Q2 / Second quarter report 2015

	Three Months Ended			Six Months Ended June 30		
	June 30, 2015	**March 31, 2015**	**Change %**	**2015**	**2014**	**Change %**
FINANCIAL						
Petroleum and natural gas sales	**81,852**	81,846	-	**163,698**	335,533	(51)
Funds flow						
From operations(1)	**33,803**	33,898	-	**67,702**	183,412	(63)
Per share - diluted	**0.27**	0.27	-	**0.54**	1.44	(63)
Earnings						
Loss before tax	**(35,146)**	(28,447)	24	**(63,592)**	62,007	(203)
Per share - diluted	**(0.28)**	(0.23)	23	**(0.50)**	0.49	(203)
Loss after tax	**(26,881)**	(20,662)	30	**(47,543)**	45,619	(204)
Per share - diluted	**(0.21)**	(0.16)	30	**(0.38)**	0.36	(205)
Dividends declared	**-**	-	-	**-**	26,377	(100)
Per share	**-**	-	-	**-**	0.210	(100)
Capital expenditures						
Exploration, development, land, and facility	**10,933**	47,263	(77)	**58,226**	281,531	(79)
Acquisitions (dispositions) and other - net	**(4,289)**	466	(1,020)	**(3,853)**	4,724	(182)
Net capital expenditures	**6,644**	47,729	(86)	**54,373**	286,255	(81)
Total assets	**1,542,040**	1,592,668	(3)	**1,542,040**	1,726,495	(11)
Net debt(1)	**737,018**	765,041	(4)	**737,018**	750,109	(2)
Shareholders' equity	**532,915**	554,719	(4)	**532,915**	692,726	(23)
Total shares outstanding (thousands)						
- As at end of period (2)	**126,123**	125,854	-	**126,123**	125,755	-
OPERATING						
Production						
Natural gas (MMcf/d)	**113**	125	(10)	**119**	124	(4)
Oil (Bbl/d)	**5,559**	6,874	(19)	**6,213**	8,504	(27)
Natural gas liquids (Boe/d)	**4,533**	5,396	(16)	**4,962**	5,483	(10)
Total production (Boe/d @ 6:1)	**28,926**	33,041	(12)	**30,972**	34,670	(11)
Average prices before financial instruments						
Natural gas ($/Mcf)	**3.12**	3.20	(3)	**3.16**	5.71	(45)
Crude Oil ($/Bbl)	**63.51**	48.58	31	**55.29**	96.24	(43)
Natural gas liquids ($/Boe)	**42.83**	32.77	31	**37.39**	59.62	(37)
Average realized price	**31.10**	27.52	13	**29.20**	53.47	(45)
Drilling activity (gross)						
Gas	**-**	8	(100)	**8**	23	(65)
Oil	**-**	5	(100)	**5**	24	(79)
Total wells	**-**	13	(100)	**13**	47	(72)

(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.

TRILOGY ENERGY CORP.

Operations Update for the Second Quarter 2015

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

Production and Capital Spending

Trilogy's second quarter 2015 production was 28,926 Boe/d (113.0 MMcf/d of natural gas, 5,559 Bbl/d of crude oil and 4,533 Boe/d of natural gas liquids), a decrease of 12 percent from first quarter 2015 production of 33,041 Boe/d. The decrease in average daily production volumes reflects natural production declines of Trilogy's existing assets, plant and pipeline outages, shut-in production that was deemed uneconomic at current commodity prices and the effect of moving liquids-rich gas from Alliance pipeline to TransCanada pipeline systems to realize higher pricing.

Trilogy deferred completion operations on the six operated wells that it drilled in first quarter of 2015 with the expectation that completion service costs would be reduced following spring breakup. The completion of these wells began in June and continued through mid-July, with initial production expected to add to third quarter production in July and August. Trilogy estimates that it realized a 25 to 30 percent cost reduction by deferring these completion operations over this period.

Trilogy was exposed to various third party plant and pipeline outages through the second quarter, reducing quarterly production by approximately 600 Boe/d. Pipeline and plant downtime are expected to continue through the third quarter. However, the overall impact on production will not materially affect the Company's annual production guidance.

Due to low propane pricing through the second quarter, Trilogy redirected approximately 30 percent of its natural gas production from the Alliance pipeline system to the TransCanada pipeline network. This reduced quarterly production of natural gas liquids by approximately 400 Boe/d but increased realized natural gas pricing to maximize quarterly funds flow.

During the second quarter of 2015, Trilogy spent $10.9 million on completions, production facilities and land acquisitions. Capital spending year-to-date reflects approximately 58 percent of Trilogy's current $100 million annual capital budget. Capital was allocated toward drilling 9 (6.5 net) wells during the first quarter, with the completion capital being spent in the second and third quarters to take advantage of reduced costs negotiated with Trilogy's service providers. Total capital expenditures were reduced by $4 million as a result of the sale of 1.25 net sections of Duvernay mineral rights in the Kaybob area. The Company's capital expenditures for the balance of the year will be directed primarily toward non-operated Duvernay projects that have strategic and economic value and that will preserve Trilogy's position in the play.

Subsequent to the second quarter, Trilogy sold its interest in the Dunvegan oil play in the Kaybob area. The divestment represents approximately 800 Boe/d (1.6 MMcf/d of natural gas and 550 Bbl/d of crude oil and natural gas liquids) and approximately 12 net sections of undeveloped Dunvegan mineral rights for net proceeds of $45 million. Trilogy retained its non-Dunvegan mineral rights and producing infrastructure as part of the transaction. This divestiture further supports the Company's initiative to maintain its focus and capital spending plans on the Montney and Duvernay formations in the Kaybob area.

Given current production, recent divestitures and planned operations for the balance of the year, and assuming no additional unexpected plant or pipeline outages in the Kaybob and Grand Prairie areas, Trilogy believes it is on track to produce approximately 30,000 Boe/d in 2015 and operate within annual cash flow.

Operating Costs

Operating costs in the second quarter of 2015 were $9.86/Boe, up 6 percent from first quarter 2015 operating costs of $9.32/Boe due to an increase in the number of well work-overs and maintenance projects that were deferred from the prior quarter. Cost savings were realized by shutting in production that is considered uneconomic in the current pricing environment given higher lifting and operating costs. This production will be reactivated when commodity prices improve. Trilogy has been focused on reducing costs in all aspects of its operations and will continue to work with its employees, contractors and suppliers to reduce the full cycle cost structure associated with Trilogy's operations.

On each of its major producing properties, Trilogy continues to evaluate, develop and execute on its long term operating and development plans to reduce costs, maximize production and provide stable production growth. Execution of these plans takes time and planning to ensure these producing properties are developed and produced at stable and sustainable rates.

Trilogy anticipates the combined benefits from its cost reduction initiatives and prudent capital allocation may further reduce operating costs for the balance of the year; however, annual operating costs are currently being forecasted to average approximately $10.00/Boe.

Profitability

Trilogy's operating netback of $17.56/Boe in the second quarter of 2015, on a per unit of production basis, was up 13 percent from $15.61/Boe in the first quarter of 2015. This quarter-over-quarter increase in operating netback was attributed to the increase in realized crude oil and natural gas liquids prices and a decrease in royalties in the current quarter, offset in part by an increase in transportation and operating expenses and a reduction of other income.

Trilogy's funds flow from operations for the second quarter of 2015 was $33.8 million, essentially flat from the first quarter 2015.

Drilling Activity

During the second quarter of 2015, Trilogy did not rig release any wells, as compared to 13 (7.2 net) wells in the first quarter of 2015. Trilogy's planned activity during the second half of the year will generally be limited to non-operated Duvernay operations and completion of the remaining wells drilled in the first quarter. Through the balance of the year, Trilogy expects that it will participate as to its working interest in non-operated projects that are developing oil, condensate and liquids-rich gas in the Duvernay formation. Trilogy has reduced the operated component of its capital spending as much as possible until there are signs that commodity prices are trending higher.

Operating Area Updates

Kaybob Montney Oil Development

During June and July, Trilogy completed 2.0 net wells to further evaluate the western and northern portions of the Kaybob Montney oil pool. The western well, drilled to a bottom hole location at 16-12-64-19W5, came on production July 27, 2015 and, during the initial 5 days of production, averaged 639 Bbl/d of crude oil and 1.1 MMcf/d of natural gas up a 2 7/8 inch tubing with a tubing pressure of approximately 1,200 kPa. The northern well, drilled to a bottom hole location at 11-31-64-18W5, came on production July 16, 2015 and flowed at an average rate of 939 Bbl/d of crude oil and 6.4 MMcf/d of natural gas up 7 inch casing at 6,000 kpa over the first 14 days of production. Production tubing and a pump jack will be installed in the 11-31-64-18W5 well once the well stops flowing. The following table summarizes production for the two recently drilled wells in the Kaybob Montney oil pool following recovery of the load oil used to complete the wells.

	Cumulative Oil MBbl	Cumulative Gas MMcf	Average Oil Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
02/16-12-64-19W5	3.2	5.4	639	1.1	1.2	0.2	July 27, 2015
11-31-64-18W5	12.9	87	939	6.4	6.0	0.5	July 16, 2015

For the second quarter, Trilogy's Kaybob Montney oil pool averaged 7,600 Boe/d with an average operating income of $ 29.88/Boe and an average realized crude oil price of $63.76/Bbl (Canadian). This accounts for approximately 26 percent of the Company's quarterly production and 45 percent of its quarterly operating income. Production declined through the first and second quarters as no new wells were brought on production in this period. Trilogy will continue to limit its capital spending in this pool as it believes that it is prudent to preserve its projects until commodity prices provide the returns commensurate with the cost of finding and developing the resource.

Through the balance of 2015, Trilogy will be monitoring crude oil price forecasts and will begin to reinvest in these assets as prices improve and the Company can realize on the capital investments it has made in this area over the past four years. Additionally, the infrastructure that has been constructed for the Montney oil pool will be further utilized as the Duvernay formation is further developed in this area.

Presley Montney Gas Development

In total, Trilogy drilled 3 (2.5 net) wells into the Presley Montney gas pool during the first quarter. These wells were completed in June following spring break-up. The first of the three wells, located at 12-19-59-19W5, came on production July 8, 2015 at 7 MMcf/d at 5,100 kPa flowing tubing pressure and averaged 3.4 MMcf/d over the first 23 producing days. The second well, with a bottom hole location of 02/1-1-60-20W5, came on production June 25, 2015 at approximately5.7 MMcf/d at 6,700 kPa flowing tubing pressure and averaged 4.6 MMcf/d over the initial 3.8 producing days. The third well (50 percent working interest) was drilled as a 2 mile horizontal lateral into the Montney formation to a bottom hole location at 3-11-59-20W5. This well came on production July 21, 2015 at 8 MMcf/d at 6,400 kPa flowing pressure and the well has averaged 6.5 MMcf/d at approximately 5,600 kPa flowing tubing pressure over the initial 11 producing days.

The following table summarizes the initial gross production rates from the 3 (2.5 net) wells drilled into the Presley pool in 2015 as of July 31, 2015.

	Cumulative Gas MMcf	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
12-19-59-19W5	80	3.4	2.4	0.8	July 8, 2015
2/1-1-60-20W5	176	4.6	2.6	1.3	June 25, 2015
3-11-59-20W5	71	6.5	5.6	0.4	July 21, 2015

Trilogy's operating income from this area averaged $14.93/Boe in the second quarter of 2015, with a realized natural gas price of $3.05 MMcf. This property produced approximately 7,800 Boe/d for the quarter, which is approximately 27 percent of corporate production and 23 percent of the Company's operating income.

Trilogy believes that this area has the potential to provide significant production growth for the Company in the right commodity price environment and will continue to develop a plan to increase production when commodity prices increase. Trilogy will continue to monitor commodity prices and allocate future capital based on type well economics.

Duvernay Shale Oil/Gas Development

Trilogy has allocated approximately $65 million towards non-operated Duvernay projects in 2015, with approximately $40 million of the total expected to be spent in the second half of the year. In the first quarter, Trilogy participated in the drilling of 3 (1.0 net) and the completion of 1 (0.5 net) Duvernay horizontal wells. The first quarter wells were completed through the second quarter and into the month of July. The majority of the remaining capital is currently budgeted for Trilogy to participate as to its 30 percent working interest in 2 non-operated multi-well pads that were spud at the end of the second quarter. Drilling operations on these 2 multi well pads are expected to be completed in the fourth quarter, with completion operations to begin before year end. Initial production from these pads is anticipated in the first quarter of 2016. Trilogy will also be participating for its 33 percent working interest in a non-operated well in the gas condensate area of the Duvernay play, with an anticipated bottom hole location at 16-12-61-20W5. The expected spud date for this well is August 2015.

During the first quarter, Trilogy participated as to its 33.33 percent working interest in 3 non-operated Duvernay horizontal wells in the gas condensate window of the Duvernay fairway. Two of these wells, 13-7-61-20W5 and 02/14-8-61-20W5, were completed and placed on production in the second and third quarters. Completion operations on the third well (4-31-60-20W5) are expected to be finished in August, with initial production anticipated in September 2015. The following table summarizes the initial gross production information for the non-operated wells in the three wells drilled to date.

	Cumulative Condensate MBbl	Cumulative Gas MMcf	Average Condy Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
4-31-60-20W5	-	-	-	-	-	-	-
13-7-61-20W5	-	-	-	-	-	-	-
2/14-8-61-20W5	25.7	263	339	3.5	5.3	2.5	May 13, 2015

During the fourth quarter of 2014, Trilogy participated for its 50 percent working interest in a non-operated horizontal Duvernay well that was drilled to a bottom hole location at 15-15-62-23W5. The well was completed in January 2015 and subsequently suspended until post break-up when surface conditions allowed for better access to the location. The well was brought on production July 9, 2015 after “resting” for approximately 6 months. This shut in period will provide an opportunity to compare productivity versus shut in time to determine if a “rest“ or “soak” period benefits a well’s productivity and ultimate recoverable reserves. The following table summarizes the initial production data from this well as of July 31, 2015.

	Cumulative Condensate MBbl	Cumulative Gas MMcf	Average Condy Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
15-15-62-23W5	9.9	62	436	2.8	19.2	0.7	July 9, 2015

Trilogy is encouraged with the progress that has been made by industry in the past four years with respect to the understanding and development of the Duvernay play. The continued evolution of drilling, completion and production techniques has led to some very positive results in recent wells. The continued advancements in Duvernay shale completion techniques have provided for improved initial production rates and what is expected to be greater ultimate recoverable reserves. Trilogy believes that in time, the Duvernay will prove to be a high quality shale play with attractive economics. Trilogy plans to continue to advance its Duvernay project towards full scale commercial development and will be considering all options to advance the play.

Gething Oil Development

Trilogy drilled 1 (1.0 net) horizontal oil well targeting the Gething formation during the first quarter of 2015 from an existing surface location at 4-22-63-19W5M to a bottom hole at 3-20-63-19W5M (the “3-20 well”). The 3-20 well was rig released on February 6, 2015 at a total depth of 4,509 metres, including the 2,574 metre horizontal lateral. The well was completed in the second quarter with a 23 stage water based fracture stimulation. Initial production from this well continues to support Trilogy’s expectations from this pool and will justify additional capital spending when commodity prices improve. The following table summarizes the production data up to July 31, 2015 from the four horizontal Gething oil wells drilled into the pool since 2014.

	Cumulative Oil MBbl	Cumulative Gas MMcf	Average Oil Rate Bbl/d	Average Gas Rate MMcf/d	Tubing Pressure MPa	Producing Time Months	On Production Date
10-17-63-19W5	117	352	277	0.8	1.0	13.8	April 7, 2014
7-17-63-19W5	94	275	317	0.9	1.0	9.8	Aug. 26, 2014
13-21-63-19W5	53	175	179	0.6	1.0	9.7	Sept. 13, 2014
3-20-63-19W5	7	29	892	3.9	8.0	0.2	July 13, 2015

Grande Prairie

Trilogy did not drill or complete any wells in the Grande Prairie area during the second quarter of 2015. Second quarter production from the Company’s Grande Prairie properties averaged 1,667 Boe/d as compared to 1,634 Boe/d in the first quarter of the year. Production in the area continues to be impacted by plant downtime at

Sexsmith and Wembley. It is anticipated that production will decline relatively slowly through the year as shut-in production is brought back on stream to offset natural declines. Barring any unforeseen plant outages or production restrictions, Trilogy has forecast 2015 production from these assets to be approximately 1,600 Boe/d.

Trilogy remains optimistic regarding the development potential of the Grande Prairie area and will continue to develop its prospect inventory on its current land base to ensure economic projects are developed as commodity prices and access to processing infrastructure improves. At the same time, the Company will continue to evaluate opportunities to generate additional value from the assets which may include disposing of certain assets in the Grande Prairie area.

Risk Management

Trilogy's Management and Board of Directors believe that hedging a portion of production is prudent to support the Corporation's capital spending program. Trilogy currently has 3,000 Bbl/d of crude oil hedged for the 2016 calendar year at $77.18 Cdn/Bbl WTI. Trilogy will continue to evaluate opportunities to hedge oil and natural gas production, to help ensure the realization of sufficient cash flow to execute its capital spending program and grow its assets. A summary of Trilogy's hedging contracts are available in notes 18 and 19 of the Interim Consolidated Financial Statements.

Outlook

Trilogy has continued to develop its land position and technical expertise in large, tight liquids-rich gas and oil resource plays in the Deep Basin. The Company believes that it has accumulated a large inventory of high quality vertical and horizontal drilling prospects that should provide the opportunity, in the long term, to grow annual production and replace produced reserves. Trilogy believes it is positioned at the end of the second quarter to meet its annual guidance for 2015 as follows:

- Average production 30,000 Boe/d (~35% oil and NGLs)
- Average operating costs $10.00 /Boe
- Capital expenditures $100 million

In the current natural gas and crude oil commodity price environment, Trilogy expects to manage its balance sheet through continued production, non-core asset rationalization and disciplined capital spending. As a growth-oriented corporation, Trilogy must remain flexible in order to respond to changes in commodity prices and believes it can manage its assets prudently through the year as its production base declines. 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.

TRILOGY
ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides the details of the financial condition and results of operations of Trilogy Energy Corp. ("Trilogy" or the "Company") for the three and six months ended June 30, 2015, and should be read in conjunction with the Company's interim consolidated financial statements and related notes for the same three and six months ended, (the "Interim Financial Statements) and its December 31, 2014 annual consolidated financial statements ("Annual Financial Statements") and related MD&A. 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 5, 2015.

Financial and Operating Highlights

- Reported sales volumes for the second quarter of 2015 were lower at 28,926 Boe/d as compared to 33,041 Boe/d for the previous quarter.
- Average realized liquids prices increased approximately 30 percent from the prior quarter.
- Net capital expenditures, including a $4 million asset sale, totaled $6.6 million as compared to $47.7 million for the previous quarter.
- No wells were drilled in the quarter as compared to 13 (7.2 net) wells in the prior quarter.
- Operating expenditures decreased to $25.9 million or $9.86 per Boe in the quarter compared to $27.7 million or $9.32 per Boe for the previous quarter.
- Funds flow from operations [(1)] was consistent at $33.8 million from the prior quarter.
- Capacity under Trilogy's Revolving Credit Facility as at June 30, 2015 was $222.4 million, consisting of $125 million under Trilogy's development facility and $97.4 million under its revolving and working capital tranches.
- Net debt [(1)] decreased by approximately $28 million to $737 million at the end of the quarter, from $765 million at the end of the previous quarter.
- Subsequent to the quarter, the Company completed the disposition of certain oil and gas properties in the Kaybob area for net cash consideration of $45 million.

Current capital and operating expenditure levels reflect Trilogy's commitment to preserve shareholder value and promote financial sustainability during the low liquids and gas commodity price environment. Significant effort has been placed on reducing Trilogy's cost structure and on negotiating cost reductions with suppliers. Capital spent during the second quarter was to participate in strategic operated and non-operated joint interest projects.

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

Business Environment and Economic Conditions

World oil over-supply concerns surfacing in the latter half of 2014 and through 2015 continued to weigh on the realized oil and liquids prices received in Canada. Though pricing for oil and liquids increased through the second quarter, prices are still well below those realized through most of 2014. In the United States ("U.S."), crude oil stocks reached record inventories and strong domestic oil production levels were somewhat unchanged during the quarter. These factors, combined with continued supply pressure from countries including the Organization of the Petroleum Exporting Countries (OPEC) and Russia continued to reinforce over-supply concerns. Strength in the U.S. dollar relative to the Canadian dollar provided a partial offset to the reduction in oil prices, increasing the price realized in Canada. Significant market volatility in the price for oil through the year reinforced the diversity and uncertainty in the market as to the timing and extent of a meaningful and sustained recovery in oil and liquids prices. Subsequent to the quarter, oil and liquids prices fell again on North American and Middle Eastern oversupply concerns and on financial instability in Europe and China, partially offset by a further weakening of the Canadian dollar relative to the U.S. dollar.

Similarly, gas prices continued to weaken in 2014 through to the current quarter. Moderate temperatures experienced throughout most of North America in 2014 and 2015 failed to draw significantly on gas storage levels. This factor, combined with continued strong supply from industry, placed downward pressure on the price of natural gas over the quarter.

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

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

	Q2 2015	Q1 2015	Q2 2014	YTD 2015	YTD 2014
Crude Oil					
West Texas Intermediate monthly average (U.S.$/Bbl)	**57.94**	**48.63**	102.96	**53.29**	**100.82**
Canadian Light Sweet monthly average (Cdn$/Bbl)	**68.88**	**53.23**	106.67	**61.05**	**103.42**
Natural Gas					
NYMEX (Henry Hub close) monthly average (U.S.$/MMBtu)	**2.74**	**2.81**	4.59	**2.77**	**4.66**
AECO monthly average (Cdn$/GJ)	**2.67**	**2.75**	4.71	**2.71**	**5.17**
Canada - U.S. dollar closing exchange rate (Cdn$/U.S.$1)	**1.25**	**1.27**	1.07	**1.27**	**1.07**

Business Overview and Strategy

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

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

as to the extent and timing of any meaningful and sustained increase in the realized price for oil, gas and natural gas liquids in North America. However, Trilogy is encouraged by industry's efforts to progress finding a balance to the commodity oversupply concern; the impacts of these efforts may take an extended period to materialize into improved commodity prices.

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

- The discontinuance of its monthly dividend for periods subsequent to November 2014;
- Reducing its capital expenditure budget for 2015 to levels in-line with expected cash flows from operations;
- Performing ongoing detailed reviews of its asset base to identify opportunities to increase operational efficiencies and reduce costs;
- The shut-in of limited production volumes deemed uneconomic at current commodity price levels;
- Negotiating with third party contractors and service providers to reduce Trilogy's cost of their goods and services;
- Implementing salary and other benefit reductions for its officers and employee base;
- Securing external sources of financing, providing the additional funding required to preserve its liquidity and additional capital to accelerate the development of its asset base, to the extent a meaningful increase in commodity prices occurs; and
- Exploring opportunities to rationalize non-core properties. Throughout the second quarter to the date hereof, Trilogy was able to further strengthen its balance sheet via the sale of certain non-core assets for proceeds of approximately $49 million.

Operating Results Summary

	Three Months Ended			Six Months Ended	
(In thousand dollars except as otherwise indicated)	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Operating income[1]	**45,969**	43,161	120,336	**89,130**	217,788
Other income	**692**	4,274	80	**4,967**	464
Realized financial instrument gains (losses) [2]	**89**	(277)	(5,091)	**(188)**	(7,866)
Actual decommissioning and restoration costs	**(529)**	(742)	(315)	**(1,272)**	(3,504)
Operating netback[1]	**46,221**	46,416	115,010	**92,637**	206,882
Interest and financing charges[3]	**(8,864)**	(8,593)	(9,432)	**(17,456)**	(18,080)
General and administrative expenses	**(3,554)**	(3,925)	(3,406)	**(7,479)**	(5,390)
Funds flow from operations[1]	**33,803**	33,898	102,172	**67,702**	183,412
Non-cash items:					
Depletion and depreciation	**(49,547)**	(57,507)	(55,905)	**(107,054)**	(106,323)
Unrealized financial instrument gains (losses)[2]	**544**	(727)	(1,345)	**(183)**	(2,936)
Share based compensation	**(3,370)**	(3,246)	(4,542)	**(6,616)**	(8,384)
Exploration expenditures[4]	**(4,052)**	(1,466)	(482)	**(5,519)**	(2,766)
Amortization of financing fees	**(340)**	(341)	(419)	**(682)**	(792)
Impairments	**(13,549)**	-	-	**(13,549)**	-
Gains (losses) on disposal of assets	**3,117**	(35)	(72)	**3,082**	(311)
Accretion on decommissioning and restoration liability[5]	**(706)**	(481)	(1,235)	**(1,187)**	464
Deferred income tax recovery (expense)	**8,265**	7,785	(9,378)	**16,049**	(16,388)
Unrealized foreign exchange gains (losses)	**(1,046)**	1,459	(560)	**414**	(357)
Profit (loss) and comprehensive income	**(26,881)**	(20,662)	28,234	**(47,543)**	45,619

(1) Refer to the advisory on Non-GAAP measures at the end of this MD&A
(2) See Risk Management section in this MD&A
(3) Excludes amortization of financing fees
(4) Includes costs associated with impairments, geological and geophysical and expired mineral lease costs
(5) Equals the accretion in excess of or below actual amounts paid on decommissioning and restoration activities in the period

Funds Flow from Operations

Per Unit of Sales Volume (Dollar per Boe)	Three Months Ended			Six Months Ended	
	June 30, 2015	**March 31, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Sales	**31.10**	27.52	54.08	**29.20**	53.47
Transportation costs	**(2.08)**	(1.71)	(1.52)	**(1.88)**	(1.50)
Royalties	**(1.70)**	(1.98)	(7.13)	**(1.85)**	(6.78)
Operating costs	**(9.86)**	(9.32)	(8.89)	**(9.57)**	(10.48)
Operating income[1]	**17.46**	14.50	36.54	**15.90**	34.71
Other income	**0.26**	1.44	0.02	**0.89**	0.07
Realized financial instruments gains (losses) [2]	**0.03**	(0.09)	(1.55)	**(0.03)**	(1.25)
Actual decommissioning and restoration costs	**(0.20)**	(0.25)	(0.10)	**(0.23)**	(0.56)
Operating netback[1]	**17.56**	15.60	34.93	**16.52**	32.97
Interest and financing charges[3]	**(3.37)**	(2.89)	(2.86)	**(3.11)**	(2.88)
General and administrative expenses	**(1.35)**	(1.32)	(1.03)	**(1.33)**	(0.86)
Funds flow from operations[1]	**12.84**	11.39	31.03	**12.08**	29.23

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

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

[3] Excludes amortization of financing fees

Operating Income Items

Second Quarter 2015 vs. First Quarter 2015			Increase (Decrease)	
(In thousand dollars except as otherwise indicated)	**Q2 2015**	**Q1 2015**	**Value**	**%**
Average sales volumes:				
Natural gas (Mcf/d)	**112,999**	124,627	(11,628)	(9)
Oil (Bbl/d)	**5,559**	6,874	(1,315)	(19)
Natural gas liquids (Boe/d)	**4,533**	5,396	(863)	(16)
Total (Boe/d)	**28,926**	33,041	(4,115)	(12)
Liquids Composition (percentage)	**35**	37	(2)	-
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.12**	3.20	(0.08)	(3)
Oil ($/bbl)	**63.51**	48.58	14.93	31
Natural gas liquids ($/Boe)	**42.83**	32.77	10.07	31
Average realized price	**31.10**	27.52	3.57	13
Operating income[1]				
Natural gas	**32,054**	35,881	(3,827)	(11)
Oil	**32,128**	30,052	2,076	7
Natural gas liquids	**17,670**	15,912	1,758	11
Total petroleum and natural gas sales before financial instruments	**81,852**	81,846	7	-
Royalties	**(4,479)**	(5,893)	(1,414)	(24)
Operating costs	**(25,942)**	(27,707)	(1,765)	(6)
Transportation costs	**(5,462)**	(5,085)	377	7
Operating income[1]	**45,969**	43,161	2,808	7

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

Comparison of Second Quarter 2015 over First Quarter 2015

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales increased by $2.1 million due to higher realized prices ($9.2 million), offset in part by reduced sales volumes ($7.1 million). NGL sales increased by $1.8 million due to higher realized prices ($4.9 million), offset in part by reduced sales volumes ($3.1 million). Natural gas sales decreased by $3.8 million due to lower realized prices ($0.9 million) and reduced sales volumes ($2.9 million). The lower production was attributed to significantly lower capital spending through the 2014/2015 winter drilling season which reduced the contribution of new well production in 2015 that normally replaces natural production declines. Limited pipeline and plant outages also contributed to the lower volumes while redirected gas volumes from the Alliance pipeline system to the TransCanada pipeline network resulted in the processing of reduced NGL volumes in favour of a higher realized gas price and related revenue increase.

Royalties – Royalties were slightly lower over the prior quarter on the reduced production and liquids composition and continued benefits applied through Alberta's New Well Royalty Incentive and Natural Gas Deep Drilling Credit Programs partially offset by increased liquids prices.

Operating Costs – Operating costs were slightly lower in the quarter primarily on the reduced production and lower liquids composition partially offset by increased well workover and maintenance projects. Costs were higher on a unit of production basis as less production volumes were present to cover fixed costs.

Second Quarter 2015 vs. Second Quarter 2014 (In thousand dollars except as otherwise indicated)	Q2 2015	Q2 2014	Increase (Decrease) Value	%
Average sales volumes:				
Natural gas (Mcf/d)	**112,999**	127,097	(14,098)	(11)
Oil (Bbl/d)	**5,559**	9,557	(3,998)	(42)
Natural gas liquids (Boe/d)	**4,533**	5,448	(915)	(17)
Total (Boe/d)	**28,926**	36,187	(7,261)	(20)
Liquids Composition (percentage)	**35**	41	(7)	-
Average realized prices before financial instruments and transportation:				
Natural gas ($/Mcf)	**3.12**	5.25	(2.13)	(41)
Oil ($/Bbl)	**63.51**	99.78	(36.28)	(36)
Natural gas liquids ($/Boe)	**42.83**	61.69	(18.85)	(31)
Average realized price	**31.10**	54.08	(22.99)	(43)
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**3.12**	5.25	(2.14)	(41)
Oil ($/Bbl)	**63.51**	94.02	(30.52)	(32)
Natural gas liquids ($/Boe)	**42.83**	61.69	(18.85)	(31)
Average realized price	**31.10**	52.57	(21.47)	(41)
Operating income[(2)]				
Natural gas	**32,054**	60,738	(28,684)	(47)
Oil	**32,128**	86,776	(54,647)	(63)
Natural gas liquids	**17,670**	30,583	(12,913)	(42)
Total petroleum and natural gas sales before financial instruments	**81,852**	178,097	(96,245)	(54)
Royalties	**(4,479)**	(23,491)	(19,012)	(81)
Operating costs	**(25,942)**	(29,269)	(3,327)	(11)
Transportation costs	**(5,462)**	(5,001)	461	9
Operating income[(2)]	**45,969**	120,336	(74,367)	(62)

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

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

Comparison of Second Quarter 2015 over Second Quarter 2014

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales decreased by $54.6 million due to lower volumes ($23.1 million) and on lower realized prices ($31.5 million). NGL sales decreased by $12.9 million due to lower realized NGL prices ($9.3 million) and on lower sales volumes ($3.6 million). Natural gas sales decreased by $28.7 million due to lower realized prices ($24.7 million) and on lower volumes ($4.0 million). The lower production was attributed to significantly lower capital spending through the 2014/2015 winter drilling season which reduced the contribution of new well production in 2015 that normally replaces natural production declines.

Royalties – Royalties decreased primarily on lower production and commodity prices. Royalty rates are, in part, sensitive to commodity prices and generally decrease as commodity prices fall. A lower liquids composition and continued benefits applied through Alberta's New Well Royalty Incentive and Natural Gas Deep Drilling Credit Programs also contributed to lower royalties in the quarter

Operating and Transportation Costs – Operating costs decreased on the lower production and liquids composition. Fewer well facility workovers and general cost reductions implemented also reduced costs, partially offset by increased third party processing fees at non-operated plants. Finally, lower supply and service costs negotiated with counterparties also contributed to the reduced costs in 2015. Transportation costs increased in the quarter in conjunction with a strengthening of the U.S. dollar for U.S. destined gas, and on higher costs incurred to secure short-term gas transportation contracts in response to continued third party sales gas pipeline disruptions in the quarter.

Year-to-date 2015 vs Year-to-date 2014 (In thousand dollars except as otherwise indicated)	**YTD 2015**	**YTD 2014**	**Increase (Decrease)** Value	%
Average sales volumes:				
Natural gas (Mcf/d)	**118,781**	124,096	(5,315)	(4)
Oil (Bbl/d)	**6,213**	8,504	(2,291)	(27)
Natural gas liquids (Boe/d)	**4,962**	5,483	(521)	(10)
Total (Boe/d)	**30,972**	34,670	(3,698)	(11)
Liquids Composition (percentage)	**36**	40	(4)	-
Average realized prices before financial instruments and before transportation:				
Natural gas ($/Mcf)	**3.16**	5.71	(2.55)	(45)
Oil ($/Bbl)	**55.29**	96.24	(40.95)	(43)
Natural gas liquids ($/Boe)	**37.39**	59.62	(22.23)	(37)
Average realized price	**29.20**	53.47	(24.27)	(45)
Average realized prices after financial instruments [(1)] and before transportation:				
Natural gas ($/Mcf)	**3.16**	5.71	(2.55)	(45)
Oil ($/Bbl)	**55.29**	91.10	(35.81)	(39)
Natural gas liquids ($/Boe)	**37.39**	59.62	(22.23)	(37)
Average realized price	**29.20**	52.21	(23.00)	(44)
Operating income[(2)]				
Natural gas	**67,935**	128,224	(60,289)	(47)
Oil	**62,181**	148,143	(85,962)	(58)
Natural gas liquids	**33,582**	59,166	(25,584)	(43)
Total petroleum and natural gas sales before financial instruments	**163,698**	335,533	(171,835)	(51)
Royalties	**(10,372)**	(42,566)	(32,194)	(76)
Operating costs	**(53,649)**	(65,746)	(12,097)	(18)
Transportation costs	**(10,547)**	(9,433)	1,114	12
Operating income[(2)]	**89,130**	217,788	(128,658)	(59)

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

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

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

Petroleum and Natural Gas Sales before Financial Instruments and Transportation – Oil sales decreased by $86.0 million due to lower realized prices ($63.0 million) and on lower volumes ($23.0 million) . NGL sales decreased by $25.6 million due to lower realized NGL prices ($22.1 million) and on lower sales volumes ($3.5 million). Natural gas sales decreased by $60.3 million due to lower realized prices ($57.3 million) and on lower volumes ($3.0 million). The lower production was attributed to significantly lower capital spending through the 2014/2015 winter drilling season which reduced the contribution of new well production in 2015 that normally replaces natural production declines.

Royalties – The decrease in Trilogy's effective royalty rate was attributed to the significant drop in all commodity prices. Royalty rates are, in part, sensitive to commodity prices and generally decrease as commodity prices fall. Lower production, a lower liquids composition and continued benefits applied through Alberta's New Well Royalty Incentive and Natural Gas Deep Drilling Credit Programs also contributed to lower royalties in 2015.

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

strengthening of the U.S. dollar for U.S. destined gas, and on higher costs incurred to secure short-term gas transportation contracts in response to continued third party sales gas pipeline disruptions through the year.

Depletion and Depreciation Expense

	Three Months Ended			Six Months Ended	
(In thousand dollars except as otherwise indicated)	**June 30, 2015**	**March 31, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Reported amount	**49,547**	57,507	55,905	**107,054**	106,323
Expense per sales volume ($/Boe)	**18.82**	19.34	16.98	**19.10**	16.94

The change in depletion and depreciation expense over the above periods was primarily a function of the production levels in the respective periods relative to the Company's estimated oil and gas reserves on a proved developed producing basis. Lower production in the second quarter of 2015 over the prior quarter contributed to a reduction in depletion expense. Year over year, depletion decreased on the lower volumes and increased on a unit of production basis as downward technical reserve revisions, primarily on the Kaybob Montney oil pool and reserve reductions associated with Trilogy's Aux Sable NGL Recovery agreement, reduced reserve estimates to which depletion is calculated on.

Exploration and Evaluation Expenditures

	Three Months Ended			Six Months Ended	
(In thousand dollars except as otherwise indicated)	**June 30, 2015**	**March 31, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Expired mineral leases	**634**	1,483	463	**2,117**	1,800
Impairments	**3,417**	-	-	**3,417**	-
Geological and geophysical	**1**	(17)	19	**(16)**	967
Exploration and evaluation expenses	**4,052**	1,466	482	**5,519**	2,767
Expense per sales volume ($/Boe)	**1.54**	0.49	0.15	**0.98**	0.44

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

General and Administrative Expenses

(In thousand dollars except as otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2015	**March 31, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Salaries and other benefits	**6,479**	7,371	6,928	**13,850**	14,036
Office and communications	**1,141**	1,150	1,222	**2,291**	2,234
Corporate and other	**824**	795	1,012	**1,619**	1,908
Overhead recoveries and reclassifications to operating costs	**(4,891)**	(5,391)	(5,756)	**(10,282)**	(12,788)
Reported amount	**3,554**	3,925	3,406	**7,479**	5,390
Expense per sales volume ($/Boe)	**1.35**	1.32	1.03	**1.33**	0.86

General and administrative expenses were lower over the prior quarter, primarily on reduced salaries and benefits in conjunction with Trilogy's cost reduction measures, offset in part by lower overhead recoveries on reduced capital spending. On a per unit of production basis, general and administrative expenses increased, in part on decreasing production in 2015. Year over year, general and administrative expenses were higher mainly due to lower overhead recoveries on significantly reduced capital expenditures and repair and maintenance projects.

Share Based Compensation

(In thousand dollars except as otherwise indicated)	Three Months Ended			Six Months Ended	
	June 30, 2015	**March 31, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Share Incentive Plan	**(619)**	533	1,068	**(86)**	1,506
Share Option Plan	**3,989**	2,713	3,474	**6,702**	6,878
Reported Amount	**3,370**	3,246	4,542	**6,616**	8,384
Expense per sales volume ($/Boe)	**1.28**	1.09	1.38	**1.18**	1.34

The increase in share based compensation expense in the second quarter over the first quarter was attributed to a reduction to the Company's estimated Share Incentive Plan grant for 2014, offset in part by the expense related to increases in Trilogy's Share Option Plan grants. Year over year, the decrease was primarily attributable to the downward revision to the estimated 2014 Share Incentive Plan grant and reduced amortization on lower option fair values on the Company's Share Option Plan partially offset by an increase in Trilogy's Share Option Plan grants in 2015. Regarding the Company's Share Option Plan, changes in the share price, risk free interest rates, volatility assumptions, dividend yields, and expected life of the options on grant date will impact the associated fair value attributed to an option, in addition to volatility in the number of share options granted in a particular year. Refer to Note 12 of the Interim Financial Statements for more information on share based compensation expense.

Interest, Financing, and Accretion Charges

	Three Months Ended			Six Months Ended	
(In thousand dollars except as otherwise indicated)	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Accretion on decommissioning and restoration liability	**1,235**	1,224	1,549	**2,459**	3,039
Interest and other finance costs[(1)]	**9,204**	8,938	9,852	**18,138**	18,872
Expense per sales volume ($/Boe)	**3.50**	3.01	2.99	**3.24**	3.01

[(1)] Includes the amortization of financing fees

Accretion charges represent the increase in the decommissioning and restoration liability associated with the passage of time. Accretion on the Company's decommissioning and restoration liability for three months ended June 30, 2015 was consistent with the prior quarter. Year over year, accretion was lower primarily as a result of a reduction in the long-term interest rate used to present value the related liability at June 30, 2015 over June 30, 2014 which reduced the related accretion expense in 2015.

Interest expense for the second quarter of 2015 was higher over the prior quarter primarily on increased borrowings under the Revolving Credit Facility. Interest was lower compared to the prior year periods as reduced lender margins, bankers' acceptance interest rates and reduced amortization of financing costs on Trilogy's Revolving Credit Facility more than offset the interest on increased borrowings. For additional information on Trilogy's long-term debt, refer below under the "Long-term Debt" section of this MD&A and to note 10 of the Interim Financial Statements.

Impairments

	Three Months Ended			Six Months Ended	
(In thousand dollars except as otherwise indicated)	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Property, plant, and equipment	**13,549**	-	-	**13,549**	-
Expense per sales volume ($/Boe)	**5.15**	-	-	**2.42**	-

In addition to the aforementioned impairments recorded within Exploration and Evaluation assets, Trilogy also recorded an impairment to its property, plant, and equipment. The impairment was attributable to reductions in forecast pricing as at June 30 2015 and the related future value of the reserves in Trilogy's Grande Prairie area. Refer to note 8 of the Interim Financial Statements for further disclosures.

Risk Management

Financial Risks

Trilogy's main financial risks include credit risk, liquidity risk, commodity price risk, interest rate risk and foreign exchange risk, and are discussed in detail in the notes to Trilogy's 2014 annual financial statements, the advisories and other sections of this MD&A as well as the Company's Annual Information Form.

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

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

	Three Months Ended			Six Months Ended	
(In thousand dollars except as otherwise indicated)	**June 30, 2015**	**March 31, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Realized gain (loss) on financial instruments	**89**	(277)	(5,091)	**(188)**	(7,866)
Unrealized loss on financial instruments	**544**	(727)	(1,345)	**(183)**	(2,936)
Total gain (loss) on financial instruments	**633**	(1,004)	(6,436)	**(371)**	(10,802)
Realized gain (loss) on financial instruments ($/Boe)	**0.03**	(0.09)	(1.55)	**(0.03)**	(1.25)

Trilogy may enter into oil, gas, power, interest, and foreign exchange contracts to manage its exposure to fluctuations in the price of oil, gas, electricity, interest, and foreign exchange rates. Trilogy also enters into drilling and other service contracts to secure access to these services and to manage exposure to pricing fluctuations thereon. Refer to notes 18 and 19 of the Interim Financial Statements for more information on realized and unrealized financial instruments gains and losses.

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

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

Power

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

Crude

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

Operational and Other Risks

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

Liquidity and Capital Resources

(In thousand dollars except as otherwise indicated)	June 30, 2015	December 31, 2014
Current liabilities net of current assets	**33,207**	50,463
Long-term debt	**703,811**	701,140
Net debt[1]	**737,018**	751,603
Shareholders' equity	**532,915**	572,135
Total	**1,269,933**	1,323,738

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

Refer to note 17 of the Interim Financial Statements and note 22 of the Annual Financial Statements for further disclosures on liquidity and capital management.

Working Capital

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

Long-term Debt

Long-term debt represents the outstanding draws from Trilogy's Revolving Credit Facility in addition to borrowings under its Senior Unsecured Notes as described below and in note 10 of Trilogy's Interim Financial Statements. Timing differences between capital expenditures made and any related operational benefit thereon will create substantial volatility in Trilogy's debt levels.

Revolving Credit Facility

Trilogy's bank debt outstanding under its Revolving Credit Facility was $409.5 million (before prepaid interest and unamortized financing costs) as at June 30, 2015. The credit facility is with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or London Interbank Offered Rate, plus an applicable margin. During the quarter, Trilogy and its lenders amended the credit facility whereby total commitments were reduced from $725 million to $675 million, consisting of:

- A working capital tranche (unchanged at $35 million);
- A revolving tranche of $515 million (previously $690 million), and;
- A development facility in the amount of $125 million.

Amounts drawn on the facility are due upon its maturity on April 30, 2017, unless subsequently renewed. Initial and on-going borrowings from the development facility are only available for the development of its oil and Duvernay reserves to the extent that:

- The closing crude spot price exceeds an average of US$70 a barrel (WTI) for a preceding sixty day period; and
- The Company maintains its 60 day average historical production volumes in excess of 95 percent of forecasted production (normalized to exclude third party and weather related production delays).

No amounts have been drawn under the development facility as of June 30, 2015.

Trilogy and its lenders also amended the quarterly financial covenants as follows:

A ratio of “Senior Debt” to “Adjusted EBITDA” for the twelve month period of not greater than 3.00 for all fiscal quarters-ended except as provided:

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

A ratio of “Consolidated Debt” to “Adjusted EBITDA” for the twelve month period of not greater than 4.00 for all fiscal quarters-ended except as provided:

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

The credit facility has the following significant terms:

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

As at June 30, 2015, the Company is in compliance with all debt covenants. The effective interest rate on Trilogy’s Revolving Credit Facility for the period (excluding other financing costs) was 2.80 percent. (June 30, 2014 – 3.85 percent). The Company has letters of credit totalling $11.9 million as at June 30, 2015 (December 31, 2014: $9.6 million) which reduce the amount available for draw.

Subsequent to the quarter, Trilogy disposed of certain oil and gas properties (refer to note 21 on the Interim Financial Statements) resulting in a reduction to the revolving tranche of $12 million (total lender commitments of $663 million from $675 million).

Senior Unsecured Notes

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

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

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

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

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

To the extent the Company experiences a change of control, each holder of the Notes will have the right to require the Company to repurchase, at 101 percent, all or part of such holder's Notes. The notes were initially recognized at fair value net of transactions costs and are subsequently measured at amortized cost using an effective interest rate of 7.53 percent. (June 30, 2014 – 7.53 percent).

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

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

Contractual Obligations

For a detailed account of Trilogy's commitments, refer to note 25 of the 2014 Annual Consolidated Financial Statements and related Management Discussion and Analysis. No material change occurred as at June 30, 2015 in respect of Trilogy's estimated contractual obligations from those disclosed at December 31, 2014.

Shares, Options and Rights

The following provides a continuity of outstanding share capital:

	Common Shares[(1)]	Non-Voting Shares	Total	Amount
Shares as at December 31, 2013	99,338,484	25,835,862	125,174,346	$ 1,092,727
Issued - Share Option Plan	717,500	-	717,500	8,670
Share issuance	5,000,000	(5,000,000)	-	-
Share Incentive Plan purchases	(190,000)	-	(190,000)	(5,107)
Vesting of Share Incentive Plan awards	151,678	-	151,678	4,327
Shares as at December 31, 2014	**105,017,662**	**20,835,862**	**125,853,524**	**$ 1,100,616**
Issued - Share Option Plan	**203,740**	**-**	**203,740**	**2,288**
Share Incentive Plan purchases	**-**	**-**	**-**	**-**
Vesting of Share Incentive Plan awards	**65,902**	**-**	**65,902**	**1,771**
Shares as at June 30, 2015	**105,287,304**	**20,835,862**	**126,123,166**	**$ 1,104,675**

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

Outstanding share options issued under Trilogy's share option plan were 8,584,360 as at June 30, 2015 and 8,518,060 share options as at the date hereof, of which 3,288,420 share options and 3,264,640 share options were exercisable as at those dates, respectively. Refer to note 12 of the Interim Financial Statements for additional disclosures.

Dividends

(In thousand dollars except where stated otherwise)	Three Months Ended June 30, 2015	 March 31, 2015	 June 30, 2014	Six Months Ended June 30, 2015	 June 30, 2014
Funds flow from operations [1]	**33,803**	33,898	102,172	**67,702**	183,412
Net changes in operating working capital	**(13,415)**	13,390	(13,558)	**(25)**	(18,136)
Cash flow from operating activities	**20,388**	47,288	88,614	**67,678**	165,276
Net earnings (loss)	**(26,881)**	(20,662)	28,234	**(47,543)**	45,618
Dividends declared	**-**	-	13,211	**-**	26,377
Dividends declared per share (in full amount)	**-**	-	0.105	**-**	0.210
Payout Ratio [1]	**0%**	0%	15%	**0%**	16%
Excess of cash flow from operations over dividends declared	**20,388**	47,288	75,403	**67,678**	138,899
Excess (deficiency) of net earnings (loss) over dividends	**(26,881)**	(20,662)	15,023	**(47,543)**	19,241

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

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

Capital Expenditures

(In thousand dollars except where stated otherwise)	Three Months Ended June 30, 2015	 March 31, 2015	 June 30, 2014	Six Months Ended June 30, 2015	 June 30, 2014
Land	5	53	215	**58**	220
Geological and geophysical	-	(16)	19	**(16)**	966
Drilling, completions, and tie-ins	9,320	43,180	96,554	**52,530**	246,589
Production equipment and facilities	1,609	4,046	14,878	**5,654**	33,756
	10,933	47,263	111,666	**58,226**	281,531
Proceeds from property dispositions	(4,000)	-	-	**(3,995)**	(21)
Property acquisitions	(287)	424	13	**102**	4,238
Corporate assets	(2)	42	272	**40**	507
Net capital expenditures	6,644	47,729	111,951	**54,373**	286,255

Capital expenditures in 2015 decreased significantly over the prior year pursuant to the Company's reduced 2015 capital program and commitment to preserve shareholder value and promote financial sustainability during the current low commodity price environment. Dispositions of undeveloped land in the quarter totaled $4 million. Subsequent to the quarter, Trilogy disposed of a working interest in non-core assets for net proceeds of $45 million.

Wells Drilled

(Number of wells)	Three Months Ended						Six Months Ended			
	June 30, 2015		March 31, 2015		June 30, 2014		June 30, 2015		June 30, 2014	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
Natural gas	-	-	8	4.2	12.0	8.2	**8**	**4.2**	23	14.2
Oil	-	-	5	3.1	4.0	4.0	**5**	**3.1**	24	22.1
Total	-	-	13	7.2	16.0	12.2	**13**	**7.2**	47	36.3

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

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

Income Taxes

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

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

During the quarter, Trilogy's corporate tax rate was increased by 2 percent pursuant to legislative announcements made by the Alberta government. The Company recorded a future income tax recovery year to date in 2015 of $16 million (future income tax expense of $16.4 million over the same period in 2014). The Company's statutory tax rate of 27 percent was decreased to an effective tax rate of 25 percent as a result of amounts included in financial statement income that are not applicable for tax purposes. Such amounts primarily include share based compensation. Refer to note 9 of the Interim Financial Statements for additional tax disclosures.

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

Related Party Transactions

Trilogy had certain transactions with Paramount Resources ("Paramount"), a wholly-owned subsidiary of Paramount Resources Ltd. which owns approximately 15.2 percent of the equity in the Company. The amount of expenses billed and accrued in respect of services provided by Paramount to the Company under a services agreement was $0.2 million for the six months ended June 30, 2015. The Company and Paramount also had transactions with each other arising from normal business activities. These transactions were recorded at the fair value of the transacted amount.

Outlook information

Trilogy has continued to develop its land position and technical expertise in large, tight liquids-rich gas and oil resource plays in the Deep Basin. The Company believes that it has accumulated a large inventory of high quality vertical and horizontal drilling prospects that should provide the opportunity, in the long term, to grow annual production and replace produced reserves. Trilogy believes it is positioned at the end of the second quarter to meet its annual guidance for 2015 as follows:

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

In the current natural gas and crude oil commodity price environment, Trilogy expects to manage its balance sheet through continued production, non-core asset rationalization and disciplined capital spending. As a growth-oriented corporation, Trilogy must remain flexible in order to respond to changes in commodity prices and believes it can manage its assets prudently through the year as its production base declines. Trilogy is confident in its strategy, its high quality assets and the proven expertise of its employees.

Quarterly Financial Information

(In thousand dollars except per share amounts)	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenue after financial instruments, royalties and other income	**77,652**	80,686	125,683	147,685
Earnings (loss) before tax	**(35,146)**	(28,447)	(54,464)	36,714
Net earnings (loss)	**(26,881)**	(20,662)	(133,331)	26,700
Earnings (loss) per Share (in full amounts):				
Basic	**(0.21)**	(0.16)	(1.06)	0.21
Diluted	**(0.21)**	(0.16)	(1.06)	0.21

	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Revenue after financial instruments, royalties and other income	147,690	134,581	110,992	103,555
Earnings (loss) before tax	37,612	24,396	(10,531)	(10,936)
Net earnings (loss)	28,234	17,386	(8,740)	(9,454)
Earnings (loss) per Share (in full amounts):				
Basic	0.22	0.14	(0.07)	(0.08)
Diluted	0.22	0.14	(0.07)	(0.08)

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

Critical Accounting Estimates

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

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

Reserves Estimation

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

Exploration and Evaluation Expenditures

Exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. Exploration and evaluation assets include undeveloped land and costs related to exploratory wells. Exploration costs related to geophysical and geological activities are immediately charged to income as incurred. The Company is required to make estimates and judgments about future events and circumstances regarding the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Changes to project economics, resource quantities, expected production techniques, unsuccessful drilling, expired mineral leases, production costs and required capital expenditures are important factors when making this determination. If an exploration and evaluation project is determined to be unsuccessful, all associated costs in excess of the expected future benefit are charged to net income. If commercial reserves are established, the relevant costs are transferred from exploration and evaluation to development and production assets which are classified as property, plant, and equipment. Assets are reviewed for impairment prior to any such transfer. Refer to note 7 of the Interim Financial Statements for further details.

Impairment of Non-financial Assets

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

The recoverable amounts of Trilogy's cash-generating units and individual assets have been determined based on fair values less costs of disposal. This calculation requires the use of estimates and assumptions. Oil and gas prices and other assumptions will change in the future, which may impact Trilogy's recoverable amount calculated and may therefore require a material adjustment to the carrying value of property, plant and equipment and goodwill. Trilogy monitors internal and external indicators of impairment relating to its exploration and evaluation assets, property, plant and equipment and goodwill. Refer to note 10 and 11 of the 2014 Annual Financial Statements for further details about methods and assumptions used in estimating net recoverable amounts.

Decommissioning and Restoration Costs

Decommissioning and restoration costs will be incurred by Trilogy at the end of the operating lives of Trilogy's oil and gas properties. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including assumptions of inflation, present value discount rates on future liabilities, changes to relevant legal requirements and the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditures can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Refer to note 11 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 12 of the Interim Financial Statements for further details.

Deferred Income Tax Assets

Trilogy recognizes a benefit related to deferred income tax assets. Assessing the recoverability of deferred income tax assets requires Trilogy to make significant estimates related to expectations of future taxable income based on forecasted cash flows from operations. Trilogy also makes interpretations and judgements on uncertain tax positions of applicable tax laws. Such judgements include determining the likelihood of Trilogy's tax positions being successfully challenged by tax authorities based on information from relevant tax interpretations and tax laws. To the extent such interpretations are challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Trilogy to realize its deferred tax assets recorded at the balance sheet date may be compromised. Refer to note 9 of the Interim Financial Statements for further details.

Financial Instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage oil and gas commodity price, foreign currency, power, and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty. Refer to note 17, 18 and 19 of the Interim Financial Statements for further details.

New Accounting Pronouncements

There were no new accounting standards that were effective January 1, 2015. Future accounting pronouncements with a potential impact on the Company are summarized in Note 5 of the 2014 Annual Consolidated Financial Statements.

Internal Control over Financial Reporting

There were no changes in Trilogy's internal controls over financial reporting that occurred during the period covered by this MD&A that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

Advisories

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

- business strategy and objectives for 2015 and beyond (including the development of the Kaybob Montney oil and gas pools, the Duvernay shale play, the Gething oil development and Trilogy's Grande Prairie assets);
- expectations regarding future commodity prices for crude oil, natural gas, NGLs and related products;
- forecast capital expenditures and the amount, timing and allocation thereof (including budgeted expenditures for the Duvernay shale play, the Montney oil and gas pools, and the Gething oil development);
- estimates of future production volumes and growth, the sources and timing thereof and the relative content of crude oil, natural gas and NGLs therein;
- Trilogy's ability to alter its capital spending program to further reflect market instability;
- Management's intention to reduce costs, control capital spending, preserve capital, maintain financial health and live within cash flow;
- statements regarding management's intention to rationalize non-core assets;
- estimated reserves, reserve replacement, and the undiscounted and discounted present value of future net revenues therefrom (including the forecasted prices and costs and timing of expected production volumes and future development capital);
- development plans and operational plans and strategies (including plans for drilling and completion programs) and the anticipated timing, cost, sources of funding, and expected benefits thereof;
- the potential for development of Trilogy's assets (including the Kaybob Montney oil and gas pools, the Duvernay shale gas development and the Gething oil pool, among others); estimates of drilling inventories; tenure, prospectivity of Trilogy's current and future land holdings; and the nature and timing of Trilogy's plans to further maintain, delineate and exploit these and other assets;
- Trilogy's intention to consider all options to advance its Duvernay shale project in the near future;
- projected capacity availability at Trilogy-operated and third party facilities and pipelines, run-times, expected facility downtime and timing and extent of associated impact on production;
- operating, finding and development, decommissioning, restoration and other costs and the anticipated results of Trilogy's cost cutting measures;
- royalty rates and applicability of government incentive and royalty programs affecting Trilogy;
- approach to declaring dividends;
- future expenditures and future allowances relating to environmental matters and Trilogy's ability to comply with same;
- projections as to cash flow, funds flow from operations, future earnings and other measures of profit;
- Trilogy's expectations regarding the size and term of its bank credit facility, access to capital and the cost of borrowing;
- pro-forma debt levels and reduction of net debt;
- projected results of hedging contracts and other financial instruments;
- income taxation of Trilogy; estimates of tax assets, tax pools and Trilogy's future taxability; and the effect of the resolution of the tax dispute with the CRA on remaining tax pools and deferred tax assets;
- the expected impact of new accounting pronouncements; and
- other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, and results of operations or performance.

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

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

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

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

- fluctuations in crude oil, natural gas, condensate and other natural gas liquids and commodity prices;
- fluctuations in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, taxes, costs and expenses;
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas, condensate and other natural gas liquids, and market demand;
- risks and uncertainties involving the geology of oil and gas;
- the uncertainty of reserves and resource estimates;
- the ability of Trilogy to add production and reserves through development and exploration activities;
- Trilogy's ability to secure adequate product processing, transmission, transportation, fractionation and storage capacity on a timely basis or at all;
- potential disruptions or unexpected technical difficulties in designing, developing, or operating new, expanded, or existing facilities (including third party operated facilities);
- risks inherent in Trilogy's marketing operations, including credit and other financing risks and the risk that Trilogy may not be able to enter into arrangements for the sale of its crude oil natural gas and/or natural gas liquids on acceptable terms or at all;
- the ability to generate sufficient cash flow from operations and obtain financing on acceptable terms to fund planned exploration, development, construction and operational activities and to meet current and future obligations, including costs of anticipated projects and repayment of debt;
- the possibility that Trilogy will not commence or complete a process to evaluate opportunities to advance its Duvernay shale assets in the near future or at all;
- uncertainties as to the availability and cost of financing, including Trilogy's ability to extend its credit facility on an ongoing basis;
- Trilogy's ability to maintain targeted or required ratios within its credit and debt arrangements, and the risks of not maintaining such required ratios, including early debt repayment and/or other penalties;
- volatile business, economic and market conditions;
- general risks related to strategic and capital

allocation decisions, including potential delays or changes in plans with respect to exploration or development projects or capital expenditures and Trilogy's ability to react to same;

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

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

Non-GAAP Measures

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

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

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

"Finding and development costs" refers to all current year net capital expenditures, excluding property acquisitions and dispositions with associated reserves, and including changes in future development capital on a proved or proved plus probable basis. "Finding and development costs per Barrel of oil equivalent" ("F&D $/Boe") is calculated by dividing finding and development costs by the current year's reserve extensions, discoveries and revisions on a proved or proved plus

probable reserve basis. Management uses finding and development costs as a measure to assess the performance of the Company's resources required to locate and extract new hydrocarbon reservoirs.

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

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

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

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

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

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

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

Numerical References

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

Oil and Gas Advisory

This document contains disclosure expressed as "Boe", "MBoe", "Boe/d", “Mcf”, “Mcf/d”, "MMcf", “MMcf/d", “Bcf”, “Bbl”, and “Bbl/d”. All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1). Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For Q2 2015, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 20:1 (“Value Ratio”). The Value Ratio is obtained using the Q2 2015 average realized oil price of $63.51 (CAD$/Bbl) and the Q2 2015 average realized natural gas price of $3.12 (CAD$/mcf). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

The (i) reserves, (ii) future net revenue and related forecast prices and costs and (iii) production history and estimates disclosed herein and reported in the InSite Report include certain of those NGL within Trilogy's natural gas stream that are currently, and are in the future expected to be, quantified or extracted and for which Trilogy is paid based on market rates. For such purposes, it has been assumed that (a) the NGL Volumes Recovery Agreement with Aux Sable Canada LP (“NGL Volumes Recovery Agreement”) will be in place until November 30, 2015 and (b) after November 30, 2015, annual volumes

of Trilogy's NGL sold under the NGL Volumes Recovery Agreement will be instead sold under one or more other arrangements having, in the aggregate, less favorable terms relative to the existing agreement. As a result of such change in Trilogy's arrangements for selling its NGL, future net revenues from Trilogy's NGL are currently expected to be lower in the foreseeable future as it is anticipated that Trilogy will receive a smaller share of the market price for its NGL. As at December 31, 2014, the NGL sold under the NGL Volumes Recovery Agreement represented approximately 13.6% of Trilogy's proved plus probable NGL reserve volumes, approximately 2.8% of Trilogy's total proved plus probable reserve volumes, approximately 3.0% of the net present value of Trilogy's future net revenue before taxes discounted at 10% using forecast prices and costs and approximately 5.2% of Trilogy's production. If these NGL were instead reported as part of Trilogy's natural gas, it would increase Trilogy's natural gas reserves (since these are notionally reduced for shrinkage attributable to the extraction of these NGL) and decrease Trilogy's NGL reserves and production accordingly, but would have no effect on Trilogy's future net revenues.

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

Additional Information

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

TRILOGY ENERGY CORP.

Consolidated Interim Balance Sheet (unaudited)

(in thousand Canadian dollars)

	Note	June 30, 2015	December 31, 2014
ASSETS			
Current assets			
Trade and other receivables	*16, 17, 18*	**37,307**	56,130
Derivative financial instruments	*17, 18, 19*	**58**	-
Prepaids		**4,575**	348
		41,940	56,478
Non-current assets			
Property, plant and equipment	*6, 7*	**1,305,676**	1,374,853
Exploration and evaluation assets	*6, 7*	**87,370**	86,025
Deferred tax asset	*9*	**6,109**	652
Goodwill		**100,945**	100,945
Total assets		**$ 1,542,040**	$ 1,618,953
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	*16, 17, 18, 21*	**$ 73,222**	$ 105,198
Interest payable	*10*	**1,073**	1,132
Derivative financial instruments	*17, 18, 19*	**852**	611
		75,147	106,941
Non-current liabilities			
Long-term debt	*10, 17, 18*	**703,811**	701,140
Decommissioning and restoration liability	*11*	**230,167**	228,145
Deferred tax liability	*9*	**-**	10,592
Total liabilities		**1,009,125**	1,046,818
Shareholders' equity			
Shareholders' capital	*12, 13*	**1,104,675**	1,100,616
Contributed surplus		**53,966**	49,701
Accumulated deficit		**(625,726)**	(578,182)
		532,915	572,135
Total shareholders' equity and liabilities		**$ 1,542,040**	$ 1,618,953

See accompanying notes to the consolidated interim financial statements

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

(in thousand Canadian dollars except per share amounts)

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenue and other					
Petroleum and natural gas sales	*20*	**$ 81,852**	$ 178,097	**$ 163,698**	$ 335,533
Royalties		**(4,479)**	(23,491)	**(10,372)**	(42,566)
Revenue		**77,373**	154,606	**153,326**	292,967
Other income (expense)		**(354)**	(480)	**5,382**	106
Gain (loss) on derivative financial instruments	*17, 18, 19*	**633**	(6,436)	**(371)**	(10,802)
		77,652	147,690	**158,337**	282,271
Expenses					
Operating and production		**25,942**	29,269	**53,649**	65,746
Transportation		**5,462**	5,001	**10,547**	9,433
Depletion and depreciation	*6*	**49,547**	55,905	**107,054**	106,323
Impairment	*8*	**13,549**	-	**13,549**	-
Exploration and evaluation	*7*	**4,052**	482	**5,519**	2,766
(Gain) loss on disposal of assets		**(3,117)**	72	**(3,082)**	311
General and administrative		**3,554**	3,406	**7,479**	5,390
Share-based compensation	*12*	**3,370**	4,542	**6,616**	8,384
Accretion on decommissioning and restoration liability	*11*	**1,235**	1,549	**2,459**	3,039
Interest and other finance costs	*10*	**9,204**	9,852	**18,138**	18,872
		112,798	110,078	**221,929**	220,264
Net income (loss) before income tax		**(35,146)**	37,612	**(63,592)**	62,007
Income tax expense (recovery)					
Deferred	*9*	**(8,265)**	9,378	**(16,049)**	16,388
Comprehensive income (loss)		**$ (26,881)**	$ 28,234	**$ (47,543)**	$ 45,619
Earnings (loss) per share	*14*				
- Basic		**$ (0.21)**	0.22	**$ (0.38)**	0.36
- Diluted		**$ (0.21)**	0.22	**$ (0.38)**	0.36

See accompanying notes to the consolidated interim financial statements

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, 2014	125,174,346	$	1,092,727	$	41,875	$	(468,753)	$	665,849
Net income for the period	-		-		-		45,619		45,619
Share options exercised *(note 12, 13)*	619,500		6,971		(2,612)		-		4,359
Dividends declared	-		-		-		(26,377)		(26,377)
Share Incentive Plan purchases, net of grants vested *(note 12, 13)*	(38,589)		(788)		(4,320)		-		(5,109)
Share-based compensation *(note 12)*	-		-		8,384		-		8,384
Balance at June 30, 2014	125,755,257	$	1,098,910	$	43,327	$	(449,511)	$	692,726
Net loss for the period	-		-		-		(106,630)		(106,630)
Share options exercised *(note 12, 13)*	98,000		1,699		(451)		-		1,248
Dividends declared	-		-		-		(22,041)		(22,041)
Share Incentive Plan purchases, net of grants vested *(note 12, 13)*	267		7		(6)		-		1
Share-based compensation *(note 12)*	-		-		6,831		-		6,831
Balance at December 31, 2014	**125,853,524**	**$**	**1,100,616**	**$**	**49,701**	**$**	**(578,182)**	**$**	**572,135**
Net loss for the period	-		-		-		(47,543)		(47,543)
Share options exercised *(note 12, 13)*	203,740		2,288		(579)		-		1,708
Share Incentive Plan purchases, net of grants vested *(note 12, 13)*	65,902		1,771		(1,771)		-		-
Share-based compensation *(note 12)*	-		-		6,616		-		6,616
Balance at June 30, 2015	**126,123,166**	**$**	**1,104,675**	**$**	**53,966**	**$**	**(625,726)**	**$**	**532,915**

[1] Net of Common Shares held in trust for the benefit of employees and officers under Trilogy's Share Incentive Plan (refer to notes 11 and 12 for additional disclosures).

See accompanying notes to the consolidated interim financial statements

Consolidated Interim Statement of Cash Flows (unaudited)

(in thousand Canadian dollars except as otherwise indicated)

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Operating activities					
Net income (loss) before income tax		**$ (35,146)**	$ 37,612	**$ (63,592)**	$ 62,007
Adjustments for non-cash and other items:					
Unrealized (gains) losses on derivative financial instruments	*17, 18, 19*	**(544)**	1,345	**183**	2,936
Unrealized foreign exchange (gains) losses		**1,046**	560	**(414)**	357
Depletion and depreciation	*6*	**49,547**	55,905	**107,054**	106,323
Impairments	*8*	**13,549**	-	**13,549**	
Exploration and evaluation	*7*	**4,052**	482	**5,519**	2,766
(Gain) loss on disposal of assets		**(3,117)**	72	**(3,082)**	311
Amortization of finance fees		**340**	419	**682**	792
Share based compensation	*12*	**3,370**	4,542	**6,616**	8,384
Accretion on decommissioning and restoration liability	*11*	**1,235**	1,549	**2,459**	3,039
Decommissioning and restoration costs in period	*11*	**(529)**	(315)	**(1,272)**	(3,504)
Change in non-cash working capital	*15*	**(13,415)**	(13,558)	**(25)**	(18,136)
Cash flow from operating activities		**20,388**	88,614	**67,678**	165,276
Investing activities					
Exploration and evaluation expenditures	*7*	**(473)**	(21,869)	**(6,513)**	(49,062)
Property, plant and equipment	*6*	**(10,458)**	(90,069)	**(51,755)**	(232,976)
Property acquisitions (net of prior period adjustments)	*6*	**287**	(13)	**(102)**	(4,238)
Proceeds from disposition of property, plant and equipment	*6*	**4,000**	-	**3,995**	21
Restricted cash decrease		**-**	-	**-**	5,898
Change in non-cash working capital	*15*	**(14,817)**	(40,616)	**(17,414)**	36,340
Cash flow used in investing activities		**(21,461)**	(152,567)	**(71,789)**	(244,017)
Financing activities					
(Repayments) Draws on revolving credit facility	*10*	**(635)**	73,888	**2,403**	105,845
Dividends paid to Shareholders		**-**	(13,198)	**-**	(26,356)
Share incentive plan purchases	*12, 13*	**-**	-	**-**	(5,107)
Shares issued	*12, 13*	**1,708**	3,263	**1,708**	4,359
Cash flow from financing activities		**1,073**	63,953	**4,111**	78,741
Change in cash		**-**	-	**-**	-
Cash balance, beginning of period		**-**	-	**-**	-
Cash balance, end of period		**-**	-	**-**	-
Cash interest paid		**$ 15,146**	$ 15,161	**$ 18,688**	$ 18,086

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 5, 2015, the date the Interim Financial Statements were approved for release by Trilogy’s Audit Committee on behalf of Trilogy’s Board of Directors.

The Interim Financial Statements note disclosures do not include all of those required by IFRS for annual financial statements. These Interim Financial Statements should be read in conjunction with the Company’s “2014 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 reporting periods. Additional information on these estimates and judgements are disclosed in note 3 of the 2014 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 2014 Annual Consolidated Financial Statements.

5. New Accounting Pronouncements

There were no new accounting standards that were effective January 1, 2015. Future accounting pronouncements with a potential impact on the Company are summarized in Note 5 of the 2014 Annual Consolidated Financial Statements.

6. Property, Plant and Equipment

	Oil and Gas Properties	Corporate Assets	Total
Cost:			
Balance at December 31, 2013	2,783,416	13,829	2,797,245
Additions to property, plant, and equipment	364,649	900	365,549
Additions/revisions to future estimated decommissioning and restoration costs (Note 11)	35,390	-	35,390
Transfers from intangible exploration and evaluation assets (Note 7)	66,442	-	66,442
Acquisitions	15,066	-	15,066
Disposals	(16,890)	(21)	(16,911)
Balance at December 31, 2014	3,248,074	14,708	3,262,781
Additions to property, plant, and equipment	**51,730**	**40**	**51,770**
Additions/revisions to future estimated decommissioning and restoration costs (Note 11)	**835**	**-**	**835**
Transfers between exploration & evaluation assets and property, plant, and equipment (Note 7)	**(367)**	**-**	**(367)**
Acquisitions	**102**	**-**	**102**
Disposals	**(3,569)**	**-**	**(3,569)**
Balance at June 30, 2015	**3,296,805**	**14,748**	**3,311,553**

	Oil and Gas Properties	Corporate Assets	Total
Accumulated depletion, depreciation and impairment losses:			
Balance at December 31, 2013	1,642,892	9,298	1,652,190
Depletion and depreciation charge	227,056	782	227,838
Impairment charge	20,476	-	20,476
Disposals	(12,555)	(19)	(12,574)
Balance at December 31, 2014	1,877,868	10,061	1,887,930
Depletion and depreciation charge	**106,610**	**444**	**107,054**
Impairment charge (Note 8)	**13,549**	**-**	**13,549**
Disposals	**(2,655)**	**-**	**(2,655)**
Balance at June 30, 2015	**1,995,372**	**10,505**	**2,005,877**
Net carrying value			
At December 31, 2014	1,370,206	4,647	1,374,853
At June 30, 2015	**1,301,433**	**4,243**	**1,305,676**

The cost of property, plant and equipment includes amounts in respect of the provision for decommissioning and restoration obligations of $194.8 million as at June 30, 2015 (December 31, 2014: $193.9). Property, plant and equipment with a carrying value of $61.5 million as at June 30, 2015 (December 31, 2014: $37.3 million) include development assets under construction that are not being depreciated. No borrowing costs were capitalized to property, plant and equipment in respect of the referenced periods.

At June 30, 2015, impairments indicators were identified for certain of the Company's CGUs. Please refer to note 8 for further details.

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

The cash consideration was allocated as follows:

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

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

7. Exploration and Evaluation Assets

	Undeveloped Land	Exploratory Wells	Total Exploration and Evaluation Expenditures
Cost			
Balance at December 31, 2013	68,685	23,968	92,653
Additions	238	59,368	59,606
Expensed	(3,725)	(3,421)	(7,146)
Transfers to property, plant and equipment (Note 6)	117	(66,559)	(66,442)
Acquisitions	8,820	-	8,820
Dispositions	(1,467)	-	(1,466)
Balance at December 31, 2014	72,668	13,356	86,025
Additions	**58**	**6,455**	**6,513**
Expensed	**(2,117)**	**(3,417)**	**(5,534)**
Transfers between exploration & evaluation assets and property, plant, and equipment (Note 6)	**367**	**-**	**367**
Balance at June 30, 2015	**70,976**	**16,394**	**87,370**

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

	Three months-ended June 30		Six months-ended June 30	
	2015	**2014**	**2015**	**2014**
Expired mineral leases	**634**	463	**2,117**	1,800
Impairment charge	**3,417**	-	**3,417**	-
	4,051	463	**5,534**	1,800
Geological and geophysical costs	**1**	19	**(16)**	966
Exploration and evaluation expenditures	**4,052**	482	**5,519**	2,766

An impairment charge of $3.4 million was recorded on certain exploration and evaluations assets. The impairment represents costs incurred in excess of the benefit Trilogy expects to obtain from the exploratory wells.

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

8. Impairment Loss

	Six months-ended June 30 2015	Six months-ended June 30 2014
Property, plant and equipment	**13,549**	-
	13,549	-

In response to continued declines in commodity prices and resulting updates to the Company's strategic plans for non-core areas, at June 30, 2015, the Company assessed and concluded that the carrying value of its Grande Prairie CGUs exceeded their fair value less costs of disposal resulting in an impairment of $13.5 million.

The Company determined the recoverable amounts for its CGU's using the fair value less costs of disposal method based on internally generated cash flow projections, extending approximately over the next 40 years. In determining

fair value less costs of disposal, the Company considered recent transactions within the industry, external views of commodity prices, and internally evaluated reserve volumes. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates, operating costs and commodity prices. The inputs used in the valuation methodology are considered fair value Level 3 inputs (refer to note 18) as certain key assumptions are not based on observable market data but, rather, management's best estimate. In computing the recoverable amount, future cash flows were adjusted for risks specific to the CGU and discounted using an after-tax discount rate of approximately 10 percent (2014: 10 percent). The discount rate is considered to approximate the rate of return that a market participant would require for assets of similar characteristics and risk. Undeveloped land valuation estimates of exploration and evaluation assets were also included in the recoverable amount.

Selected key price forecasts and exchange rates used in the estimation of the value of commercial reserves as at June 30, 2015 and December 31, 2014 were as follows:

June 30, 2015

		2015	2016	2017	2018	2019
AECO Gas	Cdn$/MMBtu	**2.68**	**3.42**	**4.01**	**4.59**	**5.18**
Edmonton Light Sweet Crude	Cdn$/Bbl	**69.00**	**75.76**	**81.18**	**89.41**	**90.75**
Edmonton Condensate	Cdn$/Bbl	**73.88**	**84.65**	**90.69**	**99.89**	**101.39**
West Texas Intermediate Crude	U.S.$/Bbl	**60.00**	**70.00**	**75.00**	**80.00**	**81.20**
Foreign Exchange	(Cdn/U.S.)	**0.80**	**0.85**	**0.85**	**0.85**	**0.85**

December 31, 2014

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

9. Income Tax

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

Net Deferred Income Tax Asset/(Liability)	Property, Plant, & Equipment	Risk Management	Decommissioning Liabilities	Losses & Other	Total
At December 31, 2013	(127,772)	1,300	47,901	173,900	95,329
Recovery (expense)	56,037	(1,147)	9,135	(169,294)	(105,269)
At December 31, 2014	(71,735)	153	57,036	4,606	(9,940)
Recovery (expense)	**(13,241)**	**62**	**5,109**	**24,120**	**16,049**
At June 30, 2015	**(84,976)**	**214**	**62,145**	**28,726**	**6,109**

As at June 30, 2015, Trilogy has a deferred tax asset of $6.1 million.

A $16 million deferred income tax recovery was recognized to the consolidated interim statement of comprehensive income (June 30, 2014 – $16.4 million deferred income tax expense). The amount and timing of reversals of temporary differences will be dependent upon, among other things, the Company's future operating results, and acquisitions and dispositions of assets and liabilities. Legislative changes in tax rates or successful challenges by tax authorities of Trilogy's interpretation of tax legislation could materially affect the Company's estimate of current and deferred income taxes.

Trilogy has tax losses of $163.7 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 $95.3 million of the losses, representing the Company's probable estimate of future taxable income that could be applied to the total losses.

During the quarter, Trilogy's corporate tax rate was increased by 2 percent pursuant to legislative announcements made by the Alberta government.

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

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

10. Long-Term Debt

Revolving Credit Facility

Trilogy has a revolving senior secured credit facility with a syndicate of Canadian banks. Borrowing under the facility bears interest at the lenders' prime rate, bankers' acceptance rate or London Interbank Offered Rate, plus an applicable margin. During the quarter, Trilogy and its lenders amended the credit facility whereby total commitments were reduced from $725 million to $675 million, consisting of:

- A working capital tranche (unchanged at $35 million);
- A revolving tranche of $515 million (previously $690 million), and;
- A development facility in the amount of $125 million.

Amounts drawn on the facility are due upon its maturity on April 30, 2017, unless subsequently renewed. Initial and on-going borrowings from the development facility are only available for the development of its oil and Duvernay reserves to the extent that:

- The closing crude spot price exceeds an average of US$70 a barrel (WTI) for a preceding sixty day period; and
- The Company maintains its 60 day average historical production volumes in excess of 95 percent of forecasted production (normalized to exclude third party and weather related production delays).

No amounts have been drawn under the development facility as of June 30, 2015.

Trilogy and its lenders also amended the quarterly financial covenants as follows:

A ratio of "Senior Debt" to "Adjusted EBITDA" for the twelve month period of not greater than 3.00 for all fiscal quarters-ended except as provided:

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

A ratio of "Consolidated Debt" to "Adjusted EBITDA" for the twelve month period of not greater than 4.00 for all fiscal quarters-ended except as provided:

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

The credit facility also has the following significant terms:

- The Revolving Credit Facility is subject to semi-annual borrowing base reviews, occurring approximately in April

and September of each year. Dispositions and acquisitions of assets may also increase or decrease the borrowing base respectivelyIn the event that the lending syndicate reduces the borrowing base below the amount drawn at the time of the redetermination, Trilogy has 60 days to eliminate any shortfall by providing additional security or guarantees satisfactory to the lenders or repaying amounts in excess of the redetermined borrowing base;

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

The following four measures are considered Non-GAAP measures:

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

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

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

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

As at June 30, 2015, the Company is in compliance with all debt covenants. The effective interest rate on Trilogy's Revolving Credit Facility for the period (excluding other financing costs) was 2.80 percent. (June 30, 2014 – 3.85 percent). The Company has letters of credit totalling $11.9 million as at June 30, 2015 (December 31, 2014: $9.6 million) which reduce the amount available for draw.

Subsequent to the quarter, Trilogy disposed of certain oil and gas properties (refer to note 21) resulting in a reduction to the revolving tranche of $12 million (total lender commitments of $663 million from $675 million).

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, 2015 and $1.1 million at December 31, 2014. The notes rank pari passu with all of Trilogy's existing indebtedness and are subordinated to all secured indebtedness which includes debt under Trilogy's Revolving Credit Facility.

The Company may, at its own option, redeem the notes at various premiums. To the extent the Company experiences a change in control, each note holder will have the right to require the Company to re-purchase, at 101 percent, all or part of each holders' notes. The notes were initially recognized at fair value net of transactions costs and are subsequently measured at amortized cost using an effective interest rate of 7.53 percent. (June 30, 2014 – 7.53 percent).

Long-term debt as at June 30, 2015 and December 31, 2014 was comprised of the following:

	Six months-ended June 30, 2015	**Twelve months-ended December 31, 2014**
Revolving credit facility	**409,490**	406,329
Less prepaid interest and unamortized financing costs	**(1,955)**	(1,053)
Carrying value	**407,535**	405,276
Senior unsecured notes	**300,000**	300,000
Less unamortized financing costs	**(3,724)**	(4,136)
Carrying value	**296,276**	295,864
Total carrying value of long term debt	**703,811**	701,140

Interest expense for the three and six months ended June 30, 2015 and 2014 was comprised of the following:

	Three months-ended June 30		**Six months-ended June 30**	
	2015	**2014**	**2015**	**2014**
Senior unsecured notes	**5,422**	5,422	**10,786**	10,786
Credit facility interest, charges, and other interest	**3,442**	4,011	**6,670**	7,294
Amortization of finance fees	**340**	419	**682**	792
Total interest and finance costs	**9,204**	9,852	**18,138**	18,872

11. Decommissioning and Restoration Liability

	Six months-ended June 30, 2015	**Twelve months-ended December 31, 2014**
Balance - beginning of period	**228,145**	191,606
Liabilities incurred	**835**	13,091
Liabilities acquired	**-**	3,363
Liabilities disposed	**-**	(3,263)
Liabilities settled	**(1,272)**	(4,741)
Accretion	**2,459**	5,792
Revision to estimates	**-**	22,296
Balance – end of period	**230,167**	228,145

The Company has estimated the undiscounted value of the decommissioning and restoration obligation to be $231.3 million as at June 30, 2015 (December 31, 2014: $231.1 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, 2015 and December 31, 2014, respectively, have been discounted using an average risk free rate of approximately 2.2 percent and an inflation rate of 2.0 percent.

12. Share-Based Payment Plans

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

	Three months-ended June 30		Six months-ended June 30	
	2015	**2014**	**2015**	**2014**
Expense arising from:				
Share Incentive Plan	**(619)**	1,068	**(86)**	1,506
Share Option Plan	**3,989**	3,474	**6,702**	6,878
Total expense arising from share-based payment transactions	**3,370**	4,542	**6,616**	8,384

The Company has a share incentive plan ("SIP") for employees and officers that annually awards rights to receive Common Shares. Common Shares are purchased in the open market and held by an independent trustee until completion of the vesting period. The fair value of the Common Shares awarded is recognized in share-based compensation over the vesting period, with a corresponding charge to equity. The Common Shares, while held in trust, are recorded as a reduction of share capital.

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

	Six months-ended June 30, 2015	Twelve months-ended December 31, 2014
Beginning	**132,448**	94,126
Purchases	**-**	190,000
Vested	**(65,902)**	(151,678)
Ending	**66,546**	132,448

The cost to the Company of the Common Shares held in trust was $1.8 and $3.6 million as at June 30, 2015 and December 31, 2014, respectively, and was recorded as a reduction to Common Shares outstanding and shareholder capital. Conversely, the vesting of Share Incentive Plan awards increases Common Shares outstanding and shareholder capital.

The Company also has a long-term incentive plan that awards share options to eligible directors, officers and employees (the "Share Option Plan"). Under this plan, holders of vested share options are able to subscribe for the equivalent number of Common Shares at the exercise price within the contractual period prescribed in the governing option agreement. The exercise price of the options is equal to the average trading price five days prior to the grant. The contractual life of each option granted is typically 2 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, 2015		Twelve months-ended December 31, 2014	
	Weighted Average Exercise Price	**No. of Options**	**Weighted Average Exercise Price**	**No. of Options**
Outstanding at January 1	**$ 22.20**	**8,236,500**	$ 23.78	7,267,500
Granted	**7.39**	**1,063,600**	11.90	1,940,000
Exercised	**8.38**	**(203,740)**	7.83	(717,500)
Forfeited	**23.69**	**(117,000)**	29.29	(253,500)
Expired	**8.51**	**(395,000)**	-	-
Outstanding at period end	**$ 21.30**	**8,584,360**	$ 22.20	8,236,500
Exercisable at period end	**$ 22.63**	**3,288,420**	$ 22.94	3,306,000

The weighted average fair value of options granted during the period was $1.83 per option (December 31, 2014: $3.84). The significant inputs into the model were as follows:

	June 30, 2015	December 31, 2014
Dividend yield (percent)	Nil	nil to 1.57
Expected volatility (percent)	43 - 49	38
Risk-free interest rate (percent)	0.55 to 0.81	1.39 to 1.73
Expected life of options (years)	2 - 5	4 - 5

The range of exercise prices of the outstanding options and exercisable options as at June 30, 2015 were as follows:

		Outstanding Options		Exercisable Options	
Exercise Price Range	**Weighted Average Contractual Life Remaining**	**Number of Options**	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
$7.38 to $11.27	3.7	2,812,360	$9.25	611,920	$7.38
$11.28 to $26.87	0.8	1,160,000	$12.15	864,000	$12.15
$26.88 to $28.05	3.8	1,495,000	$26.93	307,000	$26.95
$28.06 to $28.35	2.8	1,645,000	$28.27	655,000	$28.27
$28.35 to $38.74	1.9	1,472,000	$38.05	850,500	$38.34
Total	2.9	8,584,360	$21.30	3,288,420	$22.63

The weighted average share price at the date of exercise for share options exercised in 2015 was $9.91 (December 31, 2014: $28.88).

13. Issued Capital

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

The following provides a continuity of outstanding share capital:

	Common Shares(1)	Non-Voting Shares	Total		Amount
Shares as at December 31, 2013	99,338,484	25,835,862	125,174,346	$	1,092,727
Issued - Share Option Plan	717,500	-	717,500		8,670
Share issuance	5,000,000	(5,000,000)	-		-
Share Incentive Plan purchases	(190,000)	-	(190,000)		(5,107)
Vesting of Share Incentive Plan awards	151,678	-	151,678		4,327
Shares as at December 31, 2014	**105,017,662**	**20,835,862**	**125,853,524**	**$**	**1,100,616**
Issued - Share Option Plan	**203,740**	**-**	**203,740**		**2,288**
Share Incentive Plan purchases	**-**	**-**	**-**		**-**
Vesting of Share Incentive Plan awards	**65,902**	**-**	**65,902**		**1,771**
Shares as at June 30, 2015	**105,287,304**	**20,835,862**	**126,123,166**	**$**	**1,104,675**

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

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

Also, in 2014, the Company received the necessary approvals to make a normal course issuer bid ("NCIB") through the facilities of the Toronto Stock Exchange. Trilogy may purchase up to 6,490,470 of its Common Shares. Purchases under the bid may be made during the period beginning on December 16, 2014 and ending on December 15, 2015, or on such earlier date as Trilogy may complete its purchases under the bid. No purchases have been made under the NCIB as at June 30, 2015.

14. 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	
	2015	**2014**	**2015**	**2014**
Net earnings (loss) used in the calculation of total basic and diluted earnings per share	**(26,881)**	28,234	**(47,543)**	45,619
Weighted average number of shares for the purposes of basic earnings per share	**126,055,929**	125,633,528	**125,988,054**	125,428,380
Effect of dilution	**NIL**	1,564,831	**NIL**	1,572,361
Weighted average number of shares	**126,055,929**	127,198,359	**125,988,054**	**127,000,741**
Earnings (loss) per share – Basic	**(0.21)**	0.22	**(0.38)**	0.36
Earnings (loss) per share – diluted	**(0.21)**	0.22	**(0.38)**	0.36

As at June 30, 2015, the Company had 66,546 of dilutive securities.

15. Reconciliation of Changes in Non-Cash Working Capital

	Three months-ended June 30		Six months-ended June 30	
	2015	**2014**	**2015**	**2014**
Decrease (increase) in trade, other receivables and prepaids	**(1,255)**	(2,175)	**14,597**	(15,705)
Increase (decrease) in trade, other payables and interest payable	**(26,977)**	(51,998)	**(32,036)**	33,909
	(28,232)	(54,173)	**(17,439)**	18,204
Changes in non-cash operating working capital	**(13,415)**	(13,558)	**(25)**	(18,136)
Changes in non-cash investing working capital	**(14,817)**	(40,616)	**(17,414)**	36,340

16. 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 $0.2 million for the six months ended June 30, 2015 (June 30, 2014 - $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 Company and Paramount also transact with each other in the normal course of any joint operations.

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

June 30, 2015		
Presented in the Balance Sheet as	**Normal Business**	**Services Agreement**
Trade and other receivables	**142**	**-**
Trade and other payables	**(90)**	**(105)**

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

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

17. 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 2014 Annual Consolidated Financial Statements.

Credit Risk

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

	June 30, 2015	December 31, 2014
Trade and other receivables	**37,307**	56,130
Derivatives Financial Instruments[(1)]	**58**	-
	37,365	56,130

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

Liquidity Risk

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

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

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

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

In conjunction with the current commodity price environment, a heightened risk exists that Trilogy may exceed its financial covenant limits in the latter part of 2015 through 2016. In addition to the aforementioned measures that Trilogy has taken to preserve the Company's financial health, Trilogy successfully negotiated amendments to increase covenant ratios on its Revolving Credit Facility agreement, among other things. Refer to note 10 for more information on the amendments.

A contractual maturity analysis for Trilogy's financial liabilities as at June 30, 2015 are as follows:

	Within 1 Year	1 to 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	73,222	-	-	73,222
Derivative financial instruments	852	-	-	852
Interest payable on senior notes	1,073	-	-	1,073
Long-term debt and estimated interest[(1)]	16,520	487,837	321,750	826,107
Total	91,666	487,837	321,750	901,254

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

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

	Within 1 Year	1 to 3 years	More than 3 years	Total
Accounts payable and accrued liabilities	105,198	-	-	105,198
Derivative financial instruments	611	-	-	611
Interest payable on senior notes	1,132	-	-	1,132
Long-term debt and estimated interest[(1)]	36,624	489,119	321,750	847,493
Total	143,565	489,119	321,750	954,434

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

Capital Management

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

The objectives in managing the capital structure are to:

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

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

A comparison of Trilogy's debt structure against the committed amount on its Revolving Credit Facility at June 30, 2015 and December 31, 2014 is detailed below:

	June 30, 2015	**December 31, 2014**
Committed amount that can be drawn from the credit facility (Note 10)	**675,000**	725,000
Outstanding letters of credit	**(11,860)**	(9,574)
Amount that can be drawn after letters of credit	**663,140**	715,426
Revolving credit facility	**(407,535)**	(405,276)
Current liabilities net of current assets	**(33,207)**	(50,463)
Capacity under revolving credit facility	**222,398**	259,687
Capacity within:		
Development Facility	**125,000**	-
Revolving and Working Capital Tranche	**97,398**	259,687
	222,398	259,687

Available capacity subsequent to the disposition (refer to Note 21) increased by $33 million (net adjusted proceeds of $45 million less $12 million reduction in the borrowing base).

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

	June 30, 2015	**December 31, 2014**
Revolving credit facility (Note 10)	**(407,535)**	(405,276)
Senior notes (Note 10)	**(296,276)**	(295,864)
Current liabilities, net of current assets	**(33,207)**	(50,463)
Net debt[(1)]	**(737,018)**	(751,603)

(1) Net debt is a Non-GAAP measure

18. Financial Instruments

Carrying Values

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

	June 30, 2015	**December 31, 2014**
Financial assets		
Receivables[(1)]	**37,307**	56,130
Financial instruments fair valued through profit and loss[(2)]	**58**	-
Financial liabilities		
Other liabilities - non-trading liabilities[(1) (3)]	**(74,295)**	(106,330)
Financial instruments fair valued through profit and loss[(2)]	**(852)**	(611)
Other liabilities - long-term debt[(4)]	**(703,811)**	(701,140)

(1) Carried at cost which approximates the fair value of the assets and liabilities due to the short-term nature of the accounts.
(2) Carried at the estimated fair value of the related financial instruments based on third party quotations.
(3) Consists of accounts payable, accrued liabilities, 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 fair value of the senior unsecured notes is estimated to be 96.25 percent, based on independent broker quotes, of face value or $288.75 million (level 3 type – unobservable data inputs).

The three levels of the fair value hierarchy are:

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

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

Level 3 – inputs that are not based on observable data

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

June 30, 2015	**Derivative financial assets (liabilities) – fair value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Power derivative contract	**-**	**-**	**58**	**58**
Crude oil and natural gas derivative contracts	**-**	**(852)**	**-**	**(852)**
	-	**(852)**	**58**	**(794)**

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

Commodity Contracts

At June 30, 2015 the Company had the following outstanding derivative contract:

Power

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

Crude

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

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, 2015 and December 31, 2014, and the change in fair value for the referenced periods.

	Six months-ended June 30, 2015	**Twelve months-ended December 31, 2014**
Derivative asset, beginning of period	**-**	24
Unrealized change in fair value	**58**	(24)
Derivative asset, end of period	**58**	-
Derivative liability, beginning of period	**(611)**	(5,224)
Unrealized change in fair value	**(241)**	4,613
Derivative liability, end of period	**(852)**	(611)
Unrealized increase (decrease) in fair value for the period	**(183)**	4,589

19. Gain (Loss) on Derivative Financial Instruments

	Three months-ended June 30		Six months-ended June 30	
	2015	**2014**	**2015**	**2014**
Realized gains (losses)				
Crude oil & natural gas	**-**	(4,986)	**-**	(7,890)
Power	**89**	(105)	**(188)**	24
Sub-total	**89**	(5,091)	**(188)**	(7,866)
Unrealized gains (losses)				
Crude oil & natural gas	**(570)**	(1,401)	**(570)**	(3,018)
Power	**1,114**	56	**387**	82
Sub-total	**544**	(1,345)	**(183)**	(2,936)
Gain (losses) on derivative financial instruments	**633**	(6,436)	**(371)**	(10,802)

20. 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	
	2015	**2014**	**2015**	**2014**
Petroleum and natural gas sales:				
Natural gas	**32,054**	60,738	**67,935**	128,224
Oil	**32,128**	86,776	**62,181**	148,143
Natural gas liquids	**17,670**	30,583	**33,582**	59,166
Total petroleum and natural gas sales	**81,852**	178,097	**163,698**	335,533

21. Subsequent Event

Subsequent to the quarter, the Company completed the disposition of certain oil and gas properties in the Kaybob area for cash consideration of $45 million. Included in trade and other payables is a deposit of $4.6 million which was applied to the net proceeds received on close. Lender commitments under Trilogy's revolving tranche of its credit facility were reduced by $12 million (total lender commitments of $663 million from $675 million).

Corporate Information

Officers

J.H.T. Riddell
Chief Executive Officer

J.B. Williams
President and Chief Operating Officer

M.G. Kohut
Chief Financial Officer

G.L. Yester
General Counsel & Corporate Secretary

Directors

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

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

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

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

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

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

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

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

Committees of the Board of Directors

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

Head office

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

Telephone: (403) 290-2900
Facsimile: (403) 263-8915
www.trilogyenergy.com

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Bankers

Bank of Montreal
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

HSBC Bank Canada
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

The Toronto-Dominion Bank
Calgary, Alberta

JPMorgan Chase Bank
Toronto, Ontario

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"