Q3

2011 THIRD QUARTER REPORT

FINANCIAL AND OPERATING HIGHLIGHTS TABLE

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

	Three Months Ended			Nine Months Ended September 30		
	September 30, 2011	June 30, 2011	Change %	2011	2010	Change %
FINANCIAL						
Petroleum and natural gas sales	**100,466**	94,056	7	**274,520**	223,808	23
Funds flow						
From operations[1]	**60,312**	52,107	16	**158,005**	118,633	33
Per share - diluted	**0.51**	0.44	15	**1.34**	1.03	29
Earnings						
Earnings (loss) before tax	**19,049**	10,977	74	**30,289**	155,106	(80)
Per share - diluted	**0.16**	0.09	78	**0.26**	1.35	(81)
Earnings (loss) after tax	**14,404**	7,872	83	**22,066**	185,819	(88)
Per share - diluted	**0.12**	0.07	73	**0.19**	1.62	(88)
Dividends declared	**12,179**	12,172	-	**36,456**	37,739	(3)
Per share	**0.105**	0.105	-	**0.315**	0.330	(5)
Capital expenditures						
Exploration, development, land, and facility	**71,478**	42,715	67	**250,019**	119,278	110
Acquisitions (dispositions) and other - net	**98**	1,154	(92)	**(1,798)**	463	(488)
Net capital expenditures	**71,576**	43,869	63	**248,221**	119,741	107
Total assets	**1,209,487**	1,188,179	2	**1,209,487**	1,043,490	16
Net debt[1]	**424,604**	406,409	4	**424,604**	286,585	48
Shareholders' equity	**542,010**	537,004	1	**542,010**	559,079	(3)
Total shares outstanding (thousands)						
- As at end of period [2]	**115,853**	115,776	-	**115,853**	114,717	1
OPERATING						
Production						
Natural gas (MMcf/d)	**125**	133	(6)	**124**	111	11
Oil (Bbl/d)	**3,886**	2,744	42	**2,974**	1,850	61
Natural gas liquids (Boe/d)	**4,397**	4,426	(1)	**4,351**	2,784	56
Total production (Boe/d @ 6:1)	**29,035**	29,320	(1)	**27,919**	23,207	20
Average prices before financial instruments						
Natural gas ($/Mcf)	**4.04**	3.93	3	**4.00**	4.52	(11)
Crude Oil ($/Bbl)	**85.85**	96.65	(11)	**89.55**	77.80	15
Natural gas liquids ($/Bbl)	**57.96**	55.54	4	**56.30**	61.90	(9)
Drilling activity (gross)						
Gas	**3**	6	(50)	**28**	34	(18)
Oil	**11**	3	267	**16**	7	129
D&A	**-**	-	-	**-**	-	-
Total wells	**14**	9	56	**44**	41	7
Success rate	**100%**	100%	-	**100%**	100%	-

[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.

Review of Operations

Operations Update for the Third Quarter 2011

- Average production of 29,035 Boe/d
- $71.6 million net capital expenditures
- 14(10.0 net) wells drilled, with a 100 percent success rate
- Average operating costs $7.16/Boe
- Operating netback $25.35/Boe
- $60.3 million funds flow from operations
- Accelerated development of Kaybob Montney oil pool
- Drilled horizontal Montney exploration well into new Montney oil pool

Production

Trilogy's third quarter 2011 average production was 29,035 Boe/d, (124.5 MMcf/d of natural gas, 3,886 Bbl/d of crude oil and 4,397 Bbl/d of natural gas liquids), a decrease of one percent from second quarter 2011 production of 29,320 Boe/d and an increase of 31 percent over third quarter 2010 production of 22,462 Boe/d. This year over year increase in production volumes reflects the success of Trilogy's horizontal oil and gas drilling programs, as well as an increase in the natural gas liquids recovered pursuant to the previously announced Natural Gas Liquids Recovery Agreement with Aux Sable Canada LP (the "NGL Recovery Agreement"). Third quarter production was impacted by a 10 day production outage at the Trilogy-operated Kaybob North Sour Gas Plant. This was required to complete the expansion of the sour gas processing and acid gas disposal projects, as well as some upgrades at the 12-10 Oil Battery. The outage reduced the third quarter production by an estimated 1,050 Boe/d.

Processing issues at the SemCAMS' operated Kaybob South Gas Plant No. 3 (the "K3 Plant") has negatively impacted Trilogy's production in 2011. Unexpected outages at the K3 Plant resulted in 47 days of down time in the first half of the year. The K3 Plant went down again on October 11 for 18 days which will reduce fourth quarter production by approximately 350 Boe/d. Assuming continued drilling and completion success and no additional operational issues at the K3 Plant in the fourth quarter of 2011, Trilogy is forecasting production to be approximately 30,000 Boe/d for the year.

In the third quarter, Trilogy reported funds flow from operations of $60.3 million ($0.51 per share fully diluted) up 16 percent from the $52.1 million ($0.44 per share) reported in the prior quarter. Higher oil revenue from the new Montney oil production, increased financial instrument gains and lower operating costs contributed to this increase, and was partially offset by higher royalties.

Capital Expenditures

Trilogy's net capital expenditures totaled $71.6 million during the third quarter of 2011, for a year-to-date total of $248.2 million, including $133.8 million in the first quarter and $43.9 million in the second quarter of 2011. Increased capital expenditures were required to expand the infrastructure around Trilogy's Montney oil pool in the Kaybob area through the second and third quarters to accommodate higher than forecasted production volumes from new horizontal Montney oil wells. Capital spending for the year will exceed the $285 million budgeted, as additional capital is required to expand the existing producing infrastructure, drill additional wells, participate in unbudgeted joint venture projects and to procure equipment and materials required for the proposed 2012 drilling, completion and construction projects. Capital guidance for 2011 will be further clarified in mid November 2011.

Operating Costs

Operating costs in the third quarter of 2011 were $7.16/Boe, down 12 percent from second quarter 2011 operating costs of $8.15/Boe and 9 percent from the $7.86/Boe reported for the first quarter of 2011. Third quarter operating costs were down relative to the prior two quarters as new Montney oil production was transported via pipeline instead of being trucked. Trilogy expects these pipelines and production facilities will be further expanded in the fourth quarter 2011 and first quarter 2012 to further reduce trucking requirements and related operating costs. Trilogy is maintaining its average annual operating cost guidance of $7.75/Boe for 2011.

Drilling and Land Sale Activity

During the third quarter 2011, Trilogy participated in the drilling of 14 (10.0 net) wells, of which 11 (9.2 net) were located in the Kaybob area and 3 (0.8 net) were in the Grande Prairie area. Trilogy has progressed to drilling an increasing percentage of its wells as horizontals; in the third quarter, 12 (9.8 net) of the 14 wells drilled were drilled horizontally, with only 2 (0.2 net) wells drilled as vertical wells. Third quarter drilling results have been very encouraging, resulting in 3 (1.6 net) gas wells and 11 (8.4 net) oil wells, for an overall success rate of 100 percent.

Trilogy acquired 352 net hectares at Alberta Crown land sales during the quarter, for a total expenditure of $0.6 million. Ongoing evaluation and acquisition of high quality acreage will permit Trilogy to maintain its prospect inventory for future development and potential reserve additions.

Operating Area Updates

Trilogy continues to focus its capital spending on developing its high working interest, concentrated assets in the Kaybob area, which continues to provide a growing inventory of high quality exploration and development opportunities. The Montney oil and gas plays Trilogy is currently developing provide a high rate of return to its shareholders given the high liquid content in the natural gas and the relatively high oil price. Trilogy will continue to evaluate other formations in the Kaybob and Grande Prairie areas to manage its expiring lands and to expand its prospect inventory for future growth.

Kaybob

In addition to evaluating the Montney in the Kaybob area, Trilogy will evaluate the resource potential by using a portion of its capital budget to evaluate new formations and geographic areas for future development. The potential of the Cardium, Dunvegan, Notikewin/Spirit River,

Wilrich, Bluesky, Nordegg and Duvernay formations will be evaluated for future development using horizontal wells and multistage fracture completions. It is anticipated that these new opportunities will be added to the company's growing prospect inventory and should provide future production and reserve growth in the Kaybob area. Through the balance of the year, Trilogy will be performing technical work to evaluate shale and tight-sand plays in the Kaybob area. Trilogy believes there is significant value in understanding the resource potential of each formation, providing opportunities to exploit formations that yield the greatest return for Trilogy's shareholders. Trilogy's large land base and producing infrastructure in the Kaybob area have generated a significant asset base that we believe will afford development opportunities for the next decade.

Presley Montney Gas Development

Field operations in the Presley area started slowly in the third quarter as wet weather delayed field operations. As a result, Trilogy concluded drilling operations on 1 horizontal Montney gas well in the Presley area during the quarter. It is expected that 2 horizontal Montney gas wells and 1 horizontal Bluesky well will be drilled in the Presley area during the fourth quarter.

Trilogy finished completion and tie-in operations on wells that were drilled in the prior quarter, maintaining Presley production at approximately 60 MMcf/d during the quarter. Trilogy has grown average annual production in the Presley area from 10 MMcf/d in 2008 to 40 MMcf/d in 2010, with forecast growth to 65 MMcf/d in 2011. In order to handle this additional production, Trilogy installed additional field compression in April 2011. The additional compressor increases Presley area total compression capacity to 85 MMcf/d. This should enable Trilogy to handle third party volumes in addition to its own for the balance of the year and into the first quarter of 2012. Additional compression will be installed in 2012 to handle further growth in the area.

Kaybob Montney Oil Development

During the third quarter, Trilogy completed the expansion of two oil satellites at 10-2-64-18W5 and 10-4-64-18W5 to handle the separation and compression of Montney oil and solution gas in the field. The Trilogy-operated central oil processing battery at 12-10-64-19W5 was also expanded from 2,000 to 12,000 Bbl/d of fluid processing by adding a larger oil treater at the site. Production from the Montney oil pool is expected to reach approximately 10,000 Bbl/d of oil by the end of the year. Expansion of the field satellites and central battery was required to handle the growing production from wells drilled earlier in the year as well as the volumes expected to be produced from the 14 well drilling program that is being executed in the second half of 2011. In September, Trilogy also completed the expansion of the sour gas processing capacity of the E Plant at the Trilogy-operated Kaybob North Sour Gas Plant to 100 MMcf/d. The Plant expansion was required to process additional sour solution gas volumes that will be produced with the Montney oil and the growing Presley Montney sour gas production. The Plant and 12-10 battery were down for a 10 day period in September and were brought back into service by the end of the month.

Trilogy was unable to commence lease construction until mid July following extended wet conditions following spring break-up. As a result, the drilling operations did not begin until early August. Four drilling rigs were initially used to execute the drilling program to make up for the late start to the 14 well drilling program. Drilling operations were originally forecast to take 30 to 35 days, however actual drilling times have been reduced to 20 to 25 days. Faster drilling times have reduced drilling costs and accelerated the need for additional production and processing equipment. As a result, some wells will be shut in while the new facilities and equipment are being installed. During the quarter, drilling operations on 8 of the 14 well drilling program were completed.

Trilogy's forecast capital spending on its Montney oil pool assets in 2011 is approximately $138 million, which includes the costs associated with its related Crown land sale acquisitions ($36 million), 4 wells drilled in the first and second quarters ($20 million), pipeline and batteries ($12 million) and the 14 well ($70 million) drilling program. With the success of the original wells and the first 8 wells of the drilling program, Trilogy is expecting to increase production from this oil property to approximately 10,000 Bbl/d of oil and 8 to 10MMcf/d of solution gas by the end of the year.

Initial production rates from the Montney oil wells have exceeded Trilogy's initial expectations, however Trilogy is cognizant of the fact that the wells are expected to decline quickly over the first 6 to 12 months of production. Trilogy has not established long term production trends for these wells and will closely monitor each well to better understand their long term deliverability. Individual well results are expected to vary across the pool as it is further delineated, ultimately providing the data required to fully exploit the Montney oil reservoir. The following table summarizes the individual well results to date for wells that have been drilled and completed in the pool. The daily production rates reflect the producing day rates (barrels per day of crude oil) after the completion fluid volume has been recovered.

				Production (Bbl/d)				
Rig Release	Well	Horizontal length(m)	Frac stages	7 day	30 day	60 day	90 day	150 day
Q4 2010	16-1	1,504	15	667	569	431	351	288
Q1 2011	3-21	1,158	15	1,761	1,774	1,340	1,057	
Q1 2011	13-2	1,381	20	1,667	1,040	819	702	
Q1 2011	9-1	1,546	22	1,120	576	448		
Q2 2011	5-17	1,555	22	3,312	2,617			
Q3 2011	13-17	1,552	22	2,692	1,612			
Q3 2011	12-17	1,558	22	2,183				
Q3 2011	5-2	1,553	22	1,510				
Q3 2011	02/2-11	1,571	22	1,466				
Q3 2011	4-21	1,982	27					
Q3 2011	8-1	1,546	22					
Q3 2011	4-9	1,558	22					
Q3 2011	1-11	1,565	22	896				
Q4 2011	12-2							
Q4 2011	2-8							
Q4 2011	4-17							
Q4 2011	3-9							
Q4 2011	1-8							
Q4 2011	1-21							

New Montney Exploration Play (Iosegun)

Trilogy has drilled and completed a horizontal Montney oil well into a new Montney oil pool approximately 10 miles southwest of its original Kaybob Montney oil pool which was announced on February 9, 2011. The new well (the "8-1 well"), licensed as a Deep Pool Test, was spud on September 9, 2011 from a surface location at 1-2-63-19W5M and drilled to a bottom hole location at 8-1-63-19W5M . The Montney reservoir was penetrated with an 1,890 metre lateral wellbore reaching a total depth of 4,064 metres, at the bottom hole location in 8-1-63-19W5M. The well was rig released on October 3, 2011 and was completed in October utilizing a 25 stage facture stimulation over the horizontal portion of the well.

Trilogy recovered 5,200 barrels of the 10,400 barrel completion fluid and load volume in the first 62 hours. The average rate during flow back was 0.7 MMcf/d of natural gas and 2,000 Bbl/d of crude oil (38 degree API) at an 18 percent water cut.

Trilogy holds a 100% working interest in the 8-1 well and in substantially all of the land believed to be associated with the new pool. Trilogy is pleased with the initial results from the exploratory well and will continue to evaluate the well to determine the productivity and reserve potential of the new pool as compared to Trilogy's original pool discovery. It is anticipated that an additional delineation well will be drilled in 2011 and 3 to 5 additional wells may be drilled in 2012 to further delineate the new pool.

Duvernay Shale Gas Development

The Trilogy-operated Duvernay shale well located at 3-13-60-19W5 (33 percent working interest) has been on production since April 2011 and is currently producing approximately 2 MMcf/d with 80 barrels per MMcf of condensate. The natural gas liquids content in the gas stream exceeded Trilogy's original expectations, supporting ongoing exploration and development to further evaluate the resource potential of the Duvernay. Trilogy has agreed to participate for its 33 percent working interest in a third joint venture well which spud on October 22, 2011.

Industry-wide, there have been 31 wells licensed (15 horizontals) to the Duvernay formation in the greater Kaybob area since the start of 2010, of which 19 wells (6 horizontals) have been or are currently being drilled. The information to be gained over the next year from these additional wells should provide the required technical data for the industry to properly evaluate the Duvernay shale in order to progress the play to a higher level of commercial productivity.

Natural Gas Liquids Recovery Agreement ("NGL Recovery Agreement")

The NGL Recovery Agreement with Aux Sable Canada LP was effective January 1, 2011, allowing for immediate recovery of additional value for Trilogy's natural gas liquids produced at Kaybob versus the alternative which would have involved the construction of a deep-cut facility for the second quarter of 2012 at an estimated cost of $55 million. Based on the value sharing arrangement under the NGL Recovery Agreement, Trilogy recognized revenue of $3.8 million in the first quarter, $5.8 million in the second quarter and approximately $5.4 million in the third quarter. Third quarter production and revenue from the NGL Recovery Agreement was reduced by a 16 day production outage in September at Aux Sable's natural gas liquid recovery plant in Illinois; no additional down time is forecast for the fourth quarter.

Grande Prairie

In the Grande Prairie area, Trilogy spent most of the third quarter of 2011 negotiating the process to flow approximately 5.0 MMcf/d of natural gas from 3 successful wells that were drilled in the Valhalla area during the first half of the year. In September, Trilogy brought on 2.5 MMcf/d (1.5 MMcf/d net) of natural gas from a Montney well, which has continued to flow at that rate through October. In October, Trilogy was able to bring on a second well in Valhalla, which is flowing at a stabilized rate of 5.0 MMcf/d (2.5 MMcf/d net) of natural gas. Construction of the pipeline and surface equipment required for the third well was completed in October and Trilogy anticipates this well will produce 2.0 MMcf/d (1.0 MMcf/d net) of natural gas through the balance of the year. Current production for the Grande Prairie area is approximately 2,200 Boe/d, which is 700 Boe/d above the year-to-date average of 1,500 Boe/d. Compression capacity is an issue in the Valhalla area and further capital expenditures will be required to increase the flow through the existing gas gathering system.

Risk Management

Trilogy's management and Board of Directors believe that hedging a portion of production is prudent to support the Corporation's dividend policy and capital spending program. Trilogy currently has 2,500 to 3,500 Bbl/d of crude oil hedged for various periods through to the end of 2012 at prices varying from $83.62/ Bbl to $110.22/Bbl. Concurrent with the continued exploitation of Trilogy's Kaybob Montney oil pool, Trilogy will continue to evaluate opportunities to hedge oil production in order to preserve the necessary cash flow to grow this developing asset. A summary of Trilogy's hedging contracts are available in notes 19 and 21 of the Interim Consolidated Financial Statements.

Outlook

Trilogy continues to expand its land position and technical expertise in order to further develop the liquids rich gas and oil resource plays in the deep basin. This has resulted in the accumulation of a large inventory of high quality vertical and horizontal drilling prospects that should enable Trilogy to grow daily production, replace produced reserves and maintain a dividend for its shareholders over the long term.

The encouraging results Trilogy has achieved in the Kaybob area have been partially offset by operating problems at the K3 Plant and weather related issues throughout the year. Notwithstanding these challenges, Trilogy believes production levels should not vary materially from the 30,000 Boe/d guidance previously provided. The capital spending program for the year was increased in May 2011 from $130 million to $285 million, and it is anticipated that this guidance will be exceeded as Trilogy continues to drill additional wells, , participates in joint venture operations to maintain its competitive advantage in the area and acquires materials required for its 2012 development plan. Capital guidance for 2011 will be further clarified in mid-November of 2011. Trilogy will fund the increased capital expenditure program with forecasted cash flow resulting from incremental production additions and, if necessary, increased borrowings from its existing credit facilities which are currently under review by Trilogy's banking syndicate.

In the current commodity price environment, Trilogy plans to manage its balance sheet through production replacement, prudent asset management and continued control over operations. As a growth-oriented corporation, Trilogy will remain flexible in order to respond to volatility in commodity prices and take advantage of government incentive programs. Trilogy is in an enviable position; the majority of its production consists of oil and liquids-rich natural gas. The

economics of these types of assets are excellent, notwithstanding the volatile oil and lower natural gas price environments we are currently experiencing. Trilogy's intention is to continue to exploit its current assets to their maximum potential and to explore its existing lands for additional and similar play types.

Certain statements in this Review of Operations constitute forward-looking statements under applicable securities legislation. Please refer to the attached Management's Discussion and Analysis for advisories on forward-looking statements and the assumptions, risk and uncertainties related to forward-looking information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Trilogy Energy Corp. ("Trilogy" or the "Company") as at and for the three and nine months ended September 30, 2011, and should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the three and nine months then ended and its annual consolidated financial statements and MD&A for the year ended December 31, 2010. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") while the 2010 annual consolidated financial statements and MD&A were prepared under Canadian generally accepted accounting principles in effect prior to January 1, 2010.

Readers are cautioned of the advisories on forward-looking statements, estimates, non-GAAP measures and numerical references which can be found at the end of this MD&A. This MD&A is dated and was prepared using currently available information as of November 1, 2011.

THIRD QUARTER 2011 HIGHLIGHTS

- Sales volumes for the third quarter of 2011 averaged 29,035 Boe/d as compared to 29,320 Boe/d for the previous quarter, representing a 1 percent decrease quarter over quarter.
- Oil production increased 42 percent quarter over quarter (61 percent year-to-date 2011 over 2010). Increased oil and natural gas liquids production to 29 percent of total production (from 24 percent in the prior quarter).
- Capital expenditures (excluding acquisitions and dispositions) totaled $71.6 million for the third quarter of 2011 versus $42.8 million in the prior quarter. In total, 14 (10.0 net) wells were drilled in the quarter with 100 percent success rate.
- Accelerated development of the Kaybob Montney oil pool. Drilled 8 (8.0 net) oil wells during the quarter.
- Drilled a horizontal Montney exploration well into a new Montney oil pool
- Funds flow from operations increased 16 percent to $60.3 million during the third quarter of 2011 as compared to $52.1 million for the previous quarter. The increase was attributed primarily to a higher oil composition as a percentage of total production, higher realized financial instrument gains, and lower operating costs, offset, in part, by increased royalties and transportation costs.
- Operating costs in the quarter were lower at $7.16 /Boe as compared to the previous quarter of $8.15 /Boe. Gathering infrastructure on the Montney oil production constructed in the quarter contributed to the lower costs.
- Dividends to Shareholders for the third quarter of 2011 were $12.2 million (21 percent of cash flow from operations) as compared to $12.2 million in the prior quarter (25 percent of cash flow from operations).
- Income before tax for the third quarter was $19.0 million as compared to the prior quarter's income of $11.0 million. The positive change was primarily a function of the aforementioned increase in funds flow and lower depletion and depreciation charges.

BUSINESS OVERVIEW, STRATEGY AND KEY PERFORMANCE DRIVERS

On February 5, 2010, Trilogy announced that Trilogy Energy Trust (the "Trust") had completed its previously announced conversion from an income trust to a corporation through a business combination with a private company ("Privateco") pursuant to an arrangement under the Business Corporations Act (Alberta) and related transactions (the "Conversion"). Trilogy's Board of Directors and management team are the former Trust's Board of Directors and management team. Subsequent to the Conversion, former Trust Unitholders held approximately 96 percent of the equity in Trilogy with the remaining 4 percent owned by the former shareholder of Privateco. Immediately subsequent to the Conversion, Trilogy effected an internal reorganization whereby, among other things, the Trust was dissolved and Trilogy received all of the assets and assumed all of the liabilities of the Trust. References to Trilogy in these financial statements for periods prior to February 5, 2010 are references to the Trust and for periods on or after February 5, 2010 are references to Trilogy Energy Corp. Additionally, Trilogy refers to shares, shareholders and dividends which are comparable to units, unitholders and distributions previously under the Trust.

Trilogy continues to focus on maximizing long-term value to its Shareholders by developing its extensive inventory of assets at a growing pace that provides sustainability and replacement of produced reserves without adversely impacting its financial strength.

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, its ability to maintain desired levels of production, control over its infrastructure, its efficiency in developing and operating properties and its ability to control costs. The Company's key measures of performance with respect to these drivers include, but are not limited to, average production per day, average realized prices, average operating costs per unit of production and average annual finding and development cost per unit of reserve additions. Disclosure of these key performance measures can be found in this MD&A and/or previous interim or annual MD&A disclosures.

BUSINESS ENVIRONMENT AND ECONOMIC CONDITIONS

Global economic concerns surrounding European country debt defaults and a threatened United States double dip recession have created significant volatility in future consumption estimates of oil and natural gas liquid commodities and the related market price thereof. However, Trilogy is confident in the success of its business model and the ability to provide shareholder value given: its premier land base; a significant inventory of current and prospective drilling locations; its liquids-rich gas production; its recent land acquisition in, and the related development of, its Kaybob Montney oil play; its ability to find and develop its oil and gas reserves at extremely competitive metrics; and its ability to improve cash flow through focusing on reducing its cost structure and increasing operating efficiencies.

Trilogy continued to realize significant value in the quarter pursuant to recently implemented natural gas deep drilling program incentives and other changes effective under the Alberta Royalty Framework. This incentive program and related royalty framework changes are expected to continue to complement Trilogy's business model and provide benefits to Trilogy through a reduction in its effective royalty rate.

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

	Q3 2011	Q2 2011	Q3 2010
Crude Oil			
West Texas Intermediate monthly average (U.S.$/Bbl)	**88.91**	102.56	77.81
Natural Gas			
NYMEX (Henry Hub close) monthly average (U.S.$/MMBtu)	**4.20**	4.32	4.38
AECO monthly average (Cdn$/GJ)	**3.53**	3.55	3.52
Canadian - U.S. dollar quarter-end closing exchage rate (Cdn$/U.S.$1)	**1.05**	0.96	1.03

RESULTS OF OPERATIONS

Operating Results Summary (In thousand dollars)	Three Months Ended			Nine Months Ended	
	September 30, 2011	**June 30, 2011**	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
Operating income[1]	**65,125**	59,325	34,949	**177,814**	123,439
Other income (expenses)	**513**	311	369	**619**	1,266
Realized financial instruments gains (losses)[2]	**2,137**	(14)	3,666	**1,853**	15,785
Actual decommissioning and restoration costs	**(54)**	(615)	(572)	**(1,407)**	(1,540)
Operating netback[1]	**67,721**	59,007	38,412	**178,879**	138,950
Interest and financing charges	**(4,184)**	(3,975)	(2,559)	**(11,474)**	(8,627)
General and administrative expenses	**(3,225)**	(2,925)	(3,159)	**(9,400)**	(11,690)
Funds flow from operations[1]	**60,312**	52,107	32,694	**158,005**	118,633
Non-cash items:					
Gain on Conversion [3]	**-**	-	-	**-**	146,053
Depletion and depreciation (including impairment)	**(39,942)**	(40,885)	(34,249)	**(112,804)**	(93,763)
Unrealized financial instruments[2]	**4,459**	4,960	(2,760)	**6,328**	(1,453)
Stock based compensation	**(2,217)**	(2,120)	(1,037)	**(8,089)**	(3,603)
Exploration expenditures[4]	**(2,306)**	(2,148)	(4,111)	**(10,576)**	(7,715)
Accretion on decommissioning and restoration liability[5]	**(1,486)**	(930)	(928)	**(3,218)**	(2,987)
Deferred income tax (expense) recovery	**(4,645)**	(3,105)	1,957	**(8,223)**	30,713
Unrealized foreign exchange gains (losses) and other	**229**	(7)	686	**643**	(59)
Profit (loss) and comprehensive income	**14,404**	7,872	(7,748)	**22,066**	185,819

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

(2) See Risk Management section below

(3) Represents gain recorded on Conversion from a trust to a corporation. Refer to the notes of the condensed interim consolidated statements for more detail

(4) Includes costs associated with dry-holes, geological and geophysical and expired mineral leases

Funds Flow From Operations Per Unit of Sales Volume (Dollar per Boe)	Three Months Ended			Nine Months Ended	
	September 30, 2011	**June 30, 2011**	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
Sales	**37.61**	35.25	31.74	**36.02**	35.33
Transportation costs	**(1.40)**	(1.03)	(1.48)	**(1.21)**	(1.54)
Royalties	**(4.67)**	(3.83)	(5.22)	**(3.76)**	(5.70)
Operating costs	**(7.16)**	(8.15)	(8.12)	**(7.72)**	(8.60)
Operating income[1]	**24.38**	22.23	16.91	**23.33**	19.48
Other income (expenses)	**0.19**	0.12	0.18	**0.08**	0.20
Realized financial instruments gains (losses)[2 & 3]	**0.80**	(0.01)	1.77	**0.24**	2.49
Actual decommissioning and restoration costs	**(0.02)**	(0.23)	(0.28)	**(0.18)**	(0.24)
Operating netback[1]	**25.35**	22.12	18.59	**23.47**	21.93
Interest and financing charges	**(1.57)**	(1.49)	(1.24)	**(1.51)**	(1.36)
General and administrative expenses[4]	**(1.21)**	(1.10)	(1.53)	**(1.23)**	(1.84)
Funds flow from operations[1]	**22.58**	19.52	15.82	**20.73**	18.73

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

[2] See Risk Management section below

[3] The realized gains on derivative financial instruments for the nine months ended September 30, 2010 include a $7.1 million gain from the settlement of certain derivative financial instruments prior to their scheduled maturity.

[4] Includes direct and indirect Conversion and internal reorganization costs of $1.2 for the nine months ended September 2010 representing a cost of $0.16 /Boe for the same period.

Operating Income Items

Third Quarter 2011 vs. Second Quarter 2011			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q3 2011**	**Q2 2011**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**124,514**	132,899	(8,385)	(6)
Oil (Bbl/d)	**3,886**	2,744	1,142	42
Natural gas liquids (Boe/d)	**4,397**	4,426	(29)	(1)
Total (Boe/d)	**29,035**	29,320	(285)	(1)
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**4.04**	3.93	0.11	3
Oil ($/bbl)	**85.85**	96.65	(10.80)	(11)
Natural gas liquids ($/Boe)	**57.96**	55.54	2.42	4
Average realized prices after financial instruments and before transportation:				
Natural gas ($/Mcf)	**4.04**	3.93	0.11	3
Oil ($/bbl)	**90.99**	95.17	(4.18)	(4)
Natural gas liquids ($/Boe)	**57.96**	55.54	2.42	4
Petroleum and natural gas sales before financial instruments and before transportation:				
Natural gas	**46,332**	47,552	(1,220)	(3)
Oil	**30,689**	24,135	6,554	27
Natural gas liquids	**23,445**	22,368	1,077	5
Total petroleum and natural gas sales before financial instruments and before transportation	**100,466**	94,055	6,411	7
Royalties	**(12,465)**	(10,227)	2,238	22
Operating costs	**(19,124)**	(21,744)	(2,620)	(12)
Transportation costs	**(3,752)**	(2,760)	992	36
Operating income[1]	**65,125**	59,324	5,801	10

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

Petroleum and Natural Gas Sales Before Financial Instruments and Transportation – Oil volumes increased from the prior quarter pursuant to new wells coming on production primarily from Trilogy's Montney oil play. Oil sales increased by $9.2 million due to higher sales volumes offset by a decrease of $2.7 million due to lower realized oil prices. Natural gas sales decreased by $2.5 million due to lower sales volumes offset, in part, by an increase of $1.3 million due to higher realized natural gas prices. NGL volumes were consistent quarter over and NGL sales increased as a result of higher realized NGL prices.

Royalties – Royalties increased in the quarter as a result of higher effective royalties on the increased oil production relative to gas volumes. Crown Royalties on Alberta gas are calculated based on the Alberta reference price, which may vary from Trilogy's realized corporate price, and this variation impacts the average royalty rate. In addition, various items, including cost of service credits and other royalty credit programs impact the overall rate.

Operating Costs – Third quarter operating costs decreased from the prior quarter, in part, due to efficiencies realized in the quarter from improved Montney oil facility infrastructure constructed and in place for much of the quarter.

Third Quarter 2011 vs. Third Quarter 2010			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q3 2011**	**Q3 2010**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**124,514**	109,096	15,418	14
Oil (Bbl/d)	**3,886**	1,899	1,987	105
Natural gas liquids (Boe/d)	**4,397**	2,380	2,017	85
Total (Boe/d)	**29,035**	22,462	6,573	29
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**4.04**	3.97	0.08	2
Oil ($/Bbl)	**85.85**	73.13	12.72	17
Natural gas liquids ($/Boe)	**57.96**	59.23	(1.27)	(2)
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**4.04**	4.31	(0.26)	(6)
Oil ($/Bbl)	**90.99**	73.13	17.86	24
Natural gas liquids ($/Boe)	**57.96**	59.23	(1.27)	(2)
Petroleum and natural gas sales before financial instruments:				
Natural gas	**46,332**	39,842	6,490	16
Oil	**30,689**	12,776	17,913	140
Natural gas liquids	**23,445**	12,968	10,477	81
Total petroleum and natural gas sales before financial instruments	**100,466**	65,586	34,880	53
Royalties	**(12,465)**	(10,795)	1,670	15
Operating costs	**(19,124)**	(16,779)	2,345	14
Transportation costs	**(3,752)**	(3,063)	689	22
Operating income[1]	**65,125**	34,949	30,176	86

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

Petroleum and Natural Gas Sales Before Financial Instruments and Transportation – Oil volumes increased from the same period last year as a result of new wells coming on production primarily from Trilogy's Montney oil play. Oil sales increased by $15.7 million due to higher sales volumes and by $2.2 million due to higher realized oil prices Natural gas sales increased by $5.7 million due to higher sales volumes and by $0.8 million due to higher realized natural gas prices. NGL sales increased by $10.7 million on higher sales volumes offset by $0.3 million due to lower realized NGL prices. Gas and NGL volumes increased from the prior year given the increase in wells drilled and volumes recorded in conjunction with the NGL Recovery Agreement with Aux Sable Canada LP.

Royalties – Royalties increased in the quarter compared to the same period last year largely due to the increase in natural gas, oil, and NGL production volumes and higher realized oil prices. The relative decrease in the effective royalty rate from 16 percent to 12 percent reflects the impact of the benefits realized under the new royalty regime; in particular, the Natural Gas Deep Drilling Royalty Program, and the New Well Royalty Rate Program.

Operating Costs – Third quarter operating costs on a per unit of production basis decreased in comparison to the same period in 2010 as a result of the impact of allocating fixed operating costs over a higher production base. In addition, Trilogy has reduced its cost structure in 2011 relative to 2010, particularly in conjunction with the savings associated with redirecting production to Trilogy operated facilities and processing and pipeline fees recovered from third party volumes. Operating

costs in absolute dollar terms have increased in conjunction with the higher sales volumes, partially offset by the aforementioned cost reductions.

Year-to-date 2011 vs Year-to-date 2010			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**YTD 2011**	**YTD 2010**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**123,568**	111,436	12,132	11
Oil (Bbl/d)	**2,974**	1,850	1,124	61
Natural gas liquids (Boe/d)	**4,351**	2,784	1,567	56
Total (Boe/d)	**27,919**	23,207	4,713	20
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**4.00**	4.52	(0.52)	(11)
Oil ($/Bbl)	**89.55**	77.80	11.74	15
Natural gas liquids ($/Boe)	**56.30**	61.90	(5.60)	(9)
Average realized prices after financial instruments but before transportation:				
Natural gas ($/Mcf)	**4.00**	5.04	(1.04)	(21)
Oil ($/Bbl)	**91.02**	77.80	13.22	17
Natural gas liquids ($/Boe)	**56.30**	61.90	(5.60)	(9)
Petroleum and natural gas sales before financial instruments:				
Natural gas	**134,955**	137,467	(2,512)	(2)
Oil	**72,690**	39,294	33,396	85
Natural gas liquids	**66,875**	47,047	19,828	42
Total petroleum and natural gas sales before financial instruments	**274,520**	223,808	50,712	23
Royalties	**(28,666)**	(36,090)	(7,424)	(21)
Operating costs	**(58,820)**	(54,509)	4,311	8
Transportation costs	**(9,220)**	(9,770)	(550)	(6)
Operating income[1]	**177,814**	123,439	54,375	44

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

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Natural gas sales decreased by $15.7 million due to lower realized natural gas prices offset by $13.2 million due to higher sales volumes. Oil sales increased by $27.5 million due to higher sales volumes, primarily from the Montney oil play, and by $5.9 million due to higher realized oil prices. NGL sales increased by $24.1 million on higher sales volumes offset by $4.2 million due to lower realized NGL prices. NGL volumes increased significantly from the prior year given the increase in wells drilled and volumes recorded in conjunction with the NGL Recovery Agreement with Aux Sable Canada LP.

Royalties – In comparison to last year, royalties are lower, primarily as a result of the benefits realized under the new royalty regime; in particular, the Natural Gas Deep Drilling Royalty Program, and the New Well Royalty Rate Program. Various items, including cost of service credits, prior period adjustments and other royalty credit programs impact the overall rate.

Operating Costs – Operating costs on a unit of production basis decreased in comparison to the same period in 2010 as a result of the impact of allocating fixed operating costs over a higher production base. In addition, Trilogy has reduced its cost structure in 2011 relative to 2010, particularly in conjunction with the savings associated with redirecting production to Trilogy

operated facilities and processing and pipeline fees recovered from third party volumes. Operating costs in absolute dollar terms have increased in conjunction with the higher sales volumes, partially offset by the aforementioned cost reductions.

OTHER INCOME STATEMENT ITEMS

Depletion and Depreciation Expense

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Reported amount	**39,942**	40,885	34,249	**112,804**	93,763
Expense per sales volume ($/Boe)	**14.95**	15.32	16.57	**14.80**	14.80

Depletion and depreciation expense decreased for the third quarter of 2011 relative to the prior quarter primarily due to upward revisions to Trilogy's estimated reserve base creating a lower depletion rate. The increase for the three and nine months ended September 30, 2011 as compared to the same periods in 2010 is primarily attributable to higher production volumes.

General and Administrative Expenses

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Expenses before recoveries	**7,505**	7,077	6,537	**22,286**	22,280
Overhead recoveries	**(4,281)**	(4,153)	(3,378)	**(12,973)**	(10,593)
Reported amount	**3,224**	2,924	3,159	**9,313**	11,687
Expense per sales volume ($/Boe)	**1.21**	1.10	1.53	1.22	1.84

General and administrative expenses (before recoveries) for the third quarter of 2011 were higher than the previous quarter primarily as a result of higher employee compensation costs. General and administrative expenses (before recoveries) increased in 2011 relative to 2010, in part as a result of increased costs associated with higher production and capital activity, offset by the absence of costs incurred in 2010 in conjunction with the Conversion.

Overhead recoveries on general and administrative expenditures correlate, in part, with capital expenditure activity. Accordingly, overhead recoveries were higher in 2011 for the three and nine months ended September 30, 2011 given Trilogy's increased capital spending relative to the same periods 2010.

Stock based Compensation

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Reported Amount	**2,217**	2,120	1,037	**8,175**	3,598
Expense per sales volume ($/Boe)	**0.83**	0.79	0.50	**1.07**	0.57

The increase in stock based compensation expense for the third quarter of 2011 and for 2011 year-to-date, relative to the three and nine months ended September 30, 2010 was attributed in part to a larger grant of awards under Trilogy's Share Incentive Plan than as originally accrued in 2010 and a higher fair value of those underlying grants.

Interest and Financing Charges

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Accretion on decommissioning and restoration liability	**1,541**	1,545	1,500	**4,625**	4,527
Interest and other finance costs	**4,184**	3,975	2,559	**11,474**	8,627
Expense per sales volume ($/Boe)	**1.57**	1.49	1.24	**1.51**	1.36

Accretion on the Company's decommissioning and restoration liability was relatively consistent through the above periods.

Interest and financing charges were slightly higher in the third quarter of 2011 as compared to the second quarter of 2011 due primarily to higher interest margins, partially offset by lower average debt levels. Interest expense for the three and nine months ended September 30, 2011 relative to the same periods in 2010 were higher as a result of increased debt levels, partially offset by lower effective interest rates on borrowings in 2011.

Exploration Expenditures

(In thousand dollars except as otherwise indicated)

	Three Months Ended			September	
	September 30, 2011	June 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Expired and mineral leases	**1,451**	**1,877**	**2,644**	**4,283**	**5,608**
Dry hole	**865**	**161**	**1,384**	**5,633**	**1,735**
	2,316	**2,038**	**4,028**	**9,916**	**7,343**
Geological and geophysical costs	**(10)**	110	82	**660**	372
Exploration and evaluation expenditures	**2,306**	2,148	4,110	**10,576**	7,715

Exploration expenditures consist of exploratory dry holes, costs of uneconomic exploratory wells, geological and geophysical costs and costs of expired leases. The change in exploration expenditures for the third quarter from the prior quarter is due mainly to fluctuations in dry hole costs and expired mineral leases from period to period.

RISK MANAGEMENT

Financial Risks

Trilogy's main financial risks include credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, and are discussed in detail in the notes to Trilogy's December 31, 2010 annual consolidated financial statements, the Advisories and other sections of this MD&A as well as the Company's Annual Information Form.

The financial instruments outstanding as at the 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 held-for-trading, is presented as an 'unrealized gain (loss) on financial instruments' in the consolidated statements of earnings and other comprehensive income. Gains or losses arising from monthly settlement with counterparties are presented as a 'realized gain (loss) on financial

instruments'. The amounts of unrealized and realized gain (loss) on financial instruments during the periods are as follows:

(In thousand dollars except as indicated)	Three Months Ended			Nine Months Ended	
	September 30, 2011	**June 30, 2011**	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
Realized gain (loss) on financial instruments	**2,137**	(14)	3,666	**1,853**	15,785
Unrealized gain (loss) on financial instruments	**4,459**	4,960	(2,760)	**6,326**	(1,453)
Total gain (loss) on financial instruments	**6,596**	4,946	906	**8,179**	14,332
Realized gain (loss) on financial instruments per Boe ($/Boe)	**0.80**	(0.01)	1.77	**0.24**	2.49

Realized gains on derivative financial instruments quarter over quarter increased as result of a reduction in the market price of oil as compared to Trilogy's hedged average price and because of an increase in hedged volumes. The realized gains on derivative financial instruments for the nine months ended September, 2010 include a $7.1 million gain from the settlement of certain derivative financial instruments prior to their scheduled maturity.

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

Trilogy enters into oil, gas, and foreign exchange contracts to manage its exposure to fluctuations in the price of oil, gas, and foreign exchange rates.

The following is a summary of the derivative contracts in place as at the date of this report:

Crude Oil

Term	Financial Forward Swap Volume (bbls/d)	Ave Price/bbl	
October 1, 2011 to December 31, 2011	2,000	99.69	
January 1, 2012 to May 31, 2012	3,000	90.10	
June 1, 2012 to December 31, 2012	2,500	87.90	
Term	**Financial Price Collar Volume (bbls/d)**	**Floor Price/bbl**	**Ceiling Price/bbl**
October 1, 2011 to May 31, 2012	500	85.00	116.50

Foreign Exchange

Weekly ending FX rate trading range (CND per U.S)		USD sell per week on trading range			Weekly premium receipt within trading range	Expiry
Lower	Upper	Below lower	Between range	Above upper		
0.94	1.03	NIL	NIL	3.0 million at upper range	30	February 2012

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. Trilogy takes appropriate actions to mitigate such risks, as applicable.

LIQUIDITY AND CAPITAL RESOURCES

(In thousand dollars)

	Sept. 30, 2011	Dec. 31, 2010
Net current liabilities (assets)	**49,786**	32,496
Long-term debt	**374,818**	279,599
Net debt[(1)]	**424,604**	312,095
Shareholders' equity	**542,010**	541,119
Total	**966,614**	853,214

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

Working Capital

The increase in Trilogy's capital expenditure program for 2011 from 2010 and the related increase in Trilogy's asset base were primarily responsible for the increase in net debt from $312.1 million at December 31, 2010 to $424.6 million at September 30 2011.

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

Long-term Debt and Credit Facilities

Long-term debt represents the outstanding draws from Trilogy's credit facility as described in the notes to Trilogy's condensed consolidated interim unaudited financial statements.

Trilogy has a credit facility with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin dependent on certain conditions. The credit facility, as at September 30, 2011, has the following significant terms:

- Total commitments of $470 million, consisting of a $35 million working capital, a $385 million revolving, and a non-revolving $50 million development tranche.
- A maturity date of April 30, 2014 in respect of the working capital and revolving tranche and August 31, 2012 in respect of the non-revolving development tranche.

- Proceeds from the $50 million development tranche are to be used exclusively for the development of Trilogy's Montney oil play in the Kaybob area of Alberta.
- The working capital and revolving tranche are subject to semi-annual borrowing base reviews and borrowings from these tranches can be used to repay amounts borrowed under the development tranche.

Advances drawn on the credit facility are secured by a fixed and floating charge debenture over the assets of the Company.

Trilogy's bank debt outstanding under its credit facility was $375.3 million (before unamortized interest discount) as at September 30, 2011. The revolving feature of the Company's credit facility expires on April 30, 2014. In the event the credit facility is not extended or renewed, amounts drawn down under the facility would be due and payable on expiry.

The size of the committed credit facilities is based primarily on the value of Trilogy's producing petroleum and natural gas assets and related tangible assets as determined by the lenders. Trilogy and its lenders are currently in the process of its semi-annual borrowing base review.

Note 18 of the interim financial statements provides a comparison of Trilogy's debt structure against the committed amount on existing credit facilities at the listed balance sheet dates therein. The increase in net debt from $312.1 million at December 31, 2010 to $424.6 million at September 30, 2011 is attributable primarily to the substantial increase in capital spending undertaken year to date in 2011, relative to the incremental operating income received to date on those capital expenditures.

Contractual Obligations

No material change occurred as at September 30, 2011 in respect of Trilogy's estimated contractual financial obligations from those as disclosed at December 31, 2010.

Shares, Options and Rights

For a detailed account of Trilogy's share capital since December 31, 2010, refer to note 14 of the current quarter's financial statements.

Outstanding share options issued under Trilogy's share option plan were 4,761,000 as at September 30, 2011 and 4,694,500 as at November 1, 2011, of which 772,000 and 1,897,500 share options were exercisable as at those dates, respectively.

Dividends

(In thousand dollars except where stated otherwise)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	**June 30, 2011**	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
Funds flow from operations[1]	**60,312**	52,107	32,694	**158,005**	118,633
Net changes in operating working capital	**(1,347)**	(3,012)	12,250	**(3,153)**	17,765
Cash flow from operations	**58,965**	49,095	44,944	**154,852**	136,398
Net earnings (loss)	**14,404**	7,872	(7,748)	**22,066**	185,819
Dividends declared[2]	**12,179**	12,172	12,075	**36,456**	37,739
Dividends declared per share (In full amount)	**0.105**	0.105	0.105	**0.315**	0.330
Excess of cash flow from operations over dividends declared	**46,785**	36,923	32,869	**118,396**	98,659
Excess (Deficiency) of net earnings (loss) over dividends	**2,225**	(4,300)	(19,823)	**(14,390)**	148,080

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

[2] Including amounts reinvested under the Trust's previous distribution reinvestment plan prior to the Conversion as disclosed in the notes to the condensed interim consolidated financial statements. References to dividends include distributions on Trust Units prior to Conversion

Trilogy's dividends to its Shareholders are funded by cash flow from operating activities with the remaining cash flow directed towards capital spending and debt repayments. To the extent that the excess of cash flow from operations over dividends is not sufficient to cover capital spending, the shortfall is funded by draw downs from Trilogy's credit facilities. Trilogy intends to provide dividends to Shareholders that are sustainable to the Company considering its liquidity and long-term operational strategy. In addition, since the level of dividends is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future dividends cannot be assured. Trilogy's payout ratio, calculated as the percentage of dividends declared over cash flow from operations, was 24 percent for the nine months ended September 30, 2011 (28 percent for the nine months ended September 30, 2010).

Trilogy's 2010 annual MD&A includes additional disclosures regarding a comparison of dividends to net earnings and its productive capacity and the management thereof.

Capital Expenditures

(In thousand dollars except where stated otherwise)

	Three Months Ended			Nine Months Ended	
	September 30, 2011	**June 30, 2011**	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
Land	**630**	1,134	1,286	**38,062**	2,442
Geological and geophysical	**(10)**	110	82	**660**	371
Drilling and completions	**48,502**	20,809	27,143	**148,571**	77,611
Drilling incentive credits	**135**	18	(5,095)	**1,653**	(15,084)
Production equipment and facilities	**22,221**	20,644	19,783	**61,073**	53,938
	71,478	42,715	43,199	**250,019**	119,278
Proceeds received from property dispositions	**-**	46	(6)	**(3,794)**	2
Property acquisitions	**(14)**	1,027	368	**1,524**	368
Corporate assets	**112**	81	(28)	**472**	93
Net capital expenditures	**71,576**	43,869	43,533	**248,221**	119,741

Capital expenditures increased in the quarter as compared to the previous quarters given improved ground conditions that facilitated additional drilling, completion, and tie in activities. Production equipment and facility work was significant in the current quarter and year to date in conjunction with building infrastructure, including facility expansion work and gathering systems to bring Montney oil and other production to market. This increase in facility work over the prior year was partially offset by significant expenditures in the prior year to expand Trilogy's operated processing facilities and the construction of a 53 kilometer pipeline to transport Presley gas production. Year to date, capital expenditures increased over prior year in conjunction with Trilogy's increased capital budget.

Wells Drilled

	Three Months Ended				Nine Months Ended			
(Number of wells)	**September 30, 2011**		**September 30, 2010**		**September 30, 2011**		**September 30, 2010**	
	Gross[1]	**Net[2]**	**Gross[1]**	**Net[2]**	**Gross[1]**	**Net[2]**	**Gross[1]**	**Net[2]**
Natural gas	**3**	**1.7**	13	6.9	**28**	**17.9**	34	23.3
Oil	**11**	**8.3**	5	2.9	**16**	**12.3**	7	3.4
Total	**14**	**10.0**	18	9.8	**44**	**30.2**	41	26.7

[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

The Company recorded a future income tax expense of $4.6 million in the current quarter and a year to date expense of $8.2 million. Refer to note 9 and 20 of Trilogy's interim consolidated financial statements in respect of additional comparative information regarding future tax expense and a related gain on conversion recorded in conjunction with the Conversion in the first nine months of 2010.

RELATED PARTY TRANSACTIONS

Trilogy had certain transactions with Paramount Resources, a wholly-owned subsidiary of Paramount Resources Ltd. which owns approximately 21 percent of the equity in the Company. The amount of expenses billed and accrued in respect of services provided under a services agreement was $0.1 and $0.3 million for the three and nine months ended September 30, 2011. The Company and Paramount also had transactions with each other arising from normal business activities. These transactions were recorded at fair value.

OUTLOOK INFORMATION

Trilogy reaffirms its guidance for 2011 as follows:

Average production	30,000 Boe/d
Average operating costs	$7.75 /Boe

Capital spending for the year will exceed previous guidance of $285 million, as additional capital is required to expand producing infrastructure, participate in unbudgeted joint venture projects, drill additional wells and to procure equipment and materials for 2012. Trilogy will be providing an operational update mid November, at which time 2011 guidance will be clarified.

QUARTERLY FINANCIAL INFORMATION

(In thousand dollars except per share amounts)

	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenue after financial instruments, royalties and other income	**95,339**	89,078	70,878	57,829
Earnings (loss) before tax	**19,049**	10,977	262	(9,484)
Net earnings (loss)	**14,404**	7,872	(211)	(7,576)
Earnings (loss) per Share (in full amounts):				
Basic	**0.12**	0.07	NIL	(0.07)
Diluted	**0.12**	0.07	NIL	(0.07)

	Q3 2010	Q2 2010	Q1 2010	Q4 2009[1]
Revenue after financial instruments, royalties and other income	56,751	58,167	88,339	64,911
Income (loss) before tax	(9,705)	(5,304)	170,116	(5,019)
Net income (loss)	(7,748)	(2,664)	196,231	(8,749)
Income (loss) per Share (in full amounts):				
Basic	(0.07)	(0.02)	1.74	(0. 08)
Diluted	(0.07)	(0.02)	1.73	(0. 08)

[1] Quarterly information as prepared under Canadian GAAP.

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, and realized and unrealized gains/losses on financial instruments. Q1, 2010 income was significantly higher as a result of a gain recorded on Conversion (refer to notes 9 and 20 of Trilogy's interim consolidated financial statements for more information). Please refer to the Results of Operations and other sections of this MD&A for the detailed discussions on changes from the second quarter of 2011 to the third quarter of 2011, and to Trilogy's previously issued interim and annual MD&A for changes in prior quarters. Please be aware that as a result of the conversion to IFRS the quarters for 2010 have been restated under IFRS.

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 proved oil and gas properties are amortized to expense on a unit-of-production basis at a rate calculated by reference to proved developed 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 reasonable certainty (normally at least 90% confidence) 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. Probable reserves are attributed to known accumulations that have a greater or equal to 50% confidence level of recovery.

Exploration and Evaluation Expenditures

Exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The Company is required to make estimates and judgment 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, production costs and required capital expenditures are important factors when making this determination. To the extent a judgment is made that extraction of the reserves is not viable, the exploration and evaluation costs will be impaired and charged to net income.

Impairment of Non-financial Assets

The recoverable amounts of Trilogy's cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require 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.

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.

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 in the cost of inflation, present value discount rates on future liabilities and 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 12.

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, volatility and dividend yield and making assumptions about them.

Deferred Income Tax Assets

Trilogy recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires Trilogy to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and Trilogy's interpretation of the application of existing tax laws in each tax jurisdiction. 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 net deferred tax assets recorded at the balance sheet date could be impacted.

IFRS IMPLEMENTATION

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to IFRS for Canadian profit-oriented publicly accountable entities ("PAEs") such as Trilogy. The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. In 2010, the Canadian Institute of Chartered Accountants ("CICA") Handbook was revised to incorporate International Financial Reporting Standards, requiring publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

For all periods up to and including the year ended December 31, 2010, Trilogy prepared its financial statements in accordance with generally accepted accounting principles in effect in Canada during those periods.

The adoption of IFRS has had some impact on information systems requirements. Trilogy has the accounting system functionality requirements, upgrades and modifications which has and will continue to facilitate reporting under IFRS.

In accordance with Trilogy's approach to certification of internal controls required, all entity level information technology disclosure and business process controls have been updated to reflect changes arising from the conversion to IFRS.

A significant gain and related future tax recovery was recorded on Conversion under IFRS relative to the accounting for the Conversion under Canadian GAAP in the nine months of 2010 (refer to notes 9 and 20 of the interim consolidated financial statements for further discussion). This variance in accounting for the Conversion created additional income after taxes under IFRS. Excluding these differences, the adoption of IFRS has not materially impacted any of Trilogy's underlying cash flows and company profitability and performance metrics (see Non-GAAP measures).

FINANCIAL REPORTING AND DISCLOSURE CONTROLS

There were no material changes to Trilogy's financial reporting disclosure controls and procedures and internal controls over financial reporting for the three and six months ended June 30, 2011.

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: long-term supply of and demand for petroleum and natural gas; business strategy and objectives; statements regarding providing shareholder value; capital expenditures; future production levels and the natural gas liquids content therein; estimates of drilling prospect inventory and the risk and potential reserves associated therewith; development plans and the timing, cost and expected benefits thereof, including Trilogy's horizontal well program and associated technology, exploration and development of the Montney and Duvernay formations and other drilling, construction and facility expansion plans; the location, extent, geology and potential for development of the Kaybob area Montney oil pools and the nature of Trilogy's plans to further delineate and exploit these pools; potential application of drilling technologies to other areas and geological formations and projections as to potential reserves associated therewith; statements as to the prospective nature of Trilogy's lands including those lands acquired at the February 9, 2011 Alberta Crown land sale; expectations of Trilogy's management regarding the timing and expected benefits of its natural gas liquids recovery agreement with Aux Sable Canada LP including, without limitation, the resultant cash flow, anticipated cost savings under the agreement as well as the deferral of plans to construct a natural gas liquids extraction facility at the Kaybob North Sour Gas Plant, the time it would have taken to complete such facility, the value which would have been obtained therefrom and the costs which would have been attributable thereto; net revenue and cash flow; approach to and amount of dividends; operating and other costs; royalty rates; estimates of future tax amounts, tax assets and tax pools; applicability of income tax legislation and government incentive and royalty programs affecting Trilogy; expected counterparty risk; credit limits, the cost of borrowing and Trilogy's expectations regarding the term of its credit facility; pro-forma debt levels; projected results of hedging contracts and other financial instruments; and the expected impact of new accounting pronouncements. Statements regarding "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitable produced in the future.

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

- future oil, natural gas and natural gas liquids supply and prices;
- the natural gas liquids content of Trilogy's natural gas;
- future power prices;
- geology applicable to Trilogy's land holdings;
- current reserves estimates;
- drilling and operational results and timing consistent with expectations;
- Trilogy's ability to obtain competitive pricing;
- the ability of Trilogy to market oil and natural gas successfully to current and new customers;
- the impact of the Conversion on access to capital markets, liquidity, the generation of cash flow and the reinvestment thereof, credit facility and reserves;
- currency, exchange and interest rates;
- assumptions based on Trilogy's current guidance;
- cash flow consistent with expectations;
- continuity of government drilling and royalty incentive programs and their application to Trilogy's operations;
- the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its evaluations and activities;
- the timing and costs of plant turnaround and pipeline and storage facility construction and expansion and the ability to secure adequate product processing and transportation;
- the timely receipt of required regulatory approvals;
- the ability of Trilogy to obtain financing on acceptable terms;
- the timing and estimate of reversals of temporary differences between assets and liabilities recorded for accounting and tax purposes; and
- credit facility increases consistent with expectations
- continuity of the mutually beneficial agreement wit Aux Sable Canada LP

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

- fluctuations in oil, natural gas and natural gas liquids prices, foreign currency exchange rates and interest rates;
- volatile economic and business conditions
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- Trilogy's ability to secure adequate product processing, transmission and transportation;
- the ability of management to execute its business plan;
- risks and uncertainties involving geology of oil and gas deposits including, without limitation, those regarding the extent and development potential of the Kaybob Area Montney oil pools;
- risks inherent in Trilogy's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to future production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- availability of cost effective goods and services;
- Trilogy's ability to enter into or renew leases;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;

- the ability of Trilogy to add production and reserves through development and exploration activities and establish basis for borrowing base increases;
- weather conditions;
- general economic and business conditions;
- the possibility that government policies, regulations, laws or incentive programs may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments and applicability of and change to royalty regimes and incentive programs including, without limitation, the Natural Gas Deep Drilling Program and the Drilling Royalty Credit Program;
- imprecision in estimates of product sales, tax pools, tax shelter, tax deductions available to Trilogy, changes to and the interpretation of tax legislation and regulations applicable to Trilogy, and timing and amounts of reversals of temporary differences between assets and liabilities recognized for accounting and tax purposes.
- uncertainty regarding aboriginal land claims, consultations and co-existence with local populations;
- uncertainty regarding results of third party industry participants' objections to Trilogy's development plans;
- risks associated with existing and potential future law suits and regulatory actions against Trilogy;
- hiring/maintaining staff;
- the impact of market competition; and
- other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

Additional information on these and other factors which could affect the 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 "funds flow from operations", "operating income", "net debt", "finding and development costs", "operating netback" and "payout ratio" 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.

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

"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. "Net debt" is calculated as current liabilities minus current assets plus long-term debt. The components described for "operating income", "operating netback" and "net debt" can be derived directly from Trilogy's consolidated financial statements.

"Finding and development costs" refers to all current year capital expenditures excluding property acquisitions, property dispositions and corporate office expenditures and including changes in future development capital on a proved and proved plus probable basis (as applicable). "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 (as applicable).

"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).

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 are to Canadian Dollars unless otherwise indicated.

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

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

ADDITIONAL INFORMATION

Trilogy Energy Corp. 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 geographically concentrated assets are primarily low-risk, high working interest, lower-decline properties that provide abundant infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and controlled by Trilogy. 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.

TRILOGY ENERGY CORP.

Condensed Consolidated Interim Balance Sheet (unaudited)

(in thousand Canadian dollars)

	Note		September 30, 2011		December 31, 2010
ASSETS					
Current assets					
Trade and other receivables	*18, 19*	$	**49,492**	$	50,837
Derivative financial instruments	*18, 19, 21*		**6,875**		-
Prepaids			**1,816**		253
			58,183		51,090
Non-current assets					
Property, plant and equipment	*6, 8*		**811,742**		711,973
Exploration and evaluation assets	*7*		**99,659**		70,258
Deferred tax asset	*9*		**99,432**		107,656
Goodwill			**140,471**		140,471
Total assets		$	**1,209,487**	$	1,081,448
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	*18*	$	**102,882**	$	78,870
Dividend payable	*10, 18, 19*		**4,061**		4,026
Derivative financial instruments	*18, 19, 21*		**1,026**		690
			107,969		83,586
Non-current liabilities					
Long term debt	*11, 18, 19*		**374,818**		279,599
Decommissioning and restoration liability	*12*		**184,690**		177,144
Total liabilities			**667,477**		540,329
Shareholders' equity					
Shareholders' capital	*14*		**874,472**		863,011
Contributed surplus			**19,631**		15,810
Accumulated deficit after dividends			**(352,093)**		(337,702)
			542,010		541,119
Total shareholders' equity and liabilities		$	**1,209,487**	$	1,081,448

See accompanying notes to the consolidated interim financial statements

TRILOGY ENERGY CORP.

Condensed Consolidated Interim Statement of Earnings (Loss) and Other Comprehensive Income (Loss) (unaudited)

(in thousand Canadian dollars except per share amounts)

	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2011	2010	2011	2010
Revenue and other					
Petroleum and natural gas sales		$ 100,466	$ 65,586	$ 274,520	$ 223,808
Royalties		(12,465)	(10,795)	(28,666)	(36,090)
Revenue		88,001	54,791	245,854	187,718
Other		742	1,054	1,262	1,207
Gain on derivative financial instruments	*18, 19*	6,596	906	8,179	14,332
		95,339	56,751	255,295	203,257
Expenses					
Operating and production costs		19,124	16,779	58,820	54,509
Transportation		3,752	3,063	9,220	9,770
Depletion and depreciation	*6*	39,942	34,249	112,804	93,763
Exploration and evaluation expenditures	*7*	2,306	4,110	10,576	7,715
General and administrative expenses		3,224	3,159	9,312	11,695
Share-based compensation	*13*	2,217	1,037	8,175	3,598
		70,565	62,397	208,907	181,050
Operating earnings (loss)		24,774	(5,646)	46,388	22,207
Gain on conversion to a corporation	*9*	-	-	-	(146,053)
Accretion on decommissioning and restoration liability	*12*	1,541	1,500	4,625	4,527
Interest and other finance costs	*11*	4,184	2,559	11,474	8,627
Net (loss) income before income tax		19,049	(9,705)	30,289	155,106
Income tax expense (recovery)					
Current		-	-	-	-
Deferred	*9*	4,645	(1,957)	8,223	(30,713)
Net income (loss) and comprehensive income (loss)		$ 14,404	$ (7,748)	$ 22,066	$ 185,819
Earnings (loss) per share	*15*				
- Basic		$ 0.12	$ (0.07)	$ 0.19	$ 1.63
- Diluted		$ 0.12	$ (0.07)	$ 0.19	$ 1.62

See accompanying notes to the consolidated interim financial statements

TRILOGY ENERGY CORP

Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

(In thousand Canadian dollars except share information)

	Nine Months Ended September 30, 2011								
	Outstanding Common and Non-Voting Shares [1]		Share Capital		Contributed Surplus		Accumulated Deficit		Shareholders' Equity
Balance at January 1, 2011	**114,741,491**	**$**	**863,011**	**$**	**15,810**	**$**	**(337,702)**	**$**	**541,119**
Net income for the period	-		-		-		22,066		22,066
Other equity issuances *(note 14)*	985,000		11,469		(1,931)		-		9,538
Dividends declared *(note 10)*	-		-		-		(36,457)		(36,457)
Share Incentive Plan purchases, net of grants vested *(note 14)*	126,667		(8)		(2,423)		-		(2,431)
Share-based compensation	-		-		8,175		-		8,175
Balance at September 30, 2011	**115,853,158**	**$**	**874,472**	**$**	**19,631**	**$**	**(352,093)**	**$**	**542,010**

	Nine Months Ended September 30, 2010								
	Outstanding Common and Non-Voting Shares [1]		Share Capital		Contributed Surplus		Accumulated Deficit		Shareholders' Equity
Balance at January 1, 2010	**110,238,903**	**$**	**824,273**	**$**	**4,918**	**$**	**(466,128)**	**$**	**363,063**
Net income for the period	-		-		-		185,819		185,819
Conversion from a trust to a corporation *(note 14)*	4,219,653		36,141		8,228		-		44,369
Distribution reinvestment plan and other equity issuances *(note 10, 14)*	447,385		3,662		(158)		-		3,504
Dividends declared *(note 10)*	-		-		-		(37,739)		(37,739)
Normal course issuer bid *(note 14)*	(144,400)		(1,079)		(145)		-		(1,224)
Share Incentive Plan purchases net of grants vested *(note 14)*	(44,050)		(261)		(2,050)		-		(2,311)
Share-based compensation	-		-		3,598		-		3,598
Balance at September 30, 2010	**114,717,491**	**$**	**862,736**	**$**	**14,391**	**$**	**(318,048)**	**$**	**559,079**

[1] Excludes Common Shares held in trust for the benefit of employees and officers under Trilogy's Share Incentive Plan (refer to notes 13 and 14 for additional disclosures).

See accompanying notes to the consolidated interim financial statements

TRILOGY ENERGY CORP.

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

(in thousand Canadian dollars except as otherwise indicated)

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	2011	2010	2011	2010
Operating activities					
Net income (loss) before income tax		$ 19,049	$ (9,705)	$ 30,289	$ 155,106
Adjustments for non-cash and other items:					
Gain on conversion to corporation	9	-	-	-	(146,053)
Unrealized (gain) losses of derivative financial instruments	19	(4,460)	2,760	(6,327)	1,453
Unrealized foreign exchange (gains) losses and other		(229)	(686)	(643)	59
Depletion and depreciation	6	39,942	34,249	112,804	93,763
Exploration and evaluation expenditures	7	2,306	4,110	10,576	7,715
Stock based compensation	13	2,217	1,037	8,088	3,603
Finance costs on decommissioning and restoration liability	12	1,541	1,500	4,625	4,527
Decommissioning and restoration costs	12	(54)	(571)	(1,407)	(1,540)
Net change in non-cash working capital	16	(1,347)	12,250	(3,153)	17,765
Net cash flow from operating activities		58,965	44,944	154,852	136,398
Investing activities					
Exploration and evaluation expenditures	7	(3,608)	(4,975)	(57,874)	(7,213)
Property, plant and equipment expenditures	6	(67,982)	(38,197)	(192,617)	(112,159)
Property acquisitions		9	(368)	(1,524)	(368)
Proceeds from disposition of property, plant and equipment	6	-	6	3,794	(1)
Net change in non-cash working capital	16	36,343	8,903	26,580	6,750
Net cash flow used in investing activities		(35,238)	(34,631)	(221,641)	(112,991)
Financing activities					
Proceeds on long-term debt	11	(12,113)	1,690	96,017	15,860
Purchase and cancellation of shares under normal course issuer bid	14	-	-	-	(1,225)
Dividends to Shareholders	10	(12,176)	(12,076)	(36,421)	(36,006)
Share incentive plan purchases	13, 14	-	-	(2,431)	(2,312)
Shares issued	14	562	73	9,624	276
Net cash flow used in financing activities		(23,727)	(10,313)	66,789	(23,407)
Change in cash		-	-	-	-
Cash interest and financing charges paid		$ 3,605	$ 2,893	$ 11,841	$ 9,186

See accompanying notes to the consolidated interim 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.

On February 5, 2010, Trilogy announced that Trilogy Energy Trust (the "Trust") had completed its previously announced conversion from an income trust to a corporation through a business combination with a private company ("Privateco") pursuant to an arrangement under the Business Corporations Act (Alberta) (the "Conversion"). Trilogy's Board of Directors and management team are the former Trust's Board of Directors and management team. Subsequent to the Conversion, former Trust Unitholders held approximately 96 percent of the equity in Trilogy with the remaining 4 percent owned by the former shareholder of Privateco. Immediately subsequent to the Conversion, Trilogy effected an internal reorganization whereby, among other things, the Trust was dissolved and Trilogy received all of the assets and assumed all of the liabilities of the Trust.

References to Trilogy in these financial statements for periods prior to February 5, 2010 are references to the Trust and for periods on or after February 5, 2010 are references to Trilogy Energy Corp. Additionally, Trilogy refers to shares, shareholders and dividends which are comparable to units, unitholders and distributions previously under the Trust.

2. BASIS OF PREPARATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in section I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and requiring publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 – *Interim financial reporting ("IAS 34")* and IFRS 1 – *First time adoption of International Financial Reporting Standards ("IFRS 1")*. Subject to certain transition elections disclosed in note 20, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 20 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the periods presented herein. The impact on the Company's previously reported financial statements for the year ended December 31, 2010 and the opening balance sheet as at January 1, 2010 are disclosed in the Company's consolidated interim financial statements for the three-months ended March 31, 2011 (the "Unaudited Q1, 2011 Financial Statements").

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of November 1, 2011. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could

result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value (note 19). All values are rounded to the nearest thousand except where otherwise indicated.

The interim consolidated 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 estimates and judgments applied by management that most significantly affect the Company's financial statements include: reserve estimation; exploration and evaluation expenditures; impairment of non-financial assets; decommissiong and restoration costs, share-based payments; and deferred income taxes. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Additional information on these estimates and judgements are disclosed in note 3 of the Unaudited Q1, 2011 Financial Statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the Unaudited Q1, 2011 Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements of the Company follow the same accounting policies and basis of presentation as the Unaudited Q1, 2011 Financial Statements. These interim financial statement note disclosures do not include all of those required by IFRS applicable for annual financial statements. Accordingly, these unaudited interim consolidated financial statements for the three and nine months ended September 30, 2011 should be read in conjunction with the Unaudited Q1, 2011 Financial Statements.

5. CHANGES IN ACCOUNTING POLICIES

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures.

International Financial Reporting Standard 9, *Financial Instruments* ("IFRS 9")

IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 9 is not expected to have a significant impact on the financial statements.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements ("IFRS 10"); IFRS 11, Joint Arrangements ("IFRS 11"); IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"); IAS 27, Separate Financial Statements ("IAS 27"); IFRS 13, Fair Value Measurement ("IFRS 13"); and, amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). The following provides a summary of selected standards:

IFRS 10

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 - Consolidation-Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements.

IFRS 11

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly Controlled Entities, Non-Monetary Contributions by Venturers.

IFRS 12

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

IFRS 13

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurement and in many cases does not reflect a clear measurement basis or consistent disclosures.

Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet assessed the impact, if any, that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

6. PROPERTY, PLANT AND EQUIPMENT

	Oil and Gas Properties	Corporate Assets	Total
Cost:			
Balance at January 1, 2010	1,563,777	9,412	1,573,189
Additions	172,677	165	172,842
Transfers from intangible exploration and evaluation	8,219	-	8,219
Acquisitions	359	-	359
Disposals	(432)	-	(432)
Balance at December 31, 2010	1,744,600	9,577	1,754,177
Additions	195,887	399	196,286
Transfers from intangible exploration and evaluation assets	18,557	-	18,557
Acquisitions	1,524	-	1,524
Disposals	(500)	-	(500)
Balance at September 30, 2011	**1,960,068**	**9,976**	**1,970,044**

	Oil and Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at January 1, 2010	906,261	4,984	911,245
Depletion and depreciation charge	118,923	1,266	120,189
Impairment charge, net of reversals	11,145	-	11,145
Disposals	(375)	-	(375)
Balance at December 31, 2010	1,035,954	6,250	1,042,204
Depletion and depreciation charge	111,732	1,072	112,804
Impairment charge, net of reversals	-	-	-
Disposals	3,294	-	3,294
Balance at September 30, 2011	**1,150,980**	**7,322**	**1,158,302**
Net carrying value			
At January 1, 2010	657,516	4,428	661,944
At December 31, 2010	708,646	3,327	711,973
At September 30, 2011	**809,088**	**2,654**	**811,742**

The cost of property, plant and equipment include amounts in respect of the provision for decommissioning and restoration obligations. Property, plant and equipment as at September 30, 2011 include amounts totalling $154 million in respect of decommissioning and restoration obligations (December 31, 2010 $149 million).

Property, plant and equipment with a carrying value of $22.3 million as at September 30, 2011 (December 31, 2010: $11.6 million) includes development assets under construction and tangible

inventory that are not being depreciated. No borrowing costs were capitalized to property, plant and equipment in respect of the referenced periods.

7. EXPLORATION AND EVALUATION ASSETS AND OTHER INTANGIBLE ASSETS

	Exploration and Evaluation Expenditures
Cost	
Balance at January 1, 2010	72,564
Additions	14,167
Expensed	(8,254)
Transfers to property, plant and equipment	(8,219)
Balance at December 31, 2010	70,258
Additions	57,874
Expensed	(9,916)
Transfers to property, plant and equipment	(18,557)
Balance at September 30, 2011	**99,659**

Exploration and evaluation expenditures on the statement of comprehensive income for the nine months ended September 30, 2011 include costs associated with geological and geophysical costs of $0.6 million which are immediately expensed and not reflected in the expensed amounts above.

8. IMPAIRMENT LOSS/ (RECOVERY)

	Nine months-ended September 30, 2011	Twelve months-ended December 31, 2010
Impairment Losses		
Property, plant and equipment	-	11,145
Reversal of Previously Booked Impairments		
Property, plant and equipment	-	-
Total impairment losses (recovery)	-	11,145

In 2010, the Company recorded an impairment charge of $11.1 million in relation to a natural gas cash generating unit ("CGU"). The impairment charge related primarily to a reversal of reserves recorded in the prior year as a result of a change in future development plans in the CGU. The decrease was also, in part, a result of declining forecasted natural gas prices as at December 31, 2010.

The Company determined the recoverable amount using the fair value less costs to sell method and based on internally generated cash flow projections. In determining fair value less costs to sell, the Company considered recent transactions within the industry, long-term views of natural gas prices, externally evaluated reserve volumes, and discount rates specific to the asset. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. In computing the recoverable amount, future cash flows were adjusted for risks specific to the asset and discounted using a post-tax discount rate of 10 percent.

9. INCOME TAX

The composition of the net deferred income tax asset (liability) is as follows for the applicable balance sheet dates:

Description of Temporary Differences	September 30, 2011	December 31, 2010
Property, plant and equipment	**(112,827)**	(109,178)
Asset retirement obligation	**46,172**	44,285
Loss carry forwards and other	**166,087**	172,549
Net deferred income tax asset	**99,432**	107,656

As discussed in note 1, the Trust converted to a corporation by way of a plan of arrangement and related transactions with a private company effective February 5, 2010. In conjunction with the arrangement, Trilogy recorded a deferred tax asset of $182.2 million and an increase in share capital of $36.1 million related to the fair value of the 4,219,653 common shares issued in conjunction with the Conversion. The $146.1 million excess of amounts assigned to the deferred tax asset, measured on an undiscounted basis, over the consideration provided was recorded as a gain in the statement of comprehensive income.

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 $662 million that are available for carry forward against future taxable income of the entities in which the losses arose. Deferred tax assets are recognized for the carry-forward of unused tax losses to the extent that it is probable that taxable profits will be available against which the unused tax losses can be utilized.

10. DIVIDENDS PAYABLE

Dividends declared were $.105 and $0.315 per share for the three and nine months ended September 30, 2011($0.105 and $0.33 for the same periods in 2010, respectively). The dividend payable was $4.1 million ($0.035 per share) as at September 30, 2011 (December 31, 2010: $4.0 million or $0.035 per share).

Trilogy intends to make cash dividends to Shareholders at a level that supports the sustainability of the Company. Such dividends are at the sole discretion of the Company and its Board of Directors and are subject to numerous factors including, but not limited to, the financial performance of the Company, debt covenants and obligations including credit availability, and the working capital and future capital requirements of the Company.

11. LONG-TERM DEBT

	September 30, 2011	December 31, 2010
Revolving credit and working capital facility, net of unamortized financing costs	**375,324**	280,303
Less unamortized discount of interest on borrowings	**(506)**	(704)
Carrying value of long term debt	**374,818**	279,599

Trilogy has a credit facility with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin dependent on certain conditions. The credit facility, as at September 30, 2011, has the following significant terms:

- Total commitments of $470 million, consisting of a $35 million working capital, a $385 million revolving, and a non-revolving $50 million development tranche.
- A maturity date of April 30, 2014 in respect of the working capital and revolving tranche and August 31, 2012 in respect of the non-revolving development tranche.
- Proceeds from the $50 million development tranche are to be used exclusively for the development of Trilogy's Montney oil play in the Kaybob area of Alberta.
- The working capital and revolving tranche are subject to semi-annual borrowing base reviews and borrowings from these tranches can be used to repay amounts borrowed under the development tranche.

Advances drawn on the credit facility are secured by a fixed and floating charge debenture over the assets of the Company.

The Company has undrawn letters of credit totalling $8.7 million as at September 30, 2011 (December 31, 2010: $8.4 million). These letters of credit reduce the amount available for draw under the Company's working capital tranche.

12. DECOMMISSIONING AND RESTORATION LIABILITY

	Nine months-ended September 30,2011	Twelve months-ended December 31, 2010
Decommissioning and restoration obligation		
Balance - beginning of period	**177,144**	150,331
Liabilities incurred	**4,328**	22,396
Liabilities settled	**(1,407)**	(1,717)
Finance cost expense for accretion	**4,625**	6,134
Balance – end of period	**184,690**	177,144

The Company has estimated the undiscounted value of the decommissioning and restoration obligation to be $198 million as at September 30, 2011 (December 31, 2010: $193.4 million).

Settlement of this obligation is expected to be paid after 10 to 30 years and will be funded from the general resources of the Company.

13. SHARE-BASED PAYMENT PLANS

The expense recognized for employee services received during the nine months ended September 30, 2011 is shown in the following table:

	2011	2010
Expense arising from:		
Share Option Plan	**3,426**	2,382
Share Incentive Plan	**4,749**	1,216
Total expense arising from share-based payment transactions	**8,175**	3,598

The Company has a long-term incentive plan that allows management to award 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 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 market price of the shares at the date of the grant. The contractual life of each option granted is 4.5 to 5.5 years.

The following table reconciles the share options outstanding at the beginning and end of the period.

	September 30, 2011		December 31, 2010	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding at January [1]	**$ 9.11**	**5,870,000**	$ 8.16	4,627,500
Granted [1]	**28.43**	**24,000**	12.05	1,540,000
Exercised	**9.86**	**(1,071,000)**	9.65	(221,000)
Forfeited and Expired	**8.92**	**(62,000)**	8.82	(76,500)
Outstanding at period end [2,3]	**$ 9.05**	**4,761,000**	$ 9.11	5,870,000
Exercisable at period end	**$ 6.82**	**772,000**	$ 8.56	1,799,000

[1]The weighted average fair value of options granted during the period was $8.19 per option (December 31, 2010: $3.97 per option)

[2]The weighted average remaining contractual life for options outstanding at the end of the period was 3.0 years (December 31, 2010: 3.2 years)

[3]The range of exercise prices for options outstanding at the end of the period was $4.85 to $28.43 (December 31, 2010: $4.85 to $12.88)

The Company also has a share incentive plan for employees and officers that annually awards rights to receive common shares. Common shares are purchased in the open market and held by an independent trustee until the completion of the vesting period. Generally, one third of an award vests immediately, with the remaining tranches vesting annually over two years. 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.

14. ISSUED CAPITAL

Authorized

Trilogy is authorized to issue an unlimited number of common shares ("Common Shares") and an unlimited number of non-voting shares ("Non-Voting Shares") (together "Shares"). The Non-Voting Shares are essentially the same as the Common Shares except they do not carry any voting rights.

Issued and Outstanding and Fully Paid

The following provides a continuity of outstanding Trust Unit capital from January 1, 2010 up to the Conversion date on February 5, 2010:

	Units		Amount
Trust Units – January 1, 2010	110,238,903	$	824,273
Issued - Distribution Reinvestment Plan	403,385		3,234
Issued - Unit Option Plan	19,000		164
Share Incentive Plan purchases	(271,300)		(2,312)
Purchased and cancelled – Normal Course Issuer Bid	(144,400)		(1,079)
Trust Units – prior to Conversion	110,245,588	$	824,280

251,431 Trust Units were held in trust for the benefit of Trilogy employees and officers under the Company's share incentive plan as at January 1, 2010. The average cost to the Company of these units was $1.5 million and was recorded as a reduction to shareholder capital.

The following provides a continuity of outstanding share capital from the Conversion date on February 5, 2010 through to September 30, 2011:

	Common Shares	Non-Voting Shares	Total		Amount
February 5, 2010 - Shares outstanding in private corporation	4,219,653	-	4,219,653	$	36,141
Conversion – Effected through Plan of Arrangement	79,409,726	30,835,862	110,245,588		824,280
Vesting of Share Incentive Plan awards	227,250	-	227,250		2,050
Issued - Share Option Plan	49,000	-	49,000		540
Common Shares and Non-Voting Shares as at December 31, 2010	83,905,629	30,835,862	114,741,491	$	863,011
Issued - Share Option Plan	**985,000**	**-**	**985,000**		**11,469**
Share Incentive Plan purchases	**(165,000)**	**-**	**(165,000)**		**(2,431)**
Vesting of Share Incentive Plan awards	**291,667**	**-**	**291,667**		**2,423**
Common Shares and Non-Voting Shares as at September 30, 2011	**85,017,296**	**30,835,862**	**115,853,158**		**874,472**

168,814 and 295,364 Common Shares were held in trust for the benefit of Trilogy employees and officers under the Company's Share Incentive Plan as at September 30, 2011 and December 31, 2010, respectively. The cost to the Company of the Common Shares held in trust as at both September 30, 2011 and December 31, 2010 was $2.5 million, 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, respectively.

15. EARNINGS PER SHARE

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

Basic and Diluted Earnings per Share

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Net earnings (loss) used in the calculation of total basic and diluted earnings per share	**14,404**	(7,748)	**22,066**	185,819
Weighted average number of shares for the purposes of basic earnings per share	**115,809,087**	114,709,121	**115,400,294**	114,061,652
Share based compensation awards	**4,904,314**	3,279,864	**4,904,314**	2,334,864
Effect of dilution	**(1,830,406)**	(2,373,335)	**(2,244,544)**	(1,623,328)
Weighted average number of shares for diluted earnings per share	**118,882,995**	115,615,650	**118,060,064**	114,773,188
Earnings(loss) per share – Basic	**0.12**	(0.07)	**0.19**	1.63
Earnings (loss) per share – diluted	**0.12**	(0.07)	**0.19**	1.62

16. RECONCILIATION OF CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Decrease (increase) in trade and other receivables	**10,326**	5,908	**(218)**	10,532
Increase (decrease) in trade, other payables and dividends payable	**24,670**	15,245	**23,646**	13,983
	34,996	21,153	**23,428**	24,515
Changes in non-cash operating working capital	**(1,347)**	12,250	**(3,153)**	17,765
Changes in non-cash investing working capital	**36,343**	8,903	**26,580**	6,750

17. RELATED PARTY TRANSACTIONS

Transactions with an entity having significant influence over Trilogy

Trilogy had the following transactions with Paramount Resources Ltd. ("Paramount"), an entity with significant influence over the Company.

- Pursuant to an amended and restated services agreement dated February 5, 2010, a Paramount subsidiary provides limited administrative services to the Company. The agreement is in effect until March 31, 2012 however may be terminated by either party with at least six months written notice. The amount of expenses billed and accrued as management fees under this agreement was $0.1 and $0.3 million for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010 - $0.1 and $0.3 million). Costs associated with this agreement are included as part of the general and administrative expenses in the Company's consolidated statement of comprehensive income.

- The Company and Paramount also had transactions with each other arising from the normal course of business. These transactions were recorded at fair value.

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

September 30, 2011 Presented in the Balance Sheet as	Normal Business	Services Agreement	Dividend
Trade and other receivables	**1,739**	**-**	**-**
Trade and other payables	**(210)**	**(60)**	**-**
Dividends payable	**-**	**-**	**(845)**

December 31, 2010 Presented in the Balance Sheet as	Normal Business	Services Agreement	Dividend
Trade and other receivables	105	-	-
Trade and other payables	(295)	(30)	-
Dividends payable	-	-	(846)

18. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

Trilogy's principal financial instruments, other than financial derivatives, are its outstanding draw-downs from its credit facility. 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 and dividends payable, which arise directly from its operations. 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 are 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 are minimized by entering into contracts with highly rated counterparties, initial credit due diligence procedures, 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 venture 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:

	Carrying Amount	
	September 30, 2011	**December 31, 2010**
Trade and other receivables	**49,492**	50,837
Derivatives Financial Instruments[1]	**6,875**	-
	56,367	50,837

[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 its existing credit facility. The variability of market benchmarks as noted below provides uncertainty as to the level of Trilogy's cash flow from operations. As a result, Trilogy may adjust the levels of dividends declared to Shareholders and capital spending to maintain its liquidity. A contractual maturity analysis for Trilogy's financial liabilities as at September 30, 2011 is as follows:

	Within 1 Year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	102,882	-	-	102,882
Dividends payable	4,061	-	-	4,061
Long-term debt and estimated interest[1]	15,247	409,801	-	425,048
Total	122,190	409,801	-	531,991

[1] Estimated interest for future periods was calculated using the weighted average interest rate for the period ended September 30, 2011 applied to the debt principal balance outstanding as at that date. Principal repayment is assumed on April 30, 2014.

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. As numerous items, including but not limited to the amount of dividends declared to Shareholders and capital expenditures and debt repayments or draw-downs, are dependent upon the level of cash flow generated from operations, the fluctuation in petroleum and natural gas prices (in addition to normal operational and external risks) impacts Trilogy's liquidity.

To protect cash flow against commodity price volatility, Trilogy uses from time to time derivative commodity price contracts that require financial settlement between counterparties. This financial instrument program is generally for periods of up to one year and would not exceed 50 percent of Trilogy's annual production (see note 19 for details of outstanding financial instruments as at September 30, 2011).

Interest Rate Risk

As described in note 11, 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 by the lenders based on their periodic review of the Company's results and is generally dependent upon Trilogy's debt to cash flow ratio as defined in the credit facility agreement.

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. There are no interest rate swap contracts outstanding at September 30, 2011.

Foreign Currency Risk

Foreign currency rate fluctuations may impact the Company mainly due to the outstanding U.S. Dollar denominated financial instrument contracts, in addition to normal conversions of U.S. dollar denominated revenues into the Canadian dollar. Approximately 15 percent of Trilogy's petroleum and natural gas sales for the nine months ended September 30, 2011 were denominated in the U.S. dollars. Trilogy may enter into derivative currency contracts to mitigate the impact of foreign currency fluctuations.

Capital Management

The Company's capital structure currently consists of borrowings under its credit facility agreement, 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 declared to shareholders, (6) adjust capital spending, and/or (7) sell non-core and/or non-strategic assets.

A comparison of Trilogy's debt structure against the committed amount on the existing credit facility is detailed below:

	September 30, 2011	December 31, 2010
Committed amount that can be drawn from credit facility (see note 11)	**470,000**	390,000
Outstanding undrawn letters of credit	**(8,722)**	(8,408)
Amount that can be drawn after letters of credit	**461,278**	381,592
Long-term debt	**(374,818)**	(279,599)
Net current liabilities (working capital)	**(49,786)**	(32,496)
Net debt[1]	**(424,604)**	(312,095)

[1] Net debt as calculated above are not standard terms/measures used by others.

The increase in net debt to September 30, 2011 can be attributed to the significant capital expenditures incurred year to date in 2011, relative to the incremental operating income received to date on these capital expenditures.

19. FINANCIAL INSTRUMENTS

Carrying Values

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

	As at Sepember 30, 2011	As at December 31, 2010
Financial assets		
Receivables[1]	**49,492**	50,837
Financial instruments held-for-trading[2]	**6,875**	-
Financial liabilities		
Other liabilities - non-trading liabilities[1] [3]	**(106,943)**	(82,896)
Financial instruments held-for-trading[2]	**(1,026)**	(690)
Other liabilities - long-term debt[4]	**(374,818)**	(279,599)

(1) Carried at cost which approximates the fair value of the assets or 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. See Forward Contracts below.
(3) Consists of accounts payable and accrued liabilities, dividends payable.
(4) Carried at amortized cost which approximates the fair value of the liability.

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, 2010

	Financial assets (liabilities) – fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
Crude oil forward sale contracts	-	(690)	-	(690)

September 30, 2011

	Financial assets (liabilities) – fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
Foreign exchange derivative contracts	**-**	**(1,864)**	**-**	**(1,864)**
Crude oil derivative pricing contracts	**-**	**7,713**	**-**	**7,713**
		5,849		**5,849**

Commodity Contracts

At September 30, 2011, the Company had the following outstanding derivative commodity sales contracts (Refer to Notes 18 and 21):

Crude Oil

	Financial Forward Swap		
Term	Volume (bbls/d)	Ave Price/bbl	
October 1, 2011 to December 31, 2011	2,000	$ 99.69	
January 1, 2012 to May 31, 2012	1,000	$ 93.26	
June 1, 2012 to December 31, 2012	500	$ 85.45	
	Financial Price Collar		
Term	Volume (bbls/d)	Floor Price/bbl	Ceiling Price/bbl
October 1, 2011 to May 31, 2012	500	$ 85.00	$ 116.50

Foreign Exchange

Weekly ending FX rate trading range (CND per U.S)		USD sell per week on trading range			Weekly premium receipt within trading range	Expiry
Lower	**Upper**	**Below lower**	**Between range**	**Above upper**		
0.94	1.03	NIL	NIL	3.0 million at upper range	30	February 2012

The Company classified these financial instruments as held-for-trading 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 statement of comprehensive income. Gains or

losses arising from monthly settlements with counterparties are recognized as a realized gain or loss in the statement of comprehensive income.

20. TRANSITION TO IFRS

The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements under IFRS. These interim financial statements were prepared as described in Note 2, including the application of IFRS 1. Prior to the adoption of IFRS, the Company followed Canadian GAAP. A reconciliation of the impact to equity between Canadian GAAP and IFRS as at September 30 and December 31, 2010 is provided herein.

Comparative financial information is required on first-time adoption of IFRS and therefore the Company has adopted IFRS as at January 1, 2010. IFRS generally requires full retrospective application of the standards in effect; however, IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to this requirement.

The Company has applied the optional exemptions:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that occurred before January 1, 2010.

- IFRS 2 *Share-based Payment* has not been applied to equity instruments that were granted after November 7, 2002 that vested before January 1, 2010. In addition, IFRS 2 has not been applied to liabilities arising from cash-settled share-based payment arrangements that were settled before January 1, 2010.

- Trilogy has elected to apply the exemption from full retrospective application of decommissioning and restoration provisions in accordance with IFRIC1. As such Trilogy has re-measured the provisions as at January 1, 2010 under IAS 37, estimated the amounts to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose using the best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation and depletion under IFRS.

- Trilogy has also elected to apply the borrowing cost exemption. This election allows the Company to commence capitalization of borrowing costs relating to qualifying assets prospectively from January 1, 2010. The Company did not capitalize borrowing costs under Canadian GAAP and did not identify any qualifying expenditures in 2010.

TRILOGY ENERGY CORP.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
September 30, 2011
(in thousand Canadian dollars except as otherwise indicated)

Reconciliation of Equity

		December 31, 2010			September 30, 2010		
	Note	Cdn GAAP	IFRS Adj	IFRS	Cdn GAAP	IFRS Adj	IFRS
ASSETS							
Current Assets							
Trade and other receivables		50,837	-	50,837	38,958	-	38,958
Derivative financial instruments		-	-	-	1,414	-	1,414
Prepaid expenses	E	734	(481)	253	2,189	(644)	1,545
		51,571	(481)	51,090	42,561	(644)	41,917
Non-current Assets							
Property, plant and equipment	B, C	721,652	(9,679)	711,973	712,954	(23,433)	689,521
Intangible exploration and evaluation assets	C	-	70,258	70,258	-	65,831	65,831
Goodwill		140,471	-	140,471	140,471	-	140,471
Deferred tax asset	D	98,342	9,314	107,656	97,448	8,302	105,750
		960,465	69,893	1,030,358	950,873	50,700	1,001,573
Total Assets		1,012,036	69,412	1,081,448	993,434	50,056	1,043,490
EQUITY AND LIABILITIES							
Current Liabilities							
Trade and other payables	E	79,391	(521)	78,870	72,167	229	72,396
Dividend payable		4,026	-	4,026	4,025	-	4,025
Derivative financial instruments		690	-	690	-	-	-
		84,107	(521)	83,586	76,192	229	76,421
Non-current Liabilities							
Long-term debt		279,599	-	279,599	252,082	-	252,082
Decommissioning and restoration liability	B	77,525	99,619	177,144	79,425	76,483	155,908
Deferred credit	D	136,241	(136,241)	-	136,133	(136,133)	-
		493,365	(36,622)	456,743	467,640	(59,650)	407,990
Total Liabilities		577,472	(37,143)	540,329	543,832	(59,421)	484,411
Shareholders' Equity							
Shareholders' capital	E	864,758	(1,747)	863,011	864,483	(1,747)	862,736
Contributed surplus	A, E	11,587	4,223	15,810	11,260	3,133	14,393
Accumulated deficit after dividends		(441,781)	104,079	(337,702)	(426,141)	108,091	(318,050)
		434,564	106,555	541,119	449,602	109,477	559,079
Total Shareholders' Equity and Liabilities		1,012,036	69,412	1,081,448	993,434	50,056	1,043,490

Reconciliation of Comprehensive Income

		Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Note	Cdn GAAP	IFRS Adj	IFRS	Cdn GAAP	IFRS Adj	IFRS
Revenue and Other							
Petroleum and natural gas sales		65,586	-	65,586	223,808	-	223,808
Royalties		(10,795)	-	(10,795)	(36,090)	-	(36,090)
Revenue		54,791	-	54,791	187,718	-	187,718
Other		1,054	-	1,054	1,207	-	1,207
Realized gain/ (loss) on derivative financial instruments		3,666	-	3,666	15,785	-	15,785
Unrealized gain/ (loss) on derivative financial instruments		(2,760)	-	(2,760)	(1,453)	-	(1,453)
		56,751	-	56,751	203,257	-	203,257
Expenses			-			-	
Operating costs		16,779	-	16,779	54,509	-	54,509
Transportation		3,063	-	3,063	9,770	-	9,770
General and administrative expenses	A	3,425	(266)	3,159	12,899	(1,212)	11,687
Share-based compensation	A	445	592	1,037	1,310	2,288	3,598
Exploration and evaluation expenditures	C	1,509	2,601	4,110	2,339	5,376	7,715
Depletion and depreciation	B C	34,493	(244)	34,249	92,418	1,345	93,763
Other gains / (losses)		-	-	-	8	-	8
		59,714	2,683	62,397	173,253	7,797	181,050
Operating earnings (loss)		(2,963)	(2,683)	(5,646)	30,004	(7,797)	22,207
Gain on conversion to corporation	D	-	-	-	-	(146,053)	(146,053)
Accretion on decommissioning and restoration liability	B	1,462	38	1,500	4,368	159	4,527
Interest and other finance costs		2,559	-	2,559	8,627	-	8,627
Net (loss) Earnings before ncome tax		(6,984)	(2,721)	(9,705)	17,009	138,097	155,106
Income tax expense (recovery)			-			-	
Current		-	-	-	-	-	-
Deferred	D	(3,030)	1,073	(1,957)	4,014	(34,727)	(30,713)
Net income (loss) and comprehensive income		(3,954)	(3,794)	(7,748)	12,995	172,824	185,819

Notes to the Reconciliation of Equity and Comprehensive Income.

The impact on the Company's previously reported financial statements for the year ended December 31, 2010 and the opening balance sheet as at January 1, 2010 is disclosed in the Company's Unaudited Q1, 2011 Financial Statements. The following provides a summary of significant adjustments to shareholder's equity as at December 31, 2010 and to comprehensive income for the three and nine months ended September 30, 2010:

A. Share Based Compensation - Share incentive plan and share option plan

Trilogy recorded an increase to share based compensation expense of $2.3 million for the nine-month period ended September 30, 2010 under IFRS relative to Canadian GAAP. $1.1 million of this amount related to increased amortization on Trilogy's share option plan pursuant to the remeasurement of such awards on Conversion to a corporation. An additional $1.2 million was reclassified to share based compensation from general and administrative expenses in respect of amounts amortized to income under Trilogy's share incentive plan.

B. Decommissioning and restoration liability

Under Canadian GAAP, Trilogy utilized a credit adjusted interest rate in calculating the net present value of cash outflows expected to arise from future decommissioning and reclamation activities. Under IFRS, Trilogy utilizes a reduced discount rate reflective of a long-term risk-free rate of which the maturity date approximates the anticipated timing of the underlying liability settlement dates. The reduced rate resulted in an increase to Trilogy's decommissioning and restoration liability of $99.6 million as at December 31, 2010 (September 30, 2010: $76.4 million) with a corresponding increase to property plant and equipment of $62.7 million as at December 31, 2010 (September 30, 2010: $42.4 million) for the amortized value of the related asset. A related increase in depletion and depreciation expense was recorded to amortize the additional property, plant and equipment amount recorded above for the three and nine months ended September 30, 2010. Additionally, an increase was recorded to the accretion expense on the liability for these same periods.

C. *Exploration and Evaluation Assets*

Trilogy recorded a reduction of $70.3 million to its property plant and equipment as at December 31, 2010 with a corresponding increase to exploration and evaluation assets in respect of its undeveloped land and costs associated with its exploration and evaluation activities (September 30, 2010 - $65.8 million).

Costs of $5.4 million for the nine months ended September 30, 2010 ($2.6 million for the three months then ended) associated with the expiry of undeveloped lands have been reclassified from depletion and depreciation to exploration and evaluation expenditures.

An additional impairment of $2.2 million was recorded under IFRS as at December 31, 2010. IFRS has specific provisions in calculating a recoverable amount which resulted in differences in calculations of net future cash flows under Canadian GAAP and IFRS.

D. Deferred income taxes and Gain on conversion to corporation

As discussed in note 1, the Company converted to a corporation by way of a plan of arrangement and related transactions with a private company. Under Canadian GAAP, in accordance with EIC 110 - "Accounting for acquired future tax benefits in certain purchase transactions which are not business combinations" and in conjunction with the Conversion, Trilogy recorded a future tax asset of $182.2 million and an increase in share capital of $36.1 million in respect of the 4,219,653 common shares issued in conjunction with the Conversion. Under EIC 110, the excess of amounts assigned to the future tax asset recorded on the acquisition over the consideration provided was recorded separately as a deferred credit ($146.1 million recorded on Conversion, $136.1 million as at September 30, 2010 and $136.2 million as at December 31, 2010). Under IFRS, the excess amount of $146.1 million has been recognized directly as a gain in the statement of comprehensive income on Conversion as reflected for the nine months ended September 30, 2010.

Under Canadian GAAP, temporary differences between Trilogy's book and tax basis were recorded based on a corporate rate of approximately 25%. Under IFRS, the temporary differences of Trilogy as a trust prior to the Conversion were considered undistributed income and measured at the highest Alberta individual tax rate of 39%. In conjunction with the Conversion to a corporation, Trilogy re-measured all temporary differences back to a corporate rate of approximately 25%, resulting in a deferred tax recovery as reflected for the nine months ended September 30, 2010.

The transitional adjustments described herein result in varying differences under Canadian GAAP and IFRS. Accordingly, the impact of such differences have been considered in the accounting for income taxes under IFRS.

E. Reclassifications

Amounts recorded in conjunction with Trilogy's share incentive plan were reclassified to contributed surplus and share capital, as applicable, in accordance with IFRS 2 – Share Based Compensation. Under IFRS, shares held for the benefit of Trilogy's officers and employees are reflected as a reduction of Trilogy's share capital outstanding and the grant date fair value of the awards are amortized to contributed surplus as the awards vest. Vested awards subsequently increase share capital with a corresponding decrease to contributed surplus.

F. Cash flow statement

The transition from Canadian GAAP to IFRS did not have a material impact on the consolidated statement of cash flows.

21. SUBSEQUENT EVENTS

Subsequent to the quarter-end Trilogy entered into the following financial derivative contract:

Crude Oil

	Financial Forward Swap	
Term	Volume (bbls/d)	Ave Price/bbl
January 1, 2012 to December 31, 2012	2,000	$ 88.52

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 (1)
Chairman of the Board
Calgary, Alberta

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

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

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

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

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

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

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

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

HEAD OFFICE

1400, 332 6th Avenue SW
Calgary, Alberta, Canada T2P 0B2
Telephone: (403) 290-2900
Facsimile: (403) 263-8915
www.trilogyenergy.com

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKERS

Bank of Montreal
Calgary, Alberta
The Bank of Nova Scotia
Calgary, Alberta
Canadian Imperial Bank of Commerce
Calgary, Alberta
Royal Bank of Canada
Calgary, Alberta
ATB Financial
Calgary, Alberta
The Toronto-Dominion Bank
Calgary, Alberta

CONSULTING ENGINEERS

InSite Petroleum Consultants Ltd.
(formerly Paddock Lindstrom and Associates Ltd.)
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

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

STOCK EXCHANGE LISTING

The Toronto Stock Exchange - "TET"