FINANCIAL AND OPERATING HIGHLIGHTS TABLE

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

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**Change %**
FINANCIAL			
Petroleum and natural gas sales	**142,671**	135,221	6
Funds flow			
From operations[1]	**80,290**	80,529	-
Per share - diluted	**0.67**	0.67	-
Earnings			
Earnings (loss) before tax	**14,343**	3,474	313
Per share - diluted	**0.12**	0.03	300
Earnings (loss) after tax	**9,644**	1,682	473
Per share - diluted	**0.08**	0.01	706
Dividends declared	**12,287**	12,255	-
Per share	**0.105**	0.105	-
Capital expenditures			
Exploration, development, land, and facility	**169,456**	76,544	121
Acquisitions (dispositions) and other - net	**182**	495	(63)
Net capital expenditures	**169,638**	77,039	120
Total assets	**1,516,855**	1,395,111	9
Net debt[1]	**741,826**	636,785	16
Shareholders' equity	**490,900**	486,399	1
Total shares outstanding (thousands)			
- As at end of period [2]	**117,000**	116,674	-
OPERATING			
Production			
Natural gas (MMcf/d)	**117**	118	(1)
Oil (Bbl/d)	**11,543**	10,780	7
Natural gas liquids (Boe/d)	**5,072**	4,555	11
Total production (Boe/d @ 6:1)	**36,119**	35,014	3
Average prices before financial instruments			
Natural gas ($/Mcf)	**3.48**	3.39	3
Crude Oil ($/Bbl)	**80.54**	78.96	2
Natural gas liquids ($/Boe)	**48.96**	47.85	2
Average realized price	**43.89**	41.98	5
Drilling activity (gross)			
Gas	**5**	5	-
Oil	**30**	12	150
Total wells	**35**	17	106

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

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

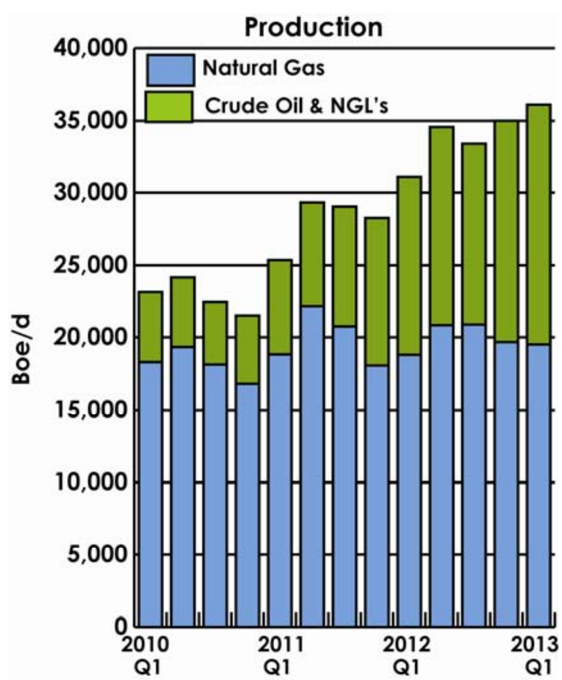
Review of Operations

Operations Update for the First Quarter 2013

- Average production of 36,119 Boe/d
- $169.6 million net capital expenditures
- Average operating costs $8.62/Boe
- Operating netback $28.29/Boe
- $80.3 million funds flow from operations ($0.69/share)
- 35(25.8 net) wells drilled, all drilled horizontally with a 100 percent success rate
- Drilled 15 net horizontal oil wells in the Kaybob Montney Oil Pool
- Drilled 3.5 (3.0 net) Dunvegan oil wells
- Drilled 2 net horizontal Duvernay shale condensate/oil wells

Production

Trilogy's first quarter 2013 production was 36,119 Boe/d, (117.0 MMcf/d of natural gas, 11,543 Bbl/d of crude oil and 5,072 Bbl/d of natural gas liquids), an increase of 3 percent over fourth quarter 2012 production of 35,014 Boe/d and 16 percent over first quarter 2012 production of 31,012 Boe/d. This increase in daily production volumes reflects the successful execution of Trilogy's growth strategy through 2012 and the first quarter of 2013. **Crude oil and natural gas liquids production increased from 12,259 Bbl/d in the first quarter of 2012 to 16,615 Bbl/d in the first quarter of 2013, representing an increase from 40 percent to 46 percent of total production.**



Production volumes increased through the first quarter from 35,249 Boe/d in January and 35,958 Boe/d in February to 37,136 Boe/d in March. March production was reduced by approximately 1,900 Boe/d due to an unplanned outage at the K3 Gas Plant, from March 7 through April 17, 2013. March production was also impacted by the unplanned shut down of the Keyera Simonette Gas Plant, which curtailed production volumes in the month and delayed adding Montney and Duvernay wells that were forecast to come on production through this facility. April production is estimated to be approximately 40,000 Boe/d and is forecast to increase through the second quarter to average 41,000 to 42,000 Boe/d. for the period.

Given the successful drilling and completion results to date and assuming no further unplanned plant outages in the Kaybob and Grand Prairie areas, Trilogy believes it is on track to reach its previously released annual production guidance of 40,000 – 42,000 Boe/d.

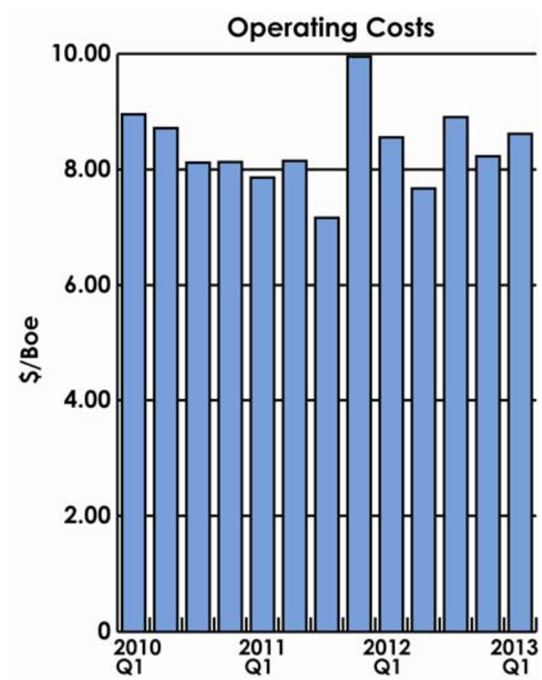
Capital Expenditures

During the first quarter of 2013, Trilogy spent $169.6 million on drilling, completions, production facilities and land acquisitions, as compared to $180.4 million in the first quarter of 2012**. This significant quarterly capital spending program was directed towards the continued development of Trilogy's Montney oil and gas pools, the Dunvegan oil pool and Duvernay operations in the Kaybob area as well as the Nikanassin and Doe Creek oil pools in the Grande Prairie area.** A large portion of the Company's capital spending occurs during the winter months in the Kaybob area, as much of the region is inaccessible at other times due to wet ground conditions. Capital spending as of the end of the first quarter reflects approximately 48 percent of Trilogy's $350 million 2013 capital budget. The Company's budgeted capital expenditures for the balance of the year will be allocated to projects Trilogy believes will generate the highest rate of return based on commodity prices and other market conditions throughout the year. At present, Trilogy has capital allocated to drilling an additional 25 Montney oil wells, 5 liquids–rich Montney gas wells and 3 net Duvernay wells for the balance of the year. A portion of Trilogy's capital will continue to be allocated to maintaining its land positions and participating in third-party joint venture operations.

In April, Trilogy's banking syndicate increased the Company's borrowing base from $610 million to $650 million on the strength of Trilogy's positive 2012 reserve additions. This borrowing base increase, together with Trilogy's December 2012 senior unsecured notes offering, provides the Company with the ability to accelerate the development of its assets or, alternatively, to take advantage of strategic acquisition opportunities that could benefit Trilogy shareholders.

Operating Costs

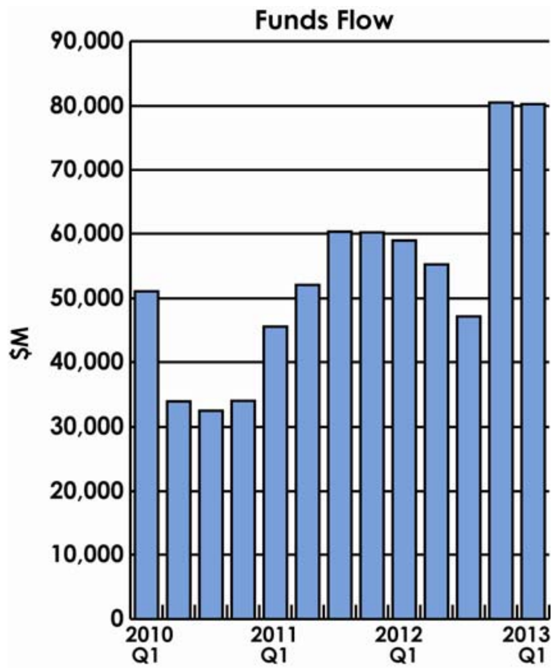
Operating costs in the first quarter of 2013 were $8.62/Boe, up 5 percent from fourth quarter 2012 operating costs of $8.23 /Boe and essentially unchanged from the $8.56/Boe reported for the first quarter of 2012. **Trilogy has been successful in reducing operating costs over the long term by increasing the proportion of its production through Trilogy-owned and operated pipelines and production facilities, thereby diluting fixed costs on a per unit of production basis and substantially reducing third party processing and gathering fees.** Specifically, Trilogy has invested a significant amount of capital over the past three years to build out its production infrastructure and maximize production flowing through owned infrastructure at Presley, the Kaybob North Gas Plant, and most recently at the Kaybob Montney oil pool. This will ensure long term operating costs are reduced in Trilogy's core production areas and minimize unscheduled third-party production disruptions.



On each of its major producing properties, Trilogy is executing on a long term operating and development plan to reduce costs, maximize production and provide a stable growth profile. Execution of these plans takes time and a tremendous amount of planning to ensure producing properties are developed and produced at prudent rates.

Trilogy anticipates the combined benefits from its recent infrastructure projects, including those referred to above, together with ongoing cost reduction initiatives, will reduce operating costs for the balance of the year. Forecasted annual operating costs are expected to average $8.00/Boe.

Profitability



Trilogy's operating netback of $28.29/Boe in the first quarter of 2013, on a per unit of production basis, was up 23 percent from $23.08/Boe in the first quarter 2012 and was essentially unchanged when compared to $28.13/Boe as reported in the fourth quarter of 2012. **This year-over-year increase in operating netback is attributed primarily to a significant increase in crude oil and natural gas liquids production through 2012 and into 2013, higher gas prices and changes in realized financial instruments,** partially offset by higher royalties in the current period.

Trilogy's funds flow from operations for the first quarter 2013 was $80.3 million, up 36 percent from $58.9 million in the first quarter 2012 and unchanged from $80.5 million as reported in the fourth quarter 2012. Quarter-over-quarter the increase in production revenue was offset by a higher effective royalty rate.

Drilling and Land Sale Activity

During the first quarter of 2013, Trilogy participated in the drilling of 35 (25.8 net) wells, of which 32 (23.3 net) were located in the Kaybob area and 3 (2.5 net) in the Grande Prairie area. **The application of horizontal drilling and completion techniques continued to be an important factor in Trilogy's success in the first quarter as all 35 wells drilled during the quarter were drilled horizontally.** Drilling and completion results to date have been very positive, resulting in 21.5 net oil wells and 3.3 net gas wells, for an overall success rate of 100 percent. Trilogy believes this high success rate reflects its expertise in the execution of its development and exploitation strategies and the high quality of its drilling inventory. Trilogy intends to continue to target crude oil and liquids-rich natural gas prospects in order to maximize investment returns. The majority of Trilogy's drilling operations in the quarter targeted Montney crude oil and liquids-rich gas prospects (17.8 net wells) followed by Dunvegan oil prospects (3.5 net wells) and Duvernay oil/condensate locations (2.0 net wells). The remaining drilling operations targeted Doe Creek, Nikanassin and Boundary Lake oil projects in the Grande Prairie area,

Trilogy acquired 3,008 net hectares at Alberta Crown land sales during the first quarter, for total expenditures of $0.3 million. At December 31, 2012 Trilogy had approximately 400,000 acres of undeveloped land with multi-zone potential. Through ongoing evaluation and acquisition of high quality acreage, Trilogy intends to maintain its prospect inventory for future development and potential reserve additions.

Operating Area Updates

Kaybob

Trilogy's drilling operations during the first quarter of this year were primarily focused in the Kaybob area, where Trilogy participated in the drilling of 32 (23.3 net) wells. **All of these wells were drilled horizontally into the Dunvegan, Montney and Duvernay formations for oil, condensate and liquids-rich natural gas production.** Trilogy continues to evaluate the productivity, reserve potential and economics of all wells drilled in the region in order to assess additional development and exploitation potential of its acreage.

Through the balance of the year, Trilogy plans to continue to focus its capital spending on oil plays in the Dunvegan, Montney and Duvernay formations. However, Trilogy’s land base provides the optionality to pursue dry gas, liquids-rich gas, crude oil and/or condensate prospects as economics dictate, thereby providing Trilogy with the flexibility to generate better returns for its shareholders. Trilogy’s large land base and control of significant producing infrastructure in the Kaybob area has generated a significant asset base that we believe will afford development opportunities for the next decade.

Kaybob Montney Oil Development

During the first quarter, Trilogy drilled 15 wells to further develop the Montney oil pool, bringing the total number of wells drilled into the pool to 62. Trilogy has completed drilling operations on 4 additional wells subsequent to the end of the first quarter and will proceed to drill 17 additional wells into the pool following break-up, when surface conditions permit land access. During the second quarter, weather permitting, Trilogy will endeavor to fracture stimulate and tie-in wells that were drilled earlier in the year. These wells will provide for continued growth through the second quarter. Production from the pool averaged 13,189 Boe/d for the first quarter (9,544 Bbl/d of crude oil and natural gas liquids and 21.9 MMcf/d of natural gas**). For the quarter, Trilogy’s operating income for the Kaybob Montney oil pool was $48.60/Boe and accounted for approximately 37 percent of the Company’s quarterly production (53 percent of the Company’s quarterly sales revenue).**

Through 2013 Trilogy is capitalizing on the investments it has made in the producing oil infrastructure over the previous two years. Trilogy believes that these investments have provided the opportunity for the Company to grow crude oil production from this development to as much as 20,000 Bbl/d. With the production infrastructure in place, Trilogy believes its finding and development costs going forward will be approximately $10.00/Boe for this play.

Trilogy has budgeted two locations to be drilled outside of the currently defined pool boundary. These wells are expected to be drilled in the third quarter of 2013, with completion results to follow in the fourth quarter and, given success, should be on production in the first quarter of 2014. If these wells are successful, they could result in an expansion of the existing pool boundary by an additional 5 to 10 sections and would also provide additional information that could be used to further develop Trilogy’s Fox Creek Montney pool drilled in 2012.

Presley Montney Gas Development

Trilogy's capital budget for 2013 provides for 10 horizontal Montney gas wells to be drilled during the year, with 5 wells to be drilled during the first quarter and the remaining 5 to be drilled through the second half of the year. Three wells were rig released in the first quarter and two additional wells were rig released in April. Given the timing of the drilling operations, only one well was completed and tied-in late in the first quarter. It is anticipated that all 5 wells will be on production in the second quarter, adding production volumes to the second quarter. **Trilogy is pleased with the positive results the pool provides and is well positioned to accelerate production growth with the existing infrastructure in the area.**

Trilogy's operating income for this property improved from $15.05/Boe in 2012 to $22.55/Boe in the first quarter of 2013, reflecting the increase in natural gas prices through the quarter. Trilogy will continue to monitor gas prices to ensure that capital is being allocated to higher rate of return projects.

Duvernay Shale Gas Development

Trilogy is encouraged with the progress that has been made by industry in the past 6 months with respect to the understanding and development of the Duvernay play. The evolution of drilling, completion and production techniques has led to some very positive results in recent wells. Advances in Duvernay shale completion techniques have provided for improved initial production rates and what is expected to be greater ultimate recoverable reserves. Over the past year, the play has generally progressed from the gas condensate area into the liquids rich, 'oilier' area with encouraging results.

Trilogy has budgeted $75 million to manage its Duvernay land expiries in 2013 through the drilling of 5 to 6 net wells. It is expected that, given current land tenure regulations, the capital allocation required to manage Duvernay land expiries could increase to $100 million in 2014. These proposed capital allocations could change with continued success in the Duvernay and changes to the regulations.

During the first quarter of 2013, Trilogy drilled, completed and tied-in 2 (2.0 net) Duvernay horizontal wells in the vicinity of the 4-3-64-21W5 Duvernay horizontal well drilled by the Company in 2012. Improved completion techniques have enabled Trilogy to increase the number of fracture intervals in these wells from 30 in the previously completed wells to over 60 in the new wells. It is expected that this increased fracture density will provide for higher production rates and recoverable reserves.

At the Trilogy McKinley 4-11-64-22W5 location (the "4-11 well"), 16 stages were successfully stimulated using the plug and perforation completion technique along the 1674 meter lateral section, resulting in 63 fracture intervals. Over an 89 hour flow test following clean-up, the 4-11 well recovered 2,480 barrels of oil and 11 MMcf of gas. **The final rate at shut in was approximately 900 Boe/d (550 Bbl/d of oil and 2.1 MMcf/d of natural gas) up 2 3/8" tubing at 6,410 kpa flowing pressure.** The well is currently shut-in waiting on facilities to be completed in early May.

The second well, Trilogy TonyCkN 4-15-64-21W5 (the "4-15 well") was also completed using the plug & perforation technique. The 1,712 meter lateral was successfully stimulated in 14 of the 16 planned stages, resulting in 55 fracture intervals. The 4-15 well produced 7,200 barrels of oil and 29 MMcf over 16 producing days commencing April 8, 2013**. On the latest day of production, the 4-15 well was flowing at 615 Boe/d (348 Bbl/d of 49 degree API crude oil/condensate and 1.6 MMcf/d of natural gas) up 2 3/8" tubing at 3,758 kpa flowing pressure.**

Duvernay participants continue to improve drilling and completion techniques through information sharing agreements. Trilogy continues to leverage the confidential drilling, and completion information from its operated Duvernay horizontal wells to gain access to confidential data of other operators in the area pursuant to these data exchange agreements.

Dunvegan Oil Development

Trilogy participated in the drilling of 9 (3.5 net) horizontal oil wells targeting the Dunvegan formation during the first quarter of 2013. During the quarter, Trilogy operated 3 (3.0 net) wells, which were concentrated on lands close to Trilogy's successful Dunvegan oil well at 1-33-60-18W5, which has produced approximately 55 MBbls since it was placed on production five months ago. The three Trilogy operated wells that were drilled and completed through the first quarter of 2013 were brought on production during the second quarter. The 2-33-60-18W5 horizontal Dunvegan oil well came on production April 9 at approximately 1,000 Bbl/d and produced approximately 18 MBbls of oil and 15 MMcf of liquids-rich solution gas in the first three weeks of production. The 16-04-61-18W5 Dunvegan horizontal oil well came on production April 18 at approximately 700 Bbl/d and has produced close to 4 MBbls of oil in two weeks of production along with 4 MMcf of liquids rich solution gas. The third well located at 15-4-61-18W5 came on production April 20 and produced 2 MBbls of oil and 1 MMcf of solution in eight days. It is anticipated that these wells and the additional non-operated Dunvegan horizontal wells will add to Trilogy's light sweet crude oil production for the balance of the year.

Overall results for the Dunvegan have been encouraging; however, individual well results for the Dunvegan play have been variable as production and reserves vary with pay thickness and reservoir extent. A significant amount of progress has been made to locate sweet spots within the Dunvegan trend and continued drilling success should identify additional trends and opportunities.

Grande Prairie

During the first quarter of 2013, Trilogy participated in 3 (2.5 net) horizontal drilling locations in the Grande Prairie area, with capital spending of approximately $10 million. Trilogy anticipates spending an additional $10 million in the Grande Prairie area through the balance of the year. At Wembley, Trilogy's second horizontal Nikanassin oil well at 8-25-72-9W6 was drilled and completed in January and on stream in early February 2013. The new well has averaged approximately 600 Bbl/d of oil, producing 39 MBbls in the first two months of production. Trilogy plans to drill a third horizontal Nikanassin oil well into the pool in the third quarter and expects to have the well on production by year end.

Trilogy also drilled a Doe Creek horizontal oil well and participated in a Boundary Lake horizontal oil well during the quarter. The Doe Creek well is currently producing 120 Bbl/d in its second month of production.

First Quarter production from the Company's Grande Prairie properties averaged 2,380 Boe/d, and is anticipated to remain in this range for the balance of the year barring any unforeseen plant outages or production restrictions. Trilogy has approximately 4 to 5 MMcf/d of natural gas production shut in due to capacity limitations at non-operated facilities in the Valhalla area. These restrictions may be mitigated in the third quarter if the facility operator is successful in eliminating these constraints.

Risk Management

Trilogy's Management and Board of Directors believe that hedging a portion of production is prudent to support the Corporation's dividend policy and capital spending programs. Trilogy currently has 5,000 Bbl/d of crude oil hedged for the balance of the year at approximately $94.39US/Bbl WTI. Trilogy will continue to evaluate opportunities to hedge oil and natural gas production, to help ensure the realization of sufficient cash flow to grow its assets. A summary of Trilogy's hedging contracts are available in notes 19 and 20 of the Interim Consolidated Financial Statements.

Outlook

Trilogy has continued to develop its land position and technical expertise in large, tight liquid-rich gas and oil resource plays in the Deep Basin. The Company believes the accumulation of a large inventory of high quality vertical and horizontal drilling prospects should provide the opportunity to grow annual production, replace produced reserves and maintain a meaningful dividend for its shareholders. Trilogy believes it is positioned at the end of the first quarter to meet its annual guidance for 2013 as follows:

- Average production — 40,000-42,000 Boe/d (~45% oil and NGLs)
- Average operating costs — $8.00 /Boe
- Capital expenditures — $350 million

Trilogy's net debt peaks in the second quarter of each year due to the fact that approximately 50 percent of its annual capital expenditures are incurred in the first quarter. Trilogy is well positioned with ample debt capacity from its revolving credit facility which recently increased to $650 million. Net debt is expected to be reduced through the balance of the year from increased operational cash flow from the Company's producing assets and through continued asset development.

In the current commodity price environment, Trilogy expects to manage its balance sheet through production replacement, prudent asset management and the continued control over most of its operations. **As a growth-oriented corporation, Trilogy must remain flexible in order to respond to volatility in commodity prices**. The remainder of 2013 may finally see some stability in natural gas prices as supply and demand forces in North American natural gas markets continue to balance. Trilogy believes it can manage its assets prudently through 2013 as its production base trends to a higher oil and natural gas liquids composition. Trilogy is confident in its strategy, its high quality assets and the proven expertise of its employees.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Trilogy Energy Corp. ("Trilogy" or the "Company") for the three months ended March 31, 2013, and should be read in conjunction with the Company's interim consolidated financial statements, the ("Interim Financial Statements) and related notes for the same three months-ended and its annual consolidated financial statements and MD&A for the year-ended December 31, 2012. The Interim 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 April 30, 2013.

FINANCIAL AND OPERATING HIGHLIGHTS

- Reported sales volumes for the first quarter of 2013 averaged 36,119 Boe/d compared to 35,014 Boe/d for the previous quarter and 31,012 Boe/d for the same period in 2012, representing a 3 percent and 16 percent increase, respectively, in production.
- Oil sales volumes in the quarter were 11,543 Bbl/d, an increase of 7 percent quarter-over-quarter (44 percent year over year).
- Oil and natural gas liquids sales volumes represented 46 percent of total sales volumes in the quarter.
- Net capital expenditures totaled $169 million as compared to $77 million for the prior quarter and $180.4 million for the first quarter of 2012.
- In total 35 (25.8 net) wells were drilled in the quarter, including 15 Montney oil wells and 2 Duvernay oil/condensate wells, as compared to 17 (10.5 net) wells drilled in the prior quarter and 31 (23.9 net) for the first quarter of 2012.
- Funds flow from operations (1) remained consistent at $80.3 million as compared to $80.5 million for the previous quarter.
- Dividends declared to Shareholders totaled $12.3 million or 15 percent of cash flow from operating activities (prior quarter – 16 percent).
- Subsequent to the quarter, Trilogy and its lenders executed an amended and restated revolving credit facility agreement, increasing lender commitments by $40 million (total $650 million) and extending the maturity date to April 30, 2016.

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

BUSINESS ENVIRONMENT AND ECONOMIC CONDITIONS

A reduction in gas drilling activity throughout 2012 and into 2013 together with increased consumer demand have reduced gas storage levels to a point in-line with 5-year historical averages. The ensuing strengthening in the price for gas, beginning in the fourth quarter of 2012 to-date has been encouraging. Trilogy believes gas prices will be constrained until the industry in Canada has opportunities to export their gas and natural gas liquids production to markets outside North America.

Volatility in the discount differential between the Edmonton par price to world oil prices and general volatility in the world oil price continue to impact the realized price for oil in Canada. Factors contributing to this volatility include continued European, North American and Asian economic concerns; geo-political tensions in the Middle East; and the prospect of increasing oil supplies within in North America as technology increases known recoverable oil reserves. Similar to gas production, it is imperative that Canadian oil producers gain increasing access to global markets through industry's construction of the related exporting infrastructure.

Despite the adversities above, Trilogy has and will continue to profitably exploit its current land base, focus on plays that meet our investment return criteria at current commodity prices, grow production, and pay a meaningful dividend to Shareholders. Trilogy is confident in the success of its business model and its ability to generate shareholder value over the long-term.

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

	Q1 2013	Q4 2012	Q1 2012
Crude Oil			
West Texas Intermediate monthly average (U.S.$/Bbl)	**94.35**	88.30	102.79
Edmonton Par monthly average (Cdn$/Bbl)	**88.65**	84.28	92.70
Natural Gas			
NYMEX (Henry Hub close) monthly average (U.S.$/MMBtu)	**3.34**	3.40	2.74
AECO monthly average (Cdn$/GJ)	**3.12**	3.25	2.17
Canada - U.S. dollar closing exchange rate (Cdn$/U.S.$1)	**1.02**	0.99	1.00

BUSINESS OVERVIEW, STRATEGY AND KEY PERFORMANCE DRIVERS

Trilogy is a growing Canadian energy corporation that actively develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy's geographically concentrated assets are primarily low-risk, high working interest properties that provide abundant 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 to increase recoveries.

Trilogy's successful operations are dependent upon several factors, including but not limited to, the price of energy commodity products, the effectiveness of the Company's approach to managing commodity price volatility, capital spending allocations, its ability to maintain desired levels of production, control over its infrastructure, its efficiency in developing and operating properties and its ability to control costs. The Company's key measures of performance with respect to these drivers include, but are not limited to, average production per day, average realized prices, average operating costs per unit of production and average annual finding and development cost per unit of reserve additions. Disclosure of these key performance measures can be found in this MD&A and/or previous interim or annual MD&A disclosures.

RESULTS OF OPERATIONS

Operating Results Summary (In thousand dollars)	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Operating income[1]	**92,034**	90,815	68,382
Other income	**211**	208	274
Realized financial instrument gains (losses) [2]	**594**	869	(3,267)
Actual decommissioning and restoration costs	**(867)**	(1,292)	(247)
Operating netback[1]	**91,972**	90,600	65,142
Interest and financing charges[5]	**(9,383)**	(7,096)	(4,294)
General and administrative expenses	**(2,299)**	(2,975)	(1,915)
Funds flow from operations[1]	**80,290**	80,529	58,933
Non-cash items:			
Depletion, depreciation, and impairments	**(54,604)**	(54,718)	(50,238)
Unrealized financial instrument gains (losses)[2]	**(5,788)**	172	(2,110)
Share based compensation	**(4,650)**	(3,757)	(4,098)
Exploration expenditures[3]	**(394)**	(18,401)	(3,961)
Amortization of financing fees	**(315)**	(511)	-
Other gains (losses)	**28**	51	(80)
Accretion on decommissioning and restoration liability[4]	**(426)**	49	(940)
Deferred income tax recovery (expense)	**(4,699)**	(1,792)	(402)
Unrealized foreign exchange gains (losses) and other	**202**	60	(107)
Profit (loss) and comprehensive income	**9,644**	1,682	(3,003)

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

(2) See Risk Management section below

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

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

(5) Excludes amorization of financing fees

FUNDS FLOW FROM OPERATIONS

Funds Flow From Operations Per Unit of Sales Volume (Dollar per Boe)	Three Months Ended March 31, 2013	December 31, 2012	March 31, 2012
Sales	**43.89**	41.98	38.30
Transportation costs	**(1.25)**	(1.20)	(1.40)
Royalties	**(5.71)**	(4.36)	(4.10)
Operating costs	**(8.62)**	(8.23)	(8.56)
Operating income[(1)]	**28.31**	28.19	24.23
Other income	**0.06**	0.07	0.10
Realized financial instruments gains (losses) [(2)]	**0.18**	0.27	(1.16)
Actual decommissioning and restoration costs	**(0.27)**	(0.40)	(0.09)
Operating netback[(1)]	**28.29**	28.13	23.08
Interest and financing charges[(3)]	**(2.89)**	(2.20)	(1.52)
General and administrative expenses	**(0.71)**	(0.92)	(0.68)
Funds flow from operations[(1)]	**24.70**	25.00	20.88

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

(2) See Risk Management section below

(5) Excludes amortization of financing fees

Operating Income Items

First Quarter 2013 vs. Forth Quarter 2012			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q1 2013**	**Q4 2012**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**117,029**	118,072	(1,043)	(1)
Oil (Bbl/d)	**11,543**	10,780	763	7
Natural gas liquids (Boe/d)	**5,072**	4,555	517	11
Total (Boe/d)	**36,119**	35,014	1,105	3
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.48**	3.39	0.09	3
Oil ($/bbl)	**80.54**	78.96	1.58	2
Natural gas liquids ($/Boe)	**48.96**	47.85	1.11	2
Average realized price	**43.89**	41.98	1.91	5
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**3.48**	3.39	0.09	3
Oil ($/bbl)	**80.56**	79.31	1.25	2
Natural gas liquids ($/Boe)	**48.96**	47.85	1.11	2
Average realized price	**43.90**	42.08	1.81	4
Operating income[(2)]				
Natural gas	**36,658**	36,859	(201)	(1)
Oil	**83,665**	78,308	5,357	7
Natural gas liquids	**22,348**	20,054	2,294	11
Total petroleum and natural gas sales before financial instruments	**142,671**	135,221	7,450	6
Royalties	**(18,548)**	(14,031)	4,517	32
Operating costs	**(28,010)**	(26,512)	1,498	6
Transportation costs	**(4,079)**	(3,863)	216	6
Operating income[(2)]	**92,034**	90,815	1,219	1

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

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

Petroleum and Natural Gas Sales Before Financial Instruments and Transportation – Oil sales increased by $5.4 million due to higher sales volumes ($3.8 million) and higher realized prices ($1.6 million). Oil volumes increased in the quarter primarily as a result of new well production added at Trilogy's Montney oil play. Natural gas sales decreased by $0.2 million due to lower sales volumes ($1.1 million), offset by higher realized prices ($0.9 million). NGL sales increased by $2.3 million due to higher sales volumes ($1.8 million) and higher realized prices ($0.5 million). Increased recoveries from Trilogy's NGL Recovery Agreement with Aux Sable Canada LP (the "Aux Sable NGL Agreement") contributed primarily to the increase quarter over quarter.

Royalties – Royalties increased primarily on the higher oil production and on diminishing low royalty rate benefits applied on new well production pursuant to Alberta's New Well Royalty Reduction Incentive Program. Historical gas cost allowance credits recorded in the fourth quarter of 2012 also contributed to lower royalties in the previous quarter.

Operating Costs – Operating costs increased on the higher production and on increased field project costs performed in the quarter.

First Quarter 2013 vs. First Quarter 2012			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q1 2013**	**Q1 2012**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**117,029**	112,517	4,512	4
Oil (Bbl/d)	**11,543**	8,023	3,520	44
Natural gas liquids (Boe/d)	**5,072**	4,236	836	20
Total (Boe/d)	**36,119**	31,012	5,107	16
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.48**	2.49	0.99	40
Oil ($/Bbl)	**80.54**	86.15	(5.61)	(7)
Natural gas liquids ($/Boe)	**48.96**	51.16	(2.20)	(4)
Average realized price	**43.89**	38.30	5.59	15
Average realized prices after financial instruments (1) and before transportation:				
Natural gas ($/Mcf)	**3.48**	2.49	0.99	40
Oil ($/Bbl)	**80.56**	80.93	(0.37)	-
Natural gas liquids ($/Boe)	**48.96**	51.16	(2.20)	(4)
Average realized price	**43.90**	36.95	6.95	19
Operating income(2)				
Natural gas	**36,658**	25,464	11,194	44
Oil	**83,665**	62,897	20,768	33
Natural gas liquids	**22,348**	19,719	2,629	13
Total petroleum and natural gas sales before financial instruments	**142,671**	108,080	34,591	32
Royalties	**(18,548)**	(11,580)	6,968	60
Operating costs	**(28,010)**	(24,167)	3,843	16
Transportation costs	**(4,079)**	(3,951)	128	3
Operating income(2)	**92,034**	68,382	23,652	35

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

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

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales increased by $20.8 million due to higher volumes ($24.8 million) partially offset by lower realized prices ($4.0 million). The continued development of Trilogy's Kaybob Montney oil pool and related infrastructure contributed to the increase in production. Natural gas sales increased by $11.1 million due to higher realized natural gas prices ($10.1 million) and on slightly higher sales volumes ($1.0 million). Natural gas volumes were relatively consistent as new well production from the Montney oil play (solution gas) and Duvernay shale plays replaced natural production declines in other areas. NGL sales increased by $2.6 million on higher sales volumes ($3.4 million), offset, in part, by lower realized NGL prices ($0.8 million). The increase in NGL volumes was a function of higher production recorded under the Aux Sable NGL Agreement, and increased production at Presley (in the Kaybob area) and at Wembley (in the Grande Prairie area).

Royalties – Royalties increased primarily on the higher oil production and on diminishing low royalty rate benefits applied on new well production pursuant to Alberta's New Well Royalty Reduction Incentive Program.

Operating Costs – Operating costs increased in conjunction with the higher production volumes. Increased third party gas processing, equipment rental and field project charges also contributed to the increase year over year. Finally, general increases in the cost for power, labour and services were experienced in 2013 over 2012. Operating costs on a unit of production basis were consistent year over year, as the aforementioned items were substantially offset by higher production levels in 2013.

OTHER INCOME STATEMENT ITEMS

Depletion and Depreciation Expense

(In thousand dollars except as otherwise indicated)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Reported amount	**54,604**	54,718	50,238
Expense per sales volume ($/Boe)	**16.80**	16.99	17.80

Depletion and depreciation expense on a per unit of production basis was lower in the first quarter of 2013 relative to prior quarters. The reduced depletion rate and related expense per unit of production was a function of significant new well reserve additions estimated in the quarter, relative to the on-production dates of those new wells.

Exploration Expenditures

(In thousand dollars except as otherwise indicated)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Expired mineral leases	**318**	871	1,819
Impairments	**-**	17,510	188
Geological and geophysical	**76**	20	1,954
Exploration and evaluation expenses	**394**	18,401	3,961

Exploration expenditures consist of the costs of expired leases, impairments on exploratory wells and geological and geophysical amounts. The change in exploration and evaluation expenditures between the above periods is due mainly to fluctuations in impairments and the costs of expired mineral leases. Exploratory wells, by their nature, have increased risks and uncertainties that could translate into cost over-runs and reduced production and reserve additions. 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. Impairments are a reflection of these challenges and represent costs incurred in excess of the benefit Trilogy expects to obtain from the well. An impairment of $17.7 million was recorded in the fourth quarter of 2012 on certain exploration and evaluations assets upon transfer to property, plant and equipment. The impairment represents costs incurred in excess of the benefit Trilogy expects to obtain from the wells. Increased geological and geophysical costs were incurred in the first quarter of 2012 as significant seismic work was performed in the Presley area. Refer to note 8 of the Interim Financial Statements for more information on exploration and evaluation activities.

General and Administrative Expenses

(In thousand dollars except as otherwise indicated)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Salaries and other benefits	**6,920**	6,161	6,216
Office and communications	**1,078**	1,106	1,043
Corporate and other	**477**	674	498
Recoveries and reclassifications	**(6,176)**	(4,966)	(5,841)
Reported amount	**2,299**	2,975	1,915
Expense per sales volume ($/Boe)	**0.71**	0.92	0.68

General and administrative expenses were lower over the prior quarter, primarily as a result of higher overhead recoveries on relatively higher capital expenditures, partially offset by increased salary and benefit costs for existing staff and on an overall increase in staffing levels. Year over year, the increase was attributed to the aforementioned increase to salary, benefit and staffing levels, partially offset by higher recoveries on increased capital expenditures.

Share Based Compensation

(In thousand dollars except as otherwise indicated)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Share Incentive Plan	**1,113**	1,138	1,089
Share Option Plan	**3,537**	2,619	3,009
Reported Amount	**4,650**	3,757	4,098
Expense per sales volume ($/Boe)	**1.43**	1.17	1.45

The increase in share based compensation expense for 2013 was attributed primarily to the amortization of higher fair values associated with options granted under Trilogy's Share Option Plan. Changes to risk free interest rates, volatility assumptions, dividend yields, and expected lives of the options granted will impact the fair value attributed to any given grant.

Interest, Financing, and Accretion Charges

(In thousand dollars except as otherwise indicated)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Accretion on decommissioning and restoration liability	**1,293**	1,243	1,187
Interest and other finance costs[(1)]	**9,698**	7,607	4,294
Expense per sales volume ($/Boe)	**2.98**	2.36	1.52

[(1)] Includes the amortization of financing fees therein

Accretion on the Company's decommissioning and restoration liability for three months ended March 31, 2013 was consistent with the prior quarters.

Interest and financing charges increased in 2013 in conjunction with higher debt levels and margins on Trilogy's revolving credit facility, in addition to higher borrowing costs associated with Trilogy's December 2012 issuance of senior unsecured notes. For additional information on Trilogy's long-term debt, refer below under the "Long-term Debt" section of this MD&A and to note 11 of the Interim 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 note 22 of the 2012 annual consolidated financial statements, the Advisories and other sections of this MD&A as well as the Company's Annual Information Form.

The financial instruments outstanding 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 interim consolidated statements 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:

	Three Months Ended		
(In thousand dollars except as indicated)	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Realized gain (loss) on financial instruments	**595**	869	(3,267)
Unrealized gain (loss) on financial instruments	**(5,789)**	172	(2,110)
Total gain (loss) on financial instruments	**(5,194)**	1,041	(5,377)
Realized gain (loss) on financial instruments ($/Boe)	**0.18**	0.27	(1.16)

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 on derivative financial instruments for the current quarter occurred primarily as a result of the market price of oil as compared to Trilogy's hedged average price. Refer to notes 19 and 20 of the Interim Financial Statements for more information on realized and un-realized 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 and new contracts entered into during the period, if any. In addition, the fair value of financial instruments as at the balance sheet date may change in the future as a result of changes in these economic benchmarks upon which the fair value is primarily based, and therefore, the amount actually realized from financial instruments may vary from such fair value.

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

Crude Oil

Term	Financial Forward Sale Volume (bbls/d)	Average USD WTI Price/bbl
April 1 to December 31, 2013	5,000	$94.39

Power

Term	Financial Forward Sale MW/h	Average CAD Price/MW/h
April 1 to December 31, 2013	6	$59.13
2014 through 2016	6	$50.44

Interest Rate

The Company has an interest rate swap contract in place on a notional amount of $200 million of long-term debt, swapping the floating interest rate on this debt for a fixed interest rate of 0.95% as detailed below:

Fixed Rate	Variable Settlement	Currency	Notional Principle	Settlement	Expiry
0.95%	1-Month BA-CDOR*	CAD	$200 Million	Monthly	December 2013

* Average Rates from nine Canadian Banks/contributors. The high and low rates are omitted and the remaining seven are averaged.

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)

	March 31, 2013	December 31, 2012
Current liabilities net of current assets	**122,417**	44,460
Long-term debt	**619,409**	592,325
Net debt(1)	**741,826**	636,785
Shareholders' equity	**490,900**	486,399
Total	**1,232,726**	1,123,184

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

Working Capital

Trilogy's significant capital expenditure program undertaken in the first quarter of 2013 and the related increase in Trilogy's asset base were primarily responsible for the increase in net debt from $636.8 million at December 31, 2012 to $741.8 million at March 31 2013. Any working capital deficiency is funded by cash flow from operations and draw-downs from the Company's credit facility. Refer to Capital Management and Liquidity section in the Annual Financial Statements.

Long-term Debt

Long-term debt represents the outstanding draws from Trilogy's credit facility in addition to borrowings under its Senior Unsecured Notes as described below and in the notes to Trilogy's Annual Financial Statements.

Revolving Credit Facility

Trilogy's bank debt outstanding under its credit facility was $325.6 million (before unamortized interest discount and financing costs) as at March 31, 2013.

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 dependent on certain conditions. The credit facility, as at March 31, 2013, has the following significant terms:

- total commitments of $610 million, consisting of a $35 million working capital tranche and a $575 million revolving tranche;
- a maturity date of April 30, 2014;
- the working capital and revolving tranches are subject to semi-annual borrowing base reviews; and,
- advances drawn on the credit facility are secured by a fixed and floating charge debenture over the assets of the Company. In the event the credit facility is not extended or renewed, amounts drawn down under the facility would be due and payable on the above maturity date.

Subsequent to the quarter, Trilogy and its lenders executed an amended and restated revolving credit facility agreement, increasing lender commitments by $40 million (total $650 million) and extending the maturity date to April 30, 2016.

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

- a ratio of Consolidated Debt to "EBITDA" (earnings before interest, taxes, depreciation and amortization) for the three month period then ended of not greater than 4.0. Consolidated debt generally includes all long-term debt and net working capital (excluding financial instrument assets and liabilities therein).

- a ratio of Senior Debt to EBITDA Ratio for the three month period then ended of not greater than 3.0. Senior Debt is generally defined as Consolidated Debt but excluding any indebtedness under the Senior Unsecured Notes;

The Company is in compliance with all debt covenants.

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 11 of the Interim Financial Statements provides a comparison of Trilogy's debt structure against the committed amount on existing credit facilities at the listed balance sheet dates therein.

Senior Unsecured Notes

In December 2012 the Company issued $300 million face value, 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 relating to the issuance 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 11 of the Interim Financial Statements.

Interest is payable semi-annually in arrears on June 13 and December 13 of each year, commencing June 13, 2013. The Notes rank pari passu with all of Trilogy's existing 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 Note holders, 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 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.

The increase in net debt from $636.7 million at December 31, 2012 to $741.8 million at March 31, 2013 is attributable primarily to the substantial capital spending undertaken by the Company in the first quarter of 2013, relative to the incremental operating income received to-date on those capital expenditures. Trilogy's exploration and development activities are conducted primarily during colder weather, as ground conditions provide improved access to leases and more efficient execution of its capital expenditure activities. Significant expenditures are made during these periods and the related benefit can be realized in future periods. These timing differences can increase Trilogy's debt levels, the repayment of which may occur over future periods. Refer to Note 18 of the Interim Financial Statements for further disclosures on liquidity and capital management.

Contractual Obligations

For a detailed account of Trilogy's commitments, refer to note 25 of the 2012 annual consolidated financial statements and related management discussion and analysis. No material change occurred as at March 31, 2013 in respect of Trilogy's estimated contractual obligations from those disclosed at December 31, 2012.

Shares, Options and Rights

For a detailed account of Trilogy's share capital since December 31, 2012, refer to note 14 of the 2012 Annual Consolidated Financial Statements and the 2012 MD&A. Refer to note 13 of the Interim Financial Statements for current period details.

Outstanding share options issued under Trilogy's share option plan were 6,981,900 as at March 31, 2013 and 6,680,900 share options as at the date hereof, of which 2,439,900 share options and 2,142,900 share options were exercisable as at those dates, respectively.

Dividends

(In thousand dollars except where stated otherwise)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Funds flow from operations[1]	**80,290**	80,529	58,933
Net changes in operating working capital	**963**	(4,262)	(856)
Cash flow from operating activities	**81,253**	76,267	58,077
Net earnings (loss)	**9,644**	1,682	(3,003)
Dividends declared	**12,287**	12,255	12,215
Dividends declared per share (in full amount)	**0.105**	0.105	0.105
Excess of cash flow from operations over dividends declared	**68,966**	64,012	45,862
Excess (deficiency) of net earnings (loss) over dividends	**(2,643)**	(10,573)	(15,218)

(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 where 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 funded by draw downs from Trilogy's credit facilities. Trilogy intends to provide dividends to Shareholders that are sustainable to the Company considering its liquidity (*refer to the discussion on long-term debt above*) and long-term operational strategy. In addition, since the level of dividends is highly dependent upon cash flow generated from operations, which fluctuates significantly in relation to changes in financial and operational performance, commodity prices, interest and exchange rates and many other factors, future dividends cannot be assured. Trilogy's payout ratio, calculated as the percentage of dividends declared over cash flow from operating activities, was 15 percent for the three months ended March 31, 2013 (21 percent for the twelve months ended December 31, 2012).

Capital Expenditures

(In thousand dollars except where stated otherwise)

	Three Months Ended		
	March 31, 2013	**December 31, 2012**	**March 31, 2012**
Land	**308**	18	137
Geological and geophysical	**76**	20	1,953
Drilling, completions, and tie-ins	**150,240**	65,641	147,290
Production equipment and facilities	**18,832**	10,864	30,846
	169,456	76,544	180,226
Proceeds (received) from property dispositions	**-**	1	(396)
Property acquisitions	**180**	-	494
Corporate assets	**1**	494	90
Net capital expenditures	**169,638**	77,039	180,414

Capital expenditures increased in the quarter as compared to the previous quarter in conjunction with Trilogy's 2013 capital expenditure program. Trilogy has invested significant capital over the past three years to build out the producing infrastructure to accommodate increased production volume. For the current quarter, more capital was directed to drilling, completion, and tie-in projects.

Wells Drilled

	Three Months Ended					
(Number of wells)	**March 31, 2013**		**December 31, 2012**		**March 31, 2012**	
	Gross[1]	**Net[2]**	**Gross[1]**	**Net[2]**	**Gross[1]**	**Net[2]**
Natural gas	**5**	**3.3**	5	1.1	17.0	13.0
Oil	**30**	**22.5**	12	9.4	14.0	10.9
Total	**35**	**25.8**	17	10.5	31.0	23.9

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

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

INCOME TAXES

The Company recorded a future income tax expense of $4.7 in the first quarter of 2013 ($1.8 million in the fourth quarter of 2012). Refer to note 9 to the Interim Financial Statements for additional income tax disclosures. The Company's statutory tax rate of 25 percent is increased to an effective tax rate of 33 percent. Share based compensation amounts deducted in computing net income (loss) before tax which are not deductible for tax purposes contributed primarily to the effective tax rate from the rate of approximately 25 percent expected for a Canadian corporation with operations in Alberta.

RELATED PARTY TRANSACTIONS

Trilogy had certain transactions with Paramount Resources ("Paramount"), a wholly-owned subsidiary of Paramount Resources Ltd. which owns approximately 16 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 for the three months ended March 31, 2013. 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 reiterates its 2013 annual guidance as follows:

Average production	40,000 – 42,000 Boe/d (45% oil and NGLs)
Average operating cost	$8.00/Boe
Capital expenditures	$350 million

QUARTERLY FINANCIAL INFORMATION

(In thousand dollars except per share amounts)

	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Revenue after financial instruments, royalties and other income	**119,342**	122,499	88,655	107,447
Earnings (loss) before tax	**14,343**	3,474	(13,413)	447
Net earnings (loss)	**9,644**	1,682	(11,094)	282
Earnings (loss) per Share (in full amounts):				
Basic	**0.08**	0.01	(0.10)	NIL
Diluted	**0.08**	0.01	(0.10)	NIL

	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Revenue after financial instruments, royalties and other income	91,290	82,287	95,339	89,078
Earnings (loss) before tax	(2,601)	(5,246)	19,049	10,977
Net earnings (loss)	(3,003)	(4,651)	14,404	7,872
Earnings (loss) per Share (in full amounts):				
Basic	(0.03)	(0.04)	0.12	0.07
Diluted	(0.03)	(0.04)	0.12	0.07

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, and impairments to exploratory and evaluation assets and property, plant, and equipment, and upon the expiry of mineral land leases. Please refer to the Results of Operations and other sections of this MD&A for the detailed discussions on variances between reporting periods from the fourth quarter of 2012 to the first quarter of 2013, 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. Refer to note 7 and 8 of the 2012 Interim Financial Statements for further details.

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, al associated costs 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 fro impairment prior to any such transfer. Refer to note 7 of the Interim Financial Statements for further details.

Impairment of Non-financial Assets

The recoverable amounts of Trilogy's cash-generating units and individual assets have been determined based on fair values less costs to sell. 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.

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. Refer to note 10 and 11 of the 2012 Annual Financial Statements 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. Refer to note 12 of the Interim 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 13 of the Interim Financial Statements for further details.

Deferred Income Tax Assets

Trilogy recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires Trilogy to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and Trilogy's interpretation of the application of existing tax laws. 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 may be compromised. Refer to note 9 of the Interim Financial Statements and note 12 of the 2012 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 commodity price, foreign currency 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.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2013, the Company has adopted the revised standards and amendments as disclosed in note 5 of the 2012 Annual Consolidated Financial Statements. The applicability of these standards and amendments were not significant to Trilogy's interim financial statements.

FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Management has assessed the effectiveness of Trilogy's internal controls over financial reporting and disclosures controls and procedures as at March 31, 2013 and has concluded that there were no material changes to Trilogy's internal controls over financial reporting since the most recent period.

ADVISORIES

Certain statements included in this document (including this MD&A and the Review of Operations) constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "goal", "objective", "possible", "probable", "projected", "scheduled", or state that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved, or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include but are not limited to statements regarding: long-term supply of and demand for petroleum and natural gas; future commodity prices for crude oil, natural gas; natural gas liquids and related products; business strategy and objectives for 2013 and beyond; statements regarding providing shareholder value; capital expenditures and the timing and allocation thereof; future production levels and sales volumes and the relative content of crude oil, natural gas liquids, and natural gas therein; statements regarding sources of and plans for funding Trilogy's exploration, development, facilities and other expenditures; estimates of drilling prospect inventory, prospective geological formations and the risk and potential of reserves associated therewith; exploration and development plans and the timing, cost and expected benefits thereof; exploration and development of the Montney, Duvernay, Dunvegan and other formations and other drilling, completion, tie-in, construction and facility expansion plans and the timing, cost, anticipated payout and expected benefits therefrom; the location, extent, geology and potential for development of the Kaybob Montney oil and gas pools, the Duvernay shale gas development and the Dunvegan oil program, among other plays, and the nature of Trilogy's plans to further delineate and exploit these and other assets; potential application of drilling and completion technologies to other areas and geological formations and projections as to the prospectivity of Trilogy's current and future land holdings; statements as to facility capacity, run-times, expected facility downtime and availability of transportation capacity; estimates of undeveloped land value; statements regarding the continuity of the NGL Agreement with Aux Sable Canada LP; approach to and amount of dividends; operating, finding and development and other costs; royalty rates; estimates of future tax amounts, tax assets and tax pools; applicability of income tax legislation and government incentive and royalty programs affecting Trilogy; expected counterparty risk; credit limits, the cost of borrowing and Trilogy's expectations regarding the term of its credit facility; cash flow projections; pro-forma debt levels and statements regarding reduction of net debt; projected results of hedging contracts and other financial instruments; and the expected impact of new accounting pronouncements. Statements regarding "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

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

- future crude oil, natural gas and natural gas liquids supply and prices;
- general business, economic, and market conditions;
- future power prices;
- geology applicable to Trilogy's land holdings;
- the extent and development of Trilogy's assets including, without limitation, Trilogy's Kaybob Montney oil and gas assets, the Duvernay Shale Gas development program and the Dunvegan oil program, among others;
- current reserves estimates;
- current production forecasts and the relative content of crude oil, natural gas and natural gas liquids therein;
- drilling and operational results and timing consistent with expectations;
- budget allocations and capital spending flexibility;
- expected timelines and budgets being met;
- well economics;
- Trilogy's ability to obtain competitive pricing;
- the ability of Trilogy to market oil and natural gas and other products successfully to current and new customers;
- the impact of Trilogy's February 2010 conversion from a trust to a corporation on access to capital markets, liquidity, the generation of cash flow and the

reinvestment thereof, credit facility and reserves;
- currency, exchange and interest rates;
- assumptions based on Trilogy's current guidance;
- cash flow consistent with expectations;
- continuity of government drilling and royalty incentive programs and their application to Trilogy's operations;
- the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its evaluations and activities;
- the timing and costs of plant turnaround and pipeline and storage facility construction and expansion and the ability to secure adequate product processing and transportation;
- the timely receipt of required regulatory approvals;
- the ability of Trilogy to obtain financing and access to capital markets on acceptable terms;
- credit facility increases consistent with expectations;
- continuity of the mutually beneficial agreement with Aux Sable Canada LP and pricing thereunder;
- estimates of deferred tax amounts, tax assets and tax pools.

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 and natural gas liquids prices, foreign currency exchange rates and interest rates;
- volatile economic and business conditions
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas and related products and market demand;
- Trilogy's ability to secure adequate product processing, transmission and transportation on a timely basis or at all;
- the ability of management to execute its business plan;
- risks and uncertainties involving geology of oil and gas deposits including, without limitation, those regarding the extent and development potential of the Kaybob Montney oil, Duvernay shale and Dunvegan oil developments;
- risks inherent in Trilogy's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- changes in land values paid by industry;
- the uncertainty of estimates and projections relating to future production, costs and expenses;
- the ability to generate sufficient cash flow from operations and other sources to meet current and future obligations, including costs of anticipated projects and repayment of debt;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- potential disruptions or unexpected technical difficulties in designing, developing, or operating new, expanded, or existing facilities, including third party operated facilities;
- availability of cost effective goods and services;
- Trilogy's ability to enter into or renew leases;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;
- the ability of Trilogy to add production and reserves through development and exploration activities and establish basis for borrowing base increases;

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

Additional information on these and other factors which could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form and in other documents on file with the Canadian Securities regulatory authorities. The forward-looking statements or information contained in this document are made as of the date hereof and Trilogy undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

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

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

"Operating income" is equal to petroleum and natural gas sales before financial instruments and bad debt expenses minus royalties, operating costs, and transportation costs. "Operating netback" refers to Operating income plus realized financial instrument gains and losses and other income minus actual decommissioning and restoration costs incurred. "Net debt" is calculated as current liabilities minus current assets plus long-term debt. The components described for "operating income", "operating netback" and "net debt" can be derived directly from Trilogy's consolidated financial statements.

"Finding and development costs" refers to all current year net capital expenditures, excluding property acquisitions and dispositions with associated reserves, and including changes in future development capital on a proved and 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.

"Recycle ratio" is equal to "Operating netback" on a production barrel of oil equivalent for the year divided by "F&D $/Boe" (computed on a proved or proved plus probable reserve basis as applicable).

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

Numerical References

All references in this document 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 Q1 2013, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 23:1 ("Value Ratio"). The Value Ratio is obtained using the Q1 2013 average realized oil price of $80.54 (CAD$/Bbl) and the Q1 2013 average realized natural gas price of $3.48 (CAD$/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.

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.

TRILOGY ENERGY CORP.
Consolidated Interim Balance Sheet (unaudited)
(in thousand Canadian dollars)

	Note		March 31, 2013		December 31, 2012
ASSETS					
Current assets					
Restricted cash	6	$	**5,982**	$	5,369
Trade and other receivables	*17, 18, 19*		**75,248**		64,978
Derivative financial instruments	*18, 19, 20*		**379**		2,897
Prepaids			**603**		895
			82,212		74,139
Non-current assets					
Property, plant and equipment	*7, 8*		**1,120,729**		1,004,660
Exploration and evaluation assets	*7, 8*		**77,654**		75,353
Deferred tax asset	*9*		**95,789**		100,488
Goodwill			**140,471**		140,471
Total assets		**$**	**1,516,855**	$	1,395,111
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	*17, 18, 19*	**$**	**190,764**	$	113,380
Dividend payable	*10, 18, 19*		**4,099**		4,087
Interest payable	*11*		**6,495**		1,132
Derivative financial instruments	*18, 19, 20*		**3,271**		-
			204,629		118,599
Non-current liabilities					
Long-term debt	*11, 18, 19*		**619,409**		592,325
Decommissioning and restoration liability	*12*		**201,917**		197,788
Total liabilities			**1,025,955**		908,712
Shareholders' equity					
Shareholders' capital	*13, 14*		**887,231**		883,758
Contributed surplus	*13*		**36,344**		32,673
Accumulated deficit			**(432,675)**		(430,032)
			490,900		486,399
Total shareholders' equity and liabilities		**$**	**1,516,855**	$	1,395,111

See accompanying notes to the consolidated interim financial statements

TRILOGY ENERGY CORP.

Consolidated Interim Statement of Comprehensive Income (Loss) (unaudited)

(in thousand Canadian dollars except per share amounts)

	Note	Three months ended March 31, 2013	2012
Revenue and other			
Petroleum and natural gas sales	*21*	$ 142,671	$ 108,080
Royalties		(18,548)	(11,580)
Revenue		124,123	96,500
Other income		413	167
Loss on derivative financial instruments	*18, 19, 20*	(5,194)	(5,377)
		119,342	91,290
Expenses			
Operating and production		28,010	24,167
Transportation		4,079	3,951
Depletion, depreciation, and impairments	*7*	54,604	50,238
Exploration and evaluation	*8*	394	3,961
Gain on disposal of assets		(28)	80
General and administrative		2,299	1,915
Share-based compensation	*13*	4,650	4,098
Accretion on decommissioning and restoration liability	*12*	1,293	1,187
Interest and other finance costs	*11*	9,698	4,294
		104,999	93,891
Net income (loss) before income tax		14,343	(2,601)
Income tax expense			
Deferred	*9*	4,699	402
Comprehensive income (loss)		$ 9,644	$ (3,003)
Earnings (loss) per share	*15*		
- Basic		$ 0.08	$ (0.03)
- Diluted		$ 0.08	$ (0.03)

See accompanying notes to the consolidated interim financial statements

TRILOGY ENERGY CORP.

Consolidated Interim Statement of Changes in Equity (unaudited)

(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	-		-		-		9,644		9,644
Share options exercised *(note 13, 14)*	326,000		3,463		(969)		-		2,494
Dividends declared *(note 10)*	-		-		-		(12,287)		(12,287)
Share Incentive Plan purchases, net of grants vested *(note 13, 14)*	399		10		(10)		-		-
Share-based compensation *(note 13)*	-		-		4,650		-		4,650
Balance at March 31, 2013	**117,000,081**	**$**	**887,231**	**$**	**36,344**	**$**	**(432,675)**	**$**	**490,900**
Balance at January 1, 2012	**116,118,158**		**877,682**		**21,706**		**(368,943)**	**$**	**530,445**
Net loss for the period	-		-		-		(3,003)		(3,003)
Share options exercised *(note 13, 14)*	97,500		1,225		(165)		-		1,060
Dividends declared *(note 10)*	-		-		-		(12,216)		(12,216)
Share-based compensation *(note 13)*	-		-		4,098		-		4,098
Balance at March 31, 2012	**116,215,658**	**$**	**878,907**	**$**	**25,639**	**$**	**(384,162)**	**$**	**520,384**

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

See accompanying notes to the consolidated interim financial statements

TRILOGY ENERGY CORP.
Consolidated Interim Statement of Cash Flows (unaudited)
(in thousand Canadian dollars except as otherwise indicated)

	Note	Three months ended March 31, 2013	2012
Operating activities			
Net income (loss) before income tax		$ **14,343**	$ (2,601)
Adjustments for non-cash and other items:			
Unrealized losses on derivative financial instruments	*18, 19, 20*	**5,789**	2,110
Unrealized foreign exchange (gains) losses		**(202)**	107
Depletion and depreciation	*7*	**54,604**	50,238
Exploration and evaluation	*8*	**394**	3,961
(Gain) loss on disposal of assets		**(28)**	80
Amortization of finance fees		**314**	-
Share based compensation	*13*	**4,650**	4,098
Accretion on decommissioning and restoration liability	*12*	**1,293**	1,187
Decommissioning and restoration costs	*12*	**(867)**	(247)
Change in non-cash working capital	*16*	**963**	(856)
Cash flow from operating activities		**81,253**	58,077
Investing activities			
Exploration and evaluation expenditures	*8*	**(16,801)**	(5,821)
Property, plant and equipment expenditures	*7*	**(152,656)**	(174,495)
Property acquisitions	*7*	**(180)**	(494)
Proceeds from disposition of property, plant and equipment	*7*	**-**	396
Restricted cash (Increase) decrease	*6*	**(613)**	-
Change in non-cash working capital	*16*	**71,806**	55,463
Cash flow used in investing activities		**(98,444)**	(124,951)
Financing activities			
Draws on revolving credit facility	*11*	**26,954**	78,023
Financing fees and adjustments	*11*	**18**	-
Dividends paid to Shareholders	*10*	**(12,275)**	(12,211)
Shares issued	*13, 14*	**2,494**	1,062
Cash flow from in financing activities		**17,191**	66,874
Change in cash		**-**	-
Cash balance, beginning of year		**-**	-
Cash balance, end of year		**-**	-
Cash interest paid		$ **9,408**	$ 4,462

See accompanying notes to the consolidated interim financial statements

1. GENERAL

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

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 condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34 – *Interim financial reporting ("IAS 34").*

The policies applied in these Interim Financial Statements are based on IFRS issued and outstanding as of April 30, 2013, the date the Interim Financial Statements were approved for release by Trilogy's Audit Committee on behalf of Trilogy's Board of Directors for issuance.

These Interim Financial Statements should be read in conjunction with the Company's "2012 Annual Consolidated Financial Statements".

The Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value (note 18 and 19).

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future that may, by definition, differ from actual results. The estimates and judgments applied by management that most significantly affect the Company's financial statements include: reserve estimation, exploration and evaluation expenditures, impairment of non-financial assets, decommissioning and restoration costs, share-based payments, deferred income taxes, and financial instruments. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Additional information on these estimates and judgements are disclosed in note 3 of the 2012 Annual Consolidated Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements of the Company follow the same accounting policies and basis of presentation as described in note 4 of the 2012 Annual Consolidated Financial Statements. The Interim Financial Statements note disclosures do not include all of those required by IFRS for Annual Financial Statements.

5. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2013, the Company has adopted the revised standards and amendments as disclosed in note 5 of the 2012 Annual Consolidated Financial Statements. The applicability of these standards and amendments were not significant to Trilogy's interim financial statements.

6. RESTRICTED CASH

The Company has a subsidiary with a cash balance of $6.0 million that is restricted for settlement against an equivalent amount recorded within accounts payable and accrued liabilities.

(in thousand Canadian dollars except as otherwise indicated)

7. PROPERTY, PLANT AND EQUIPMENT

	Oil and Gas Properties	Corporate Assets	Total
Cost:			
Balance at December 31, 2011	2,045,386	10,066	2,055,452
Additions	328,242	3,424	331,666
Transfers from intangible exploration and evaluation assets (Note 8)	42,232	-	42,232
Disposals	(124)	-	(124)
Balance at December 31, 2012	2,415,736	13,490	2,429,226
Additions	**156,282**	**1**	**156,283**
Transfers from intangible exploration and evaluation assets (Note 8)	**14,362**	**-**	**14,362**
Disposals	**28**	**-**	**28**
Balance at March 31, 2013	**2,586,408**	**13,491**	**2,599,899**

	Oil and Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at December 31, 2011	1,192,675	7,594	1,200,269
Depletion and depreciation charge	222,473	1,107	223,580
Impairment charge, net of reversals	715	-	715
Disposals	2	-	2
Balance at December 31, 2012	1,415,865	8,701	1,424,566
Depletion and depreciation charge	**54,459**	**145**	**54,604**
Balance at March 31, 2013	**1,470,324**	**8,846**	**1,479,170**
Net carrying value			
At December 31, 2012	999,871	4,789	1,004,660
At March 31, 2013	**1,116,084**	**4,645**	**1,120,729**

The cost of property, plant and equipment include amounts in respect of the provision for future decommissioning and restoration obligations. Property, plant and equipment with a carrying value of $68.9 million as at March 31, 2013 (December 31, 2012: $47.3 million) include development assets under construction and field inventory that are not being depreciated. No borrowing costs were capitalized to property, plant and equipment in respect of the referenced periods.

(in thousand Canadian dollars except as otherwise indicated)

8. EXPLORATION AND EVALUATION ASSETS

	Undeveloped Land	Exploratory Wells	Total Exploration and Evaluation Expenditures
Cost			
Balance at December 31, 2011	88,334	21,039	109,373
Additions	1,027	29,934	30,961
Expensed	(5,043)	(17,738)	(22,781)
Transfers to property, plant and equipment (Note 7)	(12,417)	(29,815)	(42,232)
Acquisitions	494	-	494
Dispositions	(462)	-	(462)
Balance at December 31, 2012	71,933	3,420	75,353
Additions	**308**	**16,493**	**16,801**
Expensed	**(318)**	**-**	**(318)**
Transfers to property, plant and equipment (Note 7)	**(73)**	**(14,289)**	**(14,362)**
Acquisitions	**180**	**-**	**180**
Dispositions	**-**	**-**	**-**
Balance at March 31, 2013	**72,030**	**5,624**	**77,654**

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

	Three months-ended March 31	
	2013	**2012**
Expired mineral leases	**318**	1,819
Impairment charge, net of reversals	**-**	188
	318	2,007
Geological and geophysical costs	**76**	1,954
Exploration and evaluation expenditures	**394**	3,961

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

(in thousand Canadian dollars except as otherwise indicated)

9. INCOME TAX

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, 2011	(117,056)	1,476	45,916	169,692	100,028
Recovery (expense) to earnings	406	(2,200)	3,531	(1,777)	(40)
Acquisition of subsidiary	-	-	-	500	500
At December 31, 2012	(116,650)	(724)	49,447	168,415	100,488
Recovery (expense) to earnings	**(3,606)**	**1,447**	**1,032**	**(3,572)**	**(4,699)**
At March 31, 2013	**(120,256)**	**723**	**50,479**	**164,843**	**95,789**

A $4.7 million deferred income tax expense was charged to the consolidated interim statement of comprehensive income. No income tax amounts were recorded directly to equity.

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 $724 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 $656 million of the losses, representing the Company's probable estimate of future taxable income that can be applied to the total losses.

10. DIVIDENDS PAYABLE

Dividends declared were $0.105 per Share for the three months ended March 31, 2013 and March 31, 2012, respectively. The dividend payable was $4.1 million ($0.035 per Share) as at March 31, 2013 and December 31, 2012, respectively.

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

11. 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 dependent on certain conditions. The credit facility has the following significant terms:

- total commitments of $610 million, consisting of a $35 million working capital tranche and a $575 million revolving tranche.
- a maturity date of April 30, 2014.
- the working capital and revolving tranches are subject to semi-annual borrowing base reviews.
- advances drawn on the credit facility are secured by a fixed and floating debenture charge over the assets of the Company.

Refer to note 22, subsequent events, in respect of a maturity date extension and increase in lender commitments.

Quarterly financial covenants on the Revolving Credit Facility, include:

- a ratio of Consolidated Debt to "EBITDA" *(earnings before interest, taxes, depreciation and amortization)* for the twelve month period then ended of not greater than 4.0. Consolidated debt generally includes all long-term debt and net working capital (excluding financial instrument assets and liabilities therein).
- a ratio of Senior Debt to EBITDA Ratio for the three month period then ended of not greater than 3.0. Senior Debt is generally defined as Consolidated Debt but excluding any indebtedness under the Senior Unsecured Notes;

The Company is in compliance with all debt covenants.

The Company has undrawn letters of credit totalling $14.6 million as at March 31, 2013 (December 31, 2012: $14.3 million). These letters of credit reduce the amount available for draw under the Company's working capital tranche.

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 $6.5 million at March 31, 2013 and $1.1 million at December 31, 2012. 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.

(in thousand Canadian dollars except as otherwise indicated)

Long-term debt as at March 31, 2013 and December 31, 2012 is comprised of the following:

	Three months-ended March 31, 2013	Twelve months-ended December 31, 2012
Revolving credit facility	**325,582**	299,004
Less prepaid interest and unamortized financing costs	**(586)**	(870)
Carrying value	**324,996**	298,134
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(5,587)**	(5,809)
Carrying value	**294,413**	294,191
Total carrying value of long term debt	**619,409**	592,325

12. DECOMMISSIONING AND RESTORATION LIABILITY

	Three months-ended March 31, 2013	Twelve months-ended December 31, 2012
Balance - beginning of period	**197,788**	183,665
Liabilities incurred	**3,703**	9,825
Liabilities settled	**(867)**	(2,754)
Accretion	**1,293**	4,849
Revision to estimates	**-**	2,203
Balance – end of period	**201,917**	197,788

The Company has estimated the undiscounted value of the decommissioning and restoration obligation to be $228.6 million as at March 31, 2013 (December 31, 2012: $224.4 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 March 31, 2013 and December 31, 2012 have been discounted using an average risk free rate of approximately 2.6 percent and an inflation rate of 2 percent, respectively.

(in thousand Canadian dollars except as otherwise indicated)

13. SHARE-BASED PAYMENT PLANS

The share-based payment expense recognized for employee services received for the three-month comparative periods are as follows:

	Three months-ended March 31	
	2013	**2012**
Expense arising from:		
Share Incentive Plan	**1,113**	1,089
Share Option Plan	**3,537**	3,009
Total expense arising from share-based payment transactions	**4,650**	4,098

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. Generally, one third of an award vests immediately, with the remaining tranches vesting annually over two years. The fair value of the Common Shares awarded is recognized in share-based compensation over the vesting period, with a corresponding charge to equity. The Common Shares, while held in trust, are recorded as a reduction of share capital.

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

	Three months-ended March 31, 2013	**Twelve months-ended December 31, 2012**
Beginning	**101,390**	168,814
Purchases	**-**	166,200
Vested	**(399)**	(233,624)
Ending	**100,991**	101,390

The cost to the Company of the Common Shares held in trust as at March 31, 2013 and as at December 31, 2012 was $2.4 million, respectively, and was recorded as a reduction to Common Shares outstanding and shareholder capital. Conversely, the vesting of Share Incentive Plan awards increases Common Shares outstanding and shareholder capital, respectively.

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 for the five days prior to the grant. The contractual life of each option granted is 4.5 to 5.5 years.

(in thousand Canadian dollars except as otherwise indicated)

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

	Three months-ended March 31, 2013		Twelve months-ended December 31, 2012	
	Weighted Average Exercise Price	**No. of Options**	**Weighted Average Exercise Price**	**No. of Options**
Outstanding at January 1	**$ 19.77**	**7,257,900**	$ 16.39	5,984,000
Granted	**28.16**	**50,000**	28.26	1,790,000
Exercised	**$7.57**	**(326,000)**	9.81	(488,100)
Forfeited	**-**	**-**	20.06	(28,000)
Outstanding at period end	**$20.37**	**6,981,900**	$ 19.77	7,257,900
Exercisable at period end	**$ 11.52**	**2,439,900**	$ 11.08	2,740,900

The weighted average fair value of options granted during the period was $9.76 per option (2012: $9.86). The significant inputs into the model were as follows:

	March 31, 2013	December 31, 2012
Dividend yield (percent)	**1.51 to 1.53**	**1.51 to 1.54**
Expected volatility (percent)	**46**	**47 to 48**
Risk-free interest rate (percent)	**1.38 to 1.45**	**1.32 to 1.38**
Expected life of options (years)	**4 - 5**	**4 - 5**

The weighted average share price at the date of exercise for share options exercised in 2013 was $29.28 (2012: $27.36).

The range of exercise prices of the outstanding options and exercisable options as at March 31, 2013 are as follows:

		Outstanding Options		Exercisable Options	
Exercise Price Range	**Weighted Average Contractual Life Remaining**	**Number of Options**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
$4.85 to $11.17	1.2	2,212,900	$6.76	1,673,400	$6.57
$11.18 to $28.31	4.2	3,242,000	21.16	471,000	12.15
$28.31 to $38.74	4.1	1,527,000	38.40	295,500	38.52
Total	3.2	6,981,900	$20.37	2,439,900	$11.52

(in thousand Canadian dollars except as otherwise indicated)

14. ISSUED CAPITAL

Authorized

Trilogy is authorized to issue an unlimited number of Common Shares and an unlimited number of Non-Voting Shares. The Non-Voting Shares are the same as the Common Shares except they do not carry any voting rights.

Issued and Outstanding and Fully Paid

The following provides a continuity of outstanding share capital:

	Common Shares	Non-Voting Shares	Total[(1)]		Amount
Common Shares and Non-Voting Shares as at December 31, 2011	85,282,296	30,835,862	116,118,158	$	877,682
Issued - Share Option Plan	488,100	-	488,100		6,045
Cancellation and issuance	5,000,000	(5,000,000)	-		-
Share Incentive Plan purchases	(166,200)	-	(166,200)		(3,989)
Vesting of Share Incentive Plan awards	233,624	-	233,624		4,020
Common Shares and Non-Voting Shares as at December 31, 2012	**90,837,820**	**25,835,862**	**116,673,682**	**$**	**883,758**
Issued - Share Option Plan	**326,000**	**-**	**326,000**		**3,463**
Vesting of Share Incentive Plan awards	**399**	**-**	**399**		**10**
Common Shares and Non-Voting Shares as at March 31, 2013	**91,164,219**	**25,835,862**	**117,000,081**	**$**	**887,231**

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

15. EARNINGS (LOSS) PER SHARE

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

	Three months-ended March 31	
	2013	**2012**
Net earnings (loss) used in the calculation of total basic and diluted earnings per share	**9,644**	(3,003)
Weighted average number of shares for the purposes of basic earnings per share	**116,879,993**	116,145,174
Effect of dilution	**2,824,257**	3,233,603
Weighted average number of shares for diluted earnings per share	**119,704,251**	116,145,174
Earnings (loss) per share – Basic	**0.08**	(0.03)
Earnings (loss) per share – diluted	**0.08**	(0.03)

(in thousand Canadian dollars except as otherwise indicated)

16. RECONCILIATION OF CHANGES IN NON-CASH WORKING CAPITAL

	Three months-ended March 31	
	2013	**2012**
Decrease (increase) in trade, other receivables and prepaids	**(9,978)**	3,037
Increase (decrease) in trade, other payables and interest payable	**82,747**	51,570
	72,769	54,607
Changes in non-cash operating working capital	**963**	(856)
Changes in non-cash investing working capital	**71,806**	55,463

17. 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 $0.1 million for the three months ended March 31, 2013 (March 31, 2012 - $0.1 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 amounts due from (to) Paramount as at the balance sheet dates are as follows**:**

March 31, 2013 **Presented in the Balance Sheet as**	**Normal Business**	**Services Agreement**	**Dividend**
Trade and other receivables	**120**	**-**	**-**
Trade and other payables	**(535)**	**(90)**	**-**
Dividends payable	**-**	**-**	**(672)**

December 31, 2012 **Presented in the Balance Sheet as**	**Normal Business**	**Services Agreement**	**Dividend**
Trade and other receivables	348	-	-
Trade and other payables	(30)	(90)	-
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 2013 and 2012.

18. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The main risks arising from Trilogy's financial instruments are credit risk, liquidity risk, commodity price risk, interest rate risk and foreign currency risk. A detailed discussion of these risks as they apply to the Company are listed in note 22 of the 2012 Annual Consolidated Financial Statements.

(in thousand Canadian dollars except as otherwise indicated)

Credit Risk

Accounts receivable are from customers and joint venture partners in the Canadian petroleum and natural gas industry and are subject to normal industry specific credit risk. The Company has not provided an allowance for any of its overdue receivables as they are all considered collectible. The maximum exposure to credit risk at period-end is as follows:

	March 31, 2013	December 31, 2012
Cash and marketable securities	**5,982**	5,369
Trade and other receivables	**75,248**	64,978
Derivatives Financial Instruments[1]	**379**	2,897
	75,627	67,875

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

Liquidity Risk

Trilogy's principal sources of liquidity are its cash flow from operations and amounts available for draw under its revolving credit facility. In December of 2012, the Company issued $300 million of unsecured senior notes of which proceeds were used to repay the revolving line of credit facility; thereby increasing the amount available for future draws – refer to the capital management section below. The volatility of commodity prices and other variables as noted below provides uncertainty as to the level of Trilogy's cash flow from operations. As a result, Trilogy may eliminate or adjust the levels of dividends declared to Shareholders and/or adjust operational and capital spending to maintain its liquidity.

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

	Within 1 Year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	190,764	-	-	190,764
Dividends payable	4,099	-	-	4,099
Interest payable	6,495			6,495
Derivative financial instruments	3,271	-	-	3,271
Long-term debt and estimated interest[1]	25,708	411,996	343,500	781,204
Total	230,337	411,996	343,500	985,833

[1] Estimated interest related to the revolving credit facility for future periods was calculated using the weighted interest rate for the year ended March 31, 2013 applied to the debt principal balance outstanding as at that date. Principal repayment is assumed on April 30, 2014. 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. Principal repayment is assumed on December 13, 2019.

(in thousand Canadian dollars except as otherwise indicated)

A contractual maturity analysis for Trilogy's financial liabilities as at December 31, 2012 is as follows:

	Within 1 Year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	113,380	-	-	113,380
Dividends payable	4,087	-	-	4,087
Interest payable	1,132			1,132
Long-term debt and estimated interest[1]	34,356	389,336	343,500	767,192
Total	152,955	389,336	343,500	885,791

[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, 2012 applied to the debt principal balance outstanding as at that date. Principal repayment was assumed on April 30, 2014. 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. Principal repayment was assumed on December 13, 2019.

Capital Management

The Company's capital structure currently consists of borrowings under its senior notes, revolving credit facility, letters of credit issued as financial security to third parties and shareholders' equity.

The objectives in managing the capital structure are to:

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

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

(in thousand Canadian dollars except as otherwise indicated)

A comparison of Trilogy's debt structure against the committed amount on its revolving credit facility at March 31, 2013 and December 31, 2012 is detailed below:

	March 31, 2013	December 31, 2012
Committed amount that can be drawn from the credit facility (see note 11)	**610,000**	610,000
Outstanding undrawn letters of credit	**(14,611)**	(14,253)
Amount that can be drawn after letters of credit	**595,389**	595,747
Revolving credit facility	**(324,996)**	(298,134)
Current liabilities net of current assets	**(122,417)**	(44,460)
Capacity under revolving credit facility	**147,976**	253,153

Refer to note 22, subsequent events, in respect of a maturity date extension and increased lender commitments.

Trilogy's net debt, calculated as its long-term debt plus any net working capital deficit, is as follows at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Revolving credit facility (see note 11)	**(324,996)**	(298,134)
Senior notes (see note 11)	**(294,413)**	(294,191)
Current liabilities, net of current assets	**(122,417)**	(44,460)
Net debt[(1)]	**(741,826)**	(636,785)

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

Trilogy's exploration and development activities are conducted primarily during colder weather, as ground conditions provide improved access to leases and more efficient execution of its capital expenditure activities. Significant expenditures are made during these periods and the related benefit is realized in future periods. These timing differences can increase Trilogy's debt levels, the repayment of which may occur over future periods. Refer to the Capital Management section below for further discussion on the management of Trilogy's capital structure.

The increase in net debt above can be attributed primarily to the significant capital expenditures incurred in 2013 relative to the incremental operating income received to date.

(in thousand Canadian dollars except as otherwise indicated)

19. FINANCIAL INSTRUMENTS

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

	March 31, 2013	December 31, 2012
Financial assets		
Restricted cash	**5,982**	5,369
Receivables[(1)]	**75,248**	64,978
Financial instruments fair valued through profit and loss[(2)]	**379**	2,897
Financial liabilities		
Other liabilities - non-trading liabilities[(1) (3)]	**(201,358)**	(118,599)
Financial instruments fair valued through profit and loss[(2)]	**(3,271)**	-
Other liabilities - long-term debt[(4)]	**(619,409)**	(592,325)

(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, dividend payable, and interest 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 carrying value of the senior unsecured notes approximates its fair value at year end given the recency of the debt issuance.

The three levels of the fair value hierarchy for financial instruments disclosure include:

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 derivative financial instruments within the fair value hierarchy as at:

March 31, 2013

	Derivative financial assets (liabilities) – fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
Power derivative contract	**-**	**48**	**-**	**48**
Interest derivative contract	**-**	**331**	**-**	**331**
Crude oil derivative contracts	**-**	**(3,271)**	**-**	**(3,271)**
		(2,892)		**(2,892)**

December 31, 2012

	Derivative financial assets (liabilities) – fair value			
	Level 1	Level 2	Level 3	Total
Foreign exchange derivative contract	-	261	-	261
Interest derivative contract	-	532	-	532
Crude oil derivative contract	-	2,104	-	2,104
		2,897		2,897

(in thousand Canadian dollars except as otherwise indicated)

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

March 31, 2013

	Derivative financial assets (liabilities)	
Gross amounts subject to agreements	**696**	**(3,588)**
Amounts set off in accordance with paragraph 42 of IAS 32	**(317)**	**317**
Net amounts presented in balance sheet	**379**	**(3,271)**
	(2,892)	

December 31, 2012

	Derivative financial assets (liabilities)	
Gross amounts subject to agreements	4,070	(1,173)
Amounts set off in accordance with paragraph 42 of IAS 32	(1,173)	1,173
Net amounts presented in balance sheet	2,897	-
	2,897	

Commodity Contracts

At March 31, 2013 the Company had the following outstanding crude oil derivative contracts:

Crude Oil

Term	Financial Forward Sale Volume (bbls/d)	Average USD WTI Price/bbl
April 1 to December 31, 2013	5,000	$94.39

Power

Term	Financial Forward Sale MW/h	Average CAD Price/MW/h
April 1 to December 31, 2013	6	$59.13
2014 through 2016	6	$50.44

Interest Swap

The Company has an interest rate swap contract in place on a notional amount of $200 million of long-term debt swapping the floating interest rate on this debt for a fixed interest rate of 0.95% as detailed below:

Fixed Rate	Variable Settlement	Currency	Notional Principle	Settlement	Expiry
0.95%	1-Month BA-CDOR*	CAD	$200 Million	Monthly	December 2013

*Average Rates from nine Canadian Banks/contributors. The high and low rates are omitted and the remaining seven are averaged.

The Company classified these financial instruments as fair valued through profit and loss and therefore has recognized the fair value of these financial instruments on the balance sheet. The estimated fair values of these financial instruments are based on quoted prices or, in their absence, third-party market indicators and forecasts.

(in thousand Canadian dollars except as otherwise indicated)

The changes in the fair value associated with the above financial contracts are recorded as an unrealized gain or loss on financial instruments in the consolidated statement of comprehensive income. Gains or losses arising from monthly settlements with counterparties are recognized as a realized gain or loss in the consolidated statement of comprehensive income.

The following table summarizes the fair value as at March 31, 2013 and December 31, 2012, and the change in fair value for the three months ended March 31, 2013 and the twelve months ended December 31, 2012.

	Three months-ended March 31, 2013	Twelve months-ended December 31, 2012
Derivative asset, beginning of period	**2,897**	134
Unrealized change in fair value	**(2,518)**	2,763
Derivative asset, end of period	**379**	2,897
Derivative liability, beginning of period	**-**	(9,961)
Unrealized change in fair value	**(3,271)**	9,961
Derivative liability, end of period	**(3,271)**	-
Unrealized increase (decrease) in fair value for the period	**(5,789)**	12,724

20. GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

	Three months-ended March 31	
	2013	**2012**
Realized gains (losses)		
Crude oil	**21**	(3,811)
Power	**174**	-
Foreign exchange	**270**	420
Interest swaps	**130**	124
Sub-total	**595**	(3,267)
Unrealized gains (losses)		
Crude oil	**(5,375)**	(2,881)
Power	**48**	-
Foreign exchange	**(260)**	(90)
Interest swaps	**(202)**	861
Sub-total	**(5,789)**	(2,110)
Gain (loss) on derivative financial instruments	**(5,194)**	(5,377)

(in thousand Canadian dollars except as otherwise indicated)

21. 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.

	Three months-ended March 31	
	2013	**2012**
Petroleum and natural gas sales:		
Natural gas	**36,658**	25,464
Oil	**83,665**	62,897
Natural gas liquids	**22,348**	19,719
Total petroleum and natural gas sales	**142,671**	108,080

22. SUBSEQUENT EVENTS

Subsequent to the quarter, Trilogy and its lenders executed an amended and restated revolving credit facility agreement, increasing lender commitments by $40 million (total $650 million) and extending the maturity date to April 30, 2016. The terms and conditions of the agreement are consistent with those as disclosed in note 11.

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 Operating Officer
Pembina Pipeline Corporation
Calgary, Alberta

D.A. Garner (1)(2)(5)
Independent Businessman
Calgary, Alberta

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

R.M. MacDonald (2)(3)(4)(6)
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)
Portfolio Manager,
Dorset Energy Fund
Locust Valley, New York

HEAD OFFICE

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

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

BANKERS

Bank of Montreal
Calgary, Alberta
The Bank of Nova Scotia
Calgary, Alberta
Canadian Imperial Bank of Commerce
Calgary, Alberta
Royal Bank of Canada
Calgary, Alberta
ATB Financial
Calgary, Alberta
The Toronto-Dominion Bank
Calgary, Alberta
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
Thursday, May 9, 2013
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