income [1]	**307,713**	625,551	551,755	466,490	376,474
Operating income [2]	**153,317**	400,756	336,908	281,315	244,168
Per $boe	**15.12**	31.28	26.75	22.94	23.88
Funds flow from operations [2]	**109,346**	349,360	280,511	241,941	218,502
Per share, diluted [3]	**0.87**	2.75	2.32	2.03	1.84
Per $boe	**10.79**	27.26	22.27	19.73	21.37
Earnings (loss) before tax	**(177,002)**	44,258	459,409	(12,093)	25,042
Per share, diluted [3]	**(1.40)**	0.35	3.80	(0.10)	0.21
Net earnings (loss)	**(137,658)**	(61,011)	11,467	(12,133)	17,415
Per share [3]	**(1.09)**	(0.49)	0.10	(0.10)	0.15
Per share, diluted [3]	**(1.09)**	(0.49)	0.09	(0.10)	0.15
Dividends declared	**-**	48,417	50,188	48,956	48,656
Per voting and non-voting share [3]	**-**	0.39	0.42	0.42	0.42
Total assets	**1,266,492**	1,618,953	1,546,729	1,395,111	1,260,364
Long term debt	**533,545**	701,140	550,530	592,325	413,249
Net debt [2]	**544,167**	751,603	616,053	636,785	490,945
Weighted average shares outstanding, diluted	**126,160**	126,968	120,982	116,418	118,868
Shares outstanding, end of period	**126,024**	125,854	125,174	116,674	116,118
CAPITAL EXPENDITURES					
Geological and geophysical	**(26)**	1,515	235	2,119	976
Drilling, completions, & tie-ins	**71,767**	369,550	342,287	286,438	258,969
Plant and facilities	**8,003**	54,466	56,298	59,710	53,698
Land	**1,184**	238	611	1,027	38,101
Corporate and field office	**152**	900	338	3,424	611
Capital expenditures	**81,080**	426,669	399,769	352,718	352,355
Property acquisition (dispositions), net	**(160,333)**	13,332	(2,869)	(1,402)	(2,476)
Net capital expenditures	**(79,253)**	440,001	396,900	351,316	349,879

(In thousand dollars except as otherwise indicated)	2015	2014	2013	2012	2011
OPERATING					
Production					
Crude oil (bbl/d)	**5,577**	8,326	10,175	9,153	3,759
Natural gas (mmcf/d)	**107,911**	126,430	117,038	120,250	119,802
NGLs (bbl/d)	**4,214**	5,706	4,827	4,315	4,287
Total (boe/d)	**27,775**	35,104	34,509	33,510	28,012
Oil and natural gas liquids production	**35%**	40%	43%	40%	29%
Avg realized prices, before financial instruments					
Crude oil ($/bbl)	**53.07**	89.17	87.01	79.76	89.21
Natural gas ($/mcf)	**3.14**	4.98	3.55	2.57	3.88
NGLs ($/boe)	**35.52**	56.69	50.27	47.85	56.99
Oil equivalent ($/boe)	**28.23**	48.31	44.73	37.16	37.26
RESERVES (4)					
Proved plus probable reserves					
Crude oil (mbbl)	**20,408**	23,274	25,055	20,332	15,830
Natural gas (bcf)	**589**	524	385	369	363
NGLs (mbbl)	**39,282**	29,209	15,944	15,091	12,292
Total (mboe)	**157,915**	139,756	105,190	96,959	88,578
Finding and development cost (2) :					
Proved ($/boe)	**20.13**	24.82	21.45	17.60	18.52
Proved plus probable ($/boe)	**14.09**	20.78	19.60	16.63	17.23
Recycle Ratio (2)	**1.11**	1.49	1.33	1.36	1.40
TRADING STATISTICS ($, based on intra-day trading)					
High	**10.05**	32.30	33.14	37.90	39.43
Low	**3.13**	7.41	25.78	20.23	11.65
Close - year-end	**3.66**	7.91	27.60	29.11	37.57
Average daily volume TSX (thousands)	**496**	413	264	325	248

(1) Includes sales from petroleum and natural gas, financial instrument gains and losses and other income.

(2) Refer to the advisory on Non-GAAP measures at the end of this MD&A.

(3) Includes both Common and Non-voting shares. Refer to Shares, Options and Rights section of this MD&A

(4) Year-end reserves as evaluated and reported on by the independent engineering firm McDaniel & Associates Consultants Ltd (2015 data) and In-Site Petroleum Consultants Ltd (data prior to 2015).

Operating Results Summary

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
Operating income[1]	**29,096**	35,094	**153,317**	400,756
Other income [2]	**4,363**	(53)	**9,278**	1,720
Realized financial instrument gains (losses) [3]	**(1,158)**	(322)	**(1,669)**	(135)
Actual decommissioning and restoration costs	**(245)**	(579)	**(2,096)**	(4,741)
Operating netback[1]	**32,056**	34,140	**158,830**	397,600
Interest and financing charges [4]	**(8,873)**	(8,640)	**(34,969)**	(36,992)
General and administrative expenses	**(3,690)**	(3,346)	**(14,515)**	(11,248)
Funds flow from operations[1]	**19,493**	22,154	**109,346**	349,360
Non-cash items:				
Depletion and depreciation	**(40,009)**	(42,764)	**(189,827)**	(227,838)
Unrealized financial instrument gains (losses)[3]	**5,777**	13,227	**18,822**	4,589
Share based compensation	**(2,562)**	(2,825)	**(12,002)**	(15,215)
Exploration expenditures [5]	**(6,389)**	(774)	**(12,681)**	(8,660)
Amortization of financing fees	**(688)**	(688)	**(2,058)**	(2,004)
Impairments	**(33,415)**	(102,109)	**(153,993)**	(60,002)
Gain on disposal of assets	**41,093**	18,282	**67,437**	4,651
Accretion on decommissioning and restoration liability[6]	**(997)**	(673)	**(2,854)**	(1,051)
Deferred income tax recovery (expense)	**(1,602)**	24,897	**39,344**	(105,269)
Unrealized foreign exchange gains (losses)	**51**	343	**807**	428
Loss and comprehensive income	**(19,248)**	(70,929)	**(137,658)**	(61,011)

(1) Refer to the advisory on Non-GAAP measures at the end of this MD&A

(2) Includes realized foreign exchange gains (losses) and other income

(3) See Risk Management section in this MD&A

(4) Excludes amortization of financing fees

(5) Includes costs associated with impairments, geological and geophysical and expired mineral lease costs

(6) Equals the accretion in excess of or below actual amounts paid on decommissioning and restoration activities in the period

Funds Flow from Operations

Per Unit of Sales Volume (Dollar per Boe)	Three Months Ended		Twelve Months Ended	
	December 31, 2015	**September 30, 2015**	**December 31, 2015**	**December 31, 2014**
Sales	**25.51**	28.48	**28.23**	48.31
Transportation costs	**(2.84)**	(2.24)	**(2.17)**	(1.48)
Royalties	**(1.47)**	(1.76)	**(1.75)**	(5.46)
Operating costs	**(8.11)**	(9.28)	**(9.18)**	(10.09)
Operating income[1]	**13.08**	15.20	**15.12**	31.28
Other income	**1.96**	(0.02)	**0.92**	0.13
Realized financial instruments gains (losses) [2]	**(0.52)**	(0.14)	**(0.16)**	(0.01)
Actual decommissioning and restoration costs	**(0.11)**	(0.25)	**(0.21)**	(0.37)
Operating netback[1]	**14.41**	14.79	**15.67**	31.03
Interest and financing charges[3]	**(3.99)**	(3.74)	**(3.45)**	(2.89)
General and administrative expenses	**(1.66)**	(1.45)	**(1.43)**	(0.88)
Funds flow from operations[1]	**8.77**	9.60	**10.79**	27.26

[1] Refer to the advisory on Non-GAAP measures at the end of this MD&A

[2] See Risk Management section in this MD&A

[3] Excludes amortization of financing fees

Operating Income Items

Fourth Quarter 2015 vs. Third Quarter 2015 (In thousand dollars except as otherwise indicated)	Q4 2015	Q3 2015	Increase (Decrease) Value	%
Average sales volumes:				
Natural gas (Mcf/d)	**97,931**	96,506	1,425	1
Oil (Bbl/d)	**4,675**	5,227	(552)	(11)
Natural gas liquids (Boe/d)	**3,175**	3,779	(604)	(16)
Total (Boe/d)	**24,171**	25,090	(919)	(4)
Liquids Composition (percentage)	**32**	36	(4)	-
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**2.81**	3.41	(0.60)	(18)
Oil ($/Bbl)	**48.21**	52.23	(4.02)	(8)
Natural gas liquids ($/Boe)	**36.59**	29.78	6.81	23
Average realized price	**25.51**	28.48	(2.97)	(10)
Operating income[(1)]				
Natural gas	**25,310**	30,264	(4,954)	(16)
Oil	**20,732**	25,116	(4,384)	(17)
Natural gas liquids	**10,687**	10,354	333	3
Total petroleum and natural gas sales before financial instruments	**56,730**	65,734	(9,005)	(14)
Royalties	**(3,275)**	(4,055)	(780)	(19)
Operating costs	**(18,038)**	(21,419)	(3,381)	(16)
Transportation costs	**(6,321)**	(5,166)	1,155	22
Operating income[(2)]	**29,096**	35,094	(5,998)	(17)

(1) Includes only realized financial instrument gains and losses on oil and gas commodity hedges

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

Comparison of Fourth Quarter 2015 over Third Quarter 2015

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales decreased by $4.4 million due to lower realized prices ($1.9 million) and lower sales volumes ($2.5 million). NGL sales increased by $0.3 million due to higher realized prices ($2.4 million), offset by reduced sales volumes ($2.1 million). Natural gas sales decreased by $5.0 million due to lower realized prices ($5.3 million), offset in part by increased sales volumes ($0.3 million). The lower production was attributed primarily to natural production declines; disposition of certain assets in the Kaybob area; pipeline outages; shut-in production due to poor realized pricing; and the expiry of the Company's liquids recovery agreement with Aux Sable Canada LP. These decreases were offset, in part, by production from new wells and the resumption of production that was previously shut in at third party plants through newly acquired firm service transportation capacity.

Royalties – Royalties were lower over the prior quarter on reduced commodity prices and a decrease in production and liquids composition.

Operating Costs – Operating costs were lower in the quarter primarily on the decrease in production and on reduced well workover and maintenance projects. Transportation costs increased in the quarter upon the acquisition of additional long-term firm service capacity at third party plants and the commencement of short term firm service contracts upon the expiry of a preferential firm service contract.

Year-to-date 2015 vs Year-to-date 2014 (In thousand dollars except as otherwise indicated)	YTD 2015	YTD 2014	Increase (Decrease) Value	%
Average sales volumes:				
Natural gas (Mcf/d)	**107,911**	126,430	(18,519)	(15)
Oil (Bbl/d)	**5,577**	8,326	(2,749)	(33)
Natural gas liquids (Boe/d)	**4,214**	5,706	(1,492)	(26)
Total (Boe/d)	**27,775**	35,104	(7,329)	(21)
Liquids Composition (percentage)	**35**	40	(5)	-
Average realized prices before financial instruments and before transportation:				
Natural gas ($/Mcf)	**3.14**	4.98	(1.85)	(37)
Oil ($/Bbl)	**53.07**	89.17	(36.10)	(40)
Natural gas liquids ($/Boe)	**35.52**	56.69	(21.17)	(37)
Average realized price	**28.23**	48.31	(20.08)	(42)
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**3.14**	5.01	(1.87)	(37)
Oil ($/Bbl)	**53.07**	88.74	(35.67)	(40)
Natural gas liquids ($/Boe)	**35.52**	56.69	(21.17)	(37)
Average realized price	**28.23**	48.30	(20.06)	(42)
Operating income[(2)]				
Natural gas	**123,510**	229,888	(106,378)	(46)
Oil	**108,029**	270,989	(162,960)	(60)
Natural gas liquids	**54,623**	118,071	(63,448)	(54)
Total petroleum and natural gas sales before financial instruments	**286,161**	618,949	(332,788)	(54)
Royalties	**(17,703)**	(69,912)	(52,209)	(75)
Operating costs	**(93,106)**	(129,313)	(36,207)	(28)
Transportation costs	**(22,035)**	(18,968)	3,067	16
Operating income[(2)]	**153,317**	400,756	(247,439)	(62)

(1) Includes only realized financial instrument gains and losses on oil and gas commodity hedges

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

Comparison of Year-to-date 2015 over Year-to-date 2014

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales decreased by $163 million due to lower realized prices ($109.7 million) and on lower volumes ($53.3 million). NGL sales decreased by $63.4 million due to lower realized NGL prices ($44.1 million) and reduced sales volumes ($19.3 million). Natural gas sales decreased by $106.4 million due to lower realized prices ($85.2 million) and lower volumes ($21.2 million). The lower production was attributed primarily to lower capital spending from the latter part of 2014 through 2015, which reduced the contribution of new well production in 2015 that normally replaces natural production declines. Dispositions in the latter half of 2015 in the Kaybob area and reduced volumes recorded under the Company's liquids recovery agreement with Aux Sable Canada LP (the "Aux Sable Agreement") also contributed to the reduced volumes year over year.

Royalties – The decrease in Trilogy's effective royalty rate was attributed to the significant drop in all commodity prices. Royalty rates are, in part, sensitive to commodity prices and generally decrease as commodity prices descend. Lower production and a lower liquids composition also contributed to a reduction in royalties in 2015, as liquids generally attract higher royalty rates.

Operating and Transportation Costs – Operating costs decreased on the lower production and liquids composition. Fewer well and facility workovers and the implementation of cost reductions and efficiencies also lowered operating costs, partially offset by increased third party processing fees at non-operated plants. Finally, lower supply and service costs negotiated with counterparties also contributed to reduced costs in 2015. Transportation costs increased in

conjunction with the strengthening of the U.S. dollar for U.S. destined gas, increased tariffs coming into effect through 2015 and on higher costs incurred to secure short-term gas transportation contracts in response to third party sales gas pipeline disruptions through the year.

Depletion and Depreciation Expense

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
Reported amount	**40,009**	42,764	**189,827**	227,839
Expense per sales volume ($/Boe)	**17.99**	18.53	**18.72**	17.78

The change in depletion and depreciation expense over the above periods was primarily a function of the production levels in the respective periods relative to the Company's estimated oil and gas reserves on a proved developed producing basis. Fourth quarter of 2015 depletion expense decreased $2.7 million mainly due to the decrease in production volumes related to natural production declines and a property disposition in the Kaybob area. Year over year, depletion expense decreased on the lower production volumes offset, in part, by an increase in the expense on a unit of production basis due to downward technical and economic factor reserve revisions, property dispositions and the expiry of the Aux Sable Agreement, all of which reduced reserve estimates on which depletion is calculated.

Exploration and Evaluation Expenditures

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
Expired mineral leases	**1,086**	772	**3,975**	3,725
Impairments	**5,315**	-	**8,733**	3,421
Geological and geophysical	**(13)**	2	**(26)**	1,515
Exploration and evaluation expenses	**6,389**	774	**12,681**	8,660
Expense per sales volume ($/Boe)	**2.87**	0.34	**1.25**	0.68

Exploration and evaluation expenditures consist of the costs of expired leases, impairments on exploratory wells and geological and geophysical costs. Exploratory wells, by their nature, have increased risks and uncertainties that could translate into cost over-runs and reduced production and reserve additions. Impairments are a reflection of these challenges and represent costs incurred in excess of the benefit Trilogy expects to obtain from the well. Early-stage exploration activities and their associated costs progress Trilogy's knowledge base in the play, with an ultimate goal of extracting, developing and producing oil and gas reserves at attractive returns. Refer to Note 7, 8, and 10 of the Annual Financial Statements for more information on exploration and evaluation activities and impairments thereon. The change in exploration and evaluation expenditures between the above periods was due mainly to impairments recorded in 2015 on historical exploratory wells and current year expired mineral leases.

Impairments on Property, Plant, Equipment, and Goodwill

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
Property, plant, and equipment	**33,415**	102,109	**153,991**	20,476
Goodwill	**-**	-	**-**	39,526
	33,415	102,109	**153,991**	60,002

In addition to the aforementioned impairments recorded within Exploration and Evaluation assets, Trilogy also recorded in the year impairments to its property, plant, and equipment. The impairments arose primarily from a significant reduction year over year to the forecast prices and related value within the Company's reserves evaluation report. Dispositions in the year and downward technical revisions upon the removal of reserves associated previously with the Aux Sable Agreement also contributed to the impairments, partially offset by the Company's reserve additions recorded in the year. Refer to note 10 of the Annual Financial Statements for further disclosures on these impairments.

General and Administrative Expenses

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	**December 31, 2015**	**September 30, 2015**	**December 31, 2015**	**December 31, 2014**
Salaries and other benefits	**6,120**	6,136	**26,106**	26,823
Office and communications	**1,133**	1,098	**4,523**	4,639
Corporate and other	**632**	472	**2,724**	3,158
Overhead recoveries and reclassifications to operating costs	**(4,196)**	(4,360)	**(18,838)**	(23,371)
Reported amount	**3,690**	3,346	**14,515**	11,248
Expense per sales volume ($/Boe)	**1.66**	1.45	**1.43**	0.88

General and administrative expenses were higher in the fourth quarter, primarily on a decrease in overhead recoveries on reduced Company operated capital spending. A reduction to a provision for corporate expenses in the third quarter also contributed to lower costs in the third quarter. On a per unit of production basis, general and administrative expenses increased, in part, on the lower production in 2015. Year over year, general and administrative expenses were higher mainly due to lower overhead recoveries on significantly reduced Company operated capital expenditures, partially offset by the impact of certain salary and benefit cost reduction measures, negotiated reductions for consulting services and reduced corporate and legal costs.

Share Based Compensation

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	**December 31, 2015**	**September 30, 2015**	**December 31, 2015**	**December 31, 2014**
Share Incentive Plan	**91**	(162)	**(157)**	2,155
Share Option Plan	**2,471**	2,987	**12,159**	13,060
Reported Amount	**2,562**	2,825	**12,002**	15,215
Expense per sales volume ($/Boe)	**1.15**	1.22	**1.18**	1.19

Share based compensation expense in 2015 was lower than in prior years as the Company reduced grants under the Share Incentive Plan. Regarding the Company's Share Option Plan, lower relative fair values on options granted in 2015 over prior years and the related amortization thereon also contributed to the decrease over the prior year. Changes in the share price, risk free interest rates, volatility assumptions, dividend yields, and expected life of the options on grant date will impact the associated fair value attributed to an option. Refer to Note 15 of the Annual Financial Statements for more information on share based compensation expense.

Interest, Financing, and Accretion Charges

(In thousand dollars except as otherwise indicated)	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Twelve Months Ended December 31, 2015	Twelve Months Ended December 31, 2014
Accretion on decommissioning and restoration liability	**1,241**	1,251	**4,951**	5,792
Interest and other finance costs [1]	**9,561**	9,328	**37,028**	38,996
Expense per sales volume ($/Boe)	**4.30**	4.04	**3.65**	3.04

[1] Includes the amortization of financing fees

Accretion charges represent the increase in the decommissioning and restoration liability associated with the passage of time. Accretion on the Company's decommissioning and restoration liability for three months ended December 31, 2015 was consistent with the prior quarter. Year over year, accretion was lower primarily on a reduction in the relative discount rate used to accrete the liability in 2015 (2.2 percent) over 2014 (average rate of 2.7 percent).

Interest expense for the fourth quarter of 2015 was higher over the prior quarter primarily on the recording of interest on a Crown royalty audit reassessment, partially offset by lower interest on reduced borrowings upon the application of asset disposition proceeds later in the fourth quarter. Interest was lower in 2015 as compared to 2014 primarily on reduced average borrowing rates and lender margins in 2015 over 2014, partially offset by higher average debt levels throughout the year in 2015. The application of disposition proceeds against the Company's revolving credit facility on sale of certain assets in the second half of the year significantly reduced borrowings by the end of 2015. For additional information on Trilogy's long-term debt, refer below under the "Long-term Debt" section of this MD&A and to Note 13 of the Annual Financial Statements.

Risk Management

Financial Risks

Trilogy's main financial risks include, but are not limited to, 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 2015 Annual Financial Statements, the advisories and other sections of this MD&A, as well as the Company's Annual Information Form.

The financial instruments outstanding on the applicable balance sheet dates are recognized at fair value on Trilogy's balance sheet. The change in the fair value of outstanding financial instruments, which are classified as financial assets and liabilities at fair value through profit or loss, are presented as an unrealized gain (loss) on financial instruments in the Consolidated Statement of Comprehensive Income (Loss). Gains or losses arising from monthly settlement with counterparties are presented as a realized gain (loss) on financial instruments.

(In thousand dollars except as otherwise indicated)	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Twelve Months Ended December 31, 2015	Twelve Months Ended December 31, 2014
Realized gain (loss) on financial instruments	**(1,158)**	(322)	**(1,669)**	(135)
Unrealized gain (loss) on financial instruments	**5,777**	13,227	**18,822**	4,589
Total gain (loss) on financial instruments	**4,619**	12,905	**17,152**	4,454
Realized gain (loss) on financial instruments ($/Boe)	**(0.52)**	(0.14)	**(0.16)**	(0.01)

Trilogy may enter into oil, gas, power, interest, and foreign exchange contracts to manage its exposure to fluctuations in the price of oil, gas, electricity, interest, and foreign exchange rates. Trilogy also enters into drilling and other service contracts to secure access to these services and to manage exposure to pricing fluctuations thereon. Refer to Note 20, 21 and 22 of the Annual Financial Statements for more information on realized and unrealized financial instruments gains and losses.

The fair value accounting of financial instruments causes significant fluctuations in the unrealized gain (loss) on financial instruments due to the volatility of energy commodity prices, interest and foreign exchange rates during the period. The fair value of financial instruments as at the balance sheet date will change in the future as a result of changes in these economic benchmarks upon which the fair value is primarily based, and therefore, the amount actually realized from financial instruments will vary from such fair value. The following is a summary of the derivative contracts in place as at the date of this report:

Power

	Financial Forward Sale	
Term	**MW/h**	**Average CAD Price/MW/h**
2016	6	$50.44

Foreign Exchange

Weekly ending FX rate trading range: (CAD per USD)		USD sell per week on trading range:			Weekly premium receipt within trading range:	Expiry
Lower	Upper	Below lower	Between range	Above upper		
1.1950	1.4275	NIL	Nil, receive weekly premium	$750,000 notional at upper range	$7,500	December 2016

To the extent the weekly ending foreign exchange rate is:

- above the upper range of 1.4275, the Company is committed to selling $0.75 million USD at 1.4275 CAD.
- between the payout range, the Company receives the referenced premium with no commitment to sell USD
- less than the lower range, the Company will not receive the referenced premium with no commitment to sell USD

Crude Oil

	Financial Forward Sale	
Term	**Volume (Bbl/d)**	**Average CAD WTI Price/Bbl**
2016 - Sales	3,000	$77.18
2016 - Purchases	3,000	$59.53

As at December 31, 2015, the market value of the crude derivative contracts was estimated at $19.4million.

Operational and Other Risks

Trilogy is subject to various risks and uncertainties including those relating to its operations, environment, and other risks as discussed in the Advisories and other sections of this MD&A, as well as the Company's Annual Information Form.

Liquidity and Capital Resources

(In thousand dollars except as otherwise indicated)	December 31, 2015	December 31, 2014
Current liabilities net of current assets	**10,622**	50,463
Long-term debt	**533,545**	701,140
Net debt[1]	**544,167**	751,603
Shareholders' equity	**447,742**	572,135
Total	**991,909**	1,323,738

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

Refer to Note 20 of the Annual Financial Statements for further disclosures on liquidity and capital management.

Working Capital

The working capital deficiency is funded by cash flow from operations and draw-downs from the Company's Revolving Credit Facility. Fluctuations in Trilogy's working capital deficit arises primarily on production levels, commodity price changes, capital expenditure levels and valuation changes in its derivative financial instruments.

Long-term Debt

Long-term debt represents the outstanding draws from Trilogy's Revolving Credit Facility in addition to borrowings under its Senior Unsecured Notes as described below and in Note 13 of Trilogy's Annual Financial Statements. Timing differences between capital expenditures made and any related operational benefit thereon will create substantial volatility in Trilogy's debt levels. Asset dispositions and acquisitions will also significantly impact debt levels at any given time.

	December 31, 2015	December 31, 2014
Revolving credit facility	**237,485**	406,329
Less prepaid interest and unamortized financing costs	**(635)**	(1,053)
Carrying value	**236,850**	405,276
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(3,305)**	(4,136)
Carrying value	**296,695**	295,864
Total carrying value of long term debt	**533,545**	701,140

Revolving Credit Facility

The credit facility is with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or London Interbank Offered Rate, plus an applicable margin. Trilogy's total commitments of $450, as at December 31, 2015, consisted of:

- A working capital tranche of $35 million and a revolving tranche of $415 million.

Amounts drawn on the working capital and revolving tranches are due upon their maturity on April 30, 2017. The Company's quarterly financial covenants are as follows:

A ratio of "Senior Debt" to "Adjusted EBITDA" for the preceding twelve month period of not greater than 3.0 for all fiscal quarters ended except as provided:

- 3.50 at December 31, 2015, March 31, 2016, and June 30, 2016; and
- 3.25 at September 30, 2016, December 31, 2016, and March 31, 2017.

A ratio of "Consolidated Debt" to "Adjusted EBITDA" for the preceding twelve month period of not greater than 4.0 for all fiscal quarters ended except as provided:

- 6.00 at December 31, 2015, March 31, 2016, and June 30, 2016; and
- 5.50 at September 30, 2016, December 31, 2016, and March 31, 2017.

The credit facility also has the following significant terms:

- The Revolving Credit Facility is subject to semi-annual borrowing base reviews, beginning approximately in April and September of each year. Dispositions and acquisitions of assets may also increase or decrease the borrowing base respectively. In the event that the lending syndicate reduces the borrowing base below the amount drawn at the time of the redetermination, Trilogy has 60 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or by repaying amounts in excess of the re-determined borrowing base;
- Advances drawn on the credit facility are secured by a fixed and floating debenture charge over the assets of the Company.

As at December 31, 2015, the Company is in compliance with all debt covenants. The effective interest rate on Trilogy's Revolving Credit Facility for the twelve month period (excluding other financing costs) was 2.84 percent. (December 31, 2014 – 3.62 percent). The Company has letters of credit totalling $3.5 million as at December 31, 2015 (December 31, 2014: $9.6 million) which reduce the amount available for draw.

Senior Unsecured Notes

In December 2012 the Company issued $300 million principal amount of 7.25 percent Senior Unsecured Notes due December 13, 2019 (the "Notes"). Proceeds from the issuance were used to reduce existing indebtedness under Trilogy's Revolving Credit Facility. Transaction costs of $5.8 million were capitalized and will be amortized into income over the life of the debt using the effective interest rate method. Refer to Note 13 of the Annual Financial Statements. Interest is payable semi-annually in arrears on June 13 and December 13 of each year. The Notes rank pari passu with all of Trilogy's senior indebtedness and are subordinated to all secured indebtedness, which includes Trilogy's Revolving Credit Facility indebtedness.

The Company has the option to redeem the Notes at a price of 103.625 percent, beginning December 13, 2015, decreasing down to 100 percent after December 13, 2018, plus applicable interest, subject to certain conditions.

To the extent the Company experiences a change of control, each holder of the Notes will have the right to require the Company to repurchase, at 101 percent, all or part of such holder's Notes. The notes were initially recognized at fair value net of transactions costs and are subsequently measured at amortized cost using an effective interest rate of 7.53 percent (December 31, 2014 – 7.53 percent).

The Note indenture contains covenants that, among other things, limit the ability of the Company to:

- incur additional indebtedness;
- make restricted payments, including certain investments and the payment of dividends;
- grant certain liens;
- enter into certain transactions with affiliates; and
- effect asset sales, mergers and consolidations.

As at December 31, 2015, the Company is in compliance with all debt covenants.

Contractual Obligations

In addition to the commodity contracts disclosed above, the Company has the following estimated contractual financial obligations (undiscounted) as at December 31, 2015:

(In thousand dollars except as otherwise indicated)	2016	2017 – 2018	2019 – 2020	beyond 2020	Total
On or partially on balance sheet:					
Long-term debt[1]	-	237,485	300,000	-	537,485
Asset retirement obligations[2]	2,102	4,330	4,505	226,315	237,252
Off balance sheet:					
Estimated interest on long-term debt[1]	28,447	45,732	21,750	-	95,929
Fractionation and pipeline transportation commitments[3]	19,430	54,664	62,767	159,199	296,061
Office premises operating leases[4]	2,995	2,164	-	-	5,158
Vehicle and energy service commitments	75	106	72	-	253
Total	53,048	344,481	389,094	385,514	1,172,138

[1] Debt relating to the revolving credit facility has been assumed to be payable within 1.33 years based on the existing terms of the agreement. Interest on this debt was calculated based on an approximate interest rate of 2.82 percent per annum applied to the outstanding balance as at December 31, 2015. Interest on the unsecured senior notes is payable at 7.25 percent per annum on the principal balance with a maturity date of December 13, 2019.

[2] The contractual obligation relating to asset retirement obligation is undiscounted. The present value of such obligation is recorded on the Company's consolidated balance sheet.

[3] Some of the pipeline transportation commitments are covered by letters of credit issued by the Company totaling $3.5 million as at December 31, 2015.

[4] Net of committed rental reimbursements through sub-lease arrangements.

Shares, Options and Rights

The following provides a continuity of outstanding share capital:

	Common Shares[1]	Non-Voting Shares	Total	Amount
Shares as at December 31, 2013	99,338,484	25,835,862	125,174,346	$ 1,092,727
Issued - Share Option Plan	717,500	-	717,500	8,670
Cancellation and issuance	5,000,000	(5,000,000)	-	-
Share Incentive Plan purchases	(190,000)	-	(190,000)	(5,107)
Vesting of Share Incentive Plan awards	151,678	-	151,678	4,327
Shares as at December 31, 2014	**105,017,662**	**20,835,862**	**125,853,524**	**$ 1,100,616**
Issued - Share Option Plan	**203,740**	**-**	**203,740**	**2,287**
Normal Course Issuer Bid	**(100,000)**	**-**	**(100,000)**	**(902)**
Vesting of Share Incentive Plan awards	**66,317**	**-**	**66,317**	**1,783**
Shares as at December 31, 2015	**105,187,719**	**20,835,862**	**126,023,581**	**$ 1,103,784**

[1] Net of Common Shares held in trust for the benefit of employees and officers under Trilogy's Share Incentive Plan.

Outstanding share options issued under Trilogy's share option plan were 10,334,960 as at December 31, 2015 and 10,320,960 as at the date hereof, of which 5,342,500 and 5,318,500 share options were exercisable as at those dates, respectively. Refer to Note 15 of the Annual Financial Statements for additional disclosures.

Dividends

(In thousand dollars except where stated otherwise)	Three Months Ended		Twelve Months Ended	
	December 31, 2015	**September 30, 2015**	**December 31, 2015**	**December 31, 2014**
Funds flow from operations [1]	**19,493**	22,154	**109,346**	349,360
Net changes in operating working capital	**1,234**	6,740	**7,949**	(5,353)
Cash flow from operating activities	**20,727**	28,894	**117,295**	344,007
Net (loss)	**(19,248)**	(70,929)	**(137,658)**	(61,011)
Dividends declared	**-**	-	**-**	48,417
Dividends declared per share (in full amount)	**-**	-	**-**	0.385
Payout Ratio [1]	**0%**	0%	**0%**	14%
Excess of cash flow from operations over dividends declared	**20,727**	28,894	**117,295**	295,590
Excess (deficiency) of net earnings (loss) over dividends	**(19,248)**	(70,929)	**(137,658)**	(109,428)

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

Trilogy's dividends to its Shareholders, to the extent declared, are funded by cash flow from operating activities with the remaining cash flow directed towards capital spending and, if applicable, the repayment of debt. To the extent that the excess of cash flow from operations over dividends is not sufficient to cover capital spending, the shortfall is generally funded by drawdowns from Trilogy's credit facilities. In conjunction with the low commodity price environment (refer to the Business Overview and Strategy in this MD&A), Trilogy discontinued its monthly dividend subsequent to November 2014.

Capital Expenditures

(In thousand dollars except where stated otherwise)	Three Months Ended		Twelve Months Ended	
	December 31, 2015	**September 30, 2015**	**December 31, 2015**	**December 31, 2014**
Land	1,102	24	**1,184**	238
Geological and geophysical	(13)	3	**(26)**	1,515
Drilling, completions, and tie-ins	4,172	15,095	**71,767**	369,550
Production equipment and facilities	337	2,011	**8,003**	54,466
	5,599	17,132	**80,928**	425,769
Proceeds from property dispositions	(111,600)	(44,922)	**(160,522)**	(7,191)
Property acquisitions (net of prior period adjustments)	19	33	**189**	20,523
Corporate assets	89	22	**152**	900
Net capital expenditures	(105,893)	(27,735)	**(79,253)**	440,001

Capital expenditures in 2015 decreased significantly over the prior year pursuant to the Company's reduced 2015 capital program and commitment to preserve shareholder value and promote financial sustainability during the current low commodity price environment. Trilogy disposed of certain assets in the Kaybob area for proceeds $160.5 million, resulting in a gain of $67.4 million. The gain is calculated as the excess of the proceeds received over the Company's cost of the net assets (including property, plant, equipment, exploration and evaluation assets, and any related goodwill net of any associated decommissioning liabilities). The dispositions were in support of the Company's debt reduction strategy and its continued focus on its mostly operated core Montney and Duvernay plays.

Decommissioning and Restoration Liability

At December 31, 2015, Trilogy recorded decommissioning and restoration liabilities of $229.0 million ($228.1 million at December 31, 2014) for the future abandonment and reclamation of Trilogy's properties. The estimated decommissioning and restoration liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability as at December 31, 2014 and 2015 was discounted at an average risk-free interest rate of 2.2. Actual spending under Trilogy's abandonment and reclamation program for the three and twelve months ended December 31, 2015 was $0.2 million and $2.1 million, respectively ($4.7 million – full year, 2014).

Environmental stewardship is a core value at Trilogy and abandonment and reclamation activities continue to be made in a prudent, responsible manner with the oversight of the Environment, Health, and Safety Committee of the Board. Ongoing abandonment expenditures for all of Trilogy's assets are funded entirely out of Trilogy's operating income (refer to the Non GAAP Measures).

Wells Drilled

	Three Months Ended				**Twelve Months Ended**			
(Number of wells)	**December 31, 2015**		**September 30, 2015**		**December 31, 2015**		**December 31, 2014**	
	Gross[1]	**Net[2]**	**Gross[1]**	**Net[2]**	**Gross[1]**	**Net[2]**	**Gross[1]**	**Net[2]**
Natural gas	-	-	8	1.8	16	6.0	35	17.3
Oil	-	-	-	-	5	3.1	50	36.3
Total	-	-	8	1.8	21	9.0	85	53.6

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

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

Income Taxes

In January 2014, the Company received a letter from the Canada Revenue Agency advising the Company that, subject to submissions by Trilogy, it was proposing to reassess Company's income tax filings related to its 2010 conversion from an income trust to a corporation. The proposed reassessments sought to disallow certain tax pools in the amount of $728 million. In February of 2015 Trilogy and the CRA ultimately resolved the dispute through an agreement which resulted in:

- no cash tax outlay by Trilogy for the taxation years 2010 through 2014;
- a provision to Trilogy's Statement of Comprehensive Income for the year ended December 31, 2014 to write down a portion of Trilogy's deferred tax asset;
- the elimination of potentially costly and time consuming court proceedings; and
- management being able to focus more fully on Trilogy's operations to enhance shareholder value.

The Company recorded a future income tax recovery of $39.4 million in 2015 year ($1.6 million future income tax expense in the fourth quarter of 2015). The Company's statutory tax rate of 26 percent was decreased, year-to-date, to an effective annual tax rate of 22 percent as a result of the goodwill disposal of $22.4 million and share based compensation expense of $12 million in Trilogy's consolidated statement of comprehensive loss which are not deductible for tax purposes. Refer to Note 11 of the Annual Financial Statements for additional income tax disclosures.

Trilogy's management estimates that it will not incur current income taxes in the foreseeable future given its significant tax pool balances and expectations of, among other things, future capital expenditure levels and funds flow from operations.

Related Party Transactions

Trilogy had certain transactions with Paramount Resources ("Paramount"), a wholly-owned subsidiary of Paramount Resources Ltd. which owns approximately 15.2 percent of the equity in the Company. The amount of expenses billed and accrued in respect of services provided by Paramount to the Company under a services agreement was $0.4 million for the twelve months ended December 31, 2015. The Company and Paramount also had transactions with each other arising from normal business activities. These transactions were recorded at the fair value of the transacted amount.

Outlook information

The past year was challenging operationally and financially; significantly lower realized oil and gas prices combined with unscheduled pipeline outages ultimately led to a year-over-year decline in funds flow from operations, from $349 million in 2014 to $109 million in 2015.

Asset quality with disciplined cost structures and balance sheet liquidity ultimately equate to value creation for all stakeholders. Trilogy's Kaybob asset is very well established; it has been accumulated by Trilogy and its predecessors over the past 25 years and Trilogy believes it would not be possible to duplicate. Trilogy's management believes that many of the cost improvements it has made over the past year are permanent and will ultimately strengthen Trilogy and position it to be more profitable in the long term. Through strategic assets dispositions, Trilogy believes it has enough liquidity to not only withstand the current commodity price cycle, but to continue to pursue its growth objectives through its Montney and Duvernay land positions once commodity prices improve. With low commodity prices, Trilogy has been able to renegotiate its operating and capital cost structures and, as a result, they have improved significantly. As long as the current commodity price environment continues, Trilogy is committed to capital spending equal to or less than funds flow from operations in order to preserve liquidity on its balance sheet which, at year end, is approximately $200 million.

Quarterly Financial Information

(In thousand dollars except per share amounts)	**Q4 2015**	Q3 2015	Q2 2015	Q1 2015
Revenue after financial instruments, royalties and other income	**62,487**	74,874	77,652	80,686
(Loss) before tax	**(17,646)**	(95,826)	(35,146)	(28,447)
Net (loss)	**(19,248)**	(70,929)	(26,881)	(20,662)
(Loss) per Share (in full amounts):				
Basic	**(0.15)**	(0.56)	(0.21)	(0.16)
Diluted	**(0.15)**	(0.56)	(0.21)	(0.16)

	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenue after financial instruments, royalties and other income	125,683	147,685	147,690	134,581
Earnings (loss) before tax	(54,464)	36,714	37,612	24,396
Net earnings (loss)	(133,331)	26,700	28,234	17,386
Earnings (loss) per Share (in full amounts):				
Basic	(1.06)	0.21	0.22	0.14
Diluted	(1.06)	0.21	0.22	0.14

The fluctuations in Trilogy's revenue and net earnings from quarter to quarter are primarily caused by variations in production volumes, realized oil and natural gas prices and the related impact on royalties, realized and unrealized gains/losses on financial instruments. Gains and (losses) on dispositions, impairments and other charges to deferred tax assets, exploratory and evaluation assets, property, plant, and equipment, goodwill and expiry of mineral land leases can also create significant volatility in Trilogy's net earnings. Please refer to the Results of Operations and other sections of

this MD&A for detailed financial and operational variances between reporting periods and to Trilogy's previously issued annual MD&A for changes in prior periods.

Critical Accounting Estimates

The historical information in this MD&A is based primarily on the Company's consolidated financial statements, which have been prepared in Canadian Dollars in accordance with IFRS. The application of IFRS 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 following are the estimates and judgments applied by management that most significantly affect the Company's financial statements:

Reserves Estimation

The capitalized costs of oil and gas properties are amortized to expense on a unit-of-production basis at a rate calculated by reference to proved developed producing reserves determined in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook. Commercial reserves are determined using best estimates of oil and gas in place, recovery factors, future development and extraction costs and future oil and gas prices. Proved reserves are those reserves that have a high degree of certainty (at least 90% confidence at the aggregate corporate level) of being recoverable under existing economic and political conditions, with existing technology. Probable reserves are based on geological and/or engineering data similar to that used in estimates of proved reserves, but technical, contractual, or regulatory uncertainties preclude such reserves from being classified as proved. Aggregate corporate proved plus probable reserves are attributed to known accumulations and it is equally likely that the actual remaining quantities to be recovered will be greater or less than the reserves estimated.

Exploration and Evaluation Expenditures

Exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. Exploration and evaluation assets include undeveloped land and costs related to exploratory wells. Exploration costs related to geophysical and geological activities are immediately charged to income as incurred. The Company is required to make estimates and judgments about future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Changes to project economics, resource quantities, expected production techniques, unsuccessful drilling, expired mineral leases, production costs and required capital expenditures are important factors when making this determination. If an exploration and evaluation project is determined to be unsuccessful, all associated costs in excess of the expected future benefit are charged to net income. If commercial reserves are established, the relevant costs are transferred from exploration and evaluation to development and production assets which are classified as property, plant, and equipment. Assets are reviewed for impairment prior to any such transfer. Refer to Note 8 of the Annual Financial Statements for further details.

Impairment of Non-financial Assets

Impairment is evaluated at the cash-generating unit ("CGU") level. The determination of CGU's requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposures to market risks. The recoverable amounts of Trilogy's cash-generating units and individual assets have been determined based on fair values less costs of disposal. This calculation requires the use of estimates and assumptions. Oil and gas prices and other assumptions will change in the future, which may impact Trilogy's recoverable amount calculated and may therefore require a material adjustment to the carrying value of property, plant and equipment and goodwill. Trilogy monitors internal and external indicators of impairment relating to its exploration and evaluation assets, property, plant and equipment and goodwill. Refer to Note 10 of the Annual Financial Statements for further details about methods and assumptions used in estimating net recoverable amounts.

Decommissioning and Restoration Costs

Decommissioning and restoration costs will be incurred by Trilogy at the end of the operating lives of Trilogy's oil and gas properties. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including assumptions of inflation, present value discount rates on future liabilities, changes to relevant legal requirements and the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Refer to Note 14 of the Annual Financial Statements for further details.

Share-based Payments

Trilogy measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value requires the determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield and making assumptions about them. Refer to Note 15 of the Annual Financial Statements for further details.

Deferred Income Tax Assets

Trilogy recognizes a benefit related to deferred income tax assets. Assessing the recoverability of deferred income tax assets requires Trilogy to make significant estimates related to expectations of future taxable income based on forecasted cash flows from operations. Trilogy also makes interpretations and judgements on uncertain tax positions of applicable tax laws. Such judgements include determining the likelihood of Trilogy's tax positions being successfully challenged by tax authorities based on information from relevant tax interpretations and tax laws. To the extent such interpretations are challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Trilogy to realize its deferred tax assets recorded at the balance sheet date may be compromised. Refer to Note 11 of the Annual Financial Statements for further details.

Financial Instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage oil and gas commodity price, foreign currency, power, and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty. Refer to Note 20, 21 and 22 of the Annual Financial Statements for further details.

New Accounting Pronouncements

The following standards and amendments have not been adopted as they apply to future periods that may result in future changes to existing accounting policies and disclosures. Trilogy is currently evaluating the impact that these standards will have on the Company's results of operations and financial position.

i. *IFRS 9, Financial Instruments.* The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets and a substantially reformed approach to hedge accounting. Trilogy does not apply hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

ii. *IFRS 16 Leases*, which replaces *IAS 17 Leases.* The objective of the new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a

lessor will recognize lease revenue, and what assets would be recorded. This standard is effective for years beginning on or after January 1, 2019.

iii. *IFRS 15, Revenue from Contracts with Customers.* The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards.

Internal Control over Financial Reporting

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under the Canadian securities law. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of the design and operation of the Company's DC&P. Based on this evaluation, the CEO and CFO have concluded that Trilogy's DC&P were effective as at December 31, 2015.

The Company's CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR"). They have, as at December 31, 2015, designed ICFR or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the Company's officers used to design the ICFR is the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. The Company's CEO and CFO have concluded that, as of December 31, 2015, the Company maintained effective ICFR.

The Company's CEO and CFO are required to disclose any change in the ICFR that occurred during its most recent reporting period that has materially affected, or is reasonably likely to affect, the Company's ICFR. There were no changes in Trilogy's ICFR during the year-end December 31, 2015 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Advisories

Certain statements included in this document (including this MD&A and the Review of Operations) constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "goal", "objective", "possible", "probable", "projected", "scheduled", or state that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved, or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to statements regarding:

- business strategy and objectives for 2016 and beyond (including the development of the Kaybob Montney oil and gas pools, the Gething oil pool, the Duvernay shale play and Trilogy's Grande Prairie assets);
- expectations regarding future commodity prices for crude oil, natural gas, NGLs and related products and the potential impact to Trilogy of commodity price fluctuations;
- projections as to cash flow, funds flow from operations, future earnings and other measures of profit;
- Trilogy's expectations regarding the size and term of its bank credit facility, access to capital and the cost of borrowing;
- forecast capital expenditures and the amount, timing and allocation thereof (including budgeted expenditures for the Duvernay shale play, the

Montney oil and gas pools, and Grande Prairie assets);
- estimates of future production volumes and growth, the sources and timing thereof and the relative content of crude oil, natural gas and NGLs therein;
- Management's intention to reduce costs, control capital spending, preserve capital, maintain financial health and live within cash flow along with Management's beliefs regarding the impact of such cost reduction measures on Trilogy's operations and financial position;
- statements regarding management's intention to rationalize assets;
- Trilogy's intention to consider all options to accelerate the development of its Duvernay assets;
- estimated reserves, reserve replacement, and the undiscounted and discounted present value of future net revenues therefrom (including the forecasted prices and costs and timing of expected production volumes and future development capital);
- development plans, operational plans and strategies (including plans for drilling and completion programs) and the anticipated timing, cost, sources of funding, and expected benefits thereof;
- the potential for development of Trilogy's assets (including the Kaybob Montney oil and gas pools, the Gething oil pool and the Duvernay shale gas development, among others); estimates of drilling inventories; tenure, prospectivity of Trilogy's current and future land holdings; and the nature and timing of Trilogy's plans to further maintain, delineate and exploit these and other assets;
- projected capacity availability at Trilogy-operated and third party facilities and pipelines, run-times, expected facility downtime and timing and extent of associated impact on production;
- operating, finding and development, decommissioning, restoration and other costs and the anticipated results of Trilogy's cost cutting measures;
- royalty rates and applicability of government incentive and royalty programs affecting Trilogy including the application of the Modernized Royalty Framework that the Government of Alberta intends to implement;
- approach to declaring dividends;
- future expenditures and future allowances relating to environmental matters and abandonment and reclamation obligations and Trilogy's ability to comply with same;
- pro-forma debt levels and reduction of net debt;
- projected results of hedging contracts and other financial instruments;
- income taxation of Trilogy; estimates of tax assets, tax pools and Trilogy's future taxability; and the effect of the resolution of the tax dispute with the CRA on remaining tax pools and deferred tax assets;
- the expected impact of new accounting pronouncements; and
- other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, and 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:

- future crude oil, natural gas, condensate, NGLs and other commodity pricing and supply;
- credit facility and terms and anticipated amendments to financial covenant limits thereunder;
- the ability of Trilogy to repay its debt when due;
- foreign currency, exchange and interest rates;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- general business, economic, industry and market conditions;
- geology applicable to Trilogy's land holdings;
- current production forecasts and the relative content of crude oil, natural gas and NGLs therein;
- the ability of Trilogy and its industry partners to obtain drilling and operational results, improvements and efficiencies consistent with expectations (including in respect of anticipated production volumes, reserves additions and NGL yields);
- well economics;
- decline rates;
- projected capital investment levels and the successful and timely implementation of capital projects;
- anticipated timelines and budgets being met in respect of drilling programs and other operations;
- the ability of Trilogy to obtain on acceptable terms the required capital to finance its exploration, development and other operations;
- the ability of Trilogy to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its evaluations and activities;

- the ability of Trilogy to secure adequate product processing, transportation, fractionation and storage capacity on acceptable terms or at all and assumptions regarding the timing and costs of other outages and turnarounds;
- the ability of Trilogy to market its oil, natural gas, condensate, other NGLs and other products successfully to current and new customers;
- cash flow consistent with expectations;
- continuity of government royalty and regulatory regimes, including drilling and royalty incentive programs and their application to Trilogy's operations;
- the timely receipt of required regulatory approvals;
- the continuation of assumed tax regimes, estimates and projections in respect of the application of tax laws and estimates of deferred tax amounts, tax assets and tax pools;
- the extent of Trilogy's liabilities; and
- other assumptions inherent in current guidance.

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

- fluctuations in crude oil, natural gas, condensate and other natural gas liquids and commodity prices;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;
- Trilogy's ability to maintain targeted or required ratios within its credit and debt arrangements, and the risks of not maintaining such required ratios, including early debt repayment and/or other penalties;
- fluctuations in foreign currency exchange rates and interest rates;
- the ability to generate sufficient cash flow from operations and obtain financing on acceptable terms to fund planned exploration, development, construction and operational activities and to meet current and future obligations, including costs of anticipated projects and repayment of debt;
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, taxes, costs and expenses;
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas, condensate and other natural gas liquids, and market demand;
- risks and uncertainties involving the geology of oil and gas;
- the uncertainty of reserves and resource estimates;
- the ability of Trilogy to add production and reserves through development and exploration activities and acquisitions;
- Trilogy's ability to secure adequate product processing, transmission, transportation, fractionation and storage capacity on a timely basis or at all;
- potential disruptions or unexpected technical difficulties in designing, developing, or operating new, expanded, or existing facilities (including third party operated facilities);
- risks inherent in Trilogy's marketing operations, including credit and other financing risks and the risk that Trilogy may not be able to enter into arrangements for the sale of its crude oil natural gas and/or natural gas liquids on acceptable terms or at all;
- the possibility that Trilogy will not commence or complete a process to evaluate opportunities to advance its Duvernay shale assets in the near future or at all;
- volatile business, economic and market conditions;
- general risks related to strategic and capital allocation decisions, including potential delays or changes in plans with respect to exploration or development projects or capital expenditures and Trilogy's ability to react to same;
- availability of equipment, goods, services and personnel in a timely manner and at an acceptable cost;
- health, safety, security and environmental risks;
- The timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- environmental, regulatory and compliance risks including those potentially associated with greenhouse gases and hydraulic fracturing;
- weather conditions;
- the possibility that government policies, regulations or laws may change, including risks related to the imposition of moratoriums;
- the ability to obtain required governmental or

regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- uncertainty in amounts and timing of royalty payments and applicability of and change to royalty regimes and incentive programs including, without limitation, the Natural Gas Deep Drilling Program, the Drilling Royalty Credit Program and the application of the Modernized Royalty Framework that the Government of Alberta intends to implement;
- imprecision in estimates of product sales, commodity prices, capital expenditures, tax pools, tax shelter, tax deductions available to Trilogy, changes to and the interpretation of tax legislation and regulations;
- uncertainty regarding results of objections to Trilogy's exploration and development plans by third party industry participants, aboriginal and local populations and other stakeholders;
- risks associated with existing and potential lawsuits, regulatory actions, audits and assessments;
- changes in land values paid by industry;
- risks associated with Trilogy's mitigation strategies including insurance and hedging activities;
- risks related to the actions and financial circumstances of Trilogy agents and contractors, counterparties and joint venture partners, including renegotiation of contracts;
- the ability of management to execute its business plan; and
- other risks and uncertainties described elsewhere in this document and in Trilogy's other filings with Canadian securities authorities, including its Annual Information Form.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form and in other documents on file with the Canadian Securities regulatory authorities. The forward-looking statements or information contained in this document are made as of the date hereof and Trilogy undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

Certain measures used in this document, including "adjusted EBITDA", "consolidated debt", "finding and development costs", "funds flow from operations", "operating income", "net debt", "operating netback", "payout ratio", "recycle ratio" and "senior debt" collectively the "Non GAAP measures" do not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered Non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Trilogy to provide Shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. However, given their lack of standardized meaning, such measurements are unlikely to be comparable to similar measures presented by other issuers.

"Adjusted EBITDA" refers to "Funds flow from operations" plus cash interest and tax expenses and certain other items that do not appear individually in the line items of the Company's financial statements.

"Consolidated debt" generally includes all long-term debt plus any issued and undrawn letters of credit, less any cash held.

"Finding and development costs" refers to all capital expenditures and costs of acquisitions, excluding expenditures where the related assets were disposed of by the end of the year, and including changes in future development capital on a proved or proved plus probable basis. "Finding and development costs per Barrel of oil equivalent" ("F&D $/Boe") is calculated by dividing finding and development costs by the current year's reserve extensions, discoveries and revisions on a proved or proved plus probable reserve basis. Management uses finding and development costs as a measure to assess the performance of the Company's resources required to locate and extract new hydrocarbon reservoirs.

"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital as shown in the consolidated statements of cash flows. Management utilizes funds flow from operations as a key measure to assess the ability of the Company to finance dividends, operating activities, capital expenditures and debt repayments.

"Operating income" is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating costs, and transportation costs. "Operating netback" refers to Operating income plus realized

financial instrument gains and losses and other income minus actual decommissioning and restoration costs incurred. Operating income and operating netback are used by management to measure operating results of discrete oil and gas properties' performance without reference to capital and organizational structure and corporate and general administrative costs.

"Net debt" is calculated as current liabilities minus current assets plus long-term debt. Management utilizes net debt as a key measure to assess the liquidity of the Company.

"Payout ratio" refers to dividends divided by cash flow from operations. This measure assists in providing a more complete understanding of the Company's ability to fund future dividends to Shareholders from cash flow from operations.

"Recycle ratio" is equal to "Operating netback" on a production barrel of oil equivalent for the year divided by "F&D $/Boe" (computed on a proved or proved plus probable reserve basis as applicable). Management uses this metric to measure the profitability of the Company in turning a barrel of reserves into a barrel of production.

"Senior debt" is generally defined as "Consolidated debt" but excluding any indebtedness under the Senior Unsecured Notes.

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 IFRS, as set forth above, or other measures of financial performance calculated in accordance with IFRS.

Numerical References

All references in this document and Trilogy's functional currency are in Canadian Dollars unless otherwise indicated. The columns on some tables in this document may not add due to rounding.

Oil and Gas Advisory

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 (6:1). 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. For Q4 2015, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 17:1 ("Value Ratio"). The Value Ratio is obtained using the Q4 2015 average realized oil price of $48.21 (CAD$/Bbl) and the Q4 2015 average realized natural gas price of $2.81 (CAD$/mcf). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

Well Test Data: Well flow test data is not necessarily indicative of long-term performance or of ultimate recovery of reserves.

Additional Information

Trilogy's common shares are listed on the Toronto Stock Exchange under the symbol "TET". Additional information about Trilogy, including Trilogy's Annual Information Form, is available at www.sedar.com or at Trilogy's website www.trilogyenergy.com.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Trilogy Energy Corp. ("Trilogy") are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain estimates that reflect management's best judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

Management has the overall responsibility for internal controls and maintains a system of internal controls that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report Trilogy's operating and financial results and that Trilogy's assets are safeguarded.

The Board of Directors has approved the information contained in the consolidated financial statements. The Board of Directors fulfills its responsibility regarding the consolidated financial statements through its Audit Committee, which is comprised entirely of independent directors. The Audit Committee meets at least quarterly with management and the external auditors to ensure that management's responsibilities are properly discharged and to review the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for consideration when approving the annual consolidated financial statements for issuance to the stakeholders. The Audit Committee also considers, for review by the Board of Directors and approval by the Shareholders, the engagement or re-appointment of external auditors.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by a vote of shareholders at Trilogy's last annual meeting to audit the consolidated financial statements and provide an independent opinion. PricewaterhouseCoopers LLP have full and free access to the Audit Committee and management.

/s/J. H. T. Riddell
J. H. T. Riddell
Chief Executive Officer

/s/ M. G. Kohut
M. G. Kohut
Chief Financial Officer

March 3, 2016

March 3, 2016

Independent Auditor's Report

To the Shareholders of
Trilogy Energy Corporation

We have audited the accompanying consolidated financial statements of Trilogy Energy Corporation, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
111 – 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada, T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trilogy Energy Corporation as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

TRILOGY ENERGY CORP.

Consolidated Balance Sheet

(in thousand Canadian dollars)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Trade and other receivables	*6, 20, 21*	**25,225**	56,130
Derivative financial instruments	*20, 21, 22*	**19,073**	-
Prepaids		**1,252**	348
		45,550	56,478
Non-current assets			
Property, plant and equipment	*7, 8, 10*	**1,050,340**	1,374,853
Exploration and evaluation assets	*7, 8, 10*	**62,695**	86,025
Deferred tax asset	*11*	**29,404**	652
Goodwill	*9*	**78,503**	100,945
Total assets		**$ 1,266,492**	$ 1,618,953
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	*12, 20, 21*	**$ 54,178**	$ 105,198
Interest payable	*13*	**1,132**	1,132
Derivative financial instruments	*20, 21, 22*	**862**	611
		56,172	106,941
Non-current liabilities			
Long-term debt	*13, 20, 21*	**533,545**	701,140
Decommissioning and restoration liability	*14*	**229,033**	228,145
Deferred tax liability	*11*	**-**	10,592
Total liabilities		**818,750**	1,046,818
Shareholders' equity			
Shareholders' capital	*15, 16*	**1,103,784**	1,100,616
Contributed surplus		**59,798**	49,701
Accumulated deficit		**(715,840)**	(578,182)
		447,742	572,135
Total shareholders' equity and liabilities		**$ 1,266,492**	$ 1,618,953

See accompanying notes to the consolidated financial statements

Consolidated Statement of Comprehensive Loss

(in thousand Canadian dollars except per share amounts)

	Note	Year Ended December 31, 2015	2014
Revenue and other			
Petroleum and natural gas sales	*25*	**$ 286,161**	$ 618,949
Royalties		**(17,703)**	(69,912)
Revenue		**268,458**	549,037
Foreign exchange	20	**5,687**	1,629
Gain on derivative financial instruments	*20, 21, 22*	**17,152**	4,454
Other income		**4,400**	519
		295,697	555,639
Expenses			
Operating and production		**93,106**	129,313
Transportation		**22,035**	18,968
Depletion and depreciation	*7*	**189,827**	227,838
Impairments	*10*	**153,991**	60,002
Exploration and evaluation	*8*	**12,681**	8,660
Gain on disposal of assets	*7*	**(67,437)**	(4,651)
General and administrative	*24*	**14,515**	11,248
Share-based compensation	*15*	**12,002**	15,215
Accretion on decommissioning and restoration liability	*14*	**4,951**	5,792
Interest and other finance costs	*13*	**37,028**	38,996
		472,699	511,381
Net income (loss) before income tax		**(177,002)**	44,258
Income tax expense (recovery)			
Deferred	*11*	**(39,344)**	105,269
Comprehensive loss		**$ (137,658)**	$ (61,011)
Loss per share	*17*		
- Basic		**$ (1.09)**	(0.49)
- Diluted		**$ (1.09)**	(0.49)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Equity

(In thousand Canadian dollars except share information)

	Outstanding Common and Non-Voting Shares [(1)]		Share Capital		Contributed Surplus		Accumulated Deficit		Shareholders' Equity
Balance at January 1, 2014	125,174,346	$	1,092,727	$	41,875	$	(468,753)	$	665,849
Net loss for the period	-		-		-		(61,011)		(61,011)
Share options exercised *(note 15, 16)*	717,500		8,670		(3,063)		-		5,607
Dividends declared	-		-		-		(48,418)		(48,418)
Share Incentive Plan purchases, net of grants vested *(note 15, 16)*	(38,322)		(781)		(4,326)		-		(5,107)
Share-based compensation *(note 15)*	-		-		15,215		-		15,215
Balance at December 31, 2014	125,853,524	$	1,100,616	$	49,701	$	(578,182)	$	572,135
Net loss for the period	-		-		-		(137,658)		(137,658)
Share options exercised *(note 15, 16)*	203,740		2,287		(579)		-		1,708
Normal Course Issuer Bid *(note 16)*	(100,000)		(902)		457		-		(445)
Share Incentive Plan grants vested *(note 15, 16)*	66,317		1,783		(1,783)		-		-
Share-based compensation *(note 15)*	-		-		12,002		-		12,002
Balance at December 31, 2015	**126,023,581**	**$**	**1,103,784**	**$**	**59,798**	**$**	**(715,840)**	**$**	**447,742**

[(1)] Net of Common Shares held in trust for the benefit of employees and officers under Trilogy's Share Incentive Plan (refer to notes 15 and 16 for additional disclosures).

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

(in thousand Canadian dollars except as otherwise indicated)

	Note	Year Ended December 31, 2015	2014
Operating activities			
Net income (loss) before income tax		**$ (177,002)**	$ 44,258
Adjustments for non-cash and other items:			
Unrealized losses (gains) on derivative financial instruments	*20, 21, 22*	**(18,822)**	(4,589)
Unrealized foreign exchange gains		**(807)**	(428)
Depletion and depreciation	*7*	**189,827**	227,838
Exploration and evaluation	*8*	**12,681**	8,660
Impairments	*10*	**153,991**	60,002
Gain on disposal of assets		**(67,437)**	(4,651)
Amortization of finance fees	*13*	**2,058**	2,004
Share based compensation	*15*	**12,002**	15,215
Accretion on decommissioning and restoration liability	*14*	**4,951**	5,792
Decommissioning and restoration costs in period	*14*	**(2,096)**	(4,741)
Change in non-cash working capital	*18*	**7,949**	(5,353)
Cash flow from operating activities		**117,295**	344,007
Investing activities			
Exploration and evaluation expenditures	*8*	**(7,664)**	(59,606)
Property, plant and equipment expenditures	*7*	**(73,416)**	(367,063)
Property acquisitions	*7*	**(189)**	(20,523)
Proceeds from disposition	*7*	**160,522**	7,191
Restricted cash decrease (increase)		**-**	5,898
Change in non-cash working capital	*18*	**(28,967)**	(6,633)
Cash flow used in investing activities		**50,286**	(440,736)
Financing activities			
Draws (repayments) on revolving credit facility	*13*	**(168,844)**	149,033
Dividends paid to Shareholders		**-**	(52,803)
Share incentive plan purchases	*15, 16*	**-**	(5,107)
Shares issued	*15, 16*	**1,708**	5,606
Normal Course Issuer Bid	*16*	**(445)**	-
Cash flow from financing activities		**(167,581)**	96,729
Change in cash		**-**	-
Cash balance, beginning of period		**-**	-
Cash balance, end of period		**-**	-
Cash interest paid		**$ 35,778**	$ 37,731

See accompanying notes to the consolidated financial statements

1. General

Trilogy Energy Corp. ("Trilogy" or the "Company") is a petroleum and natural gas-focused Canadian energy corporation that actively acquires, develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy's registered office is located at 1400, 332 – 6th Avenue SW, Calgary, Alberta and its petroleum and natural gas extractive operations are situated primarily in the Province of Alberta.
References are made to ("Shares"), consisting of common shares ("Common Shares") and non-voting shares ("Non-Voting Shares").

2. Basis of Preparation

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These annual consolidated financial statements ("Annual Financial Statements") have been prepared in accordance with IFRS applicable to the preparation of Annual Financial Statements.

The policies applied in these Annual Financial Statements are based on IFRS issued and outstanding as of March 3, 2016, the date the Annual Financial Statements were approved by Trilogy's Board of Directors.

The Annual Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value (note 21). All values are rounded to the nearest thousand except where otherwise indicated.

The Annual Financial Statements include the accounts of the Company and its wholly-owned subsidiaries as the Company obtains all of the economic benefits of the operations of its operating subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries include those entities (including special purpose entities), which Trilogy controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control over another entity. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases.

3. Significant Accounting Judgments, Estimates and Assumptions

The Company makes estimates and assumptions concerning the future that may, by definition, differ from actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. These estimates and judgments have a significant risk of requiring a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Reserves Estimation

The capitalized costs of oil and gas properties are amortized to expense on a unit-of-production basis at a rate calculated by reference to proved developed producing reserves determined in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook. Commercial reserves are determined using best estimates of oil and gas in place, recovery factors, future development and extraction costs and future oil and gas prices. Proved reserves are those reserves that have a high degree of certainty (at least 90% confidence at the aggregate corporate level) of being recoverable under existing economic and political conditions, with existing technology. Probable reserves are based on geological and/or engineering data similar to that used in estimates of proved reserves, but technical, contractual, or regulatory uncertainties preclude such reserves from being classified as proved. Aggregate corporate proved plus probable reserves are attributed to known accumulations and it is equally likely that the actual remaining quantities to be recovered will be greater or less than the reserves estimated.

Exploration and Evaluation Expenditures

Exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. Exploration and evaluation assets include undeveloped land and costs related to exploratory wells. Exploration costs related to geophysical and geological activities are immediately charged to income as incurred. The Company is required to make estimates and judgments about future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Changes to project economics, resource quantities, expected production techniques, unsuccessful drilling, expired mineral leases, production costs and required capital expenditures are important factors when making this determination. If an exploration and evaluation project is determined to be unsuccessful, all associated costs in excess of the expected net recoverable amount are charged to net income. If commercial reserves are established, the relevant costs are transferred from exploration and evaluation to development and production assets which are classified as property, plant, and equipment. Assets are reviewed for impairment prior to any such transfer. Refer to note 8 for further details.

Impairment of Non-financial Assets

Impairment is evaluated at the cash-generating unit (“CGU”) level. The determination of CGUs requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposures to market risks.

The recoverable amounts of Trilogy’s cash-generating units and individual assets have been determined based on fair values less costs of disposal. This calculation requires the use of estimates and assumptions. Oil and gas prices and other assumptions will change in the future, which may impact Trilogy’s recoverable amount calculated and may therefore require a material adjustment to the carrying value of property, plant and equipment and goodwill. Trilogy monitors internal and external indicators of impairment relating to its exploration and evaluation assets, property, plant and equipment and goodwill. Refer to note 10 for more details about methods and assumptions used in estimating net recoverable amounts.

Decommissioning and Restoration Costs

Decommissioning and restoration costs will be incurred by Trilogy at the end of the operating lives of Trilogy’s oil and gas properties. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including assumptions of inflation, present value discount rates on future liabilities, changes to relevant legal requirements and the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future results as disclosed in note 14.

Share-based Payments

Trilogy measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value requires the determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility, dividend yield, if any, and making assumptions thereon. Refer to note 15 for more details about methods and assumptions used in estimating fair value.

Deferred Income Tax Assets

Trilogy recognizes a benefit related to deferred income tax assets. Assessing the recoverability of deferred income tax assets requires Trilogy to make significant estimates related to expectations of future taxable income based on forecasted cash flows from operations. Trilogy also makes interpretations and judgments on uncertain tax positions of applicable tax laws. Such judgments include determining the likelihood of Trilogy's tax positions being successfully challenged by tax authorities based on information from relevant tax interpretations and tax laws. To the extent such interpretations are challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Trilogy to realize its deferred tax assets recorded at the balance sheet date may be compromised. Refer to note 11 for further details.

Financial Instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage oil and gas commodity price, foreign currency, power, and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty. Refer to notes 20, 21 and 22 for further details.

4. Summary of Significant Accounting Policies

Jointly Controlled Operations

Certain exploration, development and production activities are conducted jointly with others. These financial statements reflect only the Company's interest in such activities. A jointly controlled operation involves the use of assets and other resources of Trilogy and other venturers rather than through the establishment of a corporation, partnership or other entity. Trilogy has interests in jointly controlled operations, however not in jointly controlled entities.

Trilogy recognizes in its financial statements the interest in the assets that it owns, the liabilities and expenses that it incurs and its share of income earned by the joint operations through proportionate consolidation.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is Trilogy's functional and presentation currency and the functional and presentation currency of all subsidiaries. Transactions in foreign currencies are initially recorded at the exchange rate in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars using the closing exchange rate at the balance sheet date. The resulting exchange rate differences are included in the consolidated statement of comprehensive income.

Goodwill

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over Trilogy's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities incurred and assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Trilogy's cash generating units or groups of cash generating units that are expected to benefit from the acquisition. Existing goodwill is tested at the segment

level. Any loss recognized is equal to the difference between the recoverable amount and the carrying value of the goodwill. Impairment losses are recognized, as identified, in the consolidated statement of comprehensive income and cannot be reversed. Where assets within a cash generating unit or segment containing goodwill are disposed of management uses judgement to rationally allocate a portion of goodwill to the assets sold versus the assets retained taking into account factors such as relative fair value as compared to the assets or operations in the segment which support the continued recognition of goodwill.

Oil and Natural Gas Exploration and Development Expenditures

Exploration and Evaluation Costs

Costs incurred prior to obtaining the right to explore for hydrocarbons are recognized in the statement of comprehensive income when incurred. Acquisition of undeveloped mineral leases are initially capitalized as intangible exploration and evaluation assets and charged to the statement of comprehensive income upon the expiration of the lease, impairment of the lease or management's determination that no further exploration or evaluation activities are planned on the lease, whichever comes first.

Mineral leases that are subsequently found to have proved reserves are transferred to property, plant and equipment and depleted on a unit of production basis.

Geological and geophysical costs are charged to the statement of comprehensive income when incurred. The costs directly associated with an exploration well are capitalized as an exploration and evaluation asset until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuels used, rig costs and other payments made to contractors.

Assets are classified as exploration and evaluation or property, plant and equipment according to the nature of the expenditures and whether or not technical feasibility and commercial viability of extracting oil and gas assets is demonstrable. Costs are retained in exploration and evaluation assets prior to the establishment of technical feasibility and commercial viability of the project. Such amounts are not subject to depletion or depreciation until they are reclassified to property, plant and equipment once proved developed producing reserves have been assigned to the asset. If such reserves have not been established through the completion of exploration and evaluation activities and there are no future plans for activity in that field, then the exploration and evaluation expenditures are determined to be impaired and the amounts are charged to the statement of comprehensive income.

Impairment

If no reserves are found upon evaluation, the exploration asset is tested for impairment and the amounts are charged to the consolidated statement of comprehensive income under exploration and evaluation expenditures. If extractable reserves are found and, subject to further appraisal activity which may include the drilling of additional wells, are likely to be developed commercially, the costs continue to be carried as an intangible asset while sufficient and continued progress is made in assessing the commerciality of the reserves. All such carried costs are subject to technical, commercial and management review as well as review for indicators of impairment at least annually to confirm the continued intent to develop or otherwise extract value from the discovery. Lack of intent to develop or otherwise extract value from such discovery would result in the relevant expenditures being charged to the statement of comprehensive income.

Exploration and evaluation assets are also tested for impairment when there are indicators that the carrying value may exceed the recoverable amount and prior to reclassification to property, plant, and equipment. To test for impairment, exploration and evaluation assets are allocated to related CGUs and the carrying value of each CGU is compared to its recoverable amount. Impairment losses are recognized, as identified, in the consolidated statement of comprehensive income.

Development Costs

Expenditures incurred on the construction, installation or completion of infrastructure facilities such as processing and gathering facilities and pipelines, and the drilling of development wells, including unsuccessful development or delineation wells, are capitalized within property, plant and equipment.

Asset Exchanges

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at carrying value. Exchanges of development and production assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of the assets given up or the assets received cannot be reliably estimated. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more reliable. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gain or loss on de-recognition of the asset given up is recognized in the consolidated statement of comprehensive income.

Property, Plant and Equipment

Carrying Value

Property, plant and equipment are stated at cost less accumulated depreciation and depletion and accumulated impairment losses. The initial cost of property, plant or equipment comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate and subsequent revisions of the decommissioning obligation, and, for qualifying assets, their borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given up to acquire the asset.

Depreciation and Depletion

Oil and gas producing properties, including certain tangible equipment, are depleted using the unit-of-production method. For purposes of these calculations, production and reserves of oil and natural gas are converted to barrels on an energy equivalent basis. The costs of producing properties are depleted over ‘proved developed producing’ reserves.

Selected tangible assets, relating to gas plants, are depreciated using the straight-line method over the asset’s respective estimated useful life of up to 25 years. Depreciation of corporate assets is provided on a straight-line basis over the assets’ estimated useful lives varying from 3 to 10 years.

To the extent assets have been identified as having a number of significant parts with differing depreciation patterns, such parts are depreciated as separate components. Methods of amortization are reviewed annually and adjusted if deemed appropriate.

Impairment

At the end of each reporting period, the Company reviews the property, plant and equipment for circumstances that indicate that the assets may be impaired. Assets are grouped together into CGUs for the purpose of impairment testing, which is the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. A CGU’s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down.

For impairment losses identified based on a CGU, or a group of CGUs, the loss is allocated on a pro-rata basis to the assets within the CGU(s). The impairment loss is recognized as an expense in the consolidated statement of comprehensive income.

Impairment losses are reversed in subsequent periods when objective evidence exists to suggest that there has been an increase in the recoverable amount of a previously impaired asset or CGU that is expected to continue in the foreseeable future. The carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount not exceeding the carrying amount that would have been determined had no impairment loss have been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Goodwill impairments are not reversed.

Maintenance and Repairs

Major repairs and maintenance include replacing assets or parts of an asset and plant turnarounds. Where it is probable that future economic benefits associated with the replacement will flow to Trilogy, the expenditure is capitalized and the replaced asset or part of an asset that was separately depreciated is de-recognized. All other maintenance costs are expensed as incurred.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a capital project under construction for a substantial period of time (in excess of one year) are capitalized and added to the project cost during construction until such time that the assets are substantially ready for their intended use, for example, when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred less interest income earned. Where surplus funds are available for a short term out of borrowed money specifically to finance a project, the income generated from such short-term investments reduces the total capitalized borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using the weighted average of rates applicable to Trilogy's general borrowings during the period. All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period these are incurred.

Financial Instruments

Trilogy recognizes a financial asset or liability when it becomes a party to the contractual provisions of a financial instrument. Financial assets and liabilities within the scope of IAS 39, financial instruments: recognition and measurement, are classified as either financial assets or liabilities at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale financial assets, or financial liabilities at amortized cost as appropriate. Trilogy does not designate derivative instruments as hedges and does not have available-for-sale financial assets or held-to-maturity investments. Transaction costs are included in the initial carrying amount of financial instruments except for fair value through profit and loss items, in which case they are expensed as incurred.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as financial assets and liabilities at fair value through profit of loss. Gains or losses on financial assets and liabilities are recognized at fair value in the consolidated statement of comprehensive income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost less

any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities at amortized cost

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Fair Value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the valuation date. For financial instruments that have no active market, fair value is determined using valuation techniques including the use of recent arm's length market transactions, reference to the current market value of equivalent financial instruments and discounted cash flow analysis.

Provisions

A provision is recognized in the financial statements when all of the following criteria are satisfied:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made as to the amount of the obligation.

The amount recognized as a provision is the "best estimate" of the expenditure required to settle the present obligation at the end of the reporting period. The provision is risk adjusted to take into consideration risks and uncertainties involving the transaction. Where the effect of the time value of money is material, the amount of a provision is equal to the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that applied reflects the current market assessment of the time value of money and the risks specific to the liability, where those risks have not already been reflected as an adjustment to cash flows.

Decommissioning and Restoration

Decommissioning and restoration liability is recognized when Trilogy has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning and restoration, discounted to its present value. Changes in the estimated timing of decommissioning and restoration or related cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The accretion on the decommissioning and restoration provision is classified as a finance cost.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income taxes are those that are enacted or substantively enacted at the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred Income Tax

Deferred income tax is provided, using the liability method, on the temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. To the extent that any interpretation of tax law is challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Trilogy to realize the deferred tax assets recorded at the balance sheet date could be impacted.

The Company recognizes the financial statement impact of a tax filing position when it is probable, based on the technical merits, that the position will be sustained upon audit. The company assesses possible outcomes and their associated probabilities. If the company determines payment is probable, it measures the tax position at the best estimate of the amount of tax payable.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Deferred income tax assets and liabilities are offset, if legally enforceable rights exist to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Revenue Recognition

Revenue from the sale of oil and natural gas is recognized when the significant risks and rewards of ownership is transferred, which is, generally, when title passes to the customer in accordance with the terms of the sales contract. Revenue from the production of oil and natural gas from properties in which Trilogy has an interest with other producers is recognized on a net working interest basis.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less.

Share-based Payments and Management Compensation

Certain employees (including senior officers and directors) of Trilogy receive remuneration that includes share-based payment transactions, whereby such individuals render services as consideration for equity instruments.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date. The fair value of share options is determined using a trinomial model (see note 15).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting periods have accrued and Trilogy's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized from the beginning to the end of that period.

Dividends

Dividends on shares are recognized in the Company's financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

Share Capital

Common Shares and Non-Voting Shares are classified as equity. Incremental costs directly attributable to the issuance of Shares are recognized as a deduction from equity, net of any applicable tax benefits on such costs.

Repurchase of shares

Pursuant to any Normal Course Issuer Bid ("NCIB"), the cumulative average book value per share is used to reduce share capital with any excess or deficiency over the purchase cost charged to contributed surplus.

Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the profit (loss) for the period attributable to equity owners of Trilogy by the weighted average number of Shares outstanding during the period. Diluted EPS amounts are calculated by dividing the net profit attributable to Shareholders (after adjusting for the effect of dilution, if any) by the weighted average number of Shares during the period plus the weighted average number of Shares that would be issued on the conversion of all the potential dilutive options into Shares (treasury stock method). Shares held in trust for the benefit of Trilogy's employees under the Company's Share Incentive Plan are deducted from the total outstanding shares in computing EPS. Trilogy's potentially dilutive shares are comprised of share options granted on Common Shares to employees and shares held in trust for the Share Incentive Plan. To the extent a loss arises for a period, no adjustment for dilution is made in computing EPS.

Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred.

5. New Accounting Pronouncements

The following standards and amendments have not been adopted as they apply to future periods that may result in future changes to existing accounting policies and disclosures. Trilogy is currently evaluating the impact that these standards will have on the Company's results of operations and financial position.

i. *IFRS 9, Financial Instruments.* The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets and a substantially reformed approach to hedge accounting. Trilogy does not

apply hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

ii. *IFRS 16, Leases*, which replaces *IAS 17 Leases*. The objective of the new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. This standard is effective for years beginning on or after January 1, 2019.

iii. *IFRS 15, Revenue from Contracts with Customers.* The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards.

6. Trade and Other Receivable

Trade and other receivables are non-interest bearing and are generally collected on 25 to 60 day terms.

	As at December 31 2015	**At as December 31 2014**
Petroleum, natural gas sales and processing income	**17,629**	42,738
Joint operation receivables	**7,380**	13,224
Other	**217**	168
	25,225	56,130

In determining the recoverability of trade and other receivables, Trilogy considers the type and age of the outstanding receivables, the credit risk of the counterparties, and the recourse available to Trilogy.

	As at December 31 2015	**At as December 31 2014**
Current to 90 days	**22,672**	52,592
Greater than 90 days	**2,553**	3,538
Total trade receivables	**25,225**	56,130

As at December 31, 2015 and 2014 none of the receivables have been assessed as impaired.

7. Property, Plant and Equipment

	Oil and Gas Properties	Corporate Assets	Total
Cost:			
Balance at December 31, 2013	2,783,416	13,829	2,797,245
Additions to property, plant, and equipment	364,649	900	365,549
Additions/revisions to future estimated decommissioning and restoration costs (Note 14)	35,390	-	35,390
Transfers from intangible exploration and evaluation assets (Note 8)	66,442	-	66,442
Acquisitions	15,066		15,066
Disposals	(16,890)	(21)	(16,911)
Balance at December 31, 2014	3,248,074	14,708	3,262,781
Additions to property, plant, and equipment	**73,290**	**152**	**73,442**
Additions/revisions to future estimated decommissioning and restoration costs (Note 14)	**1,045**	**-**	**1,045**
Transfers from intangible exploration and evaluation assets (Note 8)	**18,182**	**-**	**18,182**
Acquisitions	**(93)**	**-**	**(93)**
Disposals	**(123,667)**	**-**	**(123,667)**
Balance at December 31, 2015	**3,216,831**	**14,860**	**3,231,690**

	Oil and Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at December 31, 2013	1,642,892	9,298	1,652,190
Depletion and depreciation charge	227,056	782	227,838
Impairment charge	20,476	-	20,476
Disposals	(12,555)	(19)	(12,574)
Balance at December 31, 2014	1,877,868	10,061	1,887,930
Depletion and depreciation charge	**188,937**	**890**	**189,827**
Impairment charge (Note 10)	**153,991**	**-**	**153,991**
Disposals	**(50,397)**	**-**	**(50,397)**
Balance at December 31, 2015	**2,170,400**	**10,951**	**2,181,351**
Net carrying value			
At December 31, 2014	1,370,206	4,647	1,374,853
At December 31, 2015	**1,046,431**	**3,909**	**1,050,340**

The cost of property, plant and equipment includes amounts in respect of the provision for decommissioning and restoration obligations of $192 million as at December 31, 2015 (December 31, 2014: $187.8). Property, plant and equipment with a carrying value of $31.8 million as at December 31, 2015 (December 31, 2014: $37.3 million) include development assets under construction that are not being depreciated. No borrowing costs were capitalized to property, plant and equipment in respect of the referenced periods.

In 2015, the Company completed several dispositions of certain properties in the Kaybob area for cash consideration of $160.5 million. The disposal of the Company's book value of these assets within property, plant, and equipment, exploration and evaluation, goodwill and decommissioning and restoration liabilities resulted in a gain of $67.4 million.

Dispositions in 2014 included oil and gas properties in the Grande Prairie area for cash consideration of $7.2 million resulting in a gain of $5.9 million.

Acquisitions in 2014 included oil and gas properties in the Kaybob area for cash consideration of $16.3 million ($16.7 million gross cost net of $0.4 million for purchase price adjustments) and in the Grande Prairie area for cash consideration of $4.2 million ($5.5 million gross cost net of $1.3 million for purchase price adjustments). The cash consideration was allocated as follows:

	2014 Total
Fair value of net assets acquired	
Property, plant, and equipment	**15,066**
Exploration and evaluation	**8,820**
Decomissioning liability	**(3,363)**
Total net assets acquired	**20,523**
Consideration	
Cash	**20,523**
Total purchase price	**20,523**

At December 31, 2015, impairments indicators were identified for certain of the Company's CGUs. Please refer to Note 10 for further discussion.

8. Exploration and Evaluation Assets

	Undeveloped Land	**Exploratory Wells**	**Total Exploration and Evaluation Expenditures**
Cost			
Balance at December 31, 2013	68,685	23,968	92,653
Additions	238	59,368	59,606
Expensed	(3,725)	(3,421)	(7,146)
Transfers to property, plant and equipment (Note 7)	117	(66,559)	(66,442)
Acquisitions	8,820	-	8,820
Dispositions	(1,467)	-	(1,466)
Balance at December 31, 2014	72,669	13,356	86,025
Additions	**1,184**	**6,481**	**7,664**
Expensed	**(3,975)**	**(8,733)**	**(12,708)**
Transfers to property, plant and equipment (Note 7)	**(7,079)**	**(11,103)**	**(18,182)**
Acquisitions	**282**	**-**	**282**
Dispositions	**(386)**	**-**	**(386)**
Balance at December 31, 2015	**62,695**	**-**	**62,695**

The following table reflects exploration and evaluation expenditures that were charged to income:

	Twelve months-ended December 31 2015	**Twelve months-ended December 31 2014**
Expired mineral leases	**3,975**	3,725
Impairment charge	**8,733**	3,421
	12,708	7,146
Geological and geophysical costs	**(26)**	1,515
	12,681	8,660

An impairment of $8.7 and $3.4 million was recorded on certain of the Company's exploration and evaluation assets for the years ended December 31, 2015 and 2014, respectively. The impairment represents costs incurred in excess of the benefits the Company expects to obtain from the exploratory wells. Exploration and evaluation expenditures also include costs associated with geological and geophysical costs which are immediately expensed to the consolidated statement of comprehensive income.

9. Goodwill

	As at December 31 2015	At as December 31 2014
Cost	**100,945**	140,471
Impairment	**-**	(39,526)
Disposals	**(22,442)**	-
	78,503	100,945

Goodwill was assessed for impairment as at December 31, 2015 and 2014. Goodwill is assessed at the segment level and is not allocated to specific CGUs. The recoverable amounts used to assess goodwill were determined using fair value less costs of disposal. Fair value less costs of disposal was estimated for cash-generating units using the after-tax future net cash flows of proved and probable reserves based on forecast prices and costs, discounted using an after tax discount rate of 10 percent and the fair value of undeveloped land based on estimates provided by the Company's independent land evaluator as at December 31, 2015. Forecast prices used to determine fair value in the assessment of goodwill were consistent with the forecast prices used to determine the fair value of Trilogy's property, plant and equipment. Refer to note 10 for further details. A reduction to goodwill in 2015 was recorded in conjunction with the Company's disposition of certain oil and gas properties in the Kaybob area.

10. Impairment Loss

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Property, plant and equipment	**153,991**	20,476
Goodwill	**-**	39,526
	153,991	60,002

In response to a continued decline in commodity prices throughout 2015, the Company assessed and concluded that the carrying value of its property, plant, and equipment across all CGUs exceeded their fair value less costs of disposal resulting in an impairment of $154 million recorded throughout the year. The impairments recorded were primarily a function of significant reductions in estimated future commodity prices and downward technical revisions to reserves recorded, partially offset by reserve additions in the year. The following table summarizes Trilogy's carrying and impairment amounts for its CGUs:

CGU	**Carrying Amount after Impairment**	**Impairment**
Grande Prairie Liquids	**24,585**	**9,135**
Grande Prairie Gas	**24,181**	**10,890**
Kaybob North	**819,986**	**13,008**
Kaybob South	**98,048**	**65,543**
Kaybob West	**55,231**	**55,415**
Total	**1,022,031**	**153,991**

During 2014, the Company assessed and concluded that the carrying value of the Kaybob North CGU exceeded its fair value less costs of disposal resulting in an impairment of $20.5 million. The Kaybob impairment was pursuant to the reduction in commodity prices and reserve estimates relative to the prior year. The carrying amount of the Kaybob North CGU was approximately $1.0 billion. Also during 2014, the Company determined that the carrying value of its goodwill exceeded the fair value less costs of disposal. The full amount of the impairment of $39.6 million was recorded as a reduction of goodwill. The impairment was a function of reduced commodity price estimates and reserve estimates relative to the prior year.

The Company determined the recoverable amounts for its CGUs using the fair value less costs of disposal method based on internally generated cash flow projections, extending approximately over the expected life of the assets. In determining fair value less costs of disposal, the Company considered recent transactions within the industry, external views of commodity prices, and externally evaluated reserve volumes. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates, operating costs and commodity prices. The inputs used in the valuation methodology are considered fair value Level 3 inputs (refer to Note 21) as certain key assumptions are not based on observable market data but, rather, management's best estimate. In computing the recoverable amount, future cash flows were adjusted for risks specific to the CGU and discounted using an after-tax discount rate of 10 percent (2014: 10 percent). The discount rate is considered to approximate the rate of return that a market participant would require for assets of similar characteristics and risk.

The recoverable amount to PP&E is highly sensitive to the discount rate and commodity prices. If the discount rate applied to the forecasted net cash flows increased by 1 percent, the Company would have recognized an additional impairment of approximately $17 million. A five percent reduction in forecast commodity prices would result in additional impairment of $25.5 million. Selected key price forecasts and exchange rates used in the estimation of the value of commercial reserves as at December 31, 2015 and December 31, 2014 were as follows:

December 31, 2015

		2016	2017	2018	2019	2020
AECO Gas	Cdn$/MMBtu	**2.70**	**3.20**	**3.55**	**3.85**	**3.95**
Edmonton Light Sweet Crude	Cdn$/Bbl	**56.60**	**66.40**	**72.80**	**80.90**	**83.20**
Edmonton Condensate	Cdn$/Bbl	**60.60**	**70.50**	**77.00**	**85.10**	**87.50**
West Texas Intermediate Crude	U.S.$/Bbl	**45.00**	**53.60**	**62.40**	**69.00**	**73.10**
Foreign Exchange	(U.S/Cdn)	**0.76**	**0.76**	**0.78**	**0.78**	**0.80**

December 31, 2014

		2015	2016	2017	2018	2019
AECO Gas	Cdn$/MMBtu	3.58	4.15	4.43	4.71	4.99
Edmonton Light Sweet Crude	Cdn$/Bbl	68.58	80.07	85.74	91.41	97.07
Edmonton Condensate	Cdn$/Bbl	75.44	86.47	90.88	96.89	102.90
West Texas Intermediate Crude	U.S.$/Bbl	65.00	75.00	80.00	85.00	90.00
Foreign Exchange	(U.S/Cdn)	0.86	0.86	0.86	0.86	0.86

11. Income Tax

The following table reconciles the income tax expense (recovery) calculated using the statutory tax rates to the income tax expense (recovery) per the consolidated statement of comprehensive loss. Trilogy's provincial statutory tax rate was increased from 10 to 12 percent effective July 1, 2015 pursuant to legislative enactments made by the Alberta government.

	December 31, 2015	December 31, 2014
Net income (loss) before tax	**(177,002)**	44,258
Expected income tax rate	**26%**	25%
Expected income tax expense (recovery)	**(46,021)**	11,065
Resolution of tax dispute	**-**	81,969
Goodwill reductions	**5,835**	9,882
Non-deductible share-based compensation expense	**2,994**	2,767
Statutory rate change	**(791)**	-
Revisions to previous tax estimates	**(887)**	(779)
Other	**(474)**	365
Income tax expense (recovery)	**(39,344)**	105,269

The movement in deferred income tax assets and (liabilities) is as follows:

Net Deferred Income Tax Asset/(Liability)	Property, Plant, & Equipment	Risk Management	Decommissioning Liabilities	Losses & Other	Total
At December 31, 2013	(127,772)	1,300	47,901	173,900	95,329
Recovery (expense)	56,037	(1,147)	9,135	(169,294)	(105,269)
At December 31, 2014	(71,735)	153	57,036	4,606	(9,940)
Recovery (expense)	**(3,828)**	**(5,070)**	**4,802**	**43,439**	**39,344**
At December 31, 2015	**(75,563)**	**(4,917)**	**61,839**	**48,045**	**29,404**

As at December 31, 2015, Trilogy has a deferred tax asset of $29.4 million. A $39.3 million deferred income tax recovery was recognized to the consolidated statement of comprehensive loss (2014 – $105.3 million deferred income tax expense). The amount and timing of reversals of temporary differences will be dependent upon, among other things, the Company's future operating results, and acquisitions and dispositions of assets and liabilities. Legislative changes in tax rates or successful challenges by tax authorities of Trilogy's interpretation of tax legislation could materially affect the Company's estimate of current and deferred income taxes. Trilogy has tax losses of $236.8 million that are available for carry forward against future taxable income of the entities in which the losses arose. Of this amount, a deferred tax asset has been recognized for $168.4 million of the losses, representing the Company's probable estimate of future taxable income that could be applied to the total losses.

In 2014, the Company received a letter from the Canada Revenue Agency ("CRA") advising the Company that, subject to submissions by Trilogy, it was proposing to reassess the Company's income tax filings related to its conversion from an income trust to a corporation in early 2010. The proposed reassessments sought to disallow certain tax pools in the amount of $728 million. During the first quarter of 2015, the Company resolved this tax dispute. As a result, a provision was recorded in the fourth quarter of 2014 to write down the Company's deferred tax asset by $82 million.

The expected reversal of deferred income tax liabilities and deferred income tax assets is as follows:

	December 31, 2015	December 31, 2014
Deferred Income Tax Assets		
Deferred tax assets to be recovered within 12 months	**233**	153
Deferred tax assets to be recovered after more than 12 months	**109,884**	61,642
	110,117	61,795
Deferred Income Tax Liabilities		
Deferred tax liabilities to be settled within 12 months	**(5,150)**	-
Deferred tax liabilities to be settled after more than 12 months	**(75,563)**	(71,735)
	(80,712)	(71,735)
Net Deferred Income Tax Assets (Liabilities)	**29,404**	(9,940)

The Company has temporary differences in respect of its investments in Canadian subsidiaries for which no deferred taxes have been recorded. As no taxes are expected to be paid in respect of the temporary differences related to its investment in Canadian subsidiaries, the Company has not determined the amount of those temporary differences.

12. Trade and Other Payables

	As at December 31 2015	At as December 31 2014
Trade and general payables	**4,164**	17,111
Joint operation payables	**12,040**	7,270
Accrued liabilities and other	**37,974**	80,817
	54,178	105,198

Trade and other payables are non-interest bearing and are generally settled within 30 to 60 days.

13. Long-Term Debt

Revolving Credit Facility

Trilogy has a revolving senior secured credit facility with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or London Interbank Offered Rate, plus an applicable margin. Trilogy's total commitments of $450 million, as of December 31, 2015, consist of:

- A working capital tranche of $35 million and a revolving tranche of $415 million

Amounts drawn on the working capital and revolving tranches facility are due upon their maturity on April 30, 2017.

The Company's quarterly financial covenants are as follows:

A ratio of "Senior Debt" to "Adjusted EBITDA" for the preceding twelve month period of not greater than 3.0 for all fiscal quarters ended except as provided:

- 3.50 at December 31, 2015, March 31, 2016, and June 30, 2016; and
- 3.25 at September 30, 2016, December 31, 2016, and March 31, 2017.

A ratio of "Consolidated Debt" to "Adjusted EBITDA" for the preceding twelve month period of not greater than 4.0 for all fiscal quarters ended except as provided:

- 6.00 at December 31, 2015, March 31, 2016, and June 30, 2016; and
- 5.50 at September 30, 2016, December 31, 2016, and March 31, 2017.

The credit facility also has the following significant terms:

- The Revolving Credit Facility is subject to semi-annual borrowing base reviews. Dispositions and acquisitions of assets may also increase or decrease the borrowing base respectively. In the event that the lending syndicate reduces the borrowing base below the amount drawn at the time of the redetermination, Trilogy has 60 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or by repaying amounts in excess of the redetermined borrowing base;
- Advances drawn on the credit facility are secured by a fixed and floating debenture charge over the assets of the Company.

The following four measures are considered Non-GAAP measures:

"Adjusted EBITDA" refers to "Funds flow from operations" plus cash interest and tax expenses and certain other items that do not appear individually in the line items of the Company's financial statements.
"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital as shown in the consolidated statements of cash flows.

"Consolidated debt" generally includes all long-term debt plus any issued and undrawn letters of credit, less any cash held.

"Senior debt" is generally defined as "Consolidated debt" but excluding any indebtedness under the Senior Unsecured Notes.

As at December 31, 2015, the Company is in compliance with all debt covenants. For additional discussion, refer to the liquidity section in Note 20.

The effective interest rate on Trilogy's Revolving Credit Facility for the twelve month period (excluding other financing costs) was 2.84 percent. (December 31, 2014 – 3.62 percent). The Company has letters of credit totalling $3.5 million as at December 31, 2015 (December 31, 2014: $9.6 million) which reduce the amount available for draw.

Senior Unsecured Notes

On December 13, 2012, the Company issued $300 million in Senior Unsecured Notes at par value. The notes bear interest semi-annually at 7.25 percent per annum and will mature on December 13, 2019. Interest payable was $1.1 million at December 31, 2015 and 2014, respectively. The notes rank pari passu with all of Trilogy's existing indebtedness and are subordinated to all secured indebtedness which includes debt under Trilogy's Revolving Credit Facility.

The Company may, at its own option, redeem the notes at various premiums. To the extent the Company experiences a change in control, each note holder will have the right to require the Company to re-purchase, at 101 percent, all or part of each holders' notes. The notes were initially recognized at fair value net of transactions costs and are subsequently measured at their amortized cost using an effective interest rate of 7.53 percent. (December 31, 2014 – 7.53 percent).

Long-term debt as at December 31, 2015 and 2014 is comprised of the following:

	As at December 31 2015	At as December 31 2014
Revolving credit facility	**237,485**	406,329
Less prepaid interest and unamortized financing costs	**(635)**	(1,053)
Carrying value	**236,850**	405,276
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(3,305)**	(4,136)
Carrying value	**296,695**	295,864
Total carrying value of long term debt	**533,545**	701,140

Interest expense for the twelve months ended December 31, 2015 and 2014 is comprised of the following:

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Senior unsecured notes	**21,750**	21,750
Credit facility interest, charges, and other interest	**13,220**	15,242
Amortization of finance fees	**2,058**	2,004
	37,028	38,996

14. Decommissioning and Restoration Liability

	As at December 31 2015	At as December 31 2014
Balance - beginning of period	**228,145**	191,606
Incurred	**4,021**	13,091
Acquired	**-**	3,363
Disposed	**(3,012)**	(3,263)
Settled	**(2,096)**	(4,741)
Accretion	**4,951**	5,792
Revision to estimates	**(2,976)**	22,296
Balance – end of period	**229,033**	228,145

The Company has estimated the undiscounted value of the decommissioning and restoration obligation to be $237.3 million as at December 31, 2015 (December 31, 2014: $235.7 million).

Settlement of this obligation is expected to be paid from 10 to 30 years and will be funded from the general resources of the Company. The estimated future cash out flows as at December 31, 2015 and 2014, respectively, have been discounted using an average risk free rate of approximately 2.2 percent and an inflation rate of 2.0 percent.

15. Share-Based Payment Plans

The share-based payment expense recognized for employee services received for the twelve months ended are as follows:

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Expense arising from:		
Share Incentive Plan	**(157)**	2,155
Share Option Plan	**12,159**	13,060
	12,002	15,215

The Company has a Share Incentive Plan ("SIP") for employees and officers that, if and to the extent approved by the Compensation Committee, annually awards rights to receive Common Shares. Common Shares are purchased in the open market and held by an independent trustee until completion of the vesting period. The fair value of the Common Shares awarded is recognized in share-based compensation over the vesting period, with a corresponding charge to equity. The Common Shares, while held in trust, are recorded as a reduction of share capital. The following table provides a continuity of the SIP Common Shares held in trust at the beginning and end of the following periods:

Number of Common Shares	As at December 31 2015	At as December 31 2014
Beginning	**132,448**	94,126
Purchases	**-**	190,000
Vested	**(66,317)**	(151,678)
Ending	**66,131**	132,448

The cost to the Company of the Common Shares held in trust was $1.8 million as at December 31, 2015 and $3.6 million at December 31, 2014 and was recorded as a reduction to Common Shares outstanding and Shareholder Capital. Conversely, the vesting of Share Incentive Plan awards increases Common Shares outstanding and Shareholder Capital.

The Company also has a long-term incentive plan that, if and to the extent approved by the Compensation Committee, awards share options to eligible directors, officers and employees (the "Share Option Plan"). Under this plan, holders of vested share options are able to subscribe for the equivalent number of Common Shares at the exercise price within the contractual period prescribed in the governing option agreement. The exercise price of the options is equal to the average trading price five days prior to the grant. The contractual life of each option granted ranged from 2 to 5 years.

The following table provides a continuity of the share options outstanding at the beginning and end of the following periods:

	Twelve months-ended December 31, 2015		Twelve months-ended December 31, 2014	
	Weighted Average Exercise Price	**No. of Options**	**Weighted Average Exercise Price**	**No. of Options**
Outstanding at January 1	**$ 22.20**	**8,236,500**	$ 23.78	7,267,500
Granted	**5.51**	**3,012,300**	11.90	1,940,000
Exercised	**8.38**	**(203,740)**	7.83	(717,500)
Forfeited	**23.49**	**(305,100)**	29.29	(253,500)
Expired	**8.51**	**(395,000)**	-	-
Outstanding at period end	**$ 18.10**	**10,344,960**	$ 22.20	8,236,500
Exercisable at period end	**$ 20.73**	**5,342,500**	$ 22.94	3,306,000

The weighted average fair value of options granted during the twelve month period was $1.70 per option (December 31, 2014: $3.84). The significant inputs into the model were as follows:

	December 31, 2015	December 31, 2014
Dividend yield (percent)	nil	nil to 1.57
Expected volatility (percent)	51	38
Risk-free interest rate (percent)	0.55 to 0.88	1.39 to 1.73
Expected life of options (years)	2 - 5	4 - 5

The range of exercise prices of the outstanding options and exercisable options as at December 31, 2015 were as follows:

		Outstanding Options		Exercisable Options	
Exercise Price Range	**Weighted Average Contractual Life Remaining**	**Number of Options**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
$4.49 to $7.37	4.8	1,948,700	$4.49	389,740	$4.49
$7.38 to $11.27	3.2	2,766,260	$9.24	1,156,760	$8.26
$11.28 to $26.87	0.3	1,133,000	$12.15	1,129,000	$12.15
$26.88 to $28.05	3.3	1,460,000	$26.93	593,000	$26.94
$28.06 to $28.35	2.3	1,605,000	$28.27	961,000	$28.27
$28.35 to $38.74	1.4	1,432,000	$38.04	1,113,000	$38.24
Total	2.8	10,344,960	$18.10	5,342,500	$20.73

The average share price at the date of exercise for share options exercised in 2015 was $9.01 (2014: $28.88).

16. Issued Capital

Trilogy is authorized to issue an unlimited number of Common Shares and an unlimited number of Non-Voting Shares all without par value. The Non-Voting Shares are the same as the Common Shares except they do not carry any voting rights. The following provides a continuity of outstanding share capital:

	Common Shares[(1)]	Non-Voting Shares	Total	Amount
Shares as at December 31, 2013	99,338,484	25,835,862	125,174,346	$ 1,092,727
Issued - Share Option Plan	717,500	-	717,500	8,670
Cancellation and issuance	5,000,000	(5,000,000)	-	-
Share Incentive Plan purchases	(190,000)	-	(190,000)	(5,107)
Vesting of Share Incentive Plan awards	151,678	-	151,678	4,327
Shares as at December 31, 2014	**105,017,662**	**20,835,862**	**125,853,524**	**$ 1,100,616**
Issued - Share Option Plan	**203,740**	**-**	**203,740**	**2,287**
Normal Course Issuer Bid	**(100,000)**	**-**	**(100,000)**	**(902)**
Vesting of Share Incentive Plan awards	**66,317**	**-**	**66,317**	**1,783**
Shares as at December 31, 2015	**105,187,719**	**20,835,862**	**126,023,581**	**$ 1,103,784**

[(1)] Net of Common Shares held in trust for the benefit of employees and officers under Trilogy's Share Incentive Plan

Under Trilogy's NCIB for the period December 16, 2014 to December 15, 2015, Trilogy purchased 100,000 Common Shares at an average price of $4.45 per Common Share resulting in a $0.9 million reduction to shareholders' capital and a charge of $0.46 million to contributed surplus. In December of 2015, the Company applied and received the necessary approvals to make a NCIB through the facilities of the Toronto Stock Exchange. Trilogy may purchase up to 5,262,693 of its Common Shares. Purchases under the bid may be made during the period beginning on December 29, 2015 and ending on December 28, 2016, or on such earlier date as Trilogy may complete its purchases under the bid. No purchases have been made under the recently approved NCIB as at December 31, 2015.

In 2014, Trilogy elected to convert 5 million outstanding Non-Voting Shares to Common Shares on the basis of one Common Share for each Non-Voting Share.

17. Loss per share

The following table reflects the loss and share data used in the basic and diluted earnings per share calculations:

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Net loss used in the calculation of total basic and diluted earnings per share	**(137,658)**	(61,011)
Weighted average number of shares for the purposes of basic earnings per share	**126,050,553**	125,621,519
Effect of dilution	**NIL**	NIL
Weighted average number of shares	**126,050,553**	125,621,519
Loss per share – Basic	**(1.09)**	(0.49)
Loss per share – diluted	**(1.09)**	(0.49)

As at December 31, 2015 and 2014, the Company had 109,137 and 1,346,099, respectively, of securities that were excluded from the calculation of diluted weighted average number of shares as they were non-dilutive.

18. Reconciliation of Changes in Non-Cash Working Capital

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Decrease (increase) in trade, other receivables and prepaids	**30,002**	10,820
Increase (decrease) in trade, other payables and interest payable	**(51,020)**	(22,806)
	(21,018)	(11,986)
Changes in non-cash operating working capital	**7,949**	(5,353)
Changes in non-cash investing working capital	**(28,967)**	(6,633)

19. Related Party Transactions

Trilogy had the following transactions with Paramount Resources Ltd. ("Paramount"), which owns approximately 15.2 percent of the equity in the Company:

- Pursuant to a services agreement, a Paramount subsidiary provides commodity marketing services to the Company. The agreement may be terminated by either party with at least six months written notice. The amount of expenses billed and accrued under this agreement was $0.4 million for the twelve months ended December 31, 2015 (December 31, 2014 - $0.4 million). Costs associated with this agreement are included as part of the general and administrative expenses in the Company's consolidated statement of comprehensive loss.

- The Company and Paramount also transact with each other in the normal course of any joint operations.

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Joint operation activities billed by Trilogy to Paramount	**5,195**	946
Joint operation activities billed by Paramount to Trilogy	**10,899**	1,947

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

December 31, 2015		
Presented in the Balance Sheet as	**Normal Business**	**Services Agreement**
Trade and other receivables	**42**	**-**
Trade and other payables	**(318)**	**(72)**

December 31, 2014		
Presented in the Balance Sheet as	Normal Business	Services Agreement
Trade and other receivables	163	-
Trade and other payables	(188)	(74)

The receivables and payables are unsecured in nature and bear no interest. No provisions were held against receivables or payables from Paramount through 2015 and 2014.

20. Financial Risk Management and Objectives

Trilogy's principal financial instruments, other than financial derivatives, are its accounts receivable, accounts payable, and its outstanding draw-downs from its revolving credit facility and senior note debt. The credit facility is 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, which arise directly from its business. Trilogy also enters into financial derivative transactions, the purpose of which is to mitigate the impact of market volatility as it may apply to oil and gas commodity prices, interest rates and foreign exchanges rates.

The main risks arising from Trilogy's financial instruments include, but are not limited to, credit risk, liquidity risk, commodity price risk, interest rate risk and foreign currency risk.

Credit Risk

The Company 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 may be minimized by entering into contracts with counterparties having high credit ratings, conducting initial credit due diligence procedures, obtaining letters of credit from the counterparty, continuously assessing limits on exposures to any one counterparty and ongoing credit 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 operation partners in the Canadian petroleum and natural gas industry and are subject to normal industry specific credit risk.

The maximum exposure to credit risk at period-end is as follows:

	December 31, 2015	December 31, 2014
Trade and other receivables	**25,225**	56,130
Derivatives Financial Instruments[(1)]	**19,073**	-
	44,298	56,130

[(1)] Carried at the estimated fair value of the related financial instruments based on third party quotations.

Liquidity Risk

Trilogy's principal sources of liquidity are its cash flow from operations and amounts available for draw under its Revolving Credit Facility. In response to the decrease in commodity prices, Trilogy quickly adopted several meaningful measures aimed at sustaining its financial health and to preserve shareholder value which included:

- discontinuing of its monthly dividend for periods subsequent to November 2014;
- reducing capital expenditure levels to be equal to or less than cash flow from operations and targeting only those projects that are strategic and/or meet Trilogy's return requirements;
- continuously evaluating its asset base, identifying and implementing several operational and cost efficiencies;
- shutting in production volumes deemed uneconomic at depressed commodity price levels;
- continuously negotiating with third party contractors and service providers to reduce Trilogy's cost of their goods and services;
- implementing reduction to salary and other benefit for its officers, directors and employees base; and

- disposing of certain assets in 2015 for proceeds of approximately $160.5 million and exploring opportunities to dispose of non-core assets within the Company's portfolio.

Throughout 2015, the aforementioned measures has enabled Trilogy to reduce its net debt levels by approximately $207 million year over year, while preserving capacity of approximately $200 million under its revolving credit facility. Despite these measure, and in conjunction with the current commodity price environment, a heightened risk exists that Trilogy may exceed its financial covenant limits in the latter part of 2016. Trilogy is in discussions with its revolving credit facility lenders to review its borrowing base and to amend the terms of these covenants.

A contractual maturity analysis for Trilogy's financial liabilities as at December 31, 2015 is as follows:

	Within 1 Year	1 to 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	54,178	-	-	54,178
Derivative financial instruments	862	-	-	862
Long-term debt and estimated interest[(1)]	28,447	283,217	321,750	633,414
Total	83,487	283,217	321,750	688,454

[(1)] Estimated interest related to the Revolving Credit Facility for future periods was calculated using the weighted average interest rate for the year to date December 31, 2015 applied to the debt principal balance outstanding as at that date. Principal repayment on the Company's Revolving Credit Facility is assumed on April 30, 2017. Estimated interest related to the unsecured senior notes for future periods was calculated using the coupon interest rate of 7.25 percent applied to the principal balance and principal repayment is assumed on December 13, 2019.

A contractual maturity analysis for Trilogy's financial liabilities as at December 31, 2014 is as follows:

	Within 1 Year	1 to 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	105,198	-	-	105,198
Derivative financial instruments	611	-	-	611
Long-term debt and estimated interest[(1)]	36,624	489,119	321,750	847,493
Total	142,433	489,119	321,750	953,302

[(1)] Estimated interest related to the Revolving Credit Facility for future periods was calculated using the weighted average interest rate for the year ended December 31, 2014 applied to the debt principal balance outstanding as at that date. Principal repayment on the Company's Revolving Credit Facility was assumed on April 30, 2017. Estimated interest related to the unsecured senior notes for future periods was calculated using the coupon interest rate of 7.25 percent applied to the principal balance and principal repayment is assumed on December 13, 2019.

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 crude oil, natural gas and natural gas liquids significantly impact the Company's cash flow from operations. Numerous items including the amount of dividends declared to Shareholders, capital expenditures and debt repayments or draws 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) impact Trilogy's liquidity.

To protect cash flow against commodity price volatility, Trilogy may use derivative commodity price contracts that require financial settlement with counterparties. Derivative contracts are generally for periods of up to one year and would not exceed 50 percent of Trilogy's annual production. (Refer to note 21 for details of outstanding derivative instruments as at December 31, 2015).

Sensitivity Analysis on derivative contracts outstanding at December 31, 2015

As at December 31, 2015, an increase or decrease in the forward price of crude on the market valuation of the Company's oil derivatives, with all other variables held constant, would have no impact to profit or loss as a result of the offsetting positions held.

Also, as at December 31, 2015, if the forward price of power had been $10 per megawatt hour lower, with all other variables held constant, net earnings for the year would have increased $0.5 million, due to changes in the fair value of the derivative contracts. An equal and opposite impact would have occurred to net earnings had power prices been $10 per megawatt hour higher.

Interest Rate Risk

As described in Note 13, Trilogy's credit facility is subject to floating interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin. The interest rate margin is determined based on a prescribed rate in the underlying agreement and is generally dependent upon Trilogy's debt to adjusted EBITDA as defined therein. Borrowings on Trilogy's credit facility is primarily 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 derivative contracts to mitigate the impact of interest rate fluctuations.

Sensitivity Analysis as at December 31, 2015

Assuming all other variables remain constant, an increase or decrease of 1 percent in market interest rates on Trilogy's Revolving Credit Facility for the year ended December 31, 2015 would have increased or decreased net earnings before tax by $3.7 million (2014 – $4.0 million).

Borrowing on Trilogy's senior unsecured notes is fixed at 7.25 percent on the $300 million par value of the debt.

Foreign Currency Risk

Foreign currency rate fluctuations may impact the Company primarily in conjunction with normal conversions of U.S. dollar denominated revenues into the Canadian dollar. Approximately 10.7 percent of Trilogy's petroleum and natural gas sales for the year-ended December 31, 2015 were denominated in the U.S. dollars. Trilogy may enter into derivative currency contracts to mitigate the impact of foreign currency fluctuations.

Sensitivity Analysis on derivative contracts outstanding at December 31, 2015

A 100 basis point strengthening of the Canadian dollar against the US dollar, with all other variables held constant, would have decreased profit or loss by a nominal amount, due to changes in the fair value of the financial contracts.. A 100 basis point weakening of the Canadian dollar against the US dollar would have had the equal and opposite impact to net earnings.

Capital Management

The Company's capital structure currently consists of borrowings under its senior notes, revolving credit facility, letters of credit (issued as financial security to third parties) and shareholders' equity. The objectives in managing the capital structure are to:

- utilize an appropriate amount of leverage to maximize return on shareholder equity; and
- provide Trilogy borrowing capacity and financial flexibility for its operating and capital requirements.

Management and the Board of Directors review and assess the Company's capital structure and dividend declaration policy at each regularly scheduled board meeting and at other meetings called for that purpose. 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 Company may (1) issue new shares, (2) issue new debt securities, (3) amend, revise, renew or extend the terms of the existing credit facility (4) enter into agreements establishing new credit facilities, (5) adjust the amount of dividends, if any, declared to shareholders, (6) adjust capital spending, and/or (7) dispose of assets.

A comparison of Trilogy's debt structure against the committed amount on its revolving credit facility at December 31, 2015 and December 31, 2014 is detailed below:

	December 31, 2015	December 31, 2014
Committed amount that can be drawn from the credit facility (see note 13)	**450,000**	725,000
Outstanding letters of credit	**(3,473)**	(9,574)
Amount that can be drawn after letters of credit	**446,527**	715,426
Revolving credit facility	**(236,850)**	(405,276)
Current liabilities net of current assets	**(10,622)**	(50,463)
Capacity under revolving credit facility	**199,055**	259,687

Trilogy's net debt, calculated as its long-term debt plus any net working capital deficiency, is as follows:

	December 31, 2015	December 31, 2014
Revolving credit facility (see note 13)	**(236,850)**	(405,276)
Senior notes (see note 13)	**(296,695)**	(295,864)
Current liabilities, net of current assets	**(10,622)**	(50,463)
Net debt[1]	**(544,167)**	(751,603)

(1) Net debt is a Non-GAAP measure

Limited capital expenditure levels and the application of oil and gas asset disposition proceeds contributed to the reduction in the Company's credit facility debt in 2015.

21. Financial Instruments

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

	December 31, 2015	December 31, 2014
Financial assets		
Receivables[1]	**25,225**	56,130
Financial instruments fair valued through profit and loss[2]	**19,073**	-
Financial liabilities		
Other liabilities - non-trading liabilities[1] [3]	**(54,178)**	(105,198)
Interest payable	**(1,132)**	(1,132)
Financial instruments fair valued through profit and loss[2]	**(862)**	(611)
Other liabilities - long-term debt[4]	**(533,545)**	(701,140)

(1) Carried at cost which approximates the fair value of the assets and liabilities due to the short-term nature of the accounts.

(2) Carried at the estimated fair value of the related financial instruments based on third party quotations.

(3) Consists of accounts payable and accrued liabilities.

(4) The Company's revolving credit facility debt carries interest based on specified benchmark interest rates plus a spread for the Company's own credit risk. The fair values of the revolving credit facility debt approximates its carrying amount due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk. The fair value of the senior unsecured notes is estimated to be 84 percent, based on independent broker quotes, of face value or $252 million (level 3 type – unobservable data inputs).

The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Input other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable data

The following provides a classification summary of Trilogy's financial instruments within the fair value hierarchy as at:

December 31, 2015	**Derivative financial assets (liabilities) – fair value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Foreign exchange derivative contract	**-**	**-**	**(361)**	**(361)**
Power derivative contract	**-**	**-**	**(862)**	**(862)**
Crude oil and natural gas derivative contracts	**-**	**19,434**	**-**	**19,434**
	-	**19,434**	**(1,223)**	**18,211**

December 31, 2014	**Derivative financial assets (liabilities) – fair value**			
	Level 1	Level 2	Level 3	Total
Power derivative contract	-	-	(611)	(611)
	-	-	(611)	(611)

The following provides a summary of Trilogy's derivative financial instruments and the effect of netting arrangements on Trilogy's financial position:

Commodity Contracts

At December 31, 2015 the Company had the following outstanding crude oil derivative contracts:

Crude Oil

	Financial Forward Sale	
Term	**Volume (Bbl/d)**	**Average CAD WTI Price/Bbl**
2016 - Sales	3,000	$77.18
2016 - Purchases	3,000	$59.53

Foreign Exchange

Weekly ending FX rate trading range: (CAD per USD)		**USD sell per week on trading range:**			**Weekly premium receipt within trading range:**	**Expiry**
Lower	**Upper**	**Below lower**	**Between range**	**Above upper**		
1.1950	1.4275	NIL	Nil, receive weekly premium	$750,000 notional at upper range	$7,500	December 2016

To the extent the week ending foreign exchange rate is:

- above the upper range of 1.4275, the Company is committed to selling $0.75 million USD at 1.4275 CAD

- between the payout range, the Company receives the referenced premium with no commitment to sell USD
- less than the lower range, the Company will not receive the referenced premium with no commitment to sell USD

Power

	Financial Forward Sale	
Term	**MW/h**	**Average CAD Price/MW/h**
2016	6	$50.44

The Company classified these financial instruments as fair valued through profit and loss and therefore has recognized the fair value of these 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 consolidated statement of comprehensive income. Gains or losses arising from monthly settlements with counterparties are recognized as a realized gain or loss in the consolidated interim statement of comprehensive income. The following table summarizes the fair value as at December 31, 2015 and December 31, 2014, and the change in fair value for the referenced periods:

	As at December 31 2015	At as December 31 2014
Derivative asset, beginning of period	**-**	24
Unrealized change in fair value	**19,073**	(24)
Derivative asset, end of period	**19,073**	-
Derivative liability, beginning of period	**(611)**	(5,224)
Unrealized change in fair value	**(251)**	4,613
Derivative liability, end of period	**(862)**	(611)
Unrealized increase (decrease) in fair value for the period	**18,822**	4,589

22. Gain (Loss) on Derivative Financial Instruments

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Realized gains (losses)		
Crude oil & natural gas	**-**	(78)
Power	**(899)**	(57)
Foreign exchange	**(771)**	-
Sub-total	**(1,670)**	(135)
Unrealized gains (losses)		
Crude oil & natural gas	**19,434**	5,224
Power	**(251)**	(635)
Foreign exchange	**(361)**	-
Sub-total	**18,822**	4,589
	17,152	4,454

23. Commitments

In addition to items disclosed elsewhere in these financial statements, Trilogy had the following off balance sheet commitments as at December 31, 2015:

	2016	2017	2018	2019	2020	2021 and after	Total
Fractionation and pipeline transportation [1]	19,430	23,672	30,992	32,050	30,717	159,199	296,060
Office premises operating lease [2]	2,995	2,164	-	-	-	-	5,159
Vehicle and energy service commitments	75	59	47	36	36	-	253
Total	22,500	25,895	31,039	32,086	30,753	159,199	301,472

[1] Before Trilogy's letters of credit issued to cover certain pipeline transportation commitments

[2] Net of committed rental reimbursements through sub-lease arrangements

Off balance sheet commitments as at December 31, 2014 is as follows:

	2015	2016	2017	2018	2019	2020 and after	Total
Fractionation and pipeline transportation [1]	14,940	22,307	23,331	22,963	22,963	125,154	231,659
Office premises operating lease [2]	2,747	2,857	2,002	-	-	-	7,606
Vehicle and energy service commitments	592	55	38	31	30	-	745
Total	18,279	25,219	25,371	22,994	22,993	125,154	240,010

[1] Before Trilogy's letters of credit issued to cover certain pipeline transportation commitments

[2] Net of committed rental reimbursements through sub-lease arrangements

24. General and Administrative Expenditures

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Salaries and other benefits	**26,106**	26,823
Office and communications	**4,523**	4,640
Corporate and other	**2,724**	3,158
Overhead recoveries and re-allocations to operating costs	**(18,838)**	(23,371)
	14,515	11,248

Trilogy's wages and employee benefits within general and administrative expenses and share based compensation is shown below:

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Salaries and other short-term benefits	**26,185**	25,427
Other long-term benefits	**(79)**	1,395
Salaries recoveries and reclassifications	**(12,766)**	(11,869)
Sub-total	**13,340**	14,953
Amortization of share-based payment awards	**12,002**	15,215
	25,342	30,168

The above amounts include amortization of share based payment awards and are prior to additional overhead recoveries and reclassification amounts recorded in general and administrative expenses.

Key management includes Trilogy's directors and officers. The compensation expensed for key management within the above total is shown below:

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Salaries and other short-term benefits	**905**	1,311
Other long-term benefits	**14**	772
Sub-total	**919**	2,083
Amortization of share-based payment awards	**6,429**	7,441
	7,348	9,524

25. Segment Reporting

The Company has only one segment for performance and evaluation purposes. The following schedule illustrates the types of products from which Trilogy earns its revenue.

	Twelve months-ended December 31 2015	Twelve months-ended December 31 2014
Petroleum and natural gas sales:		
Natural gas	**123,510**	229,888
Oil	**108,029**	270,990
Natural gas liquids	**54,622**	118,071
	286,161	618,949

Corporate Information

Officers

J.H.T. Riddell
Chief Executive Officer

J.B. Williams
President and Chief Operating Officer

M.G. Kohut
Chief Financial Officer

G.L. Yester
General Counsel & Corporate Secretary

Directors

C.H. Riddell
Chairman of the Board
Calgary, Alberta

J.H.T. Riddell
Chief Executive Officer
Calgary, Alberta

M.H. Dilger (2)(3)(6)
President and Chief Executive Officer
Pembina Pipeline Corporation
Calgary, Alberta

R.K. MacLeod (1)(2)(3)(6)
Independent Businessman and Corporate Director
Calgary, Alberta

W.A. Gobert (1)(4)(5)
Independent Businessman
Calgary, Alberta

R.M. MacDonald (2)(3)(4)(5)
Independent Businessman and Corporate Director
Calgary, Alberta

E.M. Shier (4)(6)
General Counsel, Corporate Secretary & Manager, Land
Paramount Resources Ltd.
Calgary, Alberta

D.F. Textor (1)(7)
Portfolio Manager
Dorset Energy Fund
Locust Valley, New York

Committees of the Board of Directors

(1) Compensation Committee
(2) Audit Committee
(3) Reserves Committee
(4) Corporate Governance Committee
(5) Nominating Subcommittee
(6) Environmental, Health & Safety Committee
(7) Lead Director

Head office

1400, 332 6th Avenue SW
Calgary, Alberta, Canada T2P 0B2

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www.trilogyenergy.com

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Bankers

Bank of Montreal
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

HSBC Bank Canada
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

The Toronto-Dominion Bank
Calgary, Alberta

JPMorgan Chase Bank
Toronto, Ontario

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta / Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange – “TET”

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD AT:

Conference Centre (Mezzanine Level)
Centrium Place – 332 – 6th Avenue S.W.
Calgary, Alberta
Thursday, May 5, 2016
2:00 PM (Calgary Time)