Q2

2013 SECOND QUARTER REPORT

	Three Months Ended			Six Months Ended June 30		
	June 30, 2013	**March 31, 2013**	**Change %**	**2013**	**2012**	**Change %**
FINANCIAL						
Petroleum and natural gas sales	**159,366**	142,671	12	**302,037**	216,941	39
Funds flow						
From operations[1]	**88,160**	80,290	10	**168,449**	114,236	47
Per share - diluted	**0.73**	0.67	10	**1.41**	0.96	46
Earnings						
Earnings (loss) before tax	**25,826**	14,343	80	**40,169**	(2,154)	1,965
Per share - diluted	**0.22**	0.12	79	**0.34**	(0.02)	1,775
Earnings (loss) after tax	**20,017**	9,644	108	**29,661**	(2,721)	1,190
Per share - diluted	**0.17**	0.08	108	**0.25**	(0.02)	1,337
Dividends declared	**12,351**	12,287	1	**24,638**	24,458	1
Per share	**0.105**	0.105	-	**0.210**	0.210	-
Capital expenditures						
Exploration, development, land, and facility	**57,035**	169,456	(66)	**226,492**	210,925	7
Acquisitions (dispositions) and other - net	**18**	182	(90)	**198**	2,447	(92)
Net capital expenditures	**57,053**	169,638	(66)	**226,690**	213,372	6
Total assets	**1,509,213**	1,516,855	(1)	**1,509,213**	1,355,818	11
Net debt[1]	**719,171**	741,826	(3)	**719,171**	603,276	19
Shareholders' equity	**504,165**	490,900	3	**504,165**	510,958	(1)
Total shares outstanding (thousands)						
- As at end of period [2]	**117,841**	117,000	1	**117,841**	116,491	1
OPERATING						
Production						
Natural gas (MMcf/d)	**125**	117	7	**121**	119	2
Oil (Bbl/d)	**11,680**	11,543	1	**11,612**	8,905	30
Natural gas liquids (Boe/d)	**4,644**	5,072	(8)	**4,857**	4,092	19
Total production (Boe/d @ 6:1)	**37,209**	36,119	3	**36,667**	32,798	12
Average prices before financial instruments						
Natural gas ($/Mcf)	**3.95**	3.48	13	**3.72**	2.23	67
Crude Oil ($/Bbl)	**88.20**	80.54	10	**84.41**	81.05	4
Natural gas liquids ($/Boe)	**48.73**	48.96	-	**48.85**	50.24	(3)
Average realized price	**47.07**	43.89	7	**45.51**	36.34	25
Drilling activity (gross)						
Gas	**2**	5	(60)	**7**	21	(67)
Oil	**8**	30	(73)	**38**	20	90
Total wells	**10**	35	(71)	**45**	41	10

(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.

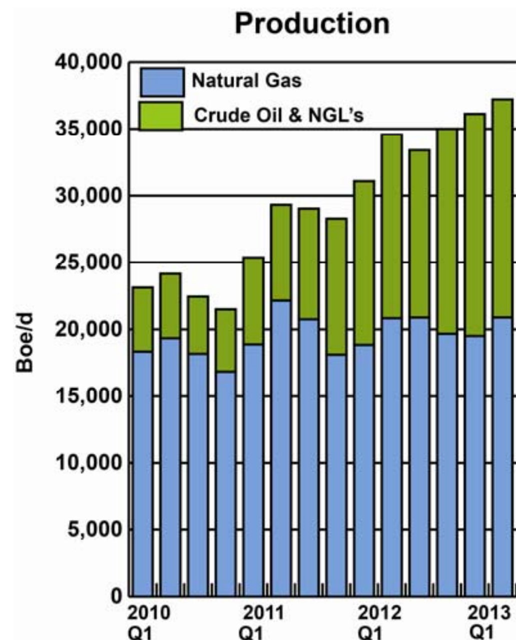
Review of Operations

Operations Update for the Second Quarter 2013

- Average production of 37,209 Boe/d
- $57 million net capital expenditures
- Average operating costs $9.71/Boe
- Operating netback $29.81/Boe
- $88.2 million funds flow from operations ($0.73/share fully diluted)
- 10(8.1 net) wells drilled, all drilled horizontally with a 100 percent success rate
- Drilled 6 net horizontal oil wells in the Kaybob Montney Oil Pool

Production

Trilogy's average second quarter 2013 production was 37,209 Boe/d, (125.3 MMcf/d of natural gas, 11,680 Bbl/d of crude oil and 4,644 Bbl/d of natural gas liquids), an increase of 3 percent over first quarter 2013 production of 36,119 Boe/d and 8 percent over second quarter 2012 production of 34,585 Boe/d. This increase in daily production volumes reflects the continued successful exploitation of Trilogy's Montney oil and gas plays in the Kaybob area through the first and second quarters of 2013. Crude oil and natural gas liquids production represented 44 percent of total production during the quarter.



Production during the second quarter was impacted by unanticipated plant issues, weather related delays and operational issues. Due to facility issues, the Simonette plant was unable to process additional liquids-rich gas production from the Duvernay during the quarter, which reduced quarterly production volumes by an estimated 500 Boe/d. Unscheduled down time and pipeline issues at third party-operated plants in Kaybob (the K-3 Plant) and Grande Prairie (Wembley) as well as the Trilogy-operated Kaybob North Gas Plant further reduced production by approximately 1,800 Boe/d in the second quarter. Trilogy's oil production was lower than forecast, as five Montney oil wells that were drilled during the first and second quarters were not completed due to significant rainfall during the quarter. These oil wells were subsequently completed in the beginning of the third quarter. Operational issues that arose during drilling and completion of the Montney oil wells in the second quarter further reduced volumes, as service rig

work was delayed until surface conditions improved. These operational issues, weather issues, program delays and well performance further reduced second quarter production by an estimated 1,500 Boe/d. Delays in start up of new wells and run time issues on high rate wells have a significant impact on quarterly production. Lastly, lower natural gas liquids recovery under the Aux Sable Liquids Recovery Agreement accounted for approximately 500 Boe/d lower production volumes in the second quarter. Trilogy endeavors to generate an annual production forecast that is achievable and factors in potential unplanned production outages; however the production delays experienced in the second quarter were well in excess of anticipated outages. Trilogy has reviewed its near term production forecast and now expects 2013 annual production to be approximately 37,000 - 39,000 Boe/d.

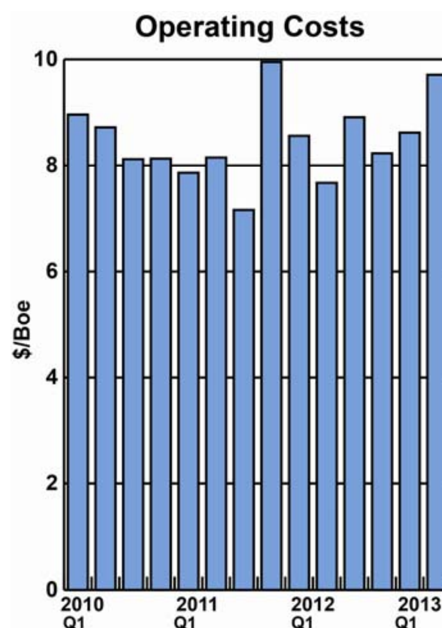
Capital Expenditures

During the second quarter of 2013, Trilogy spent $57.1 million on drilling, completions, production facilities and land acquisitions, as compared to $169.6 million in the first quarter of the year. Year-to-date, Trilogy has incurred total capital expenditures of $226.7 million of its $350 million capital budget, representing 65 percent of budget. Trilogy is well positioned to operate within budget; however, the Company's project inventory provides a tremendous opportunity base that may benefit from accelerated capital spending. Trilogy will continue to evaluate opportunities to increase its capital spending and may accelerate its Duvernay development plan where it believes it to be in the best interest of its shareholders.

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, take advantage of strategic acquisition opportunities that could benefit Trilogy shareholders. Please refer to the Company's Capital Management section in note 18 of the Interim Consolidated Financial Statements.

Operating Costs

Operating costs in the second quarter of 2013 were $9.71/Boe, up 13 percent from first quarter 2013 operating costs of $8.62 /Boe and up 26 percent from the $7.67/Boe reported for the second quarter of 2012. Operating costs trended higher in the second quarter due to increased oil and emulsion trucking, charges for disposing of water at third party disposal facilities, increased power costs and an increase in costs related to repairs and maintenance of Trilogy's pipelines and plants.



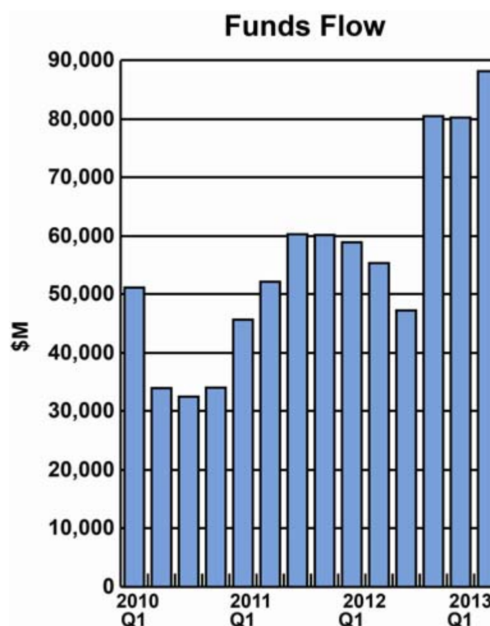
Trilogy has invested a significant amount of capital over the past three years to build out its production infrastructure and maximize production flowing through owned infrastructure at Presley, the Kaybob North Gas Plant, and at the Kaybob Montney oil pool. This investment is expected to provide Trilogy with control over its operating costs in its core production areas over the long term and should 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, increase production and provide a stable production profile. Execution of these plans takes time and a tremendous amount of planning to ensure producing properties are developed and efficiently produced at prudent rates. Operating costs will continue to vary quarter to quarter. However, assuming continued production growth through the year and reduced project maintenance costs for the second half of the year, operating costs should average between $8.00 and $9.00/Boe for the year.

Profitability

In the second quarter of 2013, Trilogy's operating netback was $29.81/Boe on a per unit of production basis, up 5 percent from $28.29/Boe in the first quarter 2013 and up 46 percent when compared to $20.41/Boe as reported in the second quarter of 2012. The increase in operating netback is attributed primarily to the significant increase in crude oil and natural gas liquids production through 2012 and into 2013, and higher crude oil and natural gas prices, partially offset by higher royalties and operating costs in the current period.



Trilogy's funds flow from operations for the second quarter 2013 was $88.2 million, up 10 percent from $80.3 million in the first quarter 2013. The quarter-over-quarter increase was largely a function of the aforementioned changes in operating netback.

Drilling and Land Sale Activity

During the second quarter of 2013, Trilogy participated in the drilling of 10 (8.1 net) wells, all of which were drilled horizontally in the Kaybob area. Drilling and completion results to date have been very positive, resulting in 8 (6.1 net) oil wells and 2 (2.0 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.

Trilogy acquired 2,944 net hectares at Alberta Crown land sales during the second quarter, for total expenditures of $0.3 million. Trilogy will continue to monitor and evaluate Crown land sale activity and acquire acreage that adds to its existing high quality acreage base.

Operating Area Updates

Kaybob

Trilogy's drilling operations during the second quarter of this year were primarily focused in the Kaybob area, where Trilogy participated in the drilling of 10 (8.1 net) wells. All of these wells were drilled horizontally into the Cardium, Dunvegan or Montney formations for oil or 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 second half of the year, Trilogy plans to continue to focus its capital spending on oil and liquids-rich natural gas plays in the Montney and Duvernay formations. Trilogy's land base provides the option to pursue dry gas, liquids-rich gas, crude oil and/or condensate prospects as economics dictate, which the Company anticipates will provide the flexibility to generate better returns for its shareholders. Trilogy's large land base and ownership of 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 second quarter, Trilogy drilled 6 horizontal Montney wells to further develop the Montney oil pool, bringing the total number of Montney oil wells drilled this year to 20 and the total drilled to date within the pool to 67. Trilogy has completed and tied in 3 of the 6 wells drilled during the second quarter. Unfortunately, 2 of the 14 wells drilled in the first quarter and 3 of the 6 wells drilled and cased in the second quarter could not be completed during the second quarter due to wet weather. Field operations resumed to more normal levels in July when surface conditions permitted improved access to the area. These wells were expected to provide production growth through the second quarter; however, given the weather related delays, production additions from those wells are now expected to be realized in the third quarter. The 3 wells that were completed during the second quarter replaced production declines for the pool during the quarter. Pool production averaged 13,146 Boe/d (8,900 Bbl/d of crude oil and natural gas liquids and 25.5 MMcf/d of natural gas) for the second quarter, as compared to 13,189 Boe/d for the first quarter of 2013. For the second quarter, Trilogy's average operating income for the Kaybob Montney oil pool was $48.64/Boe, which compares closely with the $48.60/Boe reported in the first quarter 2013 and accounted for approximately 35 percent of the Company's quarterly production.

Trilogy has budgeted two horizontal locations to be drilled outside of Trilogy's currently defined pool boundary. These wells are planned to be drilled in September and October, with completion results to follow in the fourth quarter and, assuming 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 that was first drilled in 2012.

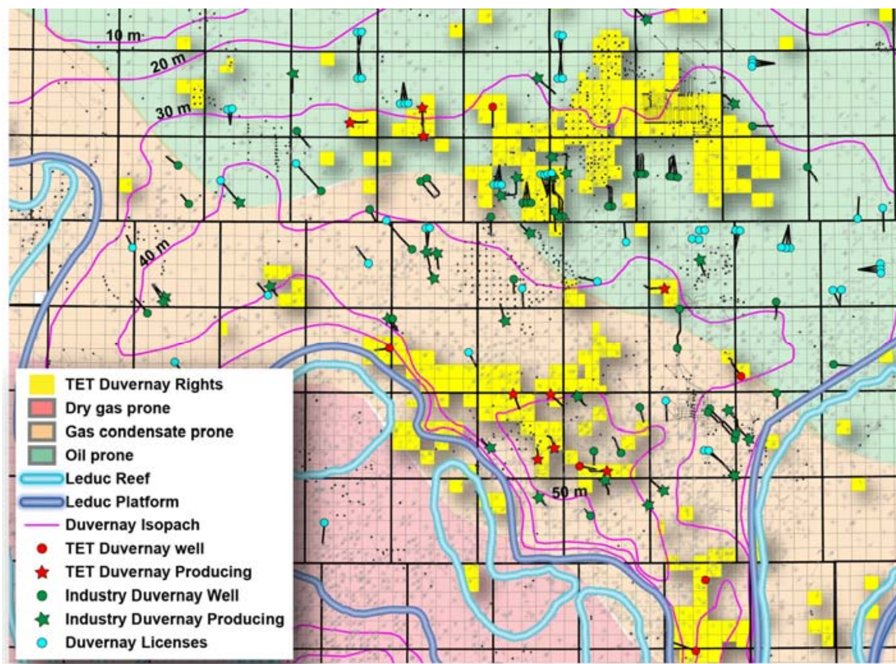
Presley Montney Gas Development

Trilogy's capital budget for 2013 provides for 10 horizontal Montney gas wells to be drilled during the year. Three wells were rig released in the first quarter and 2 additional wells were rig released in the second quarter. Given the timing of the drilling and completion operations, only one of these wells was completed and tied-in late in the first quarter. The remaining 4 wells were brought on production during the second quarter with the last well being completed and placed on production in late June. Trilogy is pleased with the positive production results and economics the pool provides and will continue with the budgeted plan to drill an additional 5 wells through the second half of 2013. Trilogy is well positioned to accelerate production growth utilizing the existing infrastructure in the area to the extent natural gas prices continue to improve.

Trilogy's operating income for this property improved from $15.05/Boe in 2012 to $20.14/Boe in the second quarter of 2013, reflecting the increase in natural gas prices through the second quarter. Trilogy will continue to monitor gas prices to ensure that capital is being allocated to higher rate of return projects.

Duvernay Shale Development

Trilogy budgeted $75 million to manage its Duvernay land expiries in 2013 through the drilling of 5 to 6 net wells. This year, Trilogy has drilled and completed two wells in the Tony Creek area; both wells are on production and yielding 250 to 300 Bbl/MMcf of 50 degree API oil/condensate. Trilogy spud a third well at 1-23-61-22W5 (bottom hole at 1-24-61-22W5), that was drilled to the intermediate casing point in April. Drilling operations were suspended through the spring break-up period and are expected to resume in August to drill the lateral portion of the well. The drilling rig will move to the next well at 7-6-58-18W5 (bottom hole at 13-33-57-18W5) to drill another horizontal well into the Duvernay. Trilogy will delay completion operations on both wells until the existing Duvernay producing wells can be evaluated in order to optimize the completion program for each well. Trilogy plans to drill its next operated well of the year at 16-28-58-18W5. This well will be drilled as a vertical well and is expected to validate two expiring licenses totaling 14 sections, allowing Trilogy to retain the acreage for an additional 5 years.



Trilogy is encouraged with the progress that has been made by industry in the past 9 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. Fracture density has increased, resulting in a larger number of fractures over the horizontal lateral. Increasing the number of fractured intervals within the well has resulted in an improvement in the 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 volatile oil window with encouraging results.

Trilogy continues to leverage the confidential drilling, and completion information from its Duvernay horizontal wells to gain access to confidential data of other operators in the area pursuant to Data Exchange Agreements. The information sharing agreements help to accelerate the knowledge transfer required to develop the best techniques to drill, complete and produce the Duvernay wells. In the Kaybob area, there are approximately 70 wells currently drilled into the Duvernay and approximately 37 of these wells are producing. Given the varying

liquids content, it will take time to determine the optimum completion and production techniques to apply to the various geographic areas of the play.

Dunvegan Oil Development

Trilogy participated in the drilling of 9 (3.5 net) horizontal Dunvegan oil wells in the first quarter, and 1 (0.1 net) wells in the second quarter of 2013. Trilogy continues to monitor and evaluate industry activity in the Dunvegan in the Kaybob area. A significant amount of progress has been made to locate sweet spots within the Dunvegan trend and continued drilling should identify additional trends and opportunities.

Trilogy operated the drilling and completion of 3 (3.0 net) wells in the first quarter, all of which came on production in the second quarter. The 2-33-60-18W5 horizontal Dunvegan oil well came on production April 9, 2013 at approximately 1,000 Bbl/d and has produced approximately 41 MBbls of oil and 62 MMcf of liquids-rich solution gas in 3 months of production. The 16-04-61-18W5 Dunvegan horizontal oil well came on production April 18, 2013 at approximately 700 Bbl/d and has produced 14 MBbls of oil and 17 MMcf of solution gas in approximately 3 months of production. The third well, located at 15-4-61-18W5, came on production in April 2013, and produced 15 MBbls of oil and 20 MMcf of solution in 2.5 months. Overall results for the Dunvegan have been encouraging; however, individual well results for the Dunvegan play have been variable. As such, production and reserves vary with pay thickness and reservoir extent.

Grande Prairie

During the second quarter of 2013, Trilogy did not participate in any drilling or completion operations. At Wembley, Trilogy's second horizontal Nikanassin oil well at 8-25-72-9W6 was drilled, completed and placed on production during the first quarter of 2013. This new well has averaged approximately 350 Bbl/d of oil, producing 52.5 MBbls in the first 5 months on production, however the well was suspended and produced intermittently through the second quarter due to facility problems at a third party-operated gas plant at Wembley. These problems have been resolved and the wells have been producing steadily in July. However, a scheduled turnaround at the Wembley Plant in September will likely reduce production during the third quarter. Trilogy plans to drill a third horizontal Nikanassin oil well into the pool early in the fourth quarter and expects to have the well on production by year end.

Second quarter production from the Company's Grande Prairie properties averaged approximately 2,081 Boe/d, compared to 2,380 Boe/d in the first quarter. It is estimated that the plant issues in the Grande Prairie area reduced second quarter production by approximately 500 Boe/d. Production is expected to increase through the second half 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. Trilogy anticipates spending an additional $10 million in the Grande Prairie area through the balance of the year.

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 6,000 Bbl/d of crude oil hedged for the balance of the year at approximately

$95.18 US/Bbl WTI, 4,000 Bbl/d for first the half 2014 at $92.60 US/Bbl and 3,000 Bbl/d at $92.65 US/Bbl for the second half 2014. 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 22 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 horizontal drilling prospects should provide the opportunity to grow annual production, replace produced reserves and maintain a meaningful dividend for its shareholders. Given developments through the first and second quarters and the expected facility down time through the balance of the year, Trilogy is adjusting its annual guidance for 2013 as follows:

- Average production 37,000 - 39,000 Boe/d (~45% oil and NGLs)
- Average operating costs $8.00 - $9.00/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 and six months ended June 30, 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 and six 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 August 6, 2013.

FINANCIAL AND OPERATING HIGHLIGHTS

- Reported sales volumes for the second quarter of 2013 averaged 37,209 Boe/d, representing an increase of 3 percent over the prior quarter (12 percent year to date 2013 over the same period in 2012).
- Oil and natural gas liquids sales volumes represented 44 percent of total sales volumes in the quarter and 45 percent year to date in 2013 (40 percent year to date in 2012).
- Funds flow from operations (1) was higher at $88.1 million as compared to $80.3 million for the previous quarter resulting in a 10 percent increase (47 percent increase year to date 2013 over 2012).
- Realized gas prices have increased 13 percent over the prior quarter (67 percent year to date 2013 over 2012)
- Net capital expenditures totaled $57 million for the second quarter of 2013 as compared to $170 million in the prior quarter ($227 million year to date).
- In total 10 (8.1 net) horizontal wells were drilled in the quarter.
- Dividends declared to Shareholders totaled $12.3 million or 15 percent of cash flow from operating activities (prior quarter – 15 percent).
- During 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.

Volatility in the discount differential between the Edmonton par price to WTI 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 availability of pipeline capacity to export oil to consuming markets.

Despite the volatility in oil and gas prices, Trilogy expects to continue profitably exploiting its current land base, focusing on plays that meet our investment return criteria at current commodity prices, growing production, and paying 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:

	Q2 2013	Q1 2013	Q2 2012	YTD 2013	YTD 2012
Crude Oil					
West Texas Intermediate monthly average (U.S.$/Bbl)	**94.29**	94.35	93.51	**94.32**	98.15
Edmonton Par monthly average (Cdn$/Bbl)	**92.94**	88.65	84.39	**90.80**	88.54
Natural Gas					
NYMEX (Henry Hub close) monthly average (U.S.$/MMBtu)	**3.99**	3.34	2.22	**3.66**	2.48
AECO monthly average (Cdn$/GJ)	**3.52**	3.12	1.86	**3.28**	2.03
Canada - U.S. dollar closing exchange rate (Cdn$/U.S.$1)	**1.05**	1.02	1.02	**1.05**	1.02

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, high working interest properties that provide abundant low risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and controlled by Trilogy. The Company continues to focus its exploitation efforts on play types with better economics, including those that contain oil and natural gas liquids and which utilize horizontal drilling and multi-stage fracture completion techniques 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 and infrastructure ownership, 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			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Operating income[1]	**100,792**	92,034	65,035	**192,826**	133,417
Other income	**160**	211	265	**371**	539
Realized financial instrument gains (losses) [2]	**1,047**	594	(162)	**1,641**	(3,429)
Actual decommissioning and restoration costs	**(1,064)**	(867)	(916)	**(1,931)**	(1,163)
Operating netback[1]	**100,935**	91,972	64,222	**192,907**	129,364
Interest and financing charges[5]	**(10,158)**	(9,383)	(5,489)	**(19,542)**	(9,783)
General and administrative expenses	**(2,617)**	(2,299)	(3,430)	**(4,916)**	(5,345)
Funds flow from operations[1]	**88,160**	80,290	55,303	**168,449**	114,236
Non-cash items:					
Depletion, depreciation, and impairments	**(59,223)**	(54,604)	(63,338)	**(113,827)**	(113,576)
Unrealized financial instrument gains (losses)[2]	**4,503**	(5,788)	13,999	**(1,285)**	11,889
Share based compensation	**(5,526)**	(4,650)	(4,238)	**(10,176)**	(8,336)
Exploration expenditures[3]	**(859)**	(394)	(989)	**(1,253)**	(4,950)
Amortization of financing fees	**(851)**	(315)	-	**(1,165)**	-
Other gains (losses)	**(301)**	28	(123)	**(273)**	(203)
Accretion on decommissioning and restoration liability[4]	**(252)**	(426)	(291)	**(678)**	(1,231)
Deferred income tax expense	**(5,809)**	(4,699)	(165)	**(10,508)**	(567)
Unrealized foreign exchange gains and other	**175**	202	124	**377**	17
Profit (loss) and comprehensive income	**20,017**	9,644	282	**29,661**	(2,721)

[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			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Sales	**47.07**	43.89	34.59	**45.51**	36.34
Transportation costs	**(1.38)**	(1.25)	(1.28)	**(1.32)**	(1.34)
Royalties	**(6.21)**	(5.71)	(4.97)	**(5.96)**	(4.56)
Operating costs	**(9.71)**	(8.62)	(7.67)	**(9.18)**	(8.09)
Operating income[1]	**29.77**	28.31	20.66	**29.05**	22.35
Other income	**0.05**	0.06	0.08	**0.06**	0.09
Realized financial instruments gains (losses) [2]	**0.31**	0.18	(0.05)	**0.25**	(0.57)
Actual decommissioning and restoration costs	**(0.31)**	(0.27)	(0.29)	**(0.29)**	(0.19)
Operating netback[1]	**29.81**	28.29	20.41	**29.07**	21.67
Interest and financing charges[3]	**(3.00)**	(2.89)	(1.74)	**(2.94)**	(1.64)
General and administrative expenses	**(0.77)**	(0.71)	(1.09)	**(0.74)**	(0.90)
Funds flow from operations[1]	**26.04**	24.70	17.57	**25.38**	19.14

[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

Second Quarter 2013 vs. First Quarter 2013			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q2 2013**	**Q1 2013**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**125,308**	117,029	8,279	7
Oil (Bbl/d)	**11,680**	11,543	137	1
Natural gas liquids (Boe/d)	**4,644**	5,072	(428)	(8)
Total (Boe/d)	**37,209**	36,119	1,090	3
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.95**	3.48	0.47	13
Oil ($/bbl)	**88.20**	80.54	7.66	10
Natural gas liquids ($/Boe)	**48.73**	48.96	(0.23)	-
Average realized price	**47.07**	43.89	3.18	7
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**3.95**	3.48	0.47	13
Oil ($/bbl)	**88.25**	80.56	7.70	10
Natural gas liquids ($/Boe)	**48.73**	48.96	(0.23)	-
Average realized price	**47.08**	43.90	3.19	7
Operating income[(2)]				
Natural gas	**45,029**	36,658	8,371	23
Oil	**93,746**	83,665	10,081	12
Natural gas liquids	**20,591**	22,348	(1,757)	(8)
Total petroleum and natural gas sales before financial instruments	**159,366**	142,671	16,695	12
Royalties	**(21,029)**	(18,548)	2,481	13
Operating costs	**(32,886)**	(28,010)	4,876	17
Transportation costs	**(4,659)**	(4,079)	580	14
Operating income[(2)]	**100,792**	92,034	8,758	10

(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 $10.0 million due to higher sales volumes ($2.1 million) and higher realized prices ($7.9 million). Oil volumes increased slightly in the quarter as new oil well production at Trilogy's Montney oil play and at Pine Creek in the Kaybob area and was mostly offset by natural production declines and oil infrastructure downtime and plant outages at the Kaybob North 8-9 plant which processes the related solution gas. In addition, a plant shutdown at a third party operated plant at Wembley curtailed oil production for approximately one month at Grande Prairie. Natural gas sales increased by $8.3 million due to higher sales volumes ($3.4 million) and by higher realized prices ($4.9 million). NGL sales decreased by $1.7 million due to lower sales volumes ($1.6 million) and lower realized prices ($0.1 million). New well production from Trilogy's liquids rich Duvernay and Montney gas wells and solution gas from Montney oil wells were offset, in part, by the aforementioned downtime and other repairs at the Kaybob North 8-9 plant and at third party plants in the Kaybob and Grande Prairie areas during the quarter. Finally, reduced recoveries and pricing under Trilogy's NGL Recovery Agreement with Aux Sable Canada LP contributed to the reduced NGL volumes and revenue quarter over quarter.

Royalties – Trilogy's effective royalty rate was consistent quarter over quarter as benefits applied under Alberta's New Well Royalty Reduction Incentive Program and Natural Gas Deep Drilling Credit Program offset increasing royalties on higher oil and gas commodity prices.

Operating Costs – The increase in operating costs quarter over quarter was, in part, attributed to: the increase in production; higher oil and emulsion trucking and water disposal costs experienced at Kaybob and Grande Prairie; increased Company labor and contract service costs; an increase in the cost of power consumed at facilities and wells; and decreased processing and compression recoveries on third party volumes.

Second Quarter 2013 vs. Second Quarter 2012			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q2 2013**	**Q2 2012**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**125,308**	125,093	215	-
Oil (Bbl/d)	**11,680**	9,788	1,892	19
Natural gas liquids (Boe/d)	**4,644**	3,948	696	18
Total (Boe/d)	**37,209**	34,585	2,624	8
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.95**	1.99	1.95	98
Oil ($/Bbl)	**88.20**	76.87	11.33	15
Natural gas liquids ($/Boe)	**48.73**	49.26	(0.53)	(1)
Average realized price	**47.07**	34.59	12.48	36
Average realized prices after financial instruments [1] and before transportation:				
Natural gas ($/Mcf)	**3.95**	1.99	1.95	98
Oil ($/Bbl)	**88.25**	76.14	12.11	16
Natural gas liquids ($/Boe)	**48.73**	49.26	(0.53)	(1)
Average realized price	**47.08**	34.38	12.70	37
Operating income[2]				
Natural gas	**45,029**	22,700	22,329	98
Oil	**93,746**	68,463	25,283	37
Natural gas liquids	**20,591**	17,698	2,894	16
Total petroleum and natural gas sales before financial instruments	**159,366**	108,861	50,505	46
Royalties	**(21,029)**	(15,640)	5,389	34
Operating costs	**(32,886)**	(24,143)	8,743	36
Transportation costs	**(4,659)**	(4,043)	616	15
Operating income[2]	**100,792**	65,035	35,757	55

[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 $25.2 million due to higher volumes ($15.1 million) and by higher realized prices ($10.1 million). The continued development of Trilogy's Kaybob Montney oil pool and related infrastructure contributed to the increase in oil production. Natural gas sales increased by $22.3 million due to a significant increase in natural gas prices ($22.2 million) and on slightly higher sales volumes ($0.1 million). NGL sales increased by $2.8 million on higher sales volumes ($3.0 million), offset, in part, by slightly lower realized NGL prices ($0.2 million). Increased liquids recoveries on Trilogy's Duvernay shale play contributed to the increase in NGL volumes.

Royalties – Royalties increased primarily on higher liquids production and on higher oil and gas prices.

Operating Costs – Operating costs increased, in part, on higher sales volumes. The increase was also attributed to: higher costs associated with oil and emulsion trucking and water disposal charges; increased equipment rental, instrumentation and metering costs on higher oil production, increased power consumption and related price of power at Trilogy's facilities and wells; increased labor and contract services; and increased well and facility/pipeline repair and maintenance costs.

Year-to-date 2013 vs Year-to-date 2012			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	YTD 2013	YTD 2012	Value	%
Average sales volumes:				
Natural gas (Mcf/d)	**121,191**	118,805	2,386	2
Oil (Bbl/d)	**11,612**	8,905	2,707	30
Natural gas liquids (Boe/d)	**4,857**	4,092	765	19
Total (Boe/d)	**36,667**	32,798	3,869	12
Average realized prices after financial instruments [2] and before transportation:				
Natural gas ($/Mcf)	**3.72**	2.23	1.50	67
Oil ($/Bbl)	**84.41**	81.05	3.36	4
Natural gas liquids ($/Boe)	**48.85**	50.24	(1.39)	(3)
Average realized price	**45.51**	36.34	9.17	25
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**3.72**	2.23	1.50	67
Oil ($/Bbl)	**84.45**	78.30	6.15	8
Natural gas liquids ($/Boe)	**48.85**	50.24	(1.39)	(3)
Average realized price	**45.52**	35.60	9.93	28
Operating income[(2)]				
Natural gas	**81,687**	48,165	33,522	70
Oil	**177,411**	131,359	46,052	35
Natural gas liquids	**42,939**	37,417	5,522	15
Total petroleum and natural gas sales before financial instruments	**302,037**	216,941	85,096	39
Royalties	**(39,577)**	(27,220)	12,357	45
Operating costs	**(60,896)**	(48,310)	12,586	26
Transportation costs	**(8,738)**	(7,994)	744	9
Operating income[(2)]	**192,826**	133,417	59,409	45

(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 $46.0 million due to higher volumes ($40.6 million) and higher realized prices ($5.4 million). Increased production on capital spent at Trilogy's Kaybob Montney oil play contributed primarily to the increase in oil production. Natural gas sales increased by $33.5 million due to higher realized natural gas prices ($32.4 million), and by slightly higher sales volumes ($1.1 million). NGL sales increased by $5.5 million on higher sales volumes ($6.5 million), offset, in part, by lower realized

NGL prices ($1.0 million). Increased liquids recoveries on Trilogy's Duvernay shale play contributed to the increase in NGL volumes.

Royalties – Royalties were higher, primarily as a result of increased liquids production attracting higher associated royalty rates and on increased natural gas and oil prices.

Operating Costs – Total operating costs increased, in part, on higher production. The increase was also attributed to: higher costs associated with oil and emulsion trucking and water disposal charges; increased equipment rental, instrumentation and metering costs on higher oil production, increased power consumption and related price of power at Trilogy's facilities and wells; increased labor and contract services; decreased processing and compression recoveries on third party volumes; and increased well and facility/pipeline repair and maintenance costs.

OTHER INCOME STATEMENT ITEMS

Depletion and Depreciation Expense

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 31, 2012
Reported amount	**59,223**	54,604	63,338	**113,827**	113,576
Expense per sales volume ($/Boe)	**17.49**	16.80	20.13	**17.15**	19.03

Depletion and depreciation expense on a per unit of production basis was higher in the second quarter of 2013 relative to the previous quarter, primarily due to the higher sales volumes.

Exploration Expenditures

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 31, 2012
Expired mineral leases	**825**	318	858	**1,143**	2,678
Impairments	**-**	-	40	**-**	228
Geological and geophysical	**34**	76	91	**110**	2,044
Exploration and evaluation expenses	**859**	394	989	**1,253**	4,950

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 particular exploratory well. 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			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 31, 2012
Salaries and other benefits	**6,287**	6,920	5,949	**13,207**	12,165
Office and communications	**1,095**	1,078	1,041	**2,173**	2,083
Corporate and other	**750**	477	556	**1,227**	1,054
Recoveries and reclassifications	**(5,516)**	(6,176)	(4,116)	**(11,691)**	(9,957)
Reported amount	**2,617**	2,299	3,430	**4,916**	5,345
Expense per sales volume ($/Boe)	**0.77**	0.71	1.09	0.74	0.90

General and administrative expenses were higher over the prior quarter, primarily as a result of lower overhead recoveries on reduced capital expenditures, partially offset by lower employee remuneration and employer related costs. Year over year, the decrease was attributed, in part, to higher recoveries on increased capital expenditures over the same period, partially offset by higher employee remuneration and employer related costs.

Share Based Compensation

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 31, 2012
Share Incentive Plan	**1,911**	1,113	1,229	**3,024**	2,319
Share Option Plan	**3,615**	3,537	3,009	**7,152**	6,017
Reported Amount	**5,526**	4,650	4,238	**10,176**	8,336
Expense per sales volume ($/Boe)	**1.63**	1.43	1.35	**1.53**	1.40

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. Increased awards granted in the second quarter of 2013 under the Company's Share Incentive Plan also contributed to an increase in share based compensation for the three and six months ended June 30, 2013, relative to the first quarter of 2013 and the same periods in 2012.

Interest, Financing, and Accretion Charges

(In thousand dollars except as otherwise indicated)

	Three Months Ended			Six Months Ended	
	June 30, 2013	**March 31, 2013**	**June 30, 2012**	**June 30, 2013**	**June 31, 2012**
Accretion on decommissioning and restoration liability	**1,316**	1,293	1,207	**2,609**	2,394
Interest and other finance costs[1]	**11,009**	9,698	5,489	**20,707**	9,783
Expense per sales volume ($/Boe)	**3.25**	2.98	1.74	**3.12**	1.64

[1] Includes the amortization of financing fees therein

An increase in the accretion of the Company's decommissioning and restoration liability for three and six months ended June 30, 2013 occurred in conjunction with the Company's growing asset base.

Higher debt levels and lender fees on Trilogy's revolving credit facility contributed to the increase in interest and financing charges in the second quarter over the first quarter of 2013, and in 2013 as compared to 2012 in conjunction with Trilogy's December 2012 issuance of senior unsecured notes and on increased borrowings under Trilogy's revolving credit facility. For additional information on Trilogy's long-term debt, refer below under the "Long-term Debt" section of this MD&A and to note 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 amount of unrealized and realized gains (losses) on financial instruments during the periods are as follows:

	Three Months Ended			Six Months Ended	
(In thousand dollars except as indicated)	**June 30, 2013**	**March 31, 2013**	**June 30, 2012**	**June 30, 2013**	**June 31, 2012**
Realized gain (loss) on financial instruments	**1,048**	594	(162)	**1,641**	(3,429)
Unrealized gain (loss) on financial	**4,502**	(5,788)	13,999	**(1,285)**	11,889
Total gain (loss) on financial instruments	**5,550**	(5,194)	13,837	**356**	8,460
Realized gain (loss) on financial instruments ($/Boe)	**0.31**	0.18	(0.05)	**0.25**	(0.57)

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

	Financial Forward Sale	
Term	Volume (bbls/d)	Average USD WTI Price/bbl
H2 2013	6,000	$95.18
H1 2014	4,000	$92.60
H2 2014	3,000	$92.65

Power

	Financial Forward Sale	
Term	MW/h	Average CAD Price/MW/h
H2 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)

	June 30, 2013	December 31, 2012
Current liabilities net of current assets	**24,378**	44,460
Long-term debt	**694,793**	592,325
Net debt[1]	**719,171**	636,785
Shareholders' equity	**504,165**	486,399
Total	**1,223,336**	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 $719.2 million at June 30, 2013. Any working capital deficiency is funded by cash flow from operations and draw-downs from the Company's credit facility. Refer to the 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 $401.7 million (before unamortized interest discount and financing costs) as at June 30, 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 June 30, 2013, has the following significant terms:

- total commitments of $650 million, consisting of a $35 million working capital tranche and a $615 million revolving tranche;
- a maturity date of April 30, 2016;
- 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.

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

- a ratio of Consolidated Debt to "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 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.

<u>Senior Unsecured Notes</u>

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. 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 $719.2 million at June 30, 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 June 30, 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 options and share capital, refer to note 13 and 14 of the Interim Financial Statements.

Outstanding share options issued under Trilogy's share option plan were 6,083,117 as at June 30, 2013 and 6,067,000 share options as at the date hereof, of which 1,604,000 share options and 1,606,000 share options were exercisable as at those dates, respectively.

Dividends

(In thousand dollars except where stated otherwise)

	Three Months Ended			Six Months Ended	
	June 30, 2013	**March 31, 2013**	**June 30, 2012**	**June 30, 2013**	**June 30, 2012**
Funds flow from operations[1]	**88,160**	80,290	55,303	**168,449**	114,236
Net changes in operating working capital	**(7,658)**	963	(1,888)	**(6,695)**	(2,744)
Cash flow from operating activities	**80,502**	81,253	53,415	**161,754**	111,492
Net earnings (loss)	**20,017**	9,644	282	**29,661**	(2,721)
Dividends declared	**12,351**	12,287	12,242	**24,638**	24,458
Dividends declared per share (in full amount)	**0.105**	0.105	0.105	**0.210**	0.210
Excess of cash flow from operations over dividends declared	**68,151**	68,966	41,173	**137,116**	87,034
Excess (deficiency) of net earnings (loss) over dividends	**7,666**	(2,643)	(11,960)	**5,023**	(27,179)

(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 six months ended June 30, 2013 (22 percent for the six months ended June 30, 2012).

Capital Expenditures

(In thousand dollars except where stated otherwise)

	Three Months Ended			Six Months Ended	
	June 30, 2013	March 31, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Land	**303**	308	757	**611**	894
Geological and geophysical	**34**	76	91	**110**	2,044
Drilling, completions, and tie-ins	**42,726**	150,240	10,163	**192,966**	157,940
Production equipment and facilities	**13,972**	18,832	19,688	**32,805**	50,047
	57,035	169,456	30,699	**226,492**	210,925
Proceeds (received) from property dispositions	**-**	-	-	**(1)**	(396)
Property acquisitions	**1**	180	-	**181**	494
Corporate assets	**17**	1	2,259	**18**	2,349
Net capital expenditures	**57,053**	169,638	32,958	**226,690**	213,372

Capital expenditures decreased in the quarter as compared to the previous quarter as Trilogy executed a significant portion of its annual capital budget in the first quarter. Trilogy has invested significant capital over the past three years to build out the producing infrastructure to accommodate increased production volumes. For the current quarter, capital was directed to drilling, completion, facility and tie-in projects.

Wells Drilled

	Three Months Ended				Six Months Ended			
(Number of wells)	June 30, 2013		June 30, 2012		June 30, 2013		June 30, 2012	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
Natural gas	**2**	**2.0**	4	3.4	**7**	**5.3**	21	16.4
Oil	**8**	**6.1**	6	2.6	**38**	**28.6**	20	13.4
Total	**10**	**8.1**	10.0	6.0	**45**	**33.9**	41	29.8

[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 $5.8 and $10.5 million for the three and six months ended June 30, 2013. ($0.2 and $0.6 million for the same periods in 2012). The Company's statutory tax rate of 25 percent was increased to an effective tax rate of 26 percent as a result of share based compensation amounts deducted in computing net income (loss) before tax which are not deductible for tax purposes offset substantially by incentive tax credits recorded under Canada's Scientific Research and Experimental Development ("SR&ED") program. Refer to note 9 of the Interim Financial Statements for additional income tax disclosures.

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 and $0.2 million for the three and six months ended June 30, 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 is adjusting its annual 2013 guidance as follows:

Average production	37,000 – 39,000 Boe/d (45% oil and NGLs)
Average operating cost	$8.00 - $9.00/Boe
Capital expenditures	$350 million

QUARTERLY FINANCIAL INFORMATION

(In thousand dollars except per share amounts)

	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Revenue after financial instruments, royalties and other income	**144,222**	119,342	122,499	88,655
Earnings (loss) before tax	**25,826**	14,343	3,474	(13,413)
Net earnings (loss)	**20,017**	9,644	1,682	(11,094)
Earnings (loss) per Share (in full amounts):				
Basic	**0.17**	0.08	0.01	(0.10)
Diluted	**0.17**	0.08	0.01	(0.10)

	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Revenue after financial instruments, royalties and other income	107,447	91,290	82,287	95,339
Earnings (loss) before tax	447	(2,601)	(5,246)	19,049
Net earnings (loss)	282	(3,003)	(4,651)	14,404
Earnings (loss) per Share (in full amounts):				
Basic	NIL	(0.03)	(0.04)	0.12
Diluted	NIL	(0.03)	(0.04)	0.12

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

CRITICAL ACCOUNTING ESTIMATES

The historical information in this MD&A is based primarily on the Company's consolidated financial statements, which have been prepared in Canadian Dollars in accordance with IFRS. The application of IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Trilogy bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements:

Reserves Estimation

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

Proved reserves are those reserves that have a reasonable certainty (normally at least 90% confidence) of being recoverable under existing economic and political conditions, with existing technology. Probable reserves are based on geological and/or engineering data similar to that used in estimates of proved reserves, but technical, contractual, or regulatory uncertainties preclude such reserves from being classified as proved. Probable reserves are attributed to known accumulations that have a greater or equal to 50% confidence level of recovery. 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, all 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 for impairment prior to any such transfer. Refer to note 8 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 June 30, 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, the relative content of crude oil, natural gas liquids, and natural gas therein and the timing thereof; 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, Nikanassin 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 pool, 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 value and prospectivity of Trilogy's current and future land holdings; ability to execute future asset and land acquisitions; statements as to facility capacity, run-times, expected facility downtime and timing and extent of associated impact on production; availability of transportation capacity; statements as to expected improvements in operating efficiency; 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; future earning; estimates on a per share basis; 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; ultimate recoverability of current and long-term assets; future expenditures and future allowances relating to environmental matters and Trilogy's ability to comply with same; and other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, and results of operations or performance. 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, industry 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;
- projected capital investment levels and the successful and timely implementation of capital projects;
- 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 royalty and regulatory regimes including, 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;
- the continuation of assumed tax regimes, estimates of deferred tax amounts, tax assets and tax pools; and
- the extent of Trilogy's liabilities.

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 and other financing risks;
- 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;
- the outcome and effects of any future acquisitions and dispositions;
- general risks related to strategic and capital allocation decisions, including potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- 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, security and environmental risks;
- uncertainties and risks associated with decommissioning and reclamation;
- environmental regulatory and compliance risks including those potentially associated with greenhouse gases and hydraulic fracturing;
- 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, including risks related to the imposition of moratoriums;
- the possibility that 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, arbitrations and regulatory actions against Trilogy;
- hiring/maintaining and development of staff;
- material shortages;
- the impact of market competition;
- risks associated with Trilogy's mitigation strategies including insurance and hedging activities;
- the impact of technology on operations and processes and how new complex technology may not perform as expected;
- risks related to the actions and financial circumstances of Trilogy agents and contractors, counterparties and joint venture partners, including renegotiation of contracts; and
- other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

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

Non-GAAP Measures

Certain measures used in this document, including "finding and development costs" , "funds flow from operations", "operating income", "net debt", "operating netback", "payout ratio" 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.

"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.

"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.

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

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

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 Q2 2013, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 22:1 ("Value Ratio"). The Value Ratio is obtained using the Q2 2013 average realized oil price of $88.20 (CAD$/Bbl) and the Q2 2013 average realized natural gas price of $3.95(CAD$/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	June 30, 2013	December 31, 2012
ASSETS			
Current assets			
Restricted cash	6	$ 5,931	$ 5,369
Trade and other receivables	17, 18, 19	69,391	64,978
Derivative financial instruments	18, 19, 20	2,287	2,897
Prepaids		4,756	895
		82,365	74,139
Non-current assets			
Property, plant and equipment	7, 8	1,117,979	1,004,660
Exploration and evaluation assets	7, 8	78,417	75,353
Deferred tax asset	9	89,981	100,488
Goodwill		140,471	140,471
Total assets		$ 1,509,213	$ 1,395,111
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	17, 18, 19	$ 100,866	$ 113,380
Dividend payable	10, 18, 19	4,128	4,087
Interest payable	11	1,073	1,132
Derivative financial instruments	18, 19, 20	676	-
		106,743	118,599
Non-current liabilities			
Long-term debt	11, 18, 19	694,793	592,325
Decommissioning and restoration liability	12	203,512	197,788
Total liabilities		1,005,048	908,712
Shareholders' equity			
Shareholders' capital	13, 14	895,106	883,758
Contributed surplus	13	34,068	32,673
Accumulated deficit		(425,009)	(430,032)
		504,165	486,399
Total shareholders' equity and liabilities		$ 1,509,213	$ 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 June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revenue and other					
Petroleum and natural gas sales	*21*	$ **159,366**	$ 108,861	$ **302,037**	$ 216,941
Royalties		**(21,029)**	(15,640)	**(39,577)**	(27,220)
Revenue		**138,337**	93,221	**262,460**	189,721
Other income		**335**	389	**748**	556
Gain on derivative financial instruments	*18, 19, 20*	**5,550**	13,837	**356**	8,460
		144,222	107,447	**263,564**	198,737
Expenses					
Operating and production		**32,886**	24,143	**60,896**	48,310
Transportation		**4,659**	4,043	**8,738**	7,994
Depletion, depreciation, and impairments	*7*	**59,223**	63,338	**113,827**	113,576
Exploration and evaluation	*8*	**859**	989	**1,253**	4,950
Loss on disposal of assets		**301**	123	**273**	203
General and administrative		**2,617**	3,430	**4,916**	5,345
Share-based compensation	*13*	**5,526**	4,238	**10,176**	8,336
Accretion on decommissioning and restoration liability	*12*	**1,316**	1,207	**2,609**	2,394
Interest and other finance costs	*11*	**11,009**	5,489	**20,707**	9,783
		118,396	107,000	**223,395**	200,891
Net income (loss) before income tax		**25,826**	447	**40,169**	(2,154)
Income tax expense					
Deferred	*9*	**5,809**	165	**10,508**	567
Comprehensive income (loss)		$ **20,017**	$ 282	$ **29,661**	$ (2,721)
Earnings (loss) per share	*15*				
- Basic		$ **0.17**	$ 0.00	$ **0.25**	(0.02)
- Diluted		$ **0.17**	$ 0.00	$ **0.25**	(0.02)

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	-		-		-		29,661		29,661
Share options exercised *(note 13, 14)*	1,159,783		11,695		(3,812)		-		7,883
Dividends declared *(note 10)*	-		-		-		(24,638)		(24,638)
Share Incentive Plan purchases, net of grants vested *(note 13, 14)*	7,264		(347)		(4,969)		-		(5,316)
Share-based compensation *(note 13)*	-		-		10,176		-		10,176
Balance at June 30, 2013	**117,840,729**	**$**	**895,106**	**$**	**34,068**	**$**	**(425,009)**	**$**	**504,165**
Balance at January 1, 2012	**116,118,158**		**877,682**		**21,706**		**(368,943)**	**$**	**530,445**
Net loss for the period	-		-		-		(2,721)		(2,721)
Share options exercised *(note 13, 14)*	306,000		4,039		(695)		-		3,344
Dividends declared *(note 10)*	-		-		-		(24,458)		(24,458)
Share Incentive Plan purchases, net of grants vested *(note 12, 13)*	66,884		18		(4,006)		-		(3,988)
Share-based compensation *(note 13)*	-		-		8,336		-		8,336
Balance at June 30, 2012	**116,491,042**	**$**	**881,739**	**$**	**25,341**	**$**	**(396,122)**	**$**	**510,958**

[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 June 30,		Six months ended June 30,	
		2013	2012	**2013**	2012
Operating activities					
Net income (loss) before income tax		**$ 25,826**	$ 447	**$ 40,169**	(2,154)
Adjustments for non-cash and other items:					
Unrealized (gains) losses on derivative financial instruments	*18, 19, 20*	**(4,502)**	(13,999)	**1,285**	(11,889)
Unrealized foreign exchange (gains) losses		**(176)**	(124)	**(377)**	(17)
Depletion and depreciation	*7*	**59,223**	63,338	**113,827**	113,576
Exploration and evaluation	*8*	**859**	989	**1,253**	4,950
Loss on disposal of assets		**301**	123	**273**	203
Amortization of finance fees		**851**	-	**1,165**	-
Share based compensation	*13*	**5,526**	4,238	**10,176**	8,336
Accretion on decommissioning and restoration liability	*12*	**1,316**	1,207	**2,609**	2,394
Decommissioning and restoration costs	*12*	**(1,064)**	(916)	**(1,931)**	(1,163)
Change in non-cash working capital	*16*	**(7,658)**	(1,888)	**(6,695)**	(2,744)
Cash flow from operating activities		**80,502**	53,415	**161,754**	111,492
Investing activities					
Exploration and evaluation expenditures	*8*	**(1,706)**	(4,702)	**(18,508)**	(10,523)
Property, plant and equipment expenditures	*7*	**(55,345)**	(28,256)	**(208,001)**	(202,751)
Property (acquisitions) dispositions	*7*	**(1)**	-	**(180)**	(494)
Proceeds from disposition of property, plant and equipment	*7*	**-**	-	**-**	396
Restricted cash (increase) decrease	*6*	**51**	-	**(562)**	-
Change in non-cash working capital	*16*	**(85,960)**	(82,791)	**(14,154)**	(27,328)
Cash flow used in investing activities		**(142,961)**	(115,749)	**(241,405)**	(240,700)
Financing activities					
Draws on revolving credit facility	*11*	**74,709**	76,274	**101,663**	154,298
Financing fees and adjustments	*11*	**-**	-	**18**	-
Dividends paid to Shareholders	*10*	**(12,322)**	(12,235)	**(24,597)**	(24,446)
Share incentive plan purchases	*13, 14*	**(5,316)**	(3,988)	**(5,316)**	(3,988)
Shares issued	*13, 14*	**5,388**	2,283	**7,883**	3,344
Cash flow from financing activities		**62,459**	62,334	**79,651**	129,208
Change in cash		**-**	-	**-**	-
Cash balance, beginning of period		**-**	-	**-**	-
Cash balance, end of period		**-**	-	**-**	-
Cash interest paid		**$ 17,387**	$ 5,581	**$ 21,432**	$ 10,043

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 August 6, 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 $5.9 million that is restricted for settlement against an equivalent amount recorded within accounts payable and accrued liabilities.

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	**212,920**	**17**	**212,937**
Transfers from intangible exploration and evaluation assets (Note 8)	**14,481**	**-**	**14,481**
Disposals	**(980)**	**-**	**(980)**
Balance at June 30, 2013	**2,642,158**	**13,507**	**2,655,665**

	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	**113,536**	**291**	**113,827**
Disposals	**(707)**	**-**	**(707)**
Balance at June 30, 2013	**1,528,694**	**8,992**	**1,537,686**
Net carrying value			
At December 31, 2012	999,871	4,789	1,004,660
At June 30, 2013	**1,113,464**	**4,515**	**1,117,979**

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 $59.9 million as at June 30, 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.

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	**611**	**17,897**	**18,508**
Expensed	**(1,143)**	**-**	**(1,143)**
Transfers to property, plant and equipment (Note 7)	**(191)**	**(14,289)**	**(14,481)**
Acquisitions	**180**	**-**	**180**
Dispositions	**-**	**-**	**-**
Balance at June 30, 2013	**71,390**	**7,027**	**78,417**

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

	Three months-ended June 30		Six months-ended June 30	
	2013	2012	**2013**	2012
Expired mineral leases	**825**	858	**1,143**	2,678
Impairment charge, net of reversals	**-**	40	**-**	228
	825	898	**1,143**	2,906
Geological and geophysical costs	**34**	91	**110**	2,044
Exploration and evaluation expenditures	**859**	989	**1,253**	4,950

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

9. INCOME TAX

The movement in deferred income tax assets and (liabilities) is are 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	**(5,234)**	**321**	**1,431**	**(7,025)**	**(10,508)**
At June 30, 2013	**(121,884)**	**(403)**	**50,878**	**161,390**	**89,981**

A $10.5 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 $706 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 $637 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 and $0.21 per Share for the three and six months ended June 30, 2013 and June 30, 2012, respectively. The dividend payable was $4.1 million ($0.035 per Share) as at June 30, 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 $650 million, consisting of a $35 million working capital tranche and a $615 million revolving tranche.

- a maturity date of April 30, 2016.
- 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.

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 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 $11.6 million as at June 30, 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 $1.1 million at June 30, 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.

Long-term debt as at June 30, 2013 and December 31, 2012 is comprised of the following:

	Six months-ended June 30, 2013	Twelve months-ended December 31, 2012
Revolving credit facility	**401,716**	299,004
Less prepaid interest and unamortized financing costs	**(1,542)**	(870)
Carrying value	**400,174**	298,134
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(5,381)**	(5,809)
Carrying value	**294,619**	294,191
Total carrying value of long term debt	**694,793**	592,325

12. DECOMMISSIONING AND RESTORATION LIABILITY

	Six months-ended June 30, 2013	Twelve months-ended December 31, 2012
Balance - beginning of period	**197,788**	183,665
Liabilities incurred	**5,046**	9,825
Liabilities settled	**(1,931)**	(2,754)
Accretion	**2,609**	4,849
Revision to estimates	**-**	2,203
Balance – end of period	**203,512**	197,788

The Company has estimated the undiscounted value of the decommissioning and restoration obligation to be $230 million as at June 30, 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 June 30, 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.

13. SHARE-BASED PAYMENT PLANS

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

	Three months-ended June 30		Six months-ended June 30	
	2013	2012	2013	2012
Expense arising from:				
Share Incentive Plan	**1,911**	1,229	**3,024**	2,319
Share Option Plan	**3,615**	3,009	**7,152**	6,017
Total expense arising from share-based payment transactions	**5,526**	4,238	**10,176**	8,336

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:

	Six months-ended June 30, 2013	Twelve months-ended December 31, 2012
Beginning	**101,390**	168,814
Purchases	**180,000**	166,200
Vested	**(187,264)**	(233,624)
Ending	**94,126**	101,390

The cost to the Company of the Common Shares held in trust as at June 30, 2013 was $2.8 million and as at December 31, 2012 was $2.4 million, and was recorded as a reduction to Common Shares outstanding and shareholder capital. Conversely, the vesting of SIP 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 date. The contractual life of each option granted is 4.5 to 5.5 years.

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

	Six months-ended June 30, 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	**6.76**	**(1,159,783)**	9.81	(488,100)
Forfeited	**24.33**	**(65,000)**	20.06	(28,000)
Outstanding at period end	**$ 22.25**	**6,083,117**	$ 19.77	7,257,900
Exercisable at period end	**$ 14.15**	**1,604,000**	$ 11.08	2,740,900

The weighted average share price at the date of exercise for share options exercised in 2013 was $30.16 (2012: $27.36).

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:

	June 30, 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 range of exercise prices of the outstanding options and exercisable options as at June 30, 2013 are as follows:

Exercise Price Range	Weighted Average Contractual Life Remaining	Outstanding Options		Exercisable Options	
		Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$4.85 to $11.17	1.4	1,374,500	$6.96	845,000	$6.73
$11.18 to $28.31	3.9	3,197,617	21.18	463,500	12.15
$28.31 to $38.74	3.8	1,511,000	38.39	295,500	38.52
Total	3.3	6,083,117	$22.25	1,604,000	$14.15

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[(1)]	Non-Voting Shares	Total		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**	**$**	**883,758**
Issued - Share Option Plan	**1,159,783**	**-**	**1,159,783**		**11,695**
Share Incentive Plan purchases	**(180,000)**	**-**	**(180,000)**		**(5,316)**
Vesting of Share Incentive Plan awards	**187,264**	**-**	**187,264**		**4,969**
Common Shares and Non-Voting Shares as at June 30, 2013	**92,004,867**	**25,835,862**	**117,840,729**	**$**	**895,106**

(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 June 30		Six months-ended June 30	
	2013	2012	2013	2012
Net earnings (loss) used in the calculation of total basic and diluted earnings per share	**20,017**	282	**29,661**	(2,721)
Weighted average number of shares for the purposes of basic earnings per share	**117,428,594**	116,414,833	**117,159,223**	116,280,004
Effect of dilution	**2,610,009**	2,701,818	**2,717,648**	-
Weighted average number of shares for diluted earnings per share	**120,038,603**	119,116,651	**119,876,871**	116,280,004
Earnings (loss) per share – Basic	**0.17**	-	**0.25**	(0.02)
Earnings (loss) per share – diluted	**0.17**	-	**0.25**	(0.02)

16. RECONCILIATION OF CHANGES IN NON-CASH WORKING CAPITAL

	Three months-ended June 30		Six months-ended June 30	
	2013	2012	2013	2012
Decrease (increase) in trade, other receivables and prepaids	**(1,704)**	5,767	**(8,274)**	2,730
Increase (decrease) in trade, other payables and interest payable	**(91,914)**	(90,446)	**(12,573)**	(32,802)
	(93,618)	(84,679)	**(20,849)**	(30,072)
Changes in non-cash operating working capital	**(7,658)**	(1,888)	**(6,695)**	(2,744)
Changes in non-cash investing working capital	**(85,960)**	(82,791)	**(14,154)**	(27,328)

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 and $0.2 million for the three and six months ended June 30, 2013, respectively (June 30, 2012 - $0.2 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:

June 30, 2013 Presented in the Balance Sheet as	Normal Business	Services Agreement	Dividend
Trade and other receivables	**290**	**-**	**-**
Trade and other payables	**(281)**	**(90)**	**-**
Dividends payable	**-**	**-**	**(677)**

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.

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:

	June 30, 2013	December 31, 2012
Cash and marketable securities	**5,931**	5,369
Trade and other receivables	**69,391**	64,978
Derivatives Financial Instruments[1]	**2,287**	2,897
	71,678	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 June 30, 2013 is as follows:

	Within 1 Year	1 to 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	100,866	-	-	100,866
Dividends payable	4,128	-	-	4,128
Interest payable	1,073			1,073
Derivative financial instruments	676	-	-	676
Long-term debt and estimated interest[(1)]	25,333	493,444	343,500	862,277
Total	132,076	493,444	343,500	969,020

[(1)] Estimated interest related to the revolving credit facility for future periods was calculated using the weighted interest rate for the period ending June 30, 2013 applied to the debt principal balance outstanding as at that date. Principal repayment is assumed on April 30, 2016. Estimated interest related to the unsecured senior notes for future periods was calculated using the coupon interest rate of 7.25 percent applied to the principal balance. Principal repayment is assumed on December 13, 2019.

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.

A comparison of Trilogy's debt structure against the committed amount on its revolving credit facility at June 30, 2013 and December 31, 2012 is detailed below:

	June 30, 2013	December 31, 2012
Committed amount that can be drawn from the credit facility (see note 11)	**650,000**	610,000
Outstanding undrawn letters of credit	**(11,633)**	(14,253)
Amount that can be drawn after letters of credit	**638,367**	595,747
Revolving credit facility	**(400,174)**	(298,134)
Current liabilities net of current assets	**(24,378)**	(44,460)
Capacity under revolving credit facility	**213,815**	253,153

Trilogy's net debt, calculated as its long-term debt plus any net working capital deficit, is as follows at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Revolving credit facility (see note 11)	**(400,174)**	(298,134)
Senior notes (see note 11)	**(294,619)**	(294,191)
Current liabilities, net of current assets	**(24,378)**	(44,460)
Net debt[(1)]	**(719,171)**	(636,785)

(1) Net debt as calculated above are non GAAP terms and may be different than 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 and related asset base relative to the incremental operating income received to date.

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.

	June 30, 2013	December 31, 2012
Financial assets		
Restricted cash	**5,931**	5,369
Receivables[1]	**69,391**	64,978
Financial instruments fair valued through profit and loss[2]	**2,287**	2,897
Financial liabilities		
Other liabilities - non-trading liabilities[1] [3]	**(106,067)**	(118,599)
Financial instruments fair valued through profit and loss[2]	**(676)**	-
Other liabilities - long-term debt[4]	**(694,793)**	(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:

June 30, 2013

	Derivative financial assets (liabilities) – fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
Power derivative contract	**-**	**549**	**-**	**549**
Interest derivative contract	**-**	**253**	**-**	**253**
Crude oil derivative contracts	**-**	**809**	**-**	**809**
		1,611		**1,611**

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

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

June 30, 2013

	Derivative financial assets (liabilities)	
Gross amounts subject to agreements	**2,835**	**(1,224)**
Amounts set off in accordance with paragraph 42 of IAS 32	**(548)**	**548**
Net amounts presented in balance sheet	**2,287**	**(676)**
	1,611	

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 June 30, 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
H2 2013	5,000	$94.05
H1 2014	3000	$91.96
H2 2014	2000	$91.73

Power

Term	Financial Forward Sale MW/h	Average CAD Price/MW/h
H2 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.

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 June 30, 2013 and December 31, 2012, and the change in fair value for the six months ended June 30, 2013 and the twelve months ended December 31, 2012.

	Six months-ended June 30, 2013	Twelve months-ended December 31, 2012
Derivative asset, beginning of period	**2,897**	134
Unrealized change in fair value	**(610)**	2,763
Derivative asset, end of period	**2,287**	2,897
Derivative liability, beginning of period	**-**	(9,961)
Unrealized change in fair value	**(676)**	9,961
Derivative liability, end of period	**(676)**	-
Unrealized increase (decrease) in fair value for the period	**(1,285)**	12,724

20. GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

	Three months-ended June 30		Six months-ended June 30	
	2013	2012	**2013**	2012
Realized gains (losses)				
Crude oil	**59**	(645)	**80**	(4,456)
Power	**853**	-	**1,025**	-
Foreign exchange	**-**	352	**270**	772
Interest swaps	**136**	131	**266**	255
Sub-total	**1,048**	(162)	**1,641**	(3,429)
Unrealized gains (losses)				
Crude oil	**4,078**	14,722	**(1,296)**	11,840
Power	**502**	-	**549**	-
Foreign exchange	**-**	(208)	**(260)**	(297)
Interest swaps	**(78)**	(515)	**(278)**	346
Sub-total	**4,502**	13,999	**(1,285)**	11,889
Gain on derivative financial instruments	**5,550**	13,837	**356**	8,460

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 June 30		Six months-ended June 30	
	2013	2012	**2013**	2012
Petroleum and natural gas sales:				
Natural gas	**45,029**	22,700	**81,687**	48,165
Oil	**93,746**	68,463	**177,411**	131,359
Natural gas liquids	**20,591**	17,698	**42,939**	37,417
Total petroleum and natural gas sales	**159,366**	108,861	**302,037**	216,941

22. SUBSEQUENT EVENTS

Subsequent to the quarter, Trilogy entered into the following financial derivative contracts:

Crude Oil

Term	Financial Forward Sale Volume (bbls/d)	USD WTI Price/bbl
August 1 to December 31, 2013	1,000	$102.40
January 1, 2014 to December 31, 2014	1,000	$94.50

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

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

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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"