Financial and Operating Highlights Table

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

	Three Months Ended			Year Ended December 31		
	December 31, 2014	September 30, 2014	Change %	2014	2013	Change %
FINANCIAL						
Petroleum and natural gas sales	**129,555**	153,860	(16)	**618,949**	563,463	10
Funds flow						
From operations[1]	**78,011**	87,933	(11)	**349,360**	280,511	25
Per share - diluted	**0.62**	0.69	(11)	**2.75**	2.32	19
Earnings						
Earnings (loss) before tax	**(54,464)**	36,714	(248)	**44,258**	18,702	137
Per share - diluted	**(0.43)**	0.29	(249)	**0.35**	0.15	125
Earnings (loss) after tax	**(133,331)**	26,700	(599)	**(61,011)**	11,467	(632)
Per share - diluted	**(1.05)**	0.21	(601)	**(0.49)**	0.09	(607)
Dividends declared	**8,819**	13,221	(33)	**48,417**	50,188	(4)
Per share	**0.070**	0.105	(33)	**0.385**	0.420	(8)
Capital expenditures						
Exploration, development, land, and facility	**63,299**	80,939	(22)	**425,769**	399,431	7
Acquisitions (dispositions) and other - net	**9,330**	178	5,142	**14,232**	(2,531)	(662)
Net capital expenditures	**72,629**	81,117	(10)	**440,001**	396,900	11
Total assets	**1,618,953**	1,727,802	(6)	**1,618,953**	1,546,729	5
Net debt[1]	**751,603**	745,552	1	**751,603**	616,053	22
Shareholders' equity	**572,135**	711,522	(20)	**572,135**	665,849	(14)
Total shares outstanding (thousands)						
- As at end of period [2]	**125,854**	125,795	-	**125,854**	125,174	1
OPERATING						
Production						
Natural gas (MMcf/d)	**130**	128	2	**126**	117	8
Oil (Bbl/d)	**8,251**	8,051	2	**8,326**	10,175	(18)
Natural gas liquids (Boe/d)	**6,058**	5,794	5	**5,706**	4,827	18
Total production (Boe/d @ 6:1)	**35,938**	35,125	2	**35,104**	34,509	2
Average prices before financial instruments						
Natural gas ($/Mcf)	**4.06**	4.53	(10)	**4.98**	3.55	40
Crude Oil ($/Bbl)	**70.95**	93.14	(24)	**89.17**	87.01	2
Natural gas liquids ($/Boe)	**48.78**	59.50	(18)	**56.69**	50.27	13
Average realized price	**39.18**	47.61	(18)	**48.31**	44.73	8
Drilling activity (gross)						
Gas	**7**	3	133	**35**	28	25
Oil	**10**	14	(29)	**50**	53	(6)
Total wells	**17**	17	-	**85**	81	5

(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

2014 Annual Highlights

- Production averaged 35,104 Boe/d (12.8 MMBoe) for the year, an increase of 2 percent from 2013 annual production of 34,509 Boe/d.
- Added 30.9 MMBoe of proved reserves (34 percent oil and NGLs) and 47.4 MMBoe of proved plus probable reserves (35 percent oil and natural gas liquids), including technical revisions.
- Replaced 241 percent of 2014 produced reserves when compared to total proven reserve additions, and 370 percent when compared to proven plus probable reserves.
- Net capital expenditures of $440 million
- Finding and development costs were $24.82/Boe for total proved reserves and $20.78/Boe for proved plus probable reserves.
- Annual operating costs were $10.09/Boe.
- Annual operating netback of $31.03/Boe.
- Drilled 85 (53.6 net) wells, evaluating the Duvernay, Montney, Nikanassin, Notikewin, Dunvegan, Gethingand Cardium formations.
- Remaining capacity under Trilogy's revolving credit facility was $260 million at year-end.

During 2014, the Company continued to focus its capital spending on oil and liquids-rich natural gas plays that provided the best rate of return with a lower risk profile. Trilogy's high quality prospect inventory of crude oil and liquids-rich natural gas locations provide the opportunity to grow production, reserves, cash flow and net asset value, while advances in drilling and completion technology have accelerated the Company's ability to unlock hydrocarbons on its land base. In 2015, given the recent volatility in crude oil and natural gas prices, Trilogy will reduce its planned spending to operate within forecasted annual cash flows.

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

2014 Review of Operations

First Quarter Review

- Average production of 33,135 Boe/d
- $174.3 million net capital expenditures
- Average operating costs of $12.23/Boe
- Operating netback of $30.81/Boe
- $81.2 million funds flow from operations ($0.64/share fully diluted)
- 31 (24.1 net) wells drilled, all drilled horizontally with a 100 percent success rate
- Drilled 16 net oil wells in the Kaybob Montney Oil Pool
- Drilled 5 (4.5 net) Presley Montney gas wells
- Drilled 2 (1.33 net) Duvernay shale condensate/oil wells

Second Quarter Review

- Average production of 36,187 Boe/d
- $111.9 million net capital expenditures
- Average operating costs of $8.89/Boe
- Operating netback of $34.93/Boe
- $102.2 million funds flow from operations ($0.80/share fully diluted)
- 16 (12.2 net) wells drilled, all drilled horizontally with a 100 percent success rate
- Drilled 3 net oil wells in the Kaybob Montney Oil Pool
- Drilled 3 net Presley Montney gas wells
- Drilled 8 (5.2 net) Duvernay shale condensate/oil wells

Third Quarter Review

- Average production of 35,125 Boe/d
- $81.1 million net capital expenditures
- Average operating costs of $9.33/Boe
- Operating netback of $31.46/Boe
- $87.9 million funds flow from operations ($0.69/share fully diluted)
- 17 (11.8 net) wells drilled, all drilled horizontally with a 100 percent success rate
- Drilled 7 net oil wells in the Kaybob Montney Oil Pool
- Drilled 2 (1.5 net) Duvernay wells in the Kaybob area

Fourth Quarter Review

- Average production of 35,938 Boe/d
- $72.6 million net capital expenditures
- Average operating costs of $10.11/Boe
- Operating netback $26.94/Boe
- $78.0 million funds flow from operations ($0.62/share fully diluted)
- 17 (5.6 net) wells drilled
- Drilled 3 net oil wells in the Kaybob Montney Oil Pool
- Drilled 2 (0.8 net) Duvernay wells in the Kaybob area

Production

Trilogy's production averaged 35,104 Boe/d (126.4 MMcf/d of natural gas, 8,326 Bbl/d of crude oil and 5,706 Boe/d of natural gas liquids) in 2014. This represents a 2 percent increase over the annual production volume for the prior year and reflects Trilogy's continued focus on profitable production and reserve growth in the Kaybob Montney oil and gas pools and the transition into developing the Duvernay shale play in the Kaybob area. The following table summarizes the average daily production by product for the past five years. Since converting from an income trust to a dividend-paying corporation in February 2010, Trilogy has increased production by over 50 percent**,** while at the same time increasing its oil and natural gas liquids composition from 20 percent to 40 percent of annual production through the prudent allocation of capital towards oil and liquids-rich plays.

	2010	**2011**	**2012**	**2013**	**2014**	**2015E**
Natural Gas Production *(MMcf/d)*	108.9	119.8	120.3	117.0	126.0	116.0
NGL Production *(Boe/d)*	2,707	4,287	4,315	4,827	5,706	5,000
Crude Oil Production *(Bbl/d)*	1,935	3,759	9,153	10,175	8,326	5,700
Total Production *(Boe/d)*	22,788	28,012	33,510	34,509	35,104	30,000
Liquids Composition (%)	20	29	40	43	40	35

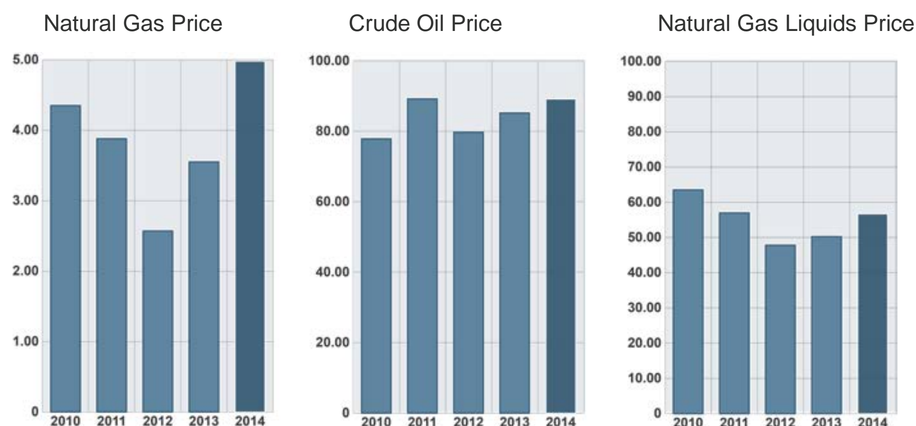
Annual production in 2014 was less than originally forecast due to unscheduled downtime in some of the pipelines and gas processing infrastructure in the Kaybob and Grande Prairie areas through the first half of the year and well performance in Trilogy's Kaybob Montney oil pool being less than originally forecast. Annual production guidance for 2014 was reduced from 36,000 Boe/d to 35,000 Boe/d in November 2014 to account for longer than expected downtime in certain natural gas liquids pipelines in the area, production lags caused by delays in project execution and other well and major third party pipeline related issues.

Production growth was relatively flat when compared to 2013, as the Company continued to transition the majority of its drilling, completion and tie-in program toward its Duvernay prospects, which have significantly longer cycle times as compared to Montney oil and gas projects. Trilogy spent approximately 31 percent of its net capital expenditures in 2014 on Montney oil plays in the North Kaybob area, 15 percent on liquids-rich Montney gas in South Kaybob and approximately 34 percent on the Company's Duvernay projects. Additional production and reserve growth in 2014 also came from the Cardium, Dunvegan, Gething and Notikewin plays in the Kaybob area and the Nikanassin oil play in the Grande Prairie area. The nature and location of Trilogy's assets provides the opportunity to pursue emerging play types, thereby better managing the risk of exposure to a single play type or a single geographic area. Recent developments in horizontal drilling, multi-stage fracture stimulation completion techniques and Trilogy's significant infrastructure investments are expected to continue to provide Trilogy with the opportunity to adjust its drilling and completion programs to economically exploit tight oil and gas reservoirs on its acreage at attractive finding and development costs.

Operating Costs

Operating costs decreased 7 percent in 2014, to $10.09/Boe as compared to $10.82/Boe in 2013, when costs were higher due to the turnaround at the Kaybob North Gas Plant as well as workovers performed on certain Kaybob Montney oil wells. Operating costs were forecast to be $9.00/Boe in 2014. However, as production volumes in the year were lower than predicted while the cost of power, gathering, disposal compression and labour remained relatively constant, the operating costs for the year came in higher than anticipated. Trilogy anticipates that operating costs may trend higher in 2015 as annual production declines relative to the prior year; however the impact may be reduced as service costs for 2015 are expected to decrease.

Trilogy has challenged its employees, contractors and suppliers to find ways to reduce the Company`s cost structure in this volatile commodity price environment. The request has been embraced by our employees and generally accepted by most of our suppliers and contractors. We look forward to moving ahead with those people and service providers who have supported Trilogy`s cost-cutting measures.



Profitability

Trilogy's average natural gas sales price (before financial instruments and transportation) was up 40 percent year over year to $4.98/Mcf in 2014 as compared to $3.55/Mcf in 2013. Approximately 60 percent of Trilogy's 2014 production on a per barrel of oil equivalent basis (6 Mcf: 1 Boe) is natural gas. Trilogy's realized oil price (before financial instruments) increased 2 percent, to $89.17/Bbl from $87.01/Bbl in the prior year, while natural gas liquids prices were up 13 percent, to $56.69/Boe from $50.27/Boe over the same period. In total, Trilogy's realized price increased 8 percent, to $48.31/Boe in 2014 compared to $44.73/Boe in the prior year. Operating netback in 2014, including realized financial instruments and actual decommissioning and restoration costs, increased 19 percent, to $31.03/Boe as compared to $26.09/Boe in 2013. This increase is primarily attributed to higher natural gas, crude oil and natural gas liquids commodity prices and in part to lower royalties and operating costs in 2014.

Realized oil prices in Alberta during the fourth quarter of the year were impacted by a global oversupply of crude oil resulting in a significant decline in the price of crude oil around the globe. Trilogy's realized crude oil price dropped from $93.14/Bbl in the third quarter to $70.95/Bbl in the fourth quarter and to $45.64/Bbl in January 2015. Trilogy will continue to monitor changes in global supply and demand and adjust its spending and production targets so as to operate within annual cash flow.

- On a funds flow from operations per Boe basis, Trilogy realized a 22 percent increase, from $22.27/Boe in 2013 to $27.27/Boe in 2014.
- Funds flow from operations per diluted share was up 19 percent, from $2.32/share in 2013 to $2.75/share in 2014.
- Annual operating netback was $31.03/Boe, resulting in a recycle ratio of 1.49 times for proved plus probable reserves.

Funds Flow Reconciliation	**2014**		**2013**	
Production *(Boe/d)*	**35,104**		34,509	
	$ million	**$/Boe**	**$ million**	**$/Boe**
Revenue including other income and realized financial instruments	**620.53**	**48.43**	559.3	44.40
Royalties	**(69.91)**	**(5.46)**	(73.6)	(5.85)
Operating	**(129.31)**	**(10.09)**	(136.3)	(10.82)
Transportation	**(18.97)**	**(1.48)**	(16.6)	(1.32)
Decommissioning and restoration	**(4.74)**	**(0.37)**	(4.2)	(0.33)
Operating Netback	**397.60**	**31.03**	328.6	26.09
General and administrative	**(11.25)**	**(0.88)**	(10.0)	(0.79)
Interest and financing	**(36.99)**	**(2.89)**	(38.1)	(3.03)
Funds flow	**349.36**	**27.27**	280.5	22.27
Weighted average shares (in thousands) outstanding for the year (fully diluted)	**126,968**		120,982	
Funds flow per Share *($/share)*	**2.75**		2.32	

Capital Expenditures

Annual capital expenditures for 2014 were originally budgeted to be $375 million. Based on the success of its horizontal Montney oil and gas development drilling programs and joint venture opportunities, Trilogy was able to increase its capital exploration and development spending to $425.8 million for the year, with the additional capital being allocated primarily to Duvernay operations. An acquisition of third party acreage and natural gas production adjacent to Trilogy's Presley Montney gas pool net of proceeds from the disposition of acreage and production in the Grande Prairie area contributed to the increase in net capital expenditures of $440 million.

Trilogy had initially set its 2015 capital budget at $250 million based on commodity prices at the end of 2014. However, given the volatility in crude oil prices, the annual budget for 2015 was further reduced to $100 million to be in line with the current cash flow estimate for the year. Given anticipated changes in commodity prices through the coming year, Trilogy expects to be in a position to adjust its spending plans in order to operate within cash flow.

Each year Trilogy participates in a number of joint venture operations on its lands when the operations are supported by Trilogy's internal technical and economic evaluations. Participation in these additional projects ensures that Trilogy does not forgo an investment opportunity or the realization of immediate financial returns. Continued development by other operators in the Kaybob area will serve to reduce the risk on new emerging plays and, assuming success, will provide Trilogy with additional drilling opportunities in the future. It is challenging to accurately predict the level of activity that may be proposed by third party operators on joint interest lands, requiring Trilogy to leave a portion of its capital budget unallocated for these projects while at the same time being prepared to increase its spending plans given success on the joint acreage.

Capital Expenditures *(millions of dollars)*	**2014**	**2013**	**2012**
Land	0.2	0.6	1.0
Geological and geophysical	1.5	0.2	2.1
Drilling and completion	334.4	342.3	265.9
Production equipment, facilities and inventory	89.7	56.3	80.3
Exploration and development expenditures	425.8	399.4	349.3
Corporate and Field office	0.9	0.3	3.4
Net property acquisitions/(dispositions)	13.3	(2.9)	(1.4)
Net capital expenditures	440.0	396.9	351.3

Relative strength in crude oil and condensate pricing through 2012, 2013 and into 2014 has afforded Trilogy the opportunity to allocate a significant portion of its cash flow into very attractive plays which we believe target higher returns. Continued emphasis on capital allocation, accountability for controlling costs and achieving successful drilling results should facilitate a strong balance sheet and ensure that the Company remains operationally competitive.

- Trilogy's staff continues to develop higher levels of expertise in drilling and completing horizontal wells, providing greater certainty in budgeting, allocating capital and analyzing risk for the various play types that Trilogy pursues.
- Participating in joint venture operations affords Trilogy additional opportunities to monitor results on emerging plays and the potential to improve on the execution of Trilogy-operated projects.
- Monitoring forecasted commodity price trends to ensure capital is allocated to projects with higher rates of return.
- By drilling directional and horizontal wells, Trilogy is able to utilize existing roads, surface leases and pipelines, reducing both costs and the environmental footprint while expediting the time to bring new production on-stream.

Drilling Activity

Trilogy participated in the drilling of 85 (53.6 net) wells during 2014, as compared to 81 (57.2 net) wells in 2013. The Company's high drilling success rate in the Kaybob and Grande Prairie areas reflects its drilling strategy, expertise in developing large, lower risk resource plays on its lands, as well as the application of horizontal drilling and multi-stage fracture completions.

	Development		**Exploration**	
Drilling Results	**Gross**	**Net**	**Gross**	**Net**
Gas	30	15.6	5	1.7
Oil	50	36.3	-	-
D&A	-	-	-	-
Total All Wells	80	51.9	5	1.7
Success *(%)*	100	100	100	100

In 2015, Trilogy will minimize its drilling and completion operations until commodity prices improve. Current prices do not justify the allocation of capital to many projects, particularly since the high initial production rates from horizontal wells makes single well economics very sensitive to commodity prices in the first year of production. As a result, Trilogy will reduce its capital spending until there is a clear trend to improving commodity prices.

Land

In 2014, Trilogy spent $0.2 million to acquire 29,728 net acres of land at Alberta Crown land sales. This brings Trilogy's total acreage count to 847,061 gross acres (611,617 net acres) of land as of December 31, 2014, of which 57 percent (350,696 net acres) is considered undeveloped (no reserves assigned).

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

Land Area *(acres)*	**Gross**	**Net**
Land assigned reserves	395,212	260,921
Undeveloped land	451,849	350,696
Total	847,061	611,617

Operating Areas

Since converting from an income trust to a growth oriented exploration and development company, Trilogy's annual production has grown organically by more than 77 percent from 19,780 Boe/d in 2009 to 35,104 Boe/d in 2014. Trilogy's management believes that investing a higher portion of its annual cash flow to optimize its developed and undeveloped land base using horizontal drilling and multi-stage fracturing technology will continue to add value for its Shareholders for years to come. Trilogy continues to evaluate new plays on its acreage and by targeting different formations and geographic areas, Trilogy has been able to identify additional drilling prospects that will be added to the Company's growing inventory of high quality crude oil and liquids-rich gas drilling locations.

Kaybob

The Kaybob area accounted for approximately 94 percent of Trilogy's production and 95 percent of its capital expenditures in 2014 and will continue to be the focus of its 2015 spending plans. Trilogy's large portfolio of tight oil and gas assets in Kaybob lends itself to continued development and optimization using horizontal drilling and multi-stage completion technology. Activity in this area will provide Trilogy with the opportunity to grow production and replace produced reserves on economic plays with a low risk profile. Given the Company's success in applying drilling and completion technologies to new areas and formations, Trilogy has developed a large prospect inventory that will be further developed when crude oil and natural gas prices improve. Trilogy also expects it will be able to leverage off of its substantial investment in infrastructure to minimize production disruptions and reduce costs.

Trilogy produced 32,894 Boe/d in the Kaybob area in 2014 as compared to 32,384 Boe/d in 2013. Field operations have been faced with variable operating conditions from the high productivity oil and gas wells in this area. At the same time, the infrastructure has been challenged with processing the natural gas produced in association with the large volumes of natural gas liquids produced from the Duvernay and Montney formations. It is expected that over the next two years, the capability of the natural gas plants in this area will also be adjusted to better process liquids-rich natural gas, commensurate with the construction of additional natural gas liquids pipeline capacity out of Kaybob.

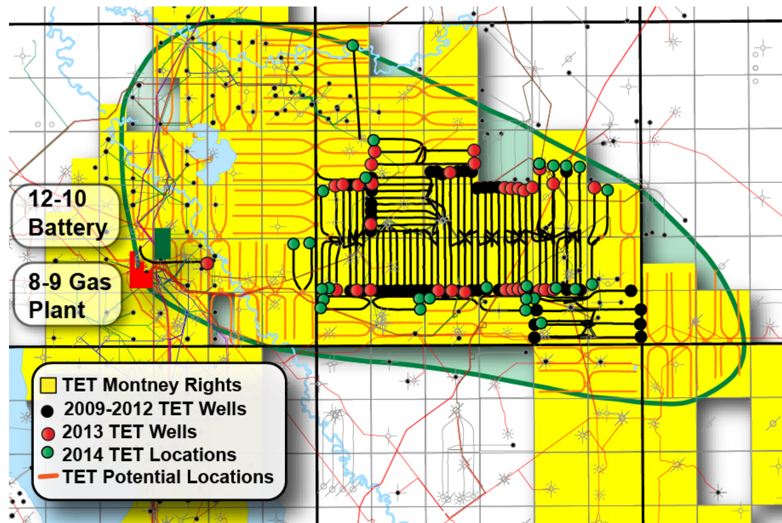
In Kaybob, Trilogy's 2014 capital expenditures before acquisitions and dispositions totaled approximately $406 million. Trilogy drilled 83 (51.7 net) wells in the area during the year, all of which were drilled horizontally. The increase in the number, depth and length of horizontal lateral and the number of fracture stimulations in these wells resulted in a significant increase in capital expenditures as compared to previous years. Offsetting these additional costs were reductions in tie-in costs, reduced drilling times and, more importantly, a substantial increase in production and reserve assignment.

Much of the horizontal drilling in the Kaybob area has been focused on the Gething, Montney and Duvernay formations. However, third party operated horizontal wells were also drilled to develop and evaluate the Bluesky, Wilrich, Notikewin, Dunvegan and Cardium formations, where Trilogy participated to its current working interest in the project.

Kaybob Montney Oil Pool Development

Through 2014, Trilogy built on the success it achieved in the previous three years with the continued development drilling of the Kaybob Montney oil pool. In 2010 through 2013, Trilogy drilled a total of 78 wells into the pool, followed by an additional 29 wells in 2014. Given the current commodity price environment, Trilogy plans to reduce its drilling program to 2 wells in the first quarter and evaluate its activity levels once crude oil prices improve

In 2014, Trilogy spent approximately $118 million to drill and complete 29 wells to find 5.2 MMBoe of proved reserves and 6.5 MMBoe of proved plus probable reserves**.** On average, the year's drilling and completion program added 180 MBoe of proved reserves per well (61 percent oil reserves) and 226 MBoe per well of proved plus probable reserves (61 percent oil reserves). This represents a finding and development cost of $22.62/Boe for proved reserves and $18.15/Boe for proved plus probable reserves.

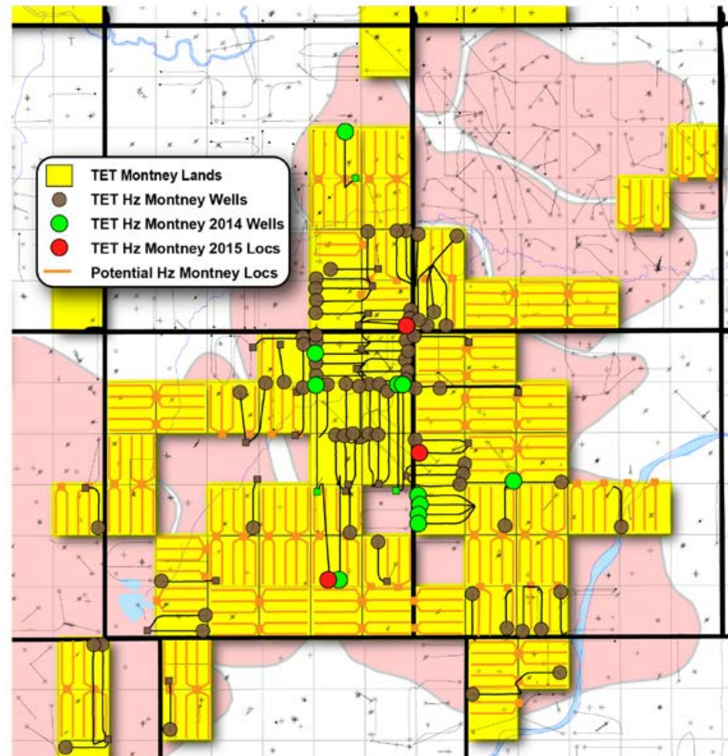


In 2014, production from the pool averaged 10,214 Boe/d (62 percent oil and natural gas liquids production), with operating costs of $7.74/Boe and operating netback of $48.09/Boe. As of year-end 2014, the pool has produced approximately 8.3 MMBbl of oil from the horizontal oil wells drilled into the pool since its discovery in 2010. Under the current royalty regime, each well qualifies for royalty relief, where Crown royalties are reduced to 5 percent on the initial 80 to 90 MBoe of production. Historically, the costs of approximately $4 million to drill, complete and tie-in are usually paid out in less than one year of production.

Production in 2014 was less than expected due to wells on the eastern portion of the pool performing below expectations. Wells drilled later in the year on the north and western portions of the pool appear to be performing at or above type curve expectation and will be the focus of additional drilling when commodity prices improve.

Presley Montney Gas Development

Trilogy's 2014 budget provided for 9 (8.0 net) wells to be drilled into the Presley Montney liquids-rich gas pool. However, with the increase in natural gas prices in the first quarter of 2014, Trilogy adjusted its operational plan and drilled 11 (10.0 net) wells into the pool. Production from the area averaged 10,309 Boe/d in 2014 as compared to 9,842 Boe/d in 2013. Processing outages at the SemCams Kaybob South #3 and the Trilogy-operated Kaybob North Gas Plants were responsible for a significant amount of the production shortfall from this area. Trilogy will continue to monitor gas processing options in the area to minimize future downtime.



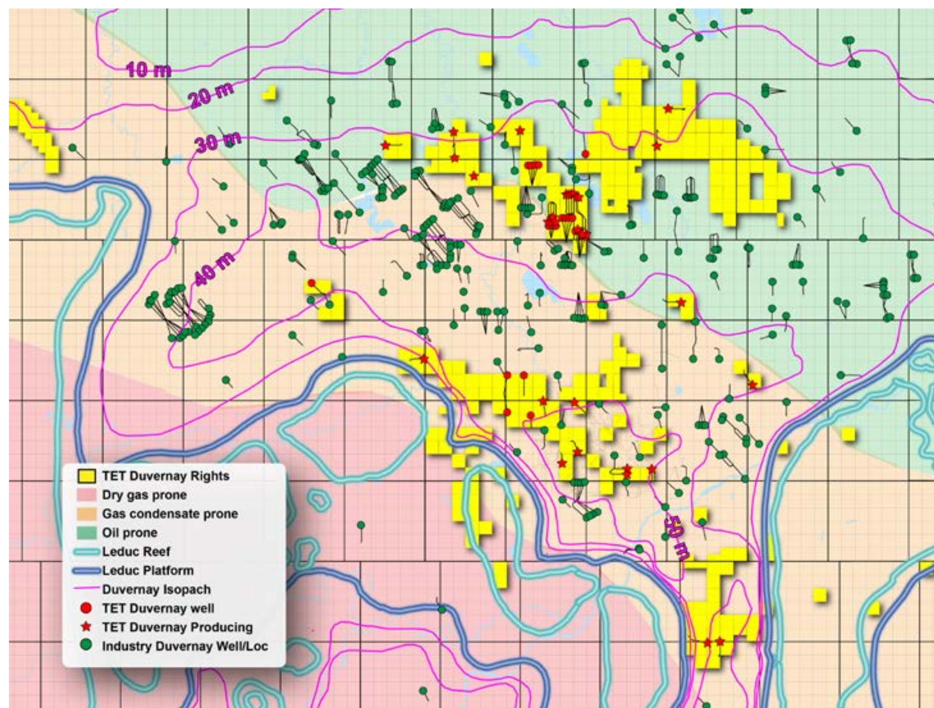
Trilogy plans to limit drilling operations in the Montney gas pool to 3 (2.5 net) wells in 2015, given the current weak natural gas price forecast. However, if commodity prices improve through the year, Trilogy could allocate additional capital to this pool provided the economic rates of returns track the increase in natural gas and natural gas liquids pricing. Despite the slowdown in activity, Trilogy will continue to prepare drilling locations and evaluate infrastructure alternatives for the Montney and Duvernay production.

In the fourth quarter, Trilogy spent $15.8 million net to acquire the mineral rights to the base of the Montney formation in 8 (6.5 net) sections of land along the west margin of Trilogy's existing Presley property to further strengthen its land position in the area and provide additional drilling locations for Trilogy's prospect inventory. The acquisition included 21 (20.2 net) wells, production infrastructure and approximately 700 Boe/d of production. Some of these lands are expected to be included in Trilogy's 2016 development plans for the area.

Duvernay Shale Oil/Gas Development

Trilogy has been active in the Duvernay shale play for approximately four years. Since its initial involvement in the play, Trilogy has participated in the drilling of approximately 42 Duvernay wells in the Kaybob area. The Company spent approximately $150 million (net) to drill, complete and/or tie-in wells and certain related infrastructure improvements targeting the Duvernay in 2014 and plans to spend approximately $55 million net in 2015 to drill, complete and tie-in up to 15 (3.5 net) wells. Trilogy has accumulated approximately 200 net sections of prospective land in the play and will be managing the land base as the play develops. Of these 200 net sections, Trilogy estimates that approximately 125 are in the volatile oil window and 75 are in the gas condensate window of the play. As the Company continues to develop its Duvernay shale assets, it will consider external sources of funding to advance the play.

Results from the play have been encouraging to date. As industry drills more wells, it continues to evaluate various drilling, completion and production technologies and establish best practices for lowering capital costs, maximizing recoveries and generating better economic returns from the Duvernay. In the Kaybob area during 2014, Trilogy drilled 5 horizontal Duvernay wells in which it owns a 100 percent working interest and participated in another 7 horizontal Duvernay wells for its 30 to 50 percent working interest. As the year progressed, drilling risks were reduced and completion techniques were improved. Each well is further evaluated relative to adjacent wells to assess the comparative effect of variables on maximizing recovery and reducing capital costs. By adjusting the lateral length of Duvernay Horizontal wells, as well as fracture spacing, number of fracture intervals per stage, fluid volume, sand tonnage, pumping pressures and soak time, we can determine which variables have the most impact in each area. However, continued delineation and evaluation of the Duvernay is required to understand the risks and ultimate economic potential of the play across a large geographic extent and to determine well productivity and ultimate liquids yield. Once drilling, completion and production best practices have been refined for maximum recovery of reserves per well, industry will be in a better position to further drive down capital costs to increase rate of returns.



In the first quarter of 2014, Trilogy participated in the drilling of two horizontal Duvernay wells in the Tony Creek and Presley areas of Kaybob, where the Duvernay is approximately 30 to 40 meters thick. These two wells, 15-26-63-21W5 (100 percent working interest) and 16-02-60-19W5 (33.3 percent working interest), were stimulated using a

plug and perf technique, with 96 and 60 perforated intervals respectively. The wells were brought onstream in the second quarter 2014 and have produced 96.5 MBbl and 12.7 MBbl of approximately 50 degree API condensate, respectively, as of the end of December 2014. The following table summarizes the natural gas and oil/condensate production information for these wells up to December 31, 2014.

	Cumulative Gas MMcf	Cumulative Condensate MBbl	Average Gas Rate MMcf/d	Average Condensate Rate Bbl/d	Condensate Gas Ratio Bbl/MMcf	Tubing Pressure MPa	Producing Time Months
16-02-60-19W5	219	12.7	1.7	96	58	2.5	4.4
15-26-63-21W5	334	96.5	1.3	383	289	15.2	8.4

In the second quarter, Trilogy participated in 8 (5.2 net) horizontal Duvernay wells, including 2 (2.0 net) horizontal Duvernay wells drilled beneath its Kaybob Montney oil pool. The first well was drilled to a bottom hole location at 16-19-64-18W5 (the "16-19 well") which was rig released on April 7, 2014 and the second well was drilled to a bottom hole location at 4-7-64-18W5 (the "4-7 well") and was rig released on May 20, 2014. The 16-19 well was perforated in 90 intervals along the 1,780 meter lateral and then fracture stimulated in 19 separate stages. After the bridge plugs were drilled out, the well was flow tested and placed on production May 27, 2014. The 4-7 well was perforated in 84 intervals (18 stages) along its 1,664 meter lateral and subsequent to the bridge plugs being drilled out, the well was flow tested and placed on production June 19, 2014. The following table summarizes the natural gas and oil/condensate production information for these wells up to December 31, 2014.

	Cumulative Oil MBbl	Cumulative Gas MMcf	Average Oil Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
16-19-64-18W5	39.5	99	219	0.6	2.4	6	May 27, 2014
4-7-64-18W5	29.9	117	192	0.8	3.9	8.5	June 22, 2014

The 16-19 well was produced for approximately 7 months and then shut in for the month of January 2015, to see if well performance changed relative to the preceding production period. Relative changes in flowing pressure, water cut and hydrocarbon production will be evaluated to assist in determining optimal production strategies for horizontal Duvernay wells in the volatile oil area of the play.

Trilogy drilled its third operated Duvernay well of the second quarter to a bottom hole location at 13-3-60-19W5 (the "13-3 well"). The 13-3 well was horizontally drilled 650 meters north and parallel to the 5-3-60-19W5 horizontal Duvernay well (the "5-3 well") that was rig released in April, 2012 and has produced 1.3 Bcf of natural gas and 87 MBbl of condensate in approximately 27 months of production. The 13-3 well was drilled to evaluate the change in productivity and ultimate recoverable reserves given an increase from 31 perforations over 31 separate stages in the 5-3 well to 98 perforations in 20 separate stages in the 13-3 well, while maintaining other variables, such as pay thickness, reservoir pressure and condensate to gas ratio, constant. It is expected that with 6 to 12 additional months of production history, Trilogy should be in a position to determine the relative change in production and reserve potential given the increase in fracture stimulation intensity. The following table summarizes the production history to December 31, 2014 for these two wells.

	Cumulative Gas MMcf	Cumulative Condensate MBbl	Average Gas Rate MMcf/d	Average Condensate Rate Bbl/d	Condensate Gas Ratio Bbl/MMcf	Tubing Pressure MPa	Producing Time months
5-3-60-19W5	1,296	87.1	1.7	113	67	4.7	25
13-3-60-19W5	481	26.7	3.1	172	56	5.6	5

The fourth Trilogy-operated well drilled during the second quarter of 2014 was at 4-3-58-18W5 (the "4-3 well"), which is approximately one mile east of the well at 13-33-57-18W5 (the "13-33 well"). The 4-3 well was completed in August and began producing to the SemCAMS K3 Plant in November 2014. The 4-3 well was subsequently shut in on January 2, 2015 for 35 days to allow the well to "soak". This will provide Trilogy the opportunity to evaluate initial production parameters with the well performance after being allowed to "rest". The offsetting 13-33 well has produced to the SemCams K3 gas plant since August and was producing 4 MMcf/d at the end of the year. The following table summarizes the production information for these two wells to December 31, 2014.

	Cumulative Gas MMcf	Cumulative Condensate MBbl	Average Gas Rate MMcf/d	Average Condensate Rate Bbl/d	Condensate Gas Ratio Bbl/MMcf	Tubing Pressure MPa	Producing Time months
4-3-58-18W5	146	3.1	3.3	71	22	4.2	2
13-33-57-18W5	813	13.8	6.5	110	17	11.2	4

Trilogy also participated for its 30 percent working interest in a non-operated 4 (1.2 net) well Duvernay pad in the Kaybob area. This was the third multi-well Duvernay pad in which Trilogy has participated for its 30 percent working interest. The wells were completed in the third quarter and commenced production in August 2014. The following table summarizes the natural gas and condensate production information for these pads up to December 31, 2014.

	Cumulative Condensate MBbl	Cumulative Gas MMcf	Average Cond. Rate Bbl/d	Average Gas Rate MMcf/d	Cond. to Gas ratio Bbl /MMcf	Producing Time months	On Production Date
Pad #1 (4 wells)	316	1,620	760	3.9	195	14	Aug. 2013
Pad #2 (4 wells)	211	1,061	630	3.2	199	11	Nov. 2013
Pad #3 (4 wells)	85	328	919	3.5	260	3	Aug. 2014

Individual wells will typically have higher drilling and completion costs when compared to wells drilled from multi-well pads, where fixed costs can be spread over more wells and operational efficiencies can be achieved. However, subsequent wells on the original single well pads should be lower in cost as they will benefit from the roads, surface leases and pipelines that were constructed for the first well. Trilogy anticipates drilling and completion costs for multi-well pads should be in the range of $10-$12 million per well, while single well pads would be in the $15- $20 million range, depending on surface conditions, distances required for new roads and lengths of pipelines, length of lateral and number of fracture stimulations in the well bore, among other variables.

Trilogy's Duvernay production has grown to approximately 4,500 Boe/d (18 MMcf/d and 1465 Bbl/d of condensate/oil) at the end of the year. Based on the success of the Duvernay drilling to date, Trilogy will continue to monitor advances in drilling and completion techniques to maximize recovery, reduce costs and increase the rate of return.

However, given the current commodity price forecast for 2015, Trilogy will reduce its spending on Duvernay operations to only those projects necessary to maintain its land position and participate in third-party operated activity.

Gething Oil Development

In the first quarter of 2014, Trilogy drilled a well at 10-17-63-19W5 (the "10-17 well"), resulting in a successful horizontal Gething oil well, which was followed up in the third quarter with a second well at 7-17-63-19W5 (the "7-17 well"). Given the success of these two wells, a third well was drilled to a bottom hole location at 13-21-63-19W5 (the "13-21 well"), resulting in another successful horizontal Gething oil well.

With the positive results to date on these three wells, Trilogy had planned to expand the drilling program for this Gething oil pool in 2015, however, given the current commodity price environment the majority of the drilling plans will be deferred until crude oil prices improve. Under the Company's revised 2015 drilling program, one well is scheduled to be drilled in the first quarter to manage a potential land expiry but will not be placed on production until prices begin to improve. The following table contains production information up to December 31, 2014.

	Cumulative Oil MBbl	Cumulative Gas MMcf	Average Oil Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
10-17-63-19W5	56.6	94	561	0.9	1.5	3.4	April 7, 2014
7-17-63-19W5	85.7	222	384	1.0	1.3	7.4	Aug. 26, 2014
13-21-63-19W5	21.4	49	283	0.5	0.9	15	Sept. 13, 2014

Dunvegan Oil Play

In 2014, Trilogy initially expected to invest approximately $16 million to drill 4 (2.8 net) Dunvegan oil wells and construct additional oil handling infrastructure in the Kaybob area but ultimately participated in only 3 (0.9 net) non-operated Dunvegan drills so as to allow for the allocation of capital to the Duvernay development program. Trilogy elected to defer the drilling of its 2014 locations to 2015 but with the current commodity price forecast, these locations are being deferred to such time as commodity prices have improved.

Trilogy's crude oil production from the Dunvegan formation averaged 506 Bbl/d for the year. The Company is well positioned for future growth through Trilogy-operated infrastructure in the area and believes these assets have the potential to exceed 1,000 Bbl/d of crude oil net to Trilogy.

Grande Prairie

Production from the Grande Prairie area increased from 2,086 Boe/d in 2013 to 2,210 Boe/d in 2014. This area accounted for approximately 6 percent of Trilogy's production and 5 percent of the Company's total capital expenditures for the year and currently has approximately 1.5 MMcf/d (250 Boe/d) production shut in due to transportation or processing issues related to third party infrastructure. In 2015, Trilogy will continue to be challenged in this area by limited access to non-operated gas processing facilities as well as oil trucking and shipping constraints. Trilogy has budgeted $2 million in 2015 to participate in the drilling of 1 (0.5 net) horizontal wells to maintain its land position.

Trilogy's 2014 capital spending in the Grande Prairie area totaled approximately $20 million to drill, complete and tie-in 2 (1.9 net) oil wells drilled in the year; these Nikanassin oil wells have produced approximately 63 MBbl of oil to date. The first horizontal Nikanassin oil well, drilled in 2012, has produced approximately 127 MBbl to date. The following table summarizes the oil production information for these wells up to December 31, 2014.

	Cumulative Oil MBbl	Cumulative Gas MMcf	Average Oil Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
02/8-25-72-9W6	42.1	213	209	1.1	1.5	6.7	April 1,2014
9-23-72-9W6	127.2	669	222	1.2	1.5	19	Feb. 0. 2012
8-25-72-9W6	133.1	541	271	1.1	1.5	16	Feb. 7, 2014
7-25-72-9W6	20.9	46	150	0.3	1.5	4.7	June 7, 2014

In the third quarter, Trilogy initiated a project to dispose of its Grande Prairie assets. Despite the negotiation of an acceptable sale transaction for these assets, negative market conditions affected the feasibility of the potential purchaser to conclude the transaction. During the fourth quarter of 2014, Trilogy disposed of 33 Boe/d and a land holding of non-operated assets in the Spirit River area.

Trilogy remains optimistic regarding the future development of the Grande Prairie area. In 2015, Trilogy will continue to develop its prospect inventory on its current land base to ensure economic projects are developed as commodity prices and access to processing infrastructure improves and will continue to evaluate the possibility of rationalizing some of the assets in the Grande Prairie area.

2014 Year End Reserves Report Highlights

The Company is pleased with its substantial proven and probable reserve additions in 2014. Trilogy has a solid reserves base with significant growth opportunities in its core operating areas. The following is a summary of Trilogy's 2014 year end reserves and reserves value, as evaluated and reported on by the independent engineering firm InSite Petroleum Consultants Ltd. ("InSite"). The reserves report has been prepared in accordance with National Instrument 51-101 definitions, standards and procedures.

Trilogy has dedicated substantial resources and capital to further its knowledge base for the Montney and Duvernay plays over the past number of years. During this time, Trilogy made significant progress improving drilling and completing techniques while reducing the associated costs. These advancements enabled Trilogy to generate and refine several production type curves and other estimates including estimates of recoverable reserves, liquid ratios, infrastructure requirements and operating costs related to these plays. Similarly, over the past two years, the Company has also secured significant additional long-term gas, oil and NGL transportation contracts and NGL processing capacity in the Kaybob area. Accordingly, Trilogy's advancement of its Montney and Duvernay resources, related infrastructure and transportation/processing commitments has enabled it to book significant increases in its proved and probable undeveloped reserves in the Kaybob area for the 2014 year end,

- Added 30.9 MMBoe of proved reserves (34 percent oil and NGLs) and 47.4 MMBoe of proved plus probable reserves (35 percent oil and NGLs)
- Replaced 241 percent of 2014 produced reserves when compared to proved reserve additions and 370 percent when compared to proved plus probable reserve additions
- Total proved reserves and total proved plus probable reserves at the end of 2014 were 95,558 MMBoe and 139,756 MMBoe respectively, representing an increase of 23% and 33% in reserves adds as compared to 2013 year-end.
- Proved plus probable reserve value at NPV_{10} decreased 5 percent from $1,513 million at the end of 2013 to $1,439 million at the end of 2013
- Finding and development costs including future development capital were $24.82/Boe for total proved reserves

and $20.78/Boe for proved plus probable reserves

- Reserve life index increased to 10.9 years for proved plus probable reserves in 2014 as compared to 8.4 years in 2013.

The results of the 2014 yearend reserves report is summarized in the table below.

	Oil	Gas	NGLs	Boe (6:1)	Before tax NPV ($000)		
Reserve Category	**MBbl**	**MMcf**	**MBbl**	**MBoe**	**0%**	**5%**	**10%**
Proved developed producing	13,462	279,452	12,626	72,663	1,292,697	1,042,499	868,273
Proved developed nonproducing	1,252	22,682	1,181	6,213	119,272	83,752	63,432
Proved undeveloped	1,207	57,394	5,909	16,682	317,592	176,945	99,301
Total Proved	15,921	359,527	19,716	95,558	1,729,561	1,303,196	1,031,006
Probable	7,354	164,105	9,493	44,198	1,197,752	652,175	408,069
Total P+P	23,274	523,632	29,209	139,756	2,927,313	1,955,371	1,439,075

Notes
(i) Reserve values were determined by InSite as of December 31, 2014, using the forward-pricing assumptions in effect by the firm for that date.
(ii) InSite evaluated 100 percent of Trilogy's reserves.
(iii) No value has been assigned to tangible assets other than those associated with proved producing reserves.

The disclosure contained herein includes those natural gas liquids within Trilogy's natural gas stream that are delivered, quantified and for which Trilogy is paid based on market rates pursuant to the NGL Recovery Agreement with Aux Sable Canada LP, as reported in Trilogy's reserves report as at December 31, 2014 prepared by Insite. See Trilogy's 2014 annual information form and the oil and gas advisories in Trilogy's 2014 MD&A for more information regarding the NGL reserves associated with the NGL Recovery Agreement.

The depressed energy prices at the end of 2014 have negatively impacted the overall economics of the petroleum industry and Trilogy is not immune to such impacts.

InSite developed and used the following price forecast for the 2014 yearend reserves evaluation.

	WTI @ CUSHING	EDM REF PRICE	HENRY HUB	AECO C	CDN/US EXCHANGE RATE
Year	**$US/BBL**	**$C/BBL**	**US$/MMBTU**	**C$/MMBTU**	
2015	65.00	68.58	3.50	3.58	0.860
2016	75.00	80.07	4.00	4.15	0.860
2017	80.00	85.74	4.25	4.43	0.860
2018	85.00	91.41	4.50	4.71	0.860
2019	90.00	97.07	4.75	4.99	0.860
Next 5 years average	98.88	106.93	5.33	5.63	0.860

For 2014, total proved reserves and total proved plus probable reserves were revised downward by 2.1 MMBoe and 7.9 MMBoe respectively. The majority of the technical revision was due mainly to performance issues associated with the Kaybob Montney oil pool plus the expected reduction in the Aux Sable NGL Recovery Agreement from its current level as of December 2015. Some of the negative technical revisions are expected to be rebooked in future years when work-overs on the Montney oil wells are completed and Trilogy expands its gas processing capacity to capture more natural gas liquids as compared to shipping liquids-rich gas on the Alliance pipeline and lower realized natural gas liquids recovery volumes at the Aux Sable Plant. Due to the current depressed commodity price

environment, work-overs have been delayed until such a time when crude oil prices improve and generate better economic reserves for the capital deployed.

The following table below summarizes the reserves reconciliation for 2014.

	Total Proved				Probable				Total Proved+Probable			
	Oil	Gas	NGL	Boe	Oil	Gas	NGL	Boe	Oil	Gas	NGL	Boe
	MBbl	MMcf	MBoe	MBoe	MBbl	MMcf	MBbl	MBoe	MBbl	MMcf	MBbl	MBoe
Dec. 31, 2013	18,102	282,661	12,285	**77,498**	6,952	102,487	3,659	**27,692**	25,055	385,149	15,944	**105,190**
2014 Production	-3,039	-46,147	-2,083	**12,813**	0	0	0	**0**	-3,039	-46,147	-2,083	**-12,813**
Technical Revision	-5,063	8,828	1,449	**-2,142**	-2,961	-10,429	-1,108	**-5,808**	-8,024	-1,601	341	**-7,950**
Reserves Additions	5,859	105,452	7,851	**31,286**	3,346	73,181	6,924	**22,467**	9,206	178,632	14,775	**53,753**
Net Acquisitions	61	6,289	192	**1,301**	16	1,310	40	**275**	77	7,598	232	**1,576**
Other	0	2,444	22	**429**	0	-2,444	-22	**-429**	0	0	0	**0**
Dec. 31, 2014	15,921	359,527	19,716	**95,558**	7,354	164,104	9,493	**44,198**	23,274	523,632	29,209	**139,756**

Notes

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

Finding and Development Costs

Since inception, Trilogy has successfully exploited many of the opportunities afforded by its land base. Its success rate reflects the high quality of the Company's prospect inventory, its undeveloped land base and producing asset base as well as the technical expertise of Trilogy's staff. The reserve potential of these lands, both developed and undeveloped, is expected to continue to provide Trilogy with low cost reserve additions. One of Trilogy's key objectives is to continue to acquire what it considers high quality land in its core areas to maintain its prospect inventory and to ensure the Company has exposure to multiple play types and developing technology.

Negative technical revisions in 2014 were offset by incremental proved and proved plus probable undeveloped reserve additions. The finding and development cost per Boe (F&D) for the total proved reserves is $24.82/Boe and for the total proved plus probable reserves is $20.78/Boe.

F&D costs for the past 3 years are tabulated in the table below.

	Proved			Proved plus probable		
	Capital(i)	Reserves	F&D	Capital(i)	Reserves	F&D
	$MM	MBoe	$/Boe	$MM	MBoe	$/Boe
2012	338.4	19,233	$ 17.59	343.3	20,646.0	$ 16.63
2013	417.5	19,460	$ 21.45	408.2	20,826.6	$ 19.60
2014	**766.4**	**30,873**	**$ 24.82**	**984.4**	**47,378.7**	**$ 20.78**
3 Year weighted average	1,522.3	69,566	$ 21.88	1,735.9	88,851.3	$ 19.54

Notes

(i) Includes changes in future development capital over the prior year

In 2014, Trilogy spent $426 million and booked approximately 15.64 MMBOE and 19.39 MMBOE for total proved and for total proved plus probable reserves respectively. When calculated over the three-year period ended December 31, 2014, F&D costs were $21.88/Boe for proven reserves and $19.54/Boe for proven plus probable reserves.

Calculating F&D costs over a longer period reduces the effect of spending capital in one year and booking reserves in the following year and reduces the impact of technical revisions.

The following table summarizes the future development capital Trilogy has included in the 2014 reserves evaluation for the next three years.

	Capital for PUDs $ millions	
Year	**Total Proved**	**Total Proved plus Probable**
2015	52.2	68.1
2016	134.3	231.2
2017	81.7	166.7

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

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

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

The activities conducted by Trilogy in these areas in 2014 included, among other things, promoting road safety by conducting a "Road Safety Day", completing emergency response training exercises, holding monthly Safety Meetings and participating in annual Safety Stand Down Meetings with employees, consultants and contractors in the field.

Health and Safety

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

Environment

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

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

- electrifying pump jack drivers;
- upgrading facilities to include gas conservation and hydrocarbon vapour recovery;
- scavenging H2S from solution gas to allow gas conservation into sweet infrastructure;
- installing floating roof oil storage tanks to minimize fuel gas makeup and hydrocarbon vapour recovery requirements;
- working with our power distributors to extend the electrical grid to new development areas;
- adopting a pad drill philosophy wherever possible to aggregate wells onto a single well pad to reduce the number of flare stacks, roads and pipelines required, and to reduce the volume of purge/pilot fuel gas required, thereby lessening the overall environmental footprint of our operations;
- utilizing waste flash gas volumes to replace fuel gas in flare pilot supply and thereby reducing our total flare volume requirements.

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

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

Community Involvement

TRILOGY CARES

Trilogy has a commitment to continued participation with community groups in Calgary, Fox Creek and within our First Nations communities. The three pillars that govern our corporate giving and volunteering are education, healthcare and recreation. It is our belief that these pillars assist in providing tools to build a strong community.

Trilogy employees give generously of their time and financial resources. This year they generously supported community causes like: Habitat for Humanity, Soup Sisters and Ronald McDonald House. Our 2014 United Way of Calgary campaign represented our second year of participation in the "All In For Youth" campaign, an initiative which

works to ensure more youth successfully complete high school and transition to further education, work and adult life. Trilogy matched 100 percent of the employee contributions raised for this effort.

In 2014, Trilogy's President, John Williams participated in the STARS CEO Rescue in the Rockies. By calling on business contacts, suppliers and friends, John was able to raise $409,000. This was more than ever raised by any participant in the past. In total, STARS raised $1,025,000 that day and Trilogy was pleased to be a part of it ensuring STARS continues to undertake their valuable medical air rescue services.

Trilogy's commitment to the Fox Creek Operator's Group ("FCOG") is ongoing. FCOG will continue to work together to support the responsible development of the area and year-round industry activities, by identifying efficiencies and delivering long-term value in the area. The goals are to positively influence the social and economic viability of the region, build the capacity of communities to manage growth in a sustainable, positive way, sustain our accountability, ensure our transparency and follow through on our commitments to operational excellence. By way of identifying community needs as a group, several community projects were funded and most notably the Fox Creek Nordic Trail which is an exceptional recreational development in the area.

TRILOGY
ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Trilogy Energy Corp. ("Trilogy" or the "Company") for the year- ended December 31, 2014, and should be read in conjunction with the Company's annual consolidated financial statements, the ("Annual Financial Statements).The Annual Financial Statements have been prepared in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS").

Readers are cautioned of the advisories on forward-looking statements, estimates, non-GAAP measures and numerical references which can be found at the end of this MD&A. This MD&A is dated and was prepared using available information as of March 4, 2015.

Financial and Operating Highlights

- Trilogy added 30.9 MMBoe of proved reserves (34 percent oil and NGLs) and 47.4 MMBoe of proved plus probable reserves (35 percent oil and NGLs), including technical revisions.
- Trilogy replaced 241 percent of 2014 produced reserves when compared to total proven reserve additions, and 370 percent when compared to proven plus probable reserves.
- 2014 reported sales volumes averaged 35,104 Boe/d as compared to 34,509 Boe/d for the previous year, representing a 2 percent increase in production. Reported sales volumes for the fourth quarter of 2014 were 35,938 Boe/d as compared to 35,125 Boe/d for the previous quarter.
- 2014 net capital expenditures totaled $440 million as compared to $396.9 million in 2013. $72.6 million was spent in the fourth quarter of 2014 compared to $81.1 million in the prior quarter.
- 85 (53.6 net) wells were drilled in 2014, as compared to 81 (57.2 net) wells in 2013. 17 (5.6 net) wells drilled in the fourth quarter, as compared to 17 (11.8) wells in the prior quarter.
- Finding and development costs (1) were $24.82/Boe for total proved reserves and $20.78/Boe for proved plus probable reserves.
- 2014 funds flow from operations (1) totaled $349.4 million as compared to $280.5 million in 2013, representing a 25 percent increase year-over-year. Funds flow from operations (1) decreased to $78 million for the fourth quarter as compared to $88 million in the previous quarter in conjunction with declining commodity prices in the quarter.
- Capacity under Trilogy's revolving credit facility as at December 31, 2014 was estimated at $259.7 million.

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

Business Environment and Economic Conditions

Significant draws on gas storage levels during the first quarter of 2014 in the United States and Canada left gas inventories below 5-year averages, the effect of which strengthened gas prices and Trilogy's gas revenue significantly for the first quarter. The large storage draws were mostly a function of extreme and prolonged cold weather for this same period throughout much of North America. Gas prices in Canada softened continuously past the first quarter through to the date hereof as the market perceived the gas storage shortage to have been temporary in nature. On the liquids side, Trilogy's realized oil price strengthened through the first and second quarters, falling slightly in the third quarter as a reduction in the Canadian price discount differential and a weaker Canadian dollar helped to mitigate declining world oil prices. Oil prices continued to experience a significant reduction through the fourth quarter into 2015 as global oversupply concerns further reduced the realized price for oil and liquids in Canada, as evidenced in January of 2015 when oil prices reached lows of just under $45 U.S./Bbl (WTI). The oil and gas industry in North America responded quickly, implementing significant reductions/deferrals to capital expenditure budgets, general cost reduction strategies and reduced dividend/distribution levels.

Trilogy expects to continue profitably exploiting its current land base, focusing on plays that meet its investment return criteria of current commodity prices and growing production over the long-term. Trilogy is confident in the success of its business model and its ability to generate long-term Shareholder value.

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

	Q4 2014	Q3 2014	YTD 2014	YTD 2013
Crude Oil				
West Texas Intermediate monthly average (U.S.$/Bbl)	**73.15**	97.17	**92.99**	97.98
Canadian Light Sweet monthly average (Cdn$/Bbl)	**75.11**	93.65	**94.18**	93.24
Natural Gas				
NYMEX (Henry Hub close) monthly average (U.S.$/MMBtu)	**3.85**	3.95	**4.28**	3.68
AECO monthly average (Cdn$/GJ)	**3.63**	4.03	**4.50**	3.13
Canada - U.S. dollar closing exchange rate (Cdn$/U.S.$1)	**1.15**	1.12	**1.15**	1.06

Business Overview and Strategy

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

Trilogy's successful operations are dependent upon several factors, including but not limited to, the price of energy commodity products, the effectiveness of the Company's approach to managing commodity price volatility, capital spending allocations, Trilogy's ability to maintain desired levels of production, control over its infrastructure, its efficiency in developing and operating properties and its ability to control costs. As at the date hereof, significant uncertainty exists as to the extent and timing of any increase in the realized price for oil, gas and natural gas liquids in North America. Trilogy is encouraged by industry's efforts to efficiently balance the commodity oversupply concern; however the impacts of these efforts may take an extended period to materialize into improved commodity prices. Trilogy has responded to adopt meaningful measures aimed at sustaining its financial health and to preserve shareholder value which included:

- Reducing its capital expenditure budget for 2015 to levels in-line with expected cash flows from operations;
- The discontinuance of Trilogy's monthly dividend for periods subsequent to November 2014;
- Performing detailed reviews of its asset base to identify opportunities to increase operational efficiencies and reduce costs;
- The shut-in of limited production volumes deemed uneconomic at current commodity price levels; and
- Negotiating with third party contractors and service providers to reduce Trilogy's cost of their goods and services.

Key Performance Measures

(In thousand dollars except as otherwise indicated)	2014	2013	2012	2011	2010
FINANCIAL					
Total revenue and other income [1]	**625,551**	551,755	466,490	376,474	305,803
Operating income [2]	**400,756**	336,908	281,315	244,168	162,841
Per $boe	**31.28**	26.75	22.94	23.88	19.58
Funds flow from operations [2]	**349,360**	280,511	241,941	218,502	153,519
Per share, diluted [3]	**2.75**	2.32	2.03	1.84	1.33
Per $boe	**27.26**	22.27	19.73	21.37	18.45
Earnings (loss) before tax	**44,258**	459,409	(12,093)	25,042	145,623
Per share, diluted [3]	**0.35**	3.80	(0.10)	0.21	1.27
Net earnings (loss)	**(61,011)**	11,467	(12,133)	17,415	178,242
Per share [3]	**(0.49)**	0.10	(0.10)	0.15	1.56
Per share, diluted [3]	**(0.49)**	0.09	(0.10)	0.15	1.55
Dividends declared	**48,417**	50,188	48,956	48,656	49,816
Per voting and non-voting share [3]	**0.39**	0.42	0.42	0.42	0.435
Total assets	**1,618,953**	1,546,729	1,395,111	1,260,364	1,081,448
Long term debt	**701,140**	550,530	592,325	413,249	279,599
Net debt [2]	**751,603**	616,053	636,785	490,945	312,135
Weighted average shares outstanding, diluted	**126,968**	120,982	116,418	118,868	115,111
Shares outstanding, end of period	**125,854**	125,174	116,674	116,118	115,037
CAPITAL EXPENDITURES					
Geological and geophysical	**1,515**	235	2,119	976	436
Drilling, completions, & tie-ins	**369,550**	342,287	286,438	258,969	134,375
Plant and facilities	**54,466**	56,298	59,710	53,698	27,145
Land	**238**	611	1,027	38,101	3,608
Corporate and field office	**900**	338	3,424	611	170
Capital expenditures	**426,669**	399,769	352,718	352,355	165,734
Property acquisition (dispositions), net	**13,332**	(2,869)	(1,402)	(2,476)	310
Net capital expenditures	**440,001**	396,900	351,316	349,879	166,044
OPERATING					
Production					
Crude oil (bbl/d)	**8,326**	10,175	9,153	3,759	1,935
Natural gas (mmcf/d)	**126,430**	117,038	120,250	119,802	108,871
NGLs (bbl/d)	**5,706**	4,827	4,315	4,287	2,707
Total (boe/d)	**35,104**	34,509	33,510	28,012	22,787
Oil and natural gas liquids production	**40%**	43%	40%	29%	20%
Avg realized prices, before financial instruments					
Crude oil ($/bbl)	**89.17**	87.01	79.76	89.21	77.89
Natural gas ($/mcf)	**4.98**	3.55	2.57	3.88	4.35
NGLs ($/boe)	**56.69**	50.27	47.85	56.99	63.53
Oil equivalent ($/boe)	**48.31**	44.73	37.16	37.26	34.97
RESERVES [4]					
Proved plus probable reserves					
Crude oil (mbbl)	**23,274**	25,055	20,332	15,830	9,985
Natural gas (bcf)	**524**	385	369	363	332
NGLs (mbbl)	**29,209**	15,944	15,091	12,292	12,952
Total (mboe)	**139,756**	105,190	96,959	88,578	78,196
Finding and development cost [2]:					
Proved ($/boe)	**24.82**	21.45	17.60	18.52	12.49
Proved plus probable ($/boe)	**20.78**	19.60	16.63	17.23	11.63
Recycle Ratio [2]	**1.49**	1.33	1.36	1.40	1.86
TRADING STATISTICS ($, based on intra-day trading)					
High	**32.30**	33.14	37.90	39.43	12.77
Low	**7.41**	25.78	20.23	11.65	7.80
Close - year-end	**7.91**	27.60	29.11	37.57	12.30
Average daily volume TSX (thousands)	**413**	264	325	248	151

(1) Includes sales from petroleum and natural gas, financial instrument gains and losses and other income.
(2) Refer to the advisory on Non-GAAP measures at the end of this MD&A.
(3) Includes both Common and Non-voting shares. Refer to Shares, Options and Rights section of this MD&A
(4) Year-end reserves as evaluated and reported on by the independent engineering firm In-Site Petroleum Consultants Ltd.

Operating Results Summary

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	**September 30, 2014**	**December 31, 2014**	**December 31, 2013**
Operating income[1]	**80,362**	102,605	**400,756**	336,908
Other income	**1,237**	17	**1,720**	558
Realized financial instrument gains (losses) [2]	**8,440**	(708)	**(135)**	(4,689)
Actual decommissioning and restoration costs	**(971)**	(266)	**(4,741)**	(4,202)
Operating netback[1]	**89,068**	101,648	**397,600**	328,575
Interest and financing charges[3]	**(9,094)**	(9,819)	**(36,992)**	(38,113)
General and administrative expenses	**(1,963)**	(3,896)	**(11,248)**	(9,951)
Funds flow from operations[1]	**78,011**	87,933	**349,360**	280,511
Non-cash items:				
Depletion and depreciation	**(68,076)**	(53,439)	**(227,838)**	(228,405)
Unrealized financial instrument gains (losses)[2]	**(2,089)**	9,613	**4,589**	(8,097)
Share based compensation	**(2,153)**	(4,679)	**(15,215)**	(19,290)
Exploration expenditures[4]	**(4,734)**	(1,159)	**(8,660)**	(5,900)
Amortization of financing fees	**(785)**	(427)	**(2,004)**	(1,922)
Impairments	**(60,002)**	-	**(60,002)**	-
Gain on disposal of assets	**5,934**	(971)	**4,651**	2,455
Accretion on decommissioning and restoration liability[5]	**(221)**	(1,295)	**(1,051)**	(1,170)
Deferred income tax recovery (expense)	**(78,867)**	(10,014)	**(105,269)**	(7,235)
Unrealized foreign exchange gains (losses)	**(349)**	1,138	**428**	520
Profit (loss) and comprehensive income	**(133,331)**	26,700	**(61,011)**	11,467

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

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

[3] Excludes amortization of financing fees

[4] Includes costs associated with impairments, geological and geophysical and expired mineral lease costs

[5] Equals the accretion in excess of or below actual amounts paid on decommissioning and restoration activities in the period

Funds Flow from Operations

Per Unit of Sales Volume (Dollar per Boe)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Sales	**39.18**	47.61	**48.31**	44.73
Transportation costs	**(1.41)**	(1.51)	**(1.48)**	(1.32)
Royalties	**(3.36)**	(5.02)	**(5.46)**	(5.85)
Operating costs	**(10.11)**	(9.33)	**(10.09)**	(10.82)
Operating income[1]	**24.30**	31.75	**31.28**	26.75
Other income	**0.37**	0.01	**0.13**	0.04
Realized financial instruments gains (losses) [2]	**2.55**	(0.22)	**(0.01)**	(0.37)
Actual decommissioning and restoration costs	**(0.29)**	(0.08)	**(0.37)**	(0.33)
Operating netback[1]	**26.93**	31.46	**31.03**	26.09
Interest and financing charges[3]	**(2.75)**	(3.04)	**(2.89)**	(3.03)
General and administrative expenses	**(0.59)**	(1.21)	**(0.88)**	(0.79)
Funds flow from operations[1]	**23.59**	27.21	**27.26**	22.27

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

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

(3) Excludes amortization of financing fees

Operating Income Items

Fourth Quarter 2014 vs. Third Quarter 2014			**Increase (Decrease)**	
(In thousand dollars except as otherwise indicated)	**Q4 2014**	**Q3 2014**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**129,773**	127,679	2,094	2
Oil (Bbl/d)	**8,251**	8,051	200	2
Natural gas liquids (Boe/d)	**6,058**	5,794	264	5
Total (Boe/d)	**35,938**	35,125	813	2
Liquids Composition (percentage)	**40**	39	-	-
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**4.06**	4.53	(0.46)	(10)
Oil ($/bbl)	**70.95**	93.14	(22.19)	(24)
Natural gas liquids ($/Boe)	**48.78**	59.50	(10.71)	(18)
Average realized price	**39.18**	47.61	(8.43)	(18)
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**4.09**	4.60	(0.50)	(11)
Oil ($/bbl)	**81.98**	90.79	(8.81)	(10)
Natural gas liquids ($/Boe)	**48.78**	59.50	(10.71)	(18)
Average realized price	**41.82**	47.33	(5.50)	(12)
Operating income[(2)]				
Natural gas	**48,506**	53,158	(4,652)	(9)
Oil	**53,861**	68,985	(15,124)	(22)
Natural gas liquids	**27,187**	31,717	(4,530)	(14)
Total petroleum and natural gas sales before financial instruments	**129,555**	153,860	(24,306)	(16)
Royalties	**(11,111)**	(16,235)	(5,124)	(32)
Operating costs	**(33,415)**	(30,152)	3,263	11
Transportation costs	**(4,667)**	(4,868)	(201)	(4)
Operating income[(2)]	**80,362**	102,605	(22,243)	(22)

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

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

Comparison of Fourth Quarter 2014 over Third Quarter 2014

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales decreased by $15.1 million due to lower realized prices ($16.4 million) offset by higher sales volumes ($1.3 million). NGL sales decreased by $4.5 million due to lower realized prices ($5.7 million) offset by higher sales volumes ($1.2 million). Natural gas sales decreased by $4.6 million due to lower realized prices ($5.4 million) offset by higher sales volumes ($0.8 million). Production increased in the quarter primarily on reduced downtime in the quarter at third party processing plants and liquids sales pipelines.

Royalties – Trilogy's effective royalty rate as a percentage of sales was lower at 8.5 percent as compared to 10.5 percent in the previous quarter. Lower effective royalty rates on reduced commodity prices and increased royalty incentive credits recorded on new and shale gas wells contributed to the reduction in royalties.

Operating Costs – Operating costs increased, in total and on a per unit of production basis, primarily on higher charges incurred on the increased production through third party facilities.

Year-to-date 2014 vs Year-to-date 2013 (In thousand dollars except as otherwise indicated)	**YTD 2014**	**YTD 2013**	**Increase (Decrease)** Value	%
Average sales volumes:				
Natural gas (Mcf/d)	**126,430**	117,038	9,392	8
Oil (Bbl/d)	**8,326**	10,175	(1,849)	(18)
Natural gas liquids (Boe/d)	**5,706**	4,827	879	18
Total (Boe/d)	**35,104**	34,509	595	2
Liquids Composition (percentage)	**40**	43	(4)	-
Average realized prices before financial instruments and before transportation:				
Natural gas ($/Mcf)	**4.98**	3.55	1.43	40
Oil ($/Bbl)	**89.17**	87.01	2.16	2
Natural gas liquids ($/Boe)	**56.69**	50.27	6.42	13
Average realized price	**48.31**	44.73	3.57	8
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**5.01**	3.55	1.46	41
Oil ($/Bbl)	**88.74**	85.22	3.52	4
Natural gas liquids ($/Boe)	**56.69**	50.27	6.42	13
Average realized price	**48.30**	44.21	4.10	9
Operating income[(2)]				
Natural gas	**229,888**	151,724	78,164	52
Oil	**270,989**	323,162	(52,173)	(16)
Natural gas liquids	**118,071**	88,577	29,494	33
Total petroleum and natural gas sales before financial instruments	**618,949**	563,463	55,486	10
Royalties	**(69,912)**	(73,644)	(3,732)	(5)
Operating costs	**(129,313)**	(136,296)	(6,983)	(5)
Transportation costs	**(18,968)**	(16,615)	2,353	14
Operating income[(2)]	**400,756**	336,908	63,848	19

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

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

Comparison of Year-to-date 2014 over Year-to-date 2013

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales decreased by $52.2 million due to lower volumes ($60.2 million) offset by higher realized prices ($8.0 million). NGL sales increased by $29.5 million due to higher realized NGL prices ($11.3 million) and on higher sales volumes ($18.2 million). Natural gas sales increased by $78.2 million due to higher realized prices ($61.1 million) and on higher volumes ($17.1 million). Gas and natural gas liquids production increased over the prior year as liquids rich Duvernay shale gas production replaced a portion of Trilogy's Montney oil and gas production.

Royalties – Trilogy's effective royalty rate as a percent of sales decreased slightly to 11 percent from 14 percent year over year. Increased royalty incentive credits on new and shale gas wells and a decrease in liquids production composition more than offset increased royalties on higher prices for all commodities.

Operating Costs – Operating costs decreased in total and on a per unit of production basis. The change was primarily attributed to the absence of significant turnaround costs as compared to those incurred in 2013 at the Trilogy operated Kaybob North plant, in addition to recording in 2014 of approximately $2 million in proceeds from the sale of carbon credits generated from the gas disposal scheme at Trilogy's operated Kaybob North plant. The aforementioned decreases were offset in part by higher power costs and increased contractor, labour, disposal, third party processing, compression and gathering charges incurred in the year.

Depletion and Depreciation Expense

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Reported amount	**68,076**	53,439	**227,838**	215,472
Expense per sales volume ($/Boe)	**20.59**	16.54	**17.78**	17.11

The change in depletion and depreciation expense over the above periods was primarily a function of the production levels in the respective periods relative to the Company's estimated oil and gas reserves on a proved developed producing basis. Refer to note 8 of the Annual Financial Statements for further disclosures on property, plant, and equipment. The increase in the fourth quarter resulted primarily from a reduction to Trilogy's reserve base from prior estimates which increased the effective depletion rate.

Exploration and Evaluation Expenditures

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Expired mineral leases	**1,305**	620	**3,725**	3,903
Impairments	**3,421**	-	**3,421**	1,761
Geological and geophysical	**9**	539	**1,515**	236
Exploration and evaluation expenses	**4,734**	1,159	**8,660**	5,900
Expense per sales volume ($/Boe)	**1.43**	0.36	**0.68**	0.47

Exploration and evaluation expenditures consist of the costs of expired leases, impairments on exploratory wells and geological and geophysical costs. Exploratory wells, by their nature, have increased risks and uncertainties that could translate into cost over-runs and reduced production and reserve additions. Impairments are a reflection of these challenges and represent costs incurred in excess of the benefit Trilogy expects to obtain from the well. Early-stage exploration activities and their associated costs progress Trilogy's knowledge base in the play, with an ultimate goal of extracting, developing and producing oil and gas reserves at attractive returns. Refer to note 9 and 11 of the Annual Financial Statements for more information on exploration and evaluation activities. The change in exploration and evaluation expenditures between the above periods was due mainly to fluctuations in the costs of expired mineral leases and varying levels of seismic expenditures incurred.

Impairments on Property, Plant, Equipment, and Goodwill

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Property, plant, and equipment	**20,476**	-	**20,476**	12,933
Goodwill	**39,526**	-	**39,526**	-
Total	**60,002**	-	**60,002**	12,933

In addition to the aforementioned impairments recorded within Exploration and Evaluation assets, Trilogy also recorded in the fourth quarter impairments to its goodwill and property, plant, and equipment assets. The impairments arose, in part, out of a significant reduction to the forecast prices used in Trilogy's reserves evaluation report in conjunction with the current low price commodity environment. The impairments were also attributable, in part, to downward revisions on Trilogy's Montney oil reserves in the Kaybob area. Refer to note 10 and 11 of the Annual Financial Statements for further disclosures on these impairments.

General and Administrative Expenses

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	**December 31, 2014**	**September 30, 2014**	**December 31, 2014**	**December 31, 2013**
Salaries and other benefits	**5,732**	7,054	**26,823**	26,424
Office and communications	**1,235**	1,170	**4,639**	4,515
Corporate and other	**636**	613	**3,158**	2,770
Overhead recoveries and reclassifications to operating costs	**(5,641)**	(4,942)	**(23,371)**	(23,758)
Reported amount	**1,963**	3,896	**11,248**	9,951
Expense per sales volume ($/Boe)	**0.59**	1.21	**0.88**	0.79

General and administrative expenses were lower over the prior quarter, primarily on a reduction in Trilogy's estimated cash compensation liabilities, and on slightly higher overhead recoveries on increased operated projects. Year over year, the increase was attributed to higher employee remuneration and benefits and slightly higher corporate costs offset, in part, by the aforementioned reduction in estimated cash compensation liabilities.

Share Based Compensation

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except as otherwise indicated)	**December 31, 2014**	**September 30, 2014**	**December 31, 2014**	**December 31, 2013**
Share Incentive Plan	**(429)**	1,078	**2,155**	5,646
Share Option Plan	**2,582**	3,601	**13,060**	13,644
Reported Amount	**2,153**	4,679	**15,215**	19,290
Expense per sales volume ($/Boe)	**0.65**	1.45	**1.19**	1.53

The decrease in share based compensation expense in the fourth quarter over the third quarter was attributed primarily to a reduction in Trilogy's estimated Share Incentive Plan grant for 2014 results. Reduced amortization on historical share option grants and a lower fair value on the December 2014 stock option grants also contributed to the reduced expense. Year over year, the decrease was also attributed to the aforementioned items, in addition to a reduction in the estimated Share Option Plan grant in 2014 for 2013 results. Regarding the Company's Share Option Plan, changes in the share price, risk free interest rates, volatility assumptions, dividend yields, and expected lives of the options on grant date will impact the associated fair value attributed to an option, in addition to volatility in the number of share options granted in a particular year. Refer to Note 17 of the Annual Financial Statements for more information on share based compensation expense.

Interest, Financing, and Accretion Charges

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Accretion on decommissioning and restoration liability	**1,192**	1,561	**5,792**	5,372
Interest and other finance costs [1]	**9,878**	10,246	**38,996**	40,035
Expense per sales volume ($/Boe)	**2.99**	3.17	**3.04**	3.18

[1] Includes the amortization of financing fees

Accretion charges represent the increase in the decommissioning and restoration liability associated with the passage of time. Accretion on the Company's decommissioning and restoration liability for three months ended December 31, 2014 was lower in comparison to the prior quarter in conjunction with a downward revision to the inherent risk-free rate interest rate utilized for the quarter's provision. Year over year, accretion was higher primarily as a result of Trilogy's increased drilling activities and related asset base and revisions to the associated estimates for the decommissioning and restoration thereon.

Interest expense was lower over the prior quarter as increased debt levels and amortization of historical financing charges were more than offset by a reduction in lender margins levied under Trilogy's revolving credit facility. Year over year, increased average debt levels were mostly offset by lower interest rates charged under Trilogy's revolving credit facility For additional information on Trilogy's long-term debt, refer below under the "Long-term Debt" section of this MD&A and to note 15 of the Annual Financial Statements.

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 2014 annual financial statements, the advisories and other sections of this MD&A as well as the Company's Annual Information Form.

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

(In thousand dollars except as otherwise indicated)	Three Months Ended		Twelve Months Ended	
	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Realized gain (loss) on financial instruments	**8,440**	(708)	**(135)**	(4,689)
Unrealized gain (loss) on financial instruments	**(2,089)**	9,613	**4,589**	(8,097)
Total gain (loss) on financial instruments	**6,351**	8,905	**4,454**	(12,786)
Realized gain (loss) on financial instruments ($/Boe)	**2.55**	(0.22)	**(0.01)**	(0.37)

Trilogy enters into oil, gas, power, interest, and foreign exchange contracts to manage its exposure to fluctuations in the price of oil, gas, electricity, interest, and foreign exchange rates. Trilogy also enters into drilling and other service contracts to secure access to these services and to manage exposure to pricing fluctuations thereon.

Realized gains and losses on derivative financial instruments for the above periods occurred primarily as a result of variances in the market price of oil as compared to Trilogy's average hedged price during those periods. The significant reduction in the price for oil in the fourth quarter was the primary factor for the significant realized gain in the fourth quarter of 2014. Refer to notes 23 and 24 of the Annual Financial Statements for more information on realized and unrealized financial instruments gains and losses.

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

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

Power

	Financial Forward Sale	
Term	**MW/h**	**Average CAD Price/MW/h**
2015 through 2016	6	$50.44

Operational and Other Risks

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

Liquidity and Capital Resources

(In thousand dollars except as otherwise indicated)	**December 31, 2014**	**December 31, 2013**
Current liabilities net of current assets	**50,463**	65,523
Long-term debt	**701,140**	550,530
Net debt[(1)]	**751,603**	616,053
Shareholders' equity	**572,135**	665,849
Total	**1,323,738**	1,281,902

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

Working Capital

The working capital deficiency is funded by cash flow from operations and draw-downs from the Company's revolving credit facility. The decrease in the working capital deficit as at December 31, 2014 over 2013 was primarily attributed to reduced capital and operating expenditure accruals and reduced employee remuneration accruals at yearend. The absence of a dividend payable in conjunction with the discontinuance of Trilogy's monthly dividend in November 2014 also contributed to the reduction in working capital deficit.

Long-term Debt

Long-term debt represents the outstanding draws from Trilogy's revolving credit facility in addition to borrowings under its Senior Unsecured Notes as described below and in note 15 of Trilogy's Annual Financial Statements. Timing differences between capital expenditures made and any related operational benefit thereon will create substantial volatility in Trilogy's debt levels. Borrowings under the revolving credit facility as at December 31, 2013 were significantly reduced in conjunction with Trilogy's equity issuance in November 2013 whereby approximately $192 million of net proceeds were initially applied against this facility. Refer to note 22 of the Annual Financial Statements for further disclosures on liquidity and capital management.

	December 31, 2014	**December 31, 2013**
Revolving credit facility	**406,329**	256,984
Less prepaid interest and unamortized financing costs	**(1,053)**	(1,489)
Carrying value	**405,276**	255,495
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(4,136)**	(4,965)
Carrying value	**295,864**	295,035
Total carrying value of long term debt	**701,140**	550,530

Revolving Credit Facility

Trilogy's bank debt outstanding under its revolving credit facility was $406.3 million (before prepaid interest and unamortized financing costs) as at December 31, 2014. The credit facility is with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin. The credit facility, as at the date hereof, has the following significant terms:

- total commitments of $725 million, consisting of a $35 million working capital tranche and a $690 million revolving tranche;
- a maturity date of April 30, 2017;
- The revolving credit facility is subject to semi-annual borrowing base reviews, occurring approximately in April and September of each year. In the event that the lending syndicate reduced the borrowing base below the amount drawn at the time of the redetermination, Trilogy has 60 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the redetermined borrowing base;
- advances drawn on the credit facility are secured by a fixed and floating charge debenture over the assets of the Company.

In conjunction with the Senior Unsecured Notes issued in 2012 (see below), quarterly financial covenants were established in respect of the Revolving Credit Facility, namely:

- a ratio of "Consolidated Debt" to "Adjusted EBITDA" for the twelve month period then ended of not greater than 4.0.
- a ratio of "Senior Debt" to "Adjusted EBITDA" for the twelve month period then ended of not greater than 3.0.;

See Non-GAAP disclosures for defined terms.

As at December 31, 2014, the Company is in compliance with all debt covenants.

The effective interest rate on Trilogy's revolving credit facility for the year (excluding other financing costs) was 3.96 percent. (December 31, 2013 – 4.40 percent).

The size of the committed credit facilities is based primarily on the value of Trilogy's producing petroleum and natural gas assets as determined by the lenders. Note 22 of the Annual 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.

Senior Unsecured Notes

In December 2012 the Company issued $300 million principal amount of 7.25 percent Senior Unsecured Notes due December 13, 2019 (the "Notes"). Proceeds from the issuance were used to reduce existing indebtedness under Trilogy's Revolving Credit Facility. Transaction costs of $5.8 million were capitalized and will be amortized into income over the life of the debt using the effective interest rate method. Refer to note 15 of the Annual Financial Statements.

Interest is payable semi-annually in arrears on June 13 and December 13 of each year. The Notes rank pari passu with all of Trilogy's senior indebtedness and are subordinated to all secured indebtedness, which includes Trilogy's Revolving Credit Facility indebtedness.

The Company has the option, prior to December 13, 2015, to redeem the Notes as follows:

- up to an aggregate of 35 percent of the principal amount may be redeemed at 107.25 percent, plus applicable interest with the net cash proceeds of any equity offerings.
- some or the entire principal amount may be redeemed, generally, at a make-whole price to the holders of the Notes, plus applicable interest, subject to certain conditions.

The Company also has the option to redeem the Notes at a price of 103.625 percent, beginning December 13, 2015, decreasing down to 100 percent after December 13, 2018.

To the extent the Company experiences a change of control, each holder of the Notes will have the right to require the Company to repurchase, at 101 percent, all or part of such holder's Notes. The notes were initially recognized at fair value net of transactions costs and are subsequently measured at amortized cost using an effective interest rate of 7.53 percent. (December 31, 2013 – 7.52 percent).

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

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

As at December 31, 2014, the Company is in compliance with all debt covenants.

In light of the rapid decline in commodity prices through the fourth quarter of 2014 into 2015, Trilogy has undertaken measures designed to preserve the Company's financial health and sustainability in a low commodity price environment. These measures include:

- A significantly reduced capital expenditure program for 2015 of $100 million, representing a 77 percent reduction from 2014, with a marginal decrease in expected production compared to 2014.
- Discontinuance of its dividend.
- Enhanced focus by management on reducing capital, operating and general and administrative cost structures and enhancing operational efficiencies.
- Preserving Trilogy's undrawn capacity under its revolving credit facility.

The above measures aim to balance Trilogy's capital expenditure levels within its cash flows from operations.

In conjunction with the current commodity price environment, the risk exists that Trilogy may exceed its financial covenant limits in the latter part of 2015. In addition to the aforementioned measures that Trilogy has taken to preserve the Company's financial health, Trilogy is also in discussions with its revolving credit facility lenders to amend the terms of these covenants.

Contractual Obligations

In addition to the commodity contracts disclosed above, the Company has the following estimated contractual financial obligations (undiscounted) as at December 31, 2014:

(In thousand dollars except as otherwise indicated)	2015	2016 – 2017	2018 – 2019	beyond 2019	Total
On or partially on balance sheet:					
Long-term debt[1]	-	406,329	300,000	-	706,329
Asset retirement obligations[2]	4,836	9,964	10,366	210,562	235,728
Off balance sheet:					
Estimated interest on long-term debt[1]	36,624	62,093	43,500	-	142,217
Fractionation and pipeline transportation commitments[3]	14,940	45,638	45,926	125,154	231,659
Office premises operating leases[4]	2,747	4,859	-	-	7,606
Vehicle and energy service commitments	592	92	61	-	745
Total	59,738	528,975	399,853	335,717	1,324,283

[1] Debt relating to the revolving credit facility has been assumed to be payable within 2.33 years based on the existing terms of the agreement. Interest on this debt was calculated based on an approximate interest rate of 3.67 percent per annum applied to the outstanding balance as at December 31, 2014. Interest on the unsecured senior notes is payable at 7.25 percent per annum on the principal balance with a maturity date of December 13, 2019.

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

[3] Some of the pipeline transportation commitments are covered by letters of credit issued by the Company totaling $9.6 million as at December 31, 2014.

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

During the year, Trilogy executed on various pipeline transportation commitments to firmly secure additional pipeline capacity and fractionation service primarily to accommodate Trilogy's oil, gas, and liquids rich properties.

Shares, Options and Rights

The following provides a continuity of outstanding share capital:

	Common Shares[1]	Non-Voting Shares	Total	Amount
Shares as at December 31, 2012	90,837,820	25,835,862	116,673,682	$ 883,758
Issued - Share Option Plan	1,473,400	-	1,473,400	15,655
Share issuance	7,020,000	-	7,020,000	193,661
Share Incentive Plan purchases	(180,000)	-	(180,000)	(5,316)
Vesting of Share Incentive Plan awards	187,264	-	187,264	4,969
Shares as at December 31, 2013	**99,338,484**	**25,835,862**	**125,174,346**	**$ 1,092,727**
Issued - Share Option Plan	**717,500**	**-**	**717,500**	**8,670**
Cancellation and issuance	**5,000,000**	**(5,000,000)**	**-**	**-**
Share Incentive Plan purchases	**(190,000)**	**-**	**(190,000)**	**(5,107)**
Vesting of Share Incentive Plan awards	**151,678**	**-**	**151,678**	**4,327**
Shares as at December 31, 2014	**105,017,662**	**20,835,862**	**125,853,524**	**$ 1,100,616**

Outstanding share options issued under Trilogy's share option plan were 8,236,500 as at December 31, 2014 and 8,232,500 share options as at the date hereof, of which 3,306,600 share options and 3,282,000 share options were exercisable as at those dates, respectively. Refer to Note 17 and 18 of the Annual Financial Statements for further disclosures on Trilogy's share based payment plans and share capital.

Dividends

(In thousand dollars except where stated otherwise)	Three Months Ended December 31, 2014	Three Months Ended September 30, 2014	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Funds flow from operations[1]	**78,011**	87,933	**349,360**	280,511
Net changes in operating working capital	**(3,145)**	15,929	**(5,353)**	11,239
Cash flow from operating activities	**74,866**	103,862	**344,007**	291,750
Net earnings (loss)	**(133,331)**	26,700	**(61,011)**	11,467
Dividends declared	**8,819**	13,221	**48,417**	50,188
Dividends declared per share (in full amount)	**0.070**	0.105	**0.385**	0.420
Payout Ratio [1]	**12%**	13%	**14%**	17%
Excess of cash flow from operations over dividends declared	**66,047**	90,641	**295,590**	241,562
Excess (deficiency) of net earnings (loss) over dividends	**(142,150)**	13,479	**(109,428)**	(38,721)

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

Trilogy's dividends to its Shareholders are funded by cash flow from operating activities with the remaining cash flow directed towards capital spending and, if applicable, the repayment of debt. To the extent that the excess of cash flow from operations over dividends is not sufficient to cover capital spending, the shortfall is generally funded by drawdowns from Trilogy's credit facilities. In conjunction with the low commodity price environment, Trilogy discontinued its monthly dividend subsequent to November 2014. Trilogy's payout ratio, calculated as the percentage of dividends declared over

cash flow from operating activities, was 14 percent for the twelve months ended December 31, 2014 (17 percent for the twelve months ended December 31, 2013).

Dividends declared to Shareholders may exceed net earnings generated during a given period. Net earnings may not be an accurate indicator of Trilogy's liquidity, as it may be comprised of significant charges not involving cash including future income tax, depletion and depreciation related expenses, impairment of assets and goodwill, accretion on decommissioning liabilities and unrealized mark-to-market gains or losses. In addition, dry hole costs and depletion and depreciation expense is not an appropriate measure of the cost of productive capacity maintenance (see next paragraph). In instances where dividends exceed net earnings, a portion of the cash dividend to Shareholders may represent an economic return of capital.

Trilogy's disclosures on dividends comply, in all material respects, with applicable existing guidance on MD&A preparation and disclosure relating to dividends.

Capital Expenditures

	Three Months Ended		Twelve Months Ended	
(In thousand dollars except where stated otherwise)	December 31, 2014	September 30, 2014	December 31, 2014	December 31, 2013
Land	-	18	**238**	611
Geological and geophysical	9	540	**1,515**	235
Drilling, completions, and tie-ins	54,618	68,342	**369,550**	342,287
Production equipment and facilities	8,671	12,039	**54,466**	56,298
	63,299	80,939	**425,769**	399,431
Proceeds from property dispositions	(7,169)	(1)	**(7,191)**	(3,081)
Property acquisitions	16,282	3	**20,523**	212
Corporate assets	217	176	**900**	338
Net capital expenditures	72,629	81,117	**440,001**	396,900

Capital expenditures decreased in the quarter as compared to the previous quarter as Trilogy continued to execute its annual capital expenditure budget through the year. Capital expenditures increased year over year as a result of increased drilling, completion, and tie-in activities primarily related to Trilogy's liquids rich Duvernay, Montney gas and oil plays in the Kaybob area and its Nikanassin oil play in the Grande Prairie area.

Substantially all of the acquisitions in 2014 consisted of working interests in producing wells, infrastructure and land at Presley in the Kaybob area ($15.8 million for Montney gas) and at Valhalla in the Grande Prairie ($4.3 million). The acquisitions were contiguous to Trilogy's existing asset base and are expected to add additional prospects to Trilogy's inventory of drilling locations. Trilogy also disposed of acreage in the Grande Prairie area for $7.2 million which consisted of undeveloped acreage and an insignificant amount of non-operated production.

Decommissioning and Restoration Liability

At December 31, 2014, Trilogy recorded decommissioning and restoration liabilities of $228.1 million ($191.6 million at December 31, 2013) for the future abandonment and reclamation of Trilogy's properties. The estimated decommissioning and restoration liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability was discounted at an average risk-free interest rate of 2.2 and 3.1 percent as at December 31, 2013.

Actual spending under Trilogy's abandonment and reclamation program for the three and twelve months ended December 31, 2014 was $1.0 million and $4.7 million respectively ($4.2 million – full year, 2013).

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

Wells Drilled

	Three Months Ended				Twelve Months Ended			
(Number of wells)	December 31, 2014		September 30, 2013		December 31, 2014		December 31, 2013	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
Natural gas	7	1.2	3	1.9	35	17.3	28	17.2
Oil	10	4.3	14	9.9	50	36.3	53	40.0
Total	17	5.6	17	11.8	85	53.6	81	57.2

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

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

Income Taxes

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

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

The Company recorded a future income tax expense of $105.3 million in 2014 year ($78.9 million future income tax expense in the fourth quarter of 2014). The Company's statutory tax rate of 25 percent was increased, year-to-date, to an effective tax rate of 951 percent as a result of the aforementioned write-down of its deferred tax asset and deductions for goodwill impairments of $39.6 million and share based compensation expense of $15.2 million in Trilogy's consolidated statement of comprehensive income which are not deductible for tax purposes. Refer to note 12 of the Annual Financial Statements for additional income tax disclosures.

Trilogy's management estimates that it will not be cash taxable in the foreseeable future given the tax pool balances remaining after the aforementioned tax adjustments and Trilogy's expectations of, among other things, future capital expenditure levels and funds flow from operations.

Related Party Transactions

Trilogy had certain transactions with Paramount Resources ("Paramount"), a wholly-owned subsidiary of Paramount Resources Ltd. which owns approximately 15.2 percent of the equity in the Company. The amount of expenses billed and accrued in respect of services provided by Paramount to the Company under a services agreement was $0.1 million and $0.4 million for the three and nine months ended December 31, 2014. The Company and Paramount also had transactions with each other arising from normal business activities. These transactions were recorded at the fair value of the transacted amount.

Outlook information

Trilogy continues to develop its land position and expand on its technical expertise in large, tight, liquids-rich gas and oil resource plays in the Deep Basin. The Company believes that it has accumulated a large inventory of high quality horizontal drilling prospects that should provide the opportunity, in the long term, to grow annual production and replace produced reserves. Trilogy reiterates its 2015 guidance as follows:

Average production	30,000 Boe/d (~35 percent oil and natural gas liquids)
Average operating costs	$10.00 /Boe
Capital expenditures	$100 million

Trilogy is well-positioned to alter its capital spending program to reflect further market instability and is committed to operating within cash flow in this volatile commodity price environment. Trilogy will be evaluating the opportunity to attract external capital in further advancing its Duvernay play in the near future.

Quarterly Financial Information

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

	Q4 2013	**Q3 2013**	**Q2 2013**	**Q1 2013**
Revenue after financial instruments, royalties and other income	110,992	103,555	144,222	119,342
Earnings (loss) before tax	(10,531)	(10,936)	25,826	14,343
Net earnings (loss)	(8,740)	(9,454)	20,017	9,644
Earnings (loss) per Share (in full amounts):				
Basic	(0.07)	(0.08)	0.17	0.08
Diluted	(0.07)	(0.08)	0.17	0.08

The fluctuations in Trilogy's revenue and net earnings from quarter to quarter are primarily caused by variations in production volumes, realized oil and natural gas prices and the related impact on royalties, realized and unrealized gains/losses on financial instruments. Impairments and other charges to deferred tax assets, exploratory and evaluation assets, property, plant, and equipment, goodwill and expiry of mineral land leases can also create significant volatility in Trilogy's net earnings. Please refer to the Results of Operations and other sections of this MD&A for detailed financial and operational variances between reporting periods and to Trilogy's previously issued annual MD&A for changes in prior periods.

Critical Accounting Estimates

The historical information in this MD&A is based primarily on the Company's consolidated financial statements, which have been prepared in Canadian Dollars in accordance with IFRS. The application of IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of

contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Trilogy bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements:

Reserves Estimation

The capitalized costs of oil and gas properties are amortized to expense on a unit-of-production basis at a rate calculated by reference to proved developed 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. Exploration and evaluation assets include undeveloped land and costs related to exploratory wells. Exploration costs related to geophysical and geological activities are immediately charged to income as incurred. The Company is required to make estimates and judgments about future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Changes to project economics, resource quantities, expected production techniques, unsuccessful drilling, expired mineral leases, production costs and required capital expenditures are important factors when making this determination. If an exploration and evaluation project is determined to be unsuccessful, all associated costs in excess of the expected future benefit are charged to net income. If commercial reserves are established, the relevant costs are transferred from exploration and evaluation to development and production assets which are classified as property, plant, and equipment. Assets are reviewed for impairment prior to any such transfer. Refer to note 9 of the Annual Financial Statements for further details.

Impairment of Non-financial Assets

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

The recoverable amounts of Trilogy's cash-generating units and individual assets have been determined based on fair values less costs of disposal. This calculation requires the use of estimates and assumptions. Oil and gas prices and other assumptions will change in the future, which may impact Trilogy's recoverable amount calculated and may therefore require a material adjustment to the carrying value of property, plant and equipment and goodwill. Trilogy monitors internal and external indicators of impairment relating to its exploration and evaluation assets, property, plant and equipment and goodwill. Refer to note 10 and 11 of the Annual Financial Statements for further details about methods and assumptions used in estimating net recoverable amounts.

Decommissioning and Restoration Costs

Decommissioning and restoration costs will be incurred by Trilogy at the end of the operating lives of Trilogy's oil and gas properties. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including assumptions of inflation, present value discount rates on future liabilities, changes to relevant legal requirements and the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Refer to note 16 of the Annual Financial Statements for further details.

Share-based Payments

Trilogy measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value requires the determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield and making assumptions about them. Refer to note 17 of the Annual Financial Statements for further details.

Deferred Income Tax Assets

Trilogy recognizes a benefit related to deferred income tax assets. Assessing the recoverability of deferred income tax assets requires Trilogy to make significant estimates related to expectations of future taxable income based on forecasted cash flows from operations. Trilogy also makes interpretations and judgements on uncertain tax positions of applicable tax laws. Such judgements include determining the likelihood of Trilogy's tax positions being successfully challenged by tax authorities based on information from relevant tax interpretations and tax laws. To the extent such interpretations are challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Trilogy to realize its deferred tax assets recorded at the balance sheet date may be compromised. Refer to note 12 of the Annual Financial Statements for further details.

Financial Instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage oil and gas commodity price, foreign currency, power, and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty. Refer to note 22, 23 and 24 of the Annual Financial Statements for further details.

New Accounting Pronouncements

Effective January 1, 2014, the Company has adopted the following IFRS:

i. ***IAS 32, Offsetting Financial Assets and Financial Liabilities.*** This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on Trilogy's Financial Statements.

ii. ***IAS 36, Impairment of Assets.*** In the fourth quarter of 2013, the Company early adopted amendments to IAS 36 Impairment of Assets. The amendments clarified that the recoverable amount is disclosed only when an asset or cash generating unit is impaired. The adoption of this amended standard also resulted in expanded disclosure for recoverable amounts of impaired assets that are calculated based on fair value less costs of disposal methodology, including the disclosure of the fair value measurement level input.

iii. ***IFRIC 21, Levies.*** This is an interpretation of IAS 37: Provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an "obligating event"). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The applicability IFRIC 21 was not significant to Trilogy's Financial Statements.

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

i. ***IFRS 9, Financial Instruments.*** The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

ii. ***IFRS 11, Joint Arrangements.*** These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted, effective prospectively from January 1, 2016, for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The Company does not have investments made in joint arrangements. As such, these amendments would not have a material impact on the Financial Statements.

iii. ***IFRS 15, Revenue from Contracts with Customers.*** The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards.

Internal Control over Financial Reporting

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under the Canadian securities law. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of the design and operation of the Company's DC&P. Based on this evaluation, the CEO and CFO have concluded that Trilogy's DC&P were effective as at December 31, 2014.

The Company's CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR"). They have, as at December 31, 2014, designed ICFR or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the Company's officers used to design the ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations. The Company's CEO and CFO have concluded that, as of December 31, 2014, the Company maintained effective ICFR.

The Company's CEO and CFO are required to disclose any change in the ICFR that occurred during its most recent reporting period that has materially affected, or is reasonably likely to affect, the Company's ICFR. There were no changes in Trilogy's ICFR during the year-end December 31, 2014 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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

Advisories

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

- business strategy and objectives for 2015 and beyond (including the development of the Kaybob Montney oil and gas pools, the Duvernay shale play, and the Gething oil pool);

- future commodity prices for crude oil, natural gas, NGLs and related products;
- forecast capital expenditures and the amount, timing and allocation thereof (including budgeted expenditures for the Duvernay shale play, the Montney oil and gas pools, and the Gething oil development);
- estimates of future production volumes and growth, the sources and timing thereof and the relative content of crude oil, natural gas and NGLs therein;
- Trilogy's ability to alter its capital spending program to further reflect market instability;
- Management's intention to reduce costs, preserve capital, maintain financial health and live within cash flow;
- The effect of new completion and other technologies on well results and costs;
- estimated reserves, reserve replacement, and the undiscounted and discounted present value of future net revenues therefrom (including the forecasted prices and costs and timing of expected production volumes and future development capital);
- development plans and operational plans and strategies (including plans for drilling and completion programs in the Kaybob area) and the anticipated timing, cost, sources of funding, and expected benefits thereof;
- the potential for development of Trilogy's assets (including the Kaybob Montney oil and gas pools, the Duvernay shale gas development, the Gething and Dunvegan oil pools, among others); estimates of drilling inventories; tenure, prospectivity of Trilogy's current and future land holdings; and the nature and timing of Trilogy's plans to further maintain, delineate and exploit these and other assets;
- Trilogy's intention to evaluate opportunities, and to attract external capital, in relation to its Duvernay shale assets;
- projected capacity availability at Trilogy-operated and third party facilities and pipelines, run-times, expected facility downtime and timing and extent of associated impact on production;
- operating, finding and development, decommissioning, restoration and other costs;
- royalty rates and applicability of government incentive and royalty programs affecting Trilogy;
- approach to declaring dividends;
- future expenditures and future allowances relating to environmental matters and Trilogy's ability to comply with same;
- projections as to cash flow, funds flow from operations, future earnings and other measures of profit;
- Trilogy's expectations regarding the size and term of its bank credit facility and the cost of borrowing;
- pro-forma debt levels and reduction of net debt;
- projected results of hedging contracts and other financial instruments;
- income taxation of Trilogy; estimates of tax assets, tax pools and Trilogy's future taxability; and the effect of the resolution of the tax dispute with the CRA on remaining tax pools and deferred tax assets;;
- the expected impact of new accounting pronouncements; and
- other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, and results of operations or performance.

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

- future crude oil, natural gas, condensate, natural gas liquids and other commodity pricing and supply;
- foreign currency, exchange and interest rates;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- general business, economic, industry and market conditions;
- geology applicable to Trilogy's land holdings;
- current production forecasts and the relative content of crude oil, natural gas and NGLs therein;
- the ability of Trilogy and its industry partners to obtain drilling and operational results, improvements and efficiencies consistent with expectations;
- well economics;
- decline rates;
- projected capital investment levels and the successful and timely implementation of capital projects;
- anticipated timelines and budgets being met in respect of drilling programs and other operations;
- the ability of Trilogy to obtain on acceptable terms the required capital to finance its exploration, development and other operations;
- credit facility and terms and anticipated amendments to financial covenant limits thereunder;

- the ability of Trilogy to repay its debt when due;
- the ability of Trilogy to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its evaluations and activities;
- the ability of Trilogy to secure adequate product processing, transportation, fractionation and storage capacity on acceptable terms or at all and assumptions regarding the timing and costs of other outages and turnarounds;
- the ability of Trilogy to market its oil, natural gas, condensate, other natural gas liquids and other products successfully to current and new customers;
- cash flow consistent with expectations;
- continuity of government royalty and regulatory regimes, including drilling and royalty incentive programs and their application to Trilogy's operations;
- the timely receipt of required regulatory approvals;
- continuity of the mutually beneficial NGL Recovery Agreement with Aux Sable Canada LP and pricing thereunder until November 2015 and Trilogy's ability to thereafter enter into one or more other arrangements having, in the aggregate, less favorable terms relative to the existing Aux Sable Agreement;
- the continuation of assumed tax regimes, estimates and projections in respect of the application of tax laws and estimates of deferred tax amounts, tax assets and tax pools;
- the extent of Trilogy's liabilities; and
- other assumptions inherent in current guidance.

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

- fluctuations in crude oil, natural gas, condensate and other natural gas liquids and commodity prices;
- fluctuations in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, taxes, costs and expenses;
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas, condensate and other natural gas liquids, and market demand;
- risks and uncertainties involving the geology of oil and gas;
- the uncertainty of reserves and resource estimates;
- the ability of Trilogy to add production and reserves through development and exploration activities;
- Trilogy's ability to secure adequate product processing, transmission, transportation, fractionation and storage capacity on a timely basis or at all;
- potential disruptions or unexpected technical difficulties in designing, developing, or operating new, expanded, or existing facilities (including third party operated facilities);
- risks inherent in Trilogy's marketing operations, including credit and other financing risks and the risk that Trilogy may not be able to enter into
- availability of equipment, goods, services and

arrangements for the sale of its crude oil natural gas and/or natural gas liquids on acceptable terms or at all;
- the ability to generate sufficient cash flow from operations and obtain financing on acceptable terms to fund planned exploration, development, construction and operational activities and to meet current and future obligations, including costs of anticipated projects and repayment of debt;
- the possibility that Trilogy will not commence or complete a process to evaluate opportunities with respect to its Duvernay shale assets in the near future or at all;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;
- Trilogy's ability to maintain targeted or required ratios within its credit and debt arrangements, and the risks of not maintaining such required ratios, including early debt repayment and/or other penalties;
- volatile business, economic and market conditions;
- general risks related to strategic and capital allocation decisions, including potential delays or changes in plans with respect to exploration or development projects or capital expenditures and Trilogy's ability to react to same;

personnel in a timely manner and at an acceptable

cost;

- health, safety, security and environmental risks;
- The timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- environmental, regulatory and compliance risks including those potentially associated with greenhouse gases and hydraulic fracturing;
- weather conditions;
- the possibility that government policies, regulations or laws may change, including risks related to the imposition of moratoriums;
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- uncertainty in amounts and timing of royalty payments and applicability of and change to royalty regimes and incentive programs including, without limitation, the Natural Gas Deep Drilling Program and the Drilling Royalty Credit Program;
- imprecision in estimates of product sales, commodity prices, capital expenditures, tax pools, tax shelter, tax deductions available to Trilogy, changes to and the interpretation of tax legislation and regulations;
- uncertainty regarding results of objections to Trilogy’s exploration and development plans by third party industry participants, aboriginal and local populations and other stakeholders;
- risks associated with existing and potential lawsuits, regulatory actions, audits and assessments;
- changes in land values paid by industry;
- risks associated with Trilogy’s mitigation strategies including insurance and hedging activities;
- risks related to the actions and financial circumstances of Trilogy agents and contractors, counterparties and joint venture partners, including renegotiation of contracts;
- the ability of management to execute its business plan; and
- other risks and uncertainties described elsewhere in this document and in Trilogy's other filings with Canadian securities authorities, including its Annual Information Form.

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

Non-GAAP Measures

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

“Adjusted EBITDA” refers to “Funds flow from operations” in addition to cash interest and tax expenses and certain other items that do not appear individually in the line items of the Company’s financial statements.
“Consolidated debt” generally includes all long-term debt plus any issued and undrawn letters of credit.

“Finding and development costs” refers to all current year net capital expenditures, excluding property acquisitions and dispositions with associated reserves, and including changes in future development capital on a proved or proved plus probable basis. “Finding and development costs per Barrel of oil equivalent” (“F&D $/Boe”) is calculated by dividing finding and development costs by the current year’s reserve extensions, discoveries and revisions on a proved or proved plus probable reserve basis. Management uses finding and development costs as a measure to assess the performance of the Company’s resources required to locate and extract new hydrocarbon reservoirs.

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

“Operating income” is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating costs, and transportation costs. “Operating netback” refers to Operating income plus realized financial instrument gains and losses and other income minus actual decommissioning and restoration costs incurred. Operating income and operating netback are used by management to measure operating results of discrete oil and gas properties' performance without reference to capital and organizational structure and corporate and general administrative costs.

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

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

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

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

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

Numerical References

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

Oil and Gas Advisory

This document contains disclosure expressed as "Boe", "MBoe", "Boe/d", “Mcf”, “Mcf/d”, "MMcf", “MMcf/d", “Bcf”, “Bbl”, and “Bbl/d”. All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1). Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For Q4 2014, the ratio between Trilogy’s average realized oil price and the average realized natural gas price was approximately 17:1 (“Value Ratio”). The Value Ratio is obtained using the Q4 2014 average realized oil price of $70.95 (CAD$/Bbl) and the Q4 2014 average realized natural gas price of $4.06 (CAD$/mcf). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

The (i) reserves, (ii) future net revenue and related forecast prices and costs and (iii) production history and estimates disclosed herein and reported in the InSite Report include certain of those NGL within Trilogy's natural gas stream that are currently, and are in the future expected to be, quantified or extracted and for which Trilogy is paid based on market rates. For such purposes, it has been assumed that (a) the NGL Volumes Recovery Agreement with Aux Sable Canada LP (“NGL Volumes Recovery Agreement”) will be in place until November 30, 2015 and (b) after November 30, 2015, annual volumes of Trilogy’s NGL sold under the NGL Volumes Recovery Agreement will be instead sold under one or more other arrangements having, in the aggregate, less favorable terms relative to the existing agreement. As a result of such change in Trilogy’s arrangements for selling its NGL, future net revenues from Trilogy’s NGL are currently expected to be lower in

the foreseeable future as it is anticipated that Trilogy will receive a smaller share of the market price for its NGL. As at December 31, 2014, the NGL sold under the NGL Volumes Recovery Agreement represented approximately 13.6% of Trilogy's proved plus probable NGL reserve volumes, approximately 2.8% of Trilogy's total proved plus probable reserve volumes, approximately 3.0% of the net present value of Trilogy's future net revenue before taxes discounted at 10% using forecast prices and costs and approximately 5.2% of Trilogy's production. If these NGL were instead reported as part of Trilogy's natural gas, it would increase Trilogy's natural gas reserves (since these are notionally reduced for shrinkage attributable to the extraction of these NGL) and decrease Trilogy's NGL reserves and production accordingly, but would have no effect on Trilogy's future net revenues.

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

Additional Information

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

MANAGEMENT'S REPORT

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

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

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

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

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

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

March 4, 2015

Independent Auditor's Report

To the Shareholders of
Trilogy Energy Corp.

We have audited the accompanying consolidated financial statements of Trilogy Energy Corp., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trilogy Energy Corp. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
March 4, 2015

TRILOGY ENERGY CORP.

Consolidated Balance Sheet

(in thousand Canadian dollars)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Restricted cash	6	$ -	$ 5,898
Trade and other receivables	*7, 21, 22, 23*	**56,130**	66,419
Derivative financial instruments	*22, 23, 24*	**-**	24
Prepaids		**348**	880
		56,478	73,221
Non-current assets			
Property, plant and equipment	*8, 9, 11*	**1,374,853**	1,145,055
Exploration and evaluation assets	*8, 9, 11*	**86,025**	92,653
Deferred tax asset	*12*	**652**	95,329
Goodwill	*10*	**100,945**	140,471
Total assets		**$ 1,618,953**	$ 1,546,729
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	*13, 21, 22, 23*	**$ 105,198**	$ 128,004
Dividend payable	*14, 22, 23*	**-**	4,384
Interest payable	*15*	**1,132**	1,132
Derivative financial instruments	*22, 23, 24*	**611**	5,224
		106,941	138,744
Non-current liabilities			
Long-term debt	*15, 22, 23*	**701,140**	550,530
Decommissioning and restoration liability	*16*	**228,145**	191,606
Deferred tax liability	*12*	**10,592**	-
Total liabilities		**1,046,818**	880,880
Shareholders' equity			
Shareholders' capital	*17, 18*	**1,100,616**	1,092,727
Contributed surplus	*17*	**49,701**	41,875
Accumulated deficit		**(578,182)**	(468,753)
		572,135	665,849
Total shareholders' equity and liabilities		**$ 1,618,953**	$ 1,546,729

See accompanying notes to the consolidated financial statements

Consolidated Statement of Comprehensive Income
(in thousand Canadian dollars except per share amounts)

	Note	Year Ended December 31, 2014	2013
Revenue and other			
Petroleum and natural gas sales	*27*	**$ 618,949**	$ 563,463
Royalties		**(69,912)**	(73,644)
Revenue		**549,037**	489,819
Other income		**2,148**	1,078
Gain (loss) on derivative financial instruments	*22, 23, 24*	**4,454**	(12,786)
		555,639	478,111
Expenses			
Operating and production		**129,313**	136,296
Transportation		**18,968**	16,615
Depletion and depreciation	*8*	**227,838**	215,472
Impairments	*10, 11*	**60,002**	12,933
Exploration and evaluation	*9*	**8,660**	5,900
Gain on disposal of assets		**(4,651)**	(2,455)
General and administrative	*26*	**11,248**	9,951
Share-based compensation	*17*	**15,215**	19,290
Accretion on decommissioning and restoration liability	*16*	**5,792**	5,372
Interest and other finance costs	*15*	**38,996**	40,035
		511,381	459,409
Net income before income tax		**44,258**	18,702
Income tax expense			
Deferred	*12*	**105,269**	7,235
Comprehensive income (loss)		**$ (61,011)**	$ 11,467
Earnings (loss) per share	*19*		
- Basic		**$ (0.49)**	0.10
- Diluted		**$ (0.49)**	0.09

See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Equity

(In thousand Canadian dollars except share information)

	Outstanding Common and Non-Voting Shares [1]		Share Capital		Contributed Surplus		Accumulated Deficit		Shareholders' Equity
Balance at January 1, 2013	116,673,682	$	883,758	$	32,673	$	(430,032)	$	486,399
Net income for the period	-		-		-		11,467		11,467
Share issuance *(note 18)*	7,020,000		193,661		-		-		193,661
Share options exercised *(note 17, 18)*	1,473,400		15,655		(5,119)		-		10,536
Dividends declared *(note 14)*	-		-		-		(50,188)		(50,188)
Share Incentive Plan purchases, net of grants vested *(note 17, 18)*	7,264		(347)		(4,969)		-		(5,316)
Share-based compensation *(note 17)*	-		-		19,290		-		19,290
Balance at December 31, 2013	125,174,346	$	1,092,727	$	41,875	$	(468,753)	$	665,849
Net loss for the period	-		-		-		(61,011)		(61,011)
Share options exercised *(note 17, 18)*	717,500		8,670		(3,063)		-		5,607
Dividends declared *(note 14)*	-		-		-		(48,418)		(48,418)
Share Incentive Plan purchases, net of grants vested *(note 17, 18)*	(38,322)		(781)		(4,326)		-		(5,107)
Share-based compensation *(note 17)*	-		-		15,215		-		15,215
Balance at December 31, 2014	**125,853,524**	**$**	**1,100,616**	**$**	**49,701**	**$**	**(578,182)**	**$**	**572,135**

[1] Net of Common Shares held in trust for the benefit of employees and officers under Trilogy's Share Incentive Plan (refer to notes 17 and 18 for additional disclosures).

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

(in thousand Canadian dollars except as otherwise indicated)

	Note	Year Ended December 31, 2014	2013
Operating activities			
Net income before income tax		**$ 44,258**	$ 18,703
Adjustments for non-cash and other items:			
Unrealized losses (gains) on derivative financial instruments	*22, 23, 24*	**(4,589)**	8,097
Unrealized foreign exchange gains		**(428)**	(520)
Depletion and depreciation	*8*	**227,838**	215,472
Exploration and evaluation	*9*	**8,660**	5,900
Impairments	*10, 11*	**60,002**	12,933
Gain on disposal of assets		**(4,651)**	(2,455)
Amortization of finance fees		**2,004**	1,922
Share based compensation	*17*	**15,215**	19,290
Accretion on decommissioning and restoration liability	*16*	**5,792**	5,372
Decommissioning and restoration costs in period	*16*	**(4,741)**	(4,202)
Change in non-cash working capital	*20*	**(5,353)**	11,239
Cash flow from operating activities		**344,007**	291,750
Investing activities			
Exploration and evaluation expenditures	*9*	**(59,606)**	(71,402)
Property, plant and equipment expenditures	*8*	**(367,063)**	(328,365)
Property acquisitions	*8*	**(20,523)**	(213)
Proceeds from disposition of property, plant and equipment	*8*	**7,191**	3,082
Restricted cash decrease (increase)	*6*	**5,898**	(529)
Change in non-cash working capital	*20*	**(6,633)**	1,960
Cash flow used in investing activities		**(440,736)**	(395,467)
Financing activities			
Draws (repayments) on revolving credit facility	*15*	**149,033**	(43,197)
Dividends paid to Shareholders	*14*	**(52,803)**	(49,891)
Share incentive plan purchases	*17, 18*	**(5,107)**	(5,316)
Shares issued	*17, 18*	**5,606**	202,121
Cash flow from financing activities		**96,729**	103,717
Change in cash		**-**	-
Cash balance, beginning of period		**-**	-
Cash balance, end of period		**-**	-
Cash interest paid		**$ 37,731**	$ 39,804

See accompanying notes to the consolidated financial statements

1. General

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

References are made to ("Shares"), consisting of common shares ("Common Shares") and non-voting shares ("Non-Voting Shares").

2. Basis of Preparation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in section I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") which requires publicly accountable enterprises to prepare their financial statements using International Financial Reporting Standards ("IFRS").

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

The policies applied in these Annual Financial Statements are based on IFRS issued and outstanding as of March 4, 2015, the date the Annual Financial Statements were approved by Trilogy's Board of Directors.

The Annual Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value (note 23). All values are rounded to the nearest thousand except where otherwise indicated.

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Reserves Estimation

The capitalized costs of oil and gas properties are amortized to expense on a unit-of-production basis at a rate calculated by reference to proved developed producing reserves determined in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook. Commercial reserves are determined using best estimates of oil and gas in place, recovery factors, future development and extraction costs and future oil and gas prices.

Proved reserves are those reserves that have a 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. Proved plus 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. Exploration and evaluation assets include undeveloped land and costs related to exploratory wells. Exploration costs related to geophysical and geological activities are immediately charged to income as incurred. The Company is required to make estimates and judgments about future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Changes to project economics, resource quantities, expected production techniques, unsuccessful drilling, expired mineral leases, production costs and required capital expenditures are important factors when making this determination. If an exploration and evaluation project is determined to be unsuccessful, all associated costs in excess of the expected net recoverable amount are charged to net income. If commercial reserves are established, the relevant costs are transferred from exploration and evaluation to development and production assets which are classified as property, plant, and equipment. Assets are reviewed for impairment prior to any such transfer. Refer to note 9 for further details.

Impairment of Non-financial Assets

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

The recoverable amounts of Trilogy's cash-generating units and individual assets have been determined based on fair values less costs of disposal. This calculation requires the use of estimates and assumptions. Oil and gas prices and other assumptions will change in the future, which may impact Trilogy's recoverable amount calculated and may therefore require a material adjustment to the carrying value of property, plant and equipment and goodwill. Trilogy monitors internal and external indicators of impairment relating to its exploration and evaluation assets, property, plant and equipment and goodwill. Refer to notes 10 and 11 for more details about methods and assumptions used in estimating net recoverable amounts.

Decommissioning and Restoration Costs

Decommissioning and restoration costs will be incurred by Trilogy at the end of the operating lives of Trilogy's oil and gas properties. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including assumptions of inflation, present value discount rates on future liabilities, changes to relevant legal requirements and the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future results as disclosed in note 16.

Share-based Payments

Trilogy measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value requires the determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield and making assumptions about them. Refer to note 17 for more details about methods and assumptions used in estimating fair value.

Deferred Income Taxes

Deferred taxes are calculated using the liability method of accounting. Under this method, deferred tax is recognized for the estimated effect of any temporary differences between the amounts recognized on Trilogy's consolidated balance sheets and respective tax basis. This calculation uses enacted or substantively enacted tax rates that will be in effect when the temporary differences are expected to reverse. In addition, deferred income tax liabilities recognize the extent that temporary differences will be payable in future periods. The calculation of the liability involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings, and the availability of cash flows. Changes in tax regulations and legislation and the other assumptions listed are subject to measurement uncertainty. Trilogy also makes interpretations and judgements on uncertain tax positions of applicable tax laws. Such judgements include determining the likelihood of Trilogy's tax positions being successfully challenged by tax authorities based on information from relevant tax interpretations and tax laws. Refer to note 12 for further details.

Financial Instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage oil and gas commodity price, foreign currency, power, and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty. Refer to notes 22, 23 and 24 for further details.

4. Summary of Significant Accounting Policies

Jointly Controlled Operations

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

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

Foreign Currency Translation

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

Goodwill

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

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Trilogy's cash generating units or groups of cash generating units that are expected to benefit from the acquisition. Existing goodwill is tested at the segment level. Any loss recognized is equal to the difference between the recoverable amount and the carrying value of the goodwill. Impairment losses are recognized, as identified, in the consolidated statement of comprehensive income and cannot be reversed.

Oil and Natural Gas Exploration and Development Expenditures

Exploration and Evaluation Costs

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

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

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

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

Impairment

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

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

Development Costs

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

Asset Exchanges

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

Property, Plant and Equipment

Carrying Value

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

Depreciation and Depletion

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

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

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

Impairment

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

For impairment losses identified based on a CGU, or a group of CGUs, the loss is allocated on a pro-rata basis to the assets within the CGU(s). This is first completed by reducing the carrying amount of any goodwill specifically allocated to the CGU, or group of CGUs and then by reducing the carrying amount of other assets in the CGU, or group of CGUs, on a pro rata basis. The impairment loss is recognized as an expense in the consolidated statement of comprehensive income.

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

Maintenance and Repairs

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

Borrowing Costs

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

Financial Instruments

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities at amortized cost

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

Fair Value

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

Provisions

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

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

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

Decommissioning and Restoration

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

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

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

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Share-based Payments and Management Compensation

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date. The fair value of share options is determined using a trinomial model (see note 17).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting periods have accrued and Trilogy's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized from the beginning to the end of that period. Trilogy accrues a cash bonus calculated with reference to dividends declared in conjunction with unexercised stock options outstanding. Upon vesting of those options, such amounts accrued are paid by the Company. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 19).

Dividends

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

Share Capital

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

Earnings per Share

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

Business Combinations

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

5. New Accounting Pronouncements

Effective January 1, 2014, the Company has adopted the following IFRS:

i. ***IAS 32, Offsetting Financial Assets and Financial Liabilities.*** This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on Trilogy's Financial Statements.

ii. ***IAS 36, Impairment of Assets.*** In the fourth quarter of 2013, the Company early adopted amendments to IAS 36 Impairment of Assets. The amendments clarified that the recoverable amount is disclosed only when an asset or cash generating unit is impaired. The adoption of this amended standard also resulted in expanded disclosure for recoverable amounts of impaired assets that are calculated based on fair value less costs of disposal methodology, including the disclosure of the fair value measurement level input.

iii. ***IFRIC 21, Levies.*** This is an interpretation of IAS 37: Provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an "obligating event"). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The applicability IFRIC 21 was not significant to Trilogy's Financial Statements.

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

i. ***IFRS 9, Financial Instruments.*** The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

ii. ***IFRS 11, Joint Arrangements.*** These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted, effective prospectively from January 1, 2016, for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The Company does not have investments made in joint arrangements. As such, these amendments would not have a material impact on the Financial Statements.

iii. ***IFRS 15, Revenue from Contracts with Customers.*** The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards.

6. Restricted Cash

The Company had a subsidiary having a cash balance as at December 31, 2013 of $5.9 million that was restricted for settlement against an equivalent amount recorded within accounts payable and accrued liabilities. The entire cash balance was paid out in settlement of the related liability in the first quarter of 2014.

7. Trade and Other Receivable

Trade and other receivables are non-interest bearing and are generally collected on 25 to 60 day terms. As at December 31, 2014 and 2013 none of the receivables have been assessed as impaired.

	December 31, 2014	December 31, 2013
Petroleum, natural gas sales and processing income	**42,738**	43,741
Joint operation receivables	**13,224**	21,632
Advances and other	**168**	1,046
	56,130	66,419

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

	December 31, 2014	December 31, 2013
Current to 90 days	**52,592**	63,823
Greater than 90 days	**3,538**	2,596
Total trade receivables	**56,130**	66,419

8. Property, Plant and Equipment

	Oil and Gas Properties	Corporate Assets	Total
Cost:			
Balance at December 31, 2012	2,415,736	13,490	2,429,226
Additions to property, plant, and equipment	327,790	339	328,129
Additions/revisions to future estimated decommissioning and restoration costs (Note 16)	(7,352)	-	(7,352)
Transfers from intangible exploration and evaluation assets (Note 9)	48,618	-	48,618
Acquisitions	33		33
Disposals	(1,409)	-	(1,409)
Balance at December 31, 2013	2,783,416	13,829	2,797,245
Additions to property, plant, and equipment	**364,649**	**900**	**365,549**
Additions/revisions to future estimated decommissioning and restoration costs (Note 16)	**35,390**	**-**	**35,390**
Transfers from intangible exploration and evaluation assets (Note 9)	**66,442**	**-**	**66,442**
Acquisitions	**15,066**	**-**	**15,066**
Disposals	**(16,890)**	**(21)**	**(16,911)**
Balance at December 31, 2014	**3,248,074**	**14,708**	**3,262,781**

	Oil and Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at December 31, 2012	1,415,865	8,701	1,424,566
Depletion and depreciation charge	214,875	597	215,472
Impairment charge	12,933	-	12,933
Disposals	(781)	-	(781)
Balance at December 31, 2013	1,642,892	9,298	1,652,190
Depletion and depreciation charge	**227,056**	**782**	**227,838**
Impairment charge	**20,476**	**-**	**20,476**
Disposals	**(12,555)**	**(19)**	**(12,574)**
Balance at December 31, 2014	**1,877,868**	**10,061**	**1,887,930**
Net carrying value			
At December 31, 2013	1,140,524	4,531	1,145,055
At December 31, 2014	**1,370,206**	**4,647**	**1,374,853**

The cost of property, plant and equipment include amounts in respect of the provision for decommissioning and restoration obligations of $187.8 million as at December 31, 2014 (December 31, 2013: $156.8). Property, plant and equipment with a carrying value of $37.3 million as at December 31, 2014 (December 31, 2013: $48.2 million) include development assets under construction that are not being depreciated. No borrowing costs were capitalized to property, plant and equipment in respect of the referenced periods.

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

The cash consideration was allocated as follows:

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

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

As at December 31, 2014, impairment indicators were identified. Please refer to note 11 for further details.

9. Exploration and Evaluation Assets

	Undeveloped Land	Exploratory Wells	Total Exploration and Evaluation Expenditures
Cost			
Balance at December 31, 2012	71,933	3,420	75,353
Additions	609	70,793	71,402
Expensed	(3,903)	(1,761)	(5,664)
Transfers to property, plant and equipment (Note 8)	(134)	(48,484)	(48,618)
Acquisitions	180	-	180
Balance at December 31, 2013	68,685	23,968	92,653
Additions	**238**	**59,368**	**59,606**
Expensed	**(3,725)**	**(3,421)**	**(7,146)**
Transfers to property, plant and equipment (Note 8)	**117**	**(66,559)**	**(66,442)**
Acquisitions	**8,820**	**-**	**8,820**
Dispositions	**(1,467)**	**-**	**(1,466)**
Balance at December 31, 2014	**72,668**	**13,356**	**86,025**

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

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Expired mineral leases	**3,725**	3,903
Impairment charge	**3,421**	1,761
	7,146	5,664
Geological and geophysical costs	**1,514**	236
Exploration and evaluation expenditures	**8,660**	5,900

An impairment of \$3.4 and \$1.8 million was recorded on certain of the Company's exploration and evaluations assets immediately prior to their transfer to property, plant and equipment for the years ended December 31, 2014 and 2013, respectively. The impairment represents costs incurred in excess of the benefit Trilogy expects to obtain from the exploratory wells.

Exploration and evaluation expenditures include costs associated with geological and geophysical costs which are immediately expensed to the consolidated statement of comprehensive income.

10. Goodwill

	December 31, 2014	December 31, 2013
Cost	**140,471**	140,471
Impairment	**(39,526)**	-
	100,945	140,471

Goodwill was assessed for impairment as at December 31, 2014 and 2013. Goodwill is assessed at the segment level and is not allocated to specific CGU's. The recoverable amounts used to assess goodwill were determined using fair value less costs of disposal. Fair value less costs of disposal was estimated for cash-generating units using the after-tax future net cash flows of proved and probable reserves based on forecast prices and costs, discounted at 10 percent. Forecast prices used to determine fair value in the assessment of goodwill were consistent with the forecast prices used to determine the fair value of Trilogy's property, plant and equipment. Refer to note 11 for further details. The discount rate of 10 percent is reassessed at each reporting date and remained consistent year over year.

As at December 31, 2014 the Company recorded an impairment of $39.5 million on its goodwill.

11. Impairment Loss

	Twelve months-ended December 31 2014	**Twelve months-ended December 31 2013**
Property, plant and equipment	**20,476**	12,933
Goodwill	**39,526**	-
	60,002	12,933

Property, plant, and equipment

At December 31, 2014, the Company assessed and concluded that the carrying value of the Kaybob North CGU exceeded its fair value less costs of disposal resulting in an impairment of $20.5 million. The Kaybob impairment was pursuant to the reduction in commodity prices and reserve estimates relative to the prior year. The recoverable amount of the Kaybob North CGU is approximately $1.0 billion.

The recoverable amount of PP&E and goodwill is highly sensitive to the discount rate and forecast future commodity prices. If the discount rate applied to forecasted net cash flows increased by 1 percent, the Company would have recognized additional impairment of $150.6 million ($75.6 million to PP&E and $75 million to goodwill). A 5 percent reduction in forecast commodity prices would result in additional impairment of $256.2 million ($129.5 million to PP&E and $126.7 million to goodwill).

At December 31, 2013, the Company concluded that the carrying value of two CGUs exceeded their fair value less costs of disposal. The full amount of the impairment of $12.9 million was recorded on property, plant, and equipment in respect of the Grande Prairie CGU ($0.7 million) and the Kaybob North CGU ($12.2 million). The impairment in Grande Prairie was a function of reduced commodity price estimates relative to prior year. An increase of 1 percent in the discount rate would impact 2013 earnings by approximately $0.1 million. The recoverable amount of the CGU in the Grande Prairie area was approximately $3.6 million at December 31, 2013. The Kaybob impairment was pursuant to the aforementioned future commodity price reduction and higher costs incurred in conjunction with progressing Trilogy's emerging Duvernay shale play. An increase of 1 percent in the discount rate would impact 2013 earnings by approximately $1.4 million. The recoverable amount of the CGU in the Kaybob area was approximately $28.8 million at December 31, 2013.

Goodwill

At December 31, 2014, the Company also determined that the carrying value of its goodwill exceeded the fair value less costs of disposal. The full amount of the impairment of $39.6 million was recorded as a reduction of goodwill (2013 – Nil). The impairment was a function of reduced commodity price estimates and reserve estimates relative to the prior year.

The Company determined the recoverable amounts for its CGU's using the fair value less costs of disposal method based on internally generated cash flow projections, extending approximately over the next 50 years. In determining

fair value less costs of disposal, the Company considered recent transactions within the industry, long-term views of commodity prices, and externally evaluated reserve volumes. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates, operating costs structures and commodity prices. The inputs used in the valuation methodology are considered fair value Level 3 inputs (refer to note 23) as certain key assumptions are not based on observable market data but, rather, management's best estimate. In computing the recoverable amount, future cash flows were adjusted for risks specific to the CGU and discounted using an after-tax discount rate approximately 10 percent (2013: 10 percent). The discount rate is considered to approximate the rate of return that a market participant would require for assets of similar characteristics and risk. Undeveloped land valuation estimates of exploration and evaluation assets were also included in the recoverable amount.

Selected key price forecasts and exchange rates used in the estimation of the value of commercial reserves as at December 31, 2014 and December 31, 2013 are as follows:

December 31, 2014

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

December 31, 2013

		2014	**2015**	**2016**	**2017**	**2018**
AECO Gas	Cdn$/MMBtu	3.99	4.14	4.50	4.75	5.01
Edmonton Light Sweet Crude	Cdn$/Bbl	96.05	97.50	97.45	97.40	98.40
Edmonton Condensate	Cdn$/Bbl	103.74	103.35	103.30	103.24	104.30
West Texas Intermediate Crude	U.S.$/Bbl	96.00	95.00	95.00	95.00	96.00
Foreign Exchange	(Cdn/U.S.)	0.95	0.95	0.95	0.95	0.95

12. Income Tax

The following table reconciles the income tax expense calculated using the statutory tax rates to the income tax expense per the consolidated statement of comprehensive income:

	December 31, 2014	**December 31, 2013**
Net income before tax	**44,258**	18,702
Expected income tax rate	**25.0%**	25.0%
Expected income tax	**11,065**	4,676
Resolution of tax dispute	**81,969**	-
Goodwill impairment	**9,882**	-
Non-deductible share-based compensation expense	**2,767**	3,502
Scientific Research and Experimental Development tax credits	**-**	(829)
Other	**(414)**	(114)
Income tax expense (recovery)	**105,269**	7,235

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

Net Deferred Income Tax Asset/(Liability)	Property, Plant, & Equipment	Risk Management	Decommissioning Liabilities	Losses & Other	Total
At December 31, 2012	(116,650)	(724)	49,447	168,415	100,488
Expense to earnings	(11,122)	2,024	(1,546)	3,408	(7,235)
Tax asset recorded on share issue costs in shareholders' capital	-	-	-	2,076	2,076
At December 31, 2013	(127,772)	1,300	47,901	173,900	95,329
Expense to earnings	**56,037**	**(1,147)**	**9,135**	**(169,294)**	**(105,269)**
At December 31, 2014	**(71,735)**	**153**	**57,036**	**4,606**	**(9,940)**

As at December 31, 2014, Trilogy has a deferred tax asset of $0.6 million and a deferred tax liability of $10.6 million for a net deferred tax liability amount of $9.9 million.

A $105.3 million deferred income tax expense was charged in 2014 to the consolidated statement of comprehensive income (Year-end December 31, 2013 – $7.2 million). 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 $75.8 million that are available for carry forward against future taxable income of the entities in which the losses arose. Of this amount, a deferred tax asset has been recognized for $7.4 million of the losses, representing the Company's probable estimate of future taxable income that could be applied to the total losses.

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

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

	December 31, 2014	December 31, 2013
Deferred Income Tax Assets		
Deferred tax assets to be recovered within 12 months	**153**	(6)
Deferred tax assets to be recovered after more than 12 months	**61,642**	221,801
	61,795	221,795
Deferred Income Tax Liabilities		
Deferred tax liabilities to be settled within 12 months	**-**	1,306
Deferred tax liabilities to be settled after more than 12 months	**(71,735)**	(127,772)
	(71,735)	(126,466)
Net Deferred Income Tax Liabilities	**(9,940)**	95,329

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

13. Trade and Other Payables

	Twelve months-ended December 31, 2014	Twelve months-ended December 31, 2013
Trade and general payables	**17,111**	18,338
Joint operation payables	**7,270**	13,129
Accrued liabilities and other	**80,817**	96,537
	105,198	128,004

Trade and other payables are non-interest bearing and are generally settled within 30 to 60 days. The Company has financial risk management policies in place to facilitate the timely settlement of its liabilities.

14. Dividends Payable

Dividends declared were $0.385 per Share for the twelve months ended December 31, 2014 and $0.42 per Share December 31, 2013. In December 2014, Trilogy' discontinued the payment of its monthly dividend beyond November 2014. As such, the dividend payable was nil as at December 31, 2014 and $4.3 million ($0.035 per Share) as at December 31, 2013

15. Long-Term Debt

Revolving Credit Facility

Trilogy has a revolving senior secured credit facility with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin. The credit facility has the following significant terms:

- total commitments of $725 million, consisting of a $35 million working capital tranche and a $690 million revolving tranche.
- a maturity date of April 30, 2017.
- The revolving credit facility is subject to semi-annual borrowing base reviews, occurring approximately in April and September of each year. In the event that the lending syndicate reduced the borrowing base below the amount drawn at the time of the redetermination, Trilogy has 60 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the redetermined borrowing base;
- advances drawn on the credit facility are secured by a fixed and floating debenture charge over the assets of the Company.

Quarterly financial covenants on the Revolving Credit Facility include:

- a ratio of "Consolidated Debt" to "Adjusted EBITDA" for the twelve month period then ended of not greater than 4.0.
- a ratio of "Senior Debt" to "Adjusted EBITDA" for the twelve month period then ended of not greater than 3.0.;

The following four measures are considered Non-GAAP measures:

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

"Funds flow from operations" refers to the cash flow from operating activities before net changes in operating working capital as shown in the consolidated statements of cash flows.

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

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

As at December 31, 2014, the Company is in compliance with all debt covenants.

The effective interest rate on Trilogy's revolving credit facility for the period (excluding other financing costs) was 3.96 percent. (December 31, 2013 – 4.40 percent).

The Company has letters of credit totalling $9.6 million as at December 31, 2014 (December 31, 2013: $9.4 million). These letters of credit reduce the amount available for draw.

Senior Unsecured Notes

On December 13, 2012, the Company issued $300 million in Senior Unsecured Notes at par value. The notes bear interest semi-annually at 7.25 percent per annum and will mature on December 13, 2019. Interest payable was $1.1 million at December 31, 2014 and $1.1 million at December 31, 2013. The notes rank pari passu with all of Trilogy's existing indebtedness and are subordinated to all secured indebtedness which includes debt under Trilogy's revolving credit facility.

The Company, may at its own option, prior to December 13, 2015, redeem the notes at various premiums. To the extent the Company experiences a change in control, each note holder will have the right to require the Company to re-purchase, at 101 percent, all or part of each holders' notes. The notes were initially recognized at fair value net of transactions costs and are subsequently measured at amortized cost using an effective interest rate of 7.52 percent. (December 31, 2013 – 7.52 percent).

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

	Twelve months-ended December 31 2014	**Twelve months-ended December 31 2013**
Revolving credit facility	**406,329**	256,984
Less prepaid interest and unamortized financing costs	**(1,053)**	(1,489)
Carrying value	**405,276**	255,495
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(4,136)**	(4,965)
Carrying value	**295,864**	295,035
Total carrying value of long term debt	**701,140**	550,530

Interest expense for the twelve months ended December 31, 2014 and 2013 is comprised of the following:

	Twelve months-ended December 31 2014	**Twelve months-ended December 31 2013**
Senior unsecured notes	**21,750**	21,747
Credit facility interest, charges, and other interest	**15,242**	16,366
Amortization of finance fees	**2,004**	1,922
Total interest and finance costs	**38,996**	40,035

16. Decommissioning and Restoration Liability

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Balance - beginning of period	**191,606**	197,788
Liabilities incurred	**13,091**	10,506
Liabilities acquired	**3,363**	-
Liabilities disposed	**(3,263)**	-
Liabilities settled	**(4,741)**	(4,202)
Accretion	**5,792**	5,372
Revision to estimates	**22,296**	(17,858)
Balance – end of period	**228,145**	191,606

The Company has estimated the undiscounted value of the decommissioning and restoration obligation to be $235.7 million as at December 31, 2014 (December 31, 2013: $219.9 million).

Settlement of this obligation is expected to be paid over the next 30 years and will be funded from the general resources of the Company. The estimated future cash out flows as at December 31, 2014 have been discounted using an average risk free rate of approximately 2.2 percent and an inflation rate of 2.0 percent (December 31, 2013 – average risk free rate – 3.09 percent and an inflation rate of 2.0 percent).

17. Share-Based Payment Plans

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

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Expense arising from:		
Share Incentive Plan	**2,155**	5,646
Share Option Plan	**13,060**	13,644
Total expense arising from share-based payment transactions	**15,215**	19,290

The Company has a share incentive plan (“SIP”) 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 completion of the vesting period. The fair value of the Common Shares awarded is recognized in share-based compensation over the vesting period, with a corresponding charge to equity. The Common Shares, while held in trust, are recorded as a reduction of share capital.

The following table provides a continuity of the SIP Common Shares held in trust at the beginning and end of the following periods:

	Twelve months-ended December 31 2014	**Twelve months-ended December 31 2013**
Beginning	**94,126**	101,390
Purchases	**190,000**	180,000
Vested	**(151,678)**	(187,264)
Ending	**132,448**	94,126

The cost to the Company of the Common Shares held in trust was $3.6 million as at December 31, 2014 and $2.8 million at December 31, 2013 and was recorded as a reduction to Common Shares outstanding and shareholder capital. Conversely, the vesting of Share Incentive Plan awards increases Common Shares outstanding and shareholder capital.

The Company also has a long-term incentive plan that awards share options to eligible directors, officers and employees (the "Share Option Plan"). Under this plan, holders of vested share options are able to subscribe for the equivalent number of Common Shares at the exercise price within the contractual period prescribed in the governing option agreement. The exercise price of the options is equal to the average trading price five days prior to the grant. The contractual life of each option granted is 4.5 to 5.5 years.

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

	Twelve months-ended December 31, 2014		**Twelve months-ended December 31, 2013**	
	Weighted Average Exercise Price	**No. of Options**	**Weighted Average Exercise Price**	**No. of Options**
Outstanding at January 1	**$ 23.78**	**7,267,500**	$ 19.77	7,257,900
Granted	**11.90**	**1,940,000**	26.97	1,591,000
Exercised	**7.83**	**(717,500)**	7.13	(1,473,400)
Forfeited	**29.29**	**(253,500)**	26.43	(108,000)
Outstanding at period end	**$ 22.20**	**8,236,500**	$ 23.78	7,267,500
Exercisable at period end	**$ 22.94**	**3,306,000**	$ 18.26	2,606,500

The weighted average fair value of options granted during the twelve month period was $3.84 per option (2013: $9.87). The significant inputs into the model were as follows:

	December 31, 2014	**December 31, 2013**
Dividend yield (percent)	nil to 1.57	1.43 to 1.57
Expected volatility (percent)	38	38 to 47
Risk-free interest rate (percent)	1.39 to 1.73	1.38 to 2.08
Expected life of options (years)	4 - 5	4 - 5

The weighted average share price at the date of exercise for share options exercised in 2014 was $28.88 (2013: $30.12).

The range of exercise prices of the outstanding options and exercisable options as at December 31, 2014 were as follows:

Exercise Price Range	Weighted Average Contractual Life Remaining	Outstanding Options		Exercisable Options	
		Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$4.85 to $10.19	0.5	620,500	$8.48	599,500	$8.47
$10.20 to 26.86	3.7	2,939,000	$11.18	872,000	$12.22
$26.87 to $27.69	4.3	1,505,000	$26.92	309,000	$26.94
$27.70 to $28.27	3.3	1,685,000	$28.26	666,000	$28.27
$28.28 to $38.74	2.4	1,487,000	$38.06	859,500	$38.34
Total	3.3	8,236,500	$22.20	3,306,000	$22.94

18. Issued Capital

Authorized

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

Issued and Outstanding

The following provides a continuity of outstanding share capital:

	Common Shares[1]	Non-Voting Shares	Total	Amount
Shares as at December 31, 2012	90,837,820	25,835,862	116,673,682	$ 883,758
Issued - Share Option Plan	1,473,400	-	1,473,400	15,655
Share issuance	7,020,000	-	7,020,000	193,661
Share Incentive Plan purchases	(180,000)	-	(180,000)	(5,316)
Vesting of Share Incentive Plan awards	187,264	-	187,264	4,969
Shares as at December 31, 2013	**99,338,484**	**25,835,862**	**125,174,346**	**$ 1,092,727**
Issued - Share Option Plan	**717,500**	**-**	**717,500**	**8,670**
Cancellation and issuance	**5,000,000**	**(5,000,000)**	**-**	**-**
Share Incentive Plan purchases	**(190,000)**	**-**	**(190,000)**	**(5,107)**
Vesting of Share Incentive Plan awards	**151,678**	**-**	**151,678**	**4,327**
Shares as at December 31, 2014	**105,017,662**	**20,835,862**	**125,853,524**	**$ 1,100,616**

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

In April of 2014, Trilogy elected to convert 5 million outstanding non-voting shares to common shares on the basis of one common share for each non-voting share.

Also, in 2014, the Company received the necessary approvals to make a normal course issuer bid ("NCIB") through the facilities of the Toronto Stock Exchange. Trilogy may purchase up to 6,490,470 of its Common Shares. Purchases under the bid may be made during the period beginning on December 16, 2014 and ending on December 15, 2015, or on such earlier date as Trilogy may complete its purchases under the bid. No purchases have been made under the NCIB as at December 31, 2014.

In 2013, the Company entered into an agreement with a syndicate of underwriters, on a bought deal basis, to sell 7,020,000 Common Shares, at a price of $28.50 per Common Share for gross proceeds of approximately $200

million. The Company incurred approximately $8.4 million of transaction costs in respect of this equity offering, before the recording of a deferred tax asset thereon of $2.1 million.

19. Earnings (Loss) per share

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

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Net earnings (loss) used in the calculation of total basic and diluted earnings per share	**(61,011)**	11,467
Weighted average number of shares for the purposes of basic earnings per share	**125,621,519**	118,962,980
Effect of dilution	**NIL**	2,018,746
Weighted average number of shares	**125,621,519**	**120,981,726**
Earnings (loss) per share – Basic	**(0.49)**	0.10
Earnings (loss) per share – diluted	**(0.49)**	0.09

As at December 31, 2014, the Company had approximately 1,346,099 of potentially dilutive share options.

20. Reconciliation of Changes in Non-Cash Working Capital

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Decrease (increase) in trade, other receivables and prepaids	**10,820**	(1,426)
Increase (decrease) in trade, other payables and interest payable	**(22,806)**	14,625
	(11,986)	13,199
Changes in non-cash operating working capital	**(5,353)**	11,239
Changes in non-cash investing working capital	**(6,633)**	1,960

21. Related Party Transactions

Trilogy had the following transactions with Paramount Resources Ltd. (“Paramount”):

- Pursuant to a services agreement, a Paramount subsidiary provides limited administrative services to the Company. The agreement may be terminated by either party with at least six months written notice. The amount of expenses billed and accrued under this agreement was $0.4 million for the twelve months ended December 31, 2014 (December 31, 2013 - $0.4 million). Costs associated with this agreement are included as part of the general and administrative expenses in the Company’s consolidated statement of comprehensive income.

- The Company and Paramount also had transactions with each other arising from the normal course of business. These transactions were as follows:

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Joint operation activities billed by Trilogy to Paramount	**946**	1,036
Joint operation activities billed by Paramount to Trilogy	**1,947**	3,702

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

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

December 31, 2013 **Presented in the Balance Sheet as**	**Normal Business**	**Services Agreement**	**Dividend**
Trade and other receivables	507	-	-
Trade and other payables	(83)	(73)	-
Dividends payable	-	-	(670)

The receivables and payables are unsecured in nature and bear no interest. No provisions were held against receivables or payables from Paramount through 2014 and 2013.

22. Financial Risk Management and Objectives

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

The main risks arising from Trilogy's financial instruments 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 may be minimized by entering into contracts with counterparties having high credit ratings, conducting initial credit due diligence procedures, obtaining letters of credit from the counterparty, continuously assessing limits on exposures to any one counterparty and ongoing credit monitoring procedures.

Trilogy's production is sold to a variety of purchasers under normal industry sale and payment terms. Accounts receivable are from customers and joint operation partners in the Canadian petroleum and natural gas industry are subject to normal industry specific credit risk. The maximum exposure to credit risk at period-end is as follows:

	December 31, 2014	December 31, 2013
Trade and other receivables	**56,130**	66,419
Derivatives Financial Instruments[1]	**-**	24
	56,130	66,443

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

Liquidity Risk

Trilogy's principal sources of liquidity are its cash flow from operations and amounts available for draw under its revolving credit facility. The variability of market benchmarks as noted below provides uncertainty as to the level of Trilogy's cash flow from operations.

In light of the rapid decline in commodity prices through the fourth quarter of 2014 into 2015, Trilogy has undertaken measures designed to preserve the Company's financial health and sustainability in a low commodity price environment. These measures include:

- A significantly reduced capital expenditure program for 2015 of $100 million, representing a 77 percent reduction from 2014, with a marginal decrease in expected production compared to 2014.
- Discontinuance of its dividend.
- Enhanced focus by management on reducing capital, operating and general and administrative cost structures and enhancing operational efficiencies.
- Preserving Trilogy's undrawn capacity under its revolving credit facility.

The above measures aim to balance Trilogy's capital expenditure levels within its cash flows from operations.

In conjunction with the current commodity price environment, the risk exists that Trilogy may exceed its financial covenant limits in the latter part of 2015. In addition to the aforementioned measures that Trilogy has taken to preserve the Company's financial health, Trilogy is also in discussions with its revolving credit facility lenders to amend the terms of these covenants.

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

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

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

A contractual maturity analysis for Trilogy's financial liabilities as at December 31, 2013 is as follows:

	Within 1 Year	1 to 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	128,004	-	-	128,004
Dividends payable	4,384	-	-	4,384
Derivative financial instruments	5,224			5,224
Long-term debt and estimated interest[1]	32,174	355,525	321,750	709,449
Total	169,786	355,525	321,750	847,061

[1] Estimated interest related to the revolving credit facility for future periods was calculated using the weighted average interest rate for the year ended December 31, 2013 applied to the debt principal balance outstanding as at that date. Principal repayment on the Company's Revolving Credit Facility was assumed on April 30, 2016. Estimated interest related to the unsecured senior notes for future periods was calculated using the coupon interest rate of 7.25 percent applied to the principal balance and principal repayment is assumed on December 13, 2019.

Commodity Price Risk

Inherent to Trilogy's business of producing petroleum and natural gas is the commodity price risk where fluctuations in the market price of crude oil, natural gas and natural gas liquids significantly impact the Company's cash flow from operations. Numerous items including the amount of dividends declared to Shareholders, capital expenditures and debt repayments or draws are dependent upon the level of cash flow generated from operations, the fluctuation in petroleum and natural gas prices (in addition to normal operational and external risks) impact Trilogy's liquidity.

To protect cash flow against commodity price volatility, Trilogy may use derivative commodity price contracts that require financial settlement with counterparties. Derivative contracts are generally for periods of up to one year and would not exceed 50 percent of Trilogy's annual production. As at December 31, 2014. (Refer to note 23 for details of outstanding derivative instruments as at December 31, 2014).

Sensitivity Analysis on derivative contracts outstanding at December 31, 2014

As at December 31, 2014, if the forward price of power had been $10 per megawatt hour lower, with all other variables held constant, net earnings for the year would have increased $1.05 million, due to changes in the fair value of the derivative contracts. An equal and opposite impact would have occurred to net earnings had power prices been $10 per megawatt hour higher.

Interest Rate Risk

As described in Note 15, Trilogy's credit facility is subject to floating interest at the lenders' prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin. The interest rate margin is determined based on a prescribed rate in the underlying agreement and is generally dependent upon Trilogy's debt to adjusted EBITDA as defined therein.

Borrowings on Trilogy's credit facility is primarily in the form of bankers' acceptances with fixed terms ranging from 10 to 180 days which are then rolled-over if not repaid on their due dates. Trilogy may enter into interest rate derivative contracts to mitigate the impact of interest rate fluctuations. Assuming all other variables remain constant, an increase or decrease of 1 percent in market interest rates for the year ended December 31, 2014 would have increased or decreased net earnings by $4.0 (2013 - 3.2 million).

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

Foreign Currency Risk

Foreign currency rate fluctuations may impact the Company primarily in conjunction with normal conversions of U.S. dollar denominated revenues into the Canadian dollar. Approximately 8.9 percent of Trilogy's petroleum and natural gas sales for the twelve months ended December 31, 2014 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 senior notes, revolving credit facility, letters of credit issued as financial security to third parties and shareholders' equity.

The objectives in managing the capital structure are to:

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

Management and the Board of Directors review and assess the Company's capital structure at each regularly scheduled board meeting and at other meetings called for that purpose. The financial strategy may be adjusted based on the current outlook of the underlying business, the capital required to fund the reserves program and the state of the debt and equity capital markets. In order to maintain or adjust the capital structure, the Company may (1) issue new shares, (2) issue new debt securities, (3) amend, revise, renew or extend the terms of the existing credit facility (4) enter into agreements establishing new credit facilities, (5) adjust the amount of dividends, if any, declared to shareholders, (6) adjust capital spending, and/or (7) sell non-core and/or non-strategic assets.

A comparison of Trilogy's debt structure against the committed amount on its revolving credit facility at December 31, 2014 and December 31, 2013 is detailed below:

	December 31, 2014	December 31, 2013
Committed amount that can be drawn from the credit facility (see note 15)	**725,000**	650,000
Outstanding letters of credit	**(9,574)**	(9,423)
Amount that can be drawn after letters of credit	**715,426**	640,577
Revolving credit facility	**(405,276)**	(255,495)
Current liabilities net of current assets	**(50,463)**	(65,523)
Capacity under revolving credit facility	**259,687**	319,559

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

	December 31, 2014	December 31, 2013
Revolving credit facility (see note 15)	**(405,276)**	(255,495)
Senior notes (see note 15)	**(295,864)**	(295,035)
Current liabilities, net of current assets	**(50,463)**	(65,523)
Net debt[(1)]	**(751,603)**	(616,053)

(1) Net debt is a Non-GAAP measure

23. Financial Instruments

Carrying Values

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

	December 31, 2014	December 31, 2013
Financial assets		
Restricted cash	**-**	5,898
Receivables[1]	**56,130**	66,419
Financial instruments fair valued through profit and loss[2]	**-**	24
Financial liabilities		
Other liabilities - non-trading liabilities[1] [3]	**(106,330)**	(133,520)
Financial instruments fair valued through profit and loss[2]	**(611)**	(5,224)
Other liabilities - long-term debt[4]	**(701,140)**	(550,530)

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

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

(3) Consists of accounts payable, accrued liabilities, and dividend payable.

(4) The Company's revolving credit facility debt carries interest based on specified benchmark interest rates plus a spread for the Company's own credit risk. The fair values of the revolving credit facility debt approximates its carrying amount due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk. The fair value of the senior unsecured notes is estimated to be 94 percent, based on independent broker quotes, of face value or $282 million (level 3 type – unobservable data inputs).

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Input other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable data

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

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

December 31, 2013	**Derivative financial assets (liabilities) – fair value**			
	Level 1	Level 2	Level 3	Total
Power derivative contract	-	-	24	24
Crude oil derivative contract	-	(5,224)	-	(5,224)
	-	(5,224)	24	(5,200)

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

December 31, 2014	**Derivative financial assets**	**(liabilities)**
Gross amounts subject to agreements	**-**	**(611)**
Amounts set off in accordance with paragraph 42 of IAS 32	**-**	**-**
Net amounts presented in balance sheet	**-**	**(611)**
	(611)	

December 31, 2013	**Derivative financial assets**	**(liabilities)**
Gross amounts subject to agreements	24	(5,224)
Amounts set off in accordance with paragraph 42 of IAS 32	-	-
Net amounts presented in balance sheet	24	(5,224)
	(5,200)	

Commodity Contracts

At December 31, 2014 the Company had the following outstanding derivative contract:

Power

	Financial Forward Sale	
Term	**MW/h**	**Average CAD Price/MW/h**
2015 through 2016	6	$50.44

The Company classified this financial instrument as fair valued through profit and loss and therefore has recognized the fair value of this financial instrument on the balance sheet. The estimated fair values of this financial instrument 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 contract is recorded as an unrealized gain or loss on financial instruments in the consolidated statement of comprehensive income. Gains or losses arising from monthly settlements with counterparties are recognized as a realized gain or loss in the consolidated statement of comprehensive income.

The following table summarizes the fair value as at December 31, 2014 and December 31, 2013, and the change in fair value for the twelve months ended December 31, 2014 and the twelve months ended December 31, 2013.

	Twelve months-ended December 31 2014	**Twelve months-ended December 31 2013**
Derivative asset, beginning of period	**24**	2,897
Unrealized change in fair value	**(24)**	(2,873)
Derivative asset, end of period	**-**	24
Derivative liability, beginning of period	**(5,224)**	-
Unrealized change in fair value	**4,613**	(5,224)
Derivative liability, end of period	**(611)**	(5,224)
Unrealized increase (decrease) in fair value for the period	**4,589**	(8,097)

24. Gain (Loss) on Derivative Financial Instruments

	Twelve months-ended December 31 2014	**Twelve months-ended December 31 2013**
Realized gains (losses)		
Crude oil & natural gas	**(78)**	(6,656)
Power	**(57)**	1,188
Foreign exchange	**-**	270
Interest swaps	**-**	509
Sub-total	**(135)**	(4,689)
Unrealized gains (losses)		
Crude oil & natural gas	**5,224**	(7,327)
Power	**(635)**	24
Foreign exchange	**-**	(262)
Interest swaps	**-**	(532)
Sub-total	**4,589**	(8,097)
Gain (losses) on derivative financial instruments	**4,454**	(12,786)

25. Commitments

In addition to items disclosed elsewhere in these financial statements, Trilogy had the following off balance sheet commitments as at December 31, 2014:

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

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

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

During the year, Trilogy executed on various pipeline transportation commitments to firmly secure additional pipeline capacity and fractionation service primarily to accommodate Trilogy's oil and liquids rich gas properties.

Off balance sheet commitments as at December 31, 2013 is as follows:

	2014	2015	2016	2017	2018	2019 and after	Total
Fractionation and pipeline transportation [1]	12,375	11,497	10,586	10,468	10,122	73,276	128,326
Office premises operating lease [2]	2,759	3,207	3,317	2,296	-	-	11,579
Vehicle and energy service commitments	3,247	846	47	34	32	-	4,206
Total	18,382	15,550	13,950	12,798	10,154	73,276	144,111

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

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

26. General and Administrative Expenditures

	December 31, 2014	December 31, 2013
Salaries and other benefits	**26,823**	26,424
Office and communications	**4,640**	4,515
Corporate and other	**3,158**	2,771
Overhead recoveries and re-allocations to operating costs	**(23,371)**	(23,759)
	11,248	9,951

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

	December 31, 2014	December 31, 2013
Salaries and other short-term benefits	**25,427**	23,542
Other long-term benefits	**1,395**	2,882
Salaries recoveries and reclassifications	**(11,869)**	(11,678)
Sub-total	**14,954**	14,746
Amortization of share-based payment awards	**15,215**	19,290
	30,170	34,036

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

Key management includes Trilogy's directors and officers. The compensation expensed for key management within the above total and excluding any allocation of salary recovery amounts is shown below:

	December 31, 2014	December 31, 2013
Salaries and other short-term benefits	**1,311**	1,241
Other long-term benefits	**772**	1,554
Sub-total	**2,083**	2,795
Amortization of share-based payment awards	**7,441**	11,054
	9,524	13,849

27. Segment Reporting

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

	Twelve months-ended December 31 2014	Twelve months-ended December 31 2013
Petroleum and natural gas sales:		
Natural gas	**229,888**	151,724
Oil	**270,990**	323,162
Natural gas liquids	**118,071**	88,577
Total petroleum and natural gas sales	**618,949**	563,463

28. Subsequent Event

Subsequent to the quarter, Trilogy has resolved an income tax dispute with the CRA. Refer to note 12 for more information.

Corporate Information

Officers

J.H.T. Riddell
Chief Executive Officer

J.B. Williams
President and Chief Operating Officer

M.G. Kohut
Chief Financial Officer

G.L. Yester
General Counsel & Corporate Secretary

Directors

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

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

M.H. Dilger (2)(5)
President and Chief Executive Officer
Pembina Pipeline Corporation
Calgary, Alberta

R.K. MacLeod (1)(2)(5)
Independent Businessman and Corporate Director
Calgary, Alberta

W.A. Gobert (1)(3)(4)
Independent Businessman
Calgary, Alberta

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

E.M. Shier (3)(5)
General Counsel, Corporate Secretary & Manager, Land
Paramount Resources Ltd.
Calgary, Alberta

D.F. Textor (1)(6)
Portfolio Manager
Dorset Energy Fund
Locust Valley, New York

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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

Alberta Treasury Branches
Calgary, Alberta

The Toronto-Dominion Bank
Calgary, Alberta

HSBC Bank Canada
Calgary, Alberta

JPMorgan Chase Bank
Toronto, Ontario

Consulting Engineers

InSite Petroleum Consultants Ltd.
Calgary, Alberta

Registrar and Transfer Agent

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

Stock Exchange Listing

The Toronto Stock Exchange – "TET"

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD AT:

Conference Centre (Mezzanine Level)
Centrium Place – 332 – 6th Avenue S.W.
Calgary, Alberta
Friday, May 8, 2015
2:00 PM (Calgary Time)

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) Nominating Subcommittee
(5) Member of the Environmental, Health & Safety Committee
(6) Lead Director