Trilogy Energy Corp. Announces Financial and Operating Results for the Three and Six Months-Ended June 30, 2014

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CALGARY, ALBERTA--(Marketwired - Jul 30, 2014) - Trilogy Energy Corp. (TSX:TET) ("Trilogy") is pleased to announce its financial and operating results for the three and six months-ended June 30, 2014.

Financial and Operating Highlights

- Reported sales volumes for the second quarter of 2014 were 9 percent higher at 36,187 Boe/d as compared to 33,135 Boe/d for the previous quarter.
- Second quarter oil sales volumes increased 28 percent to 9,557 Bbl/d from 7,440 Bbl/d in the previous quarter. Oil and natural gas liquids sales volumes represented 41 percent of total sales volumes in the quarter as compared to 39 percent in the prior quarter.
- Operating expenditures decreased 20 percent quarter over quarter from $36.5 million in the first quarter to $29.3 in the second quarter. On a per unit of production basis, operating costs decreased from $12.23/Boe in the first quarter to $8.89/Boe in the second quarter.
- Net capital expenditures totaled $111.9 million as compared to $174.3 million for the prior quarter and $57 million for the second quarter of 2013.
- Funds flow from operations (1) increased 26 percent to $102.2 million as compared to $81.2 million for the previous quarter (Q2 2013 -$88.1 million).
- In total 16 (8.2 net) wells were drilled in the quarter as compared to 31 (24.1 net) wells drilled in the prior quarter and 10 (8.1 net) wells in the second quarter of 2013.
- Positive Duvernay drilling and completion results for the 8 (5.2 net) horizontal wells drilled in the Kaybob area.
- Remaining debt capacity under Trilogy's revolving credit facility as at June 30, 2014 was $261.1 million.
- Dividends declared to Shareholders totaled $13.2 million or 15 percent of cash flow from operating activities (prior quarter - $13.2 million or 17 percent).

(1) Refer to Non-GAAP measures in this release and MD&A

Financial and Operating Highlights Table
(In thousand Canadian dollars except per share amounts and where stated otherwise)

	Three Months Ended			Six Months Ended June 30		
	June 30, 2014	March 31, 2014	Change %	2014	2013	Change %
FINANCIAL						
Petroleum and natural gas sales	178,097	157,436	13	335,533	302,037	11
Funds flow						
From operations(1)	102,172	81,243	26	183,412	168,449	9
Per share - diluted	0.80	0.64	25	1.44	1.41	3
Earnings						
Earnings (loss) before tax	37,612	24,396	54	62,007	40,169	54
Per share - diluted	0.30	0.19	54	0.49	0.34	46
Earnings (loss) after tax	28,234	17,386	62	45,619	29,661	54
Per share - diluted	0.22	0.14	62	0.36	0.25	45
Dividends declared	13,211	13,165	0	26,377	24,638	7
Per share	0.105	0.105	-	0.210	0.210	-
Capital expenditures						
Exploration, development, land, and facility	111,666	169,867	(34)	281,531	226,492	24
Acquisitions (dispositions) and other - net	285	4,438	(94)	4,724	198	2,286
Net capital expenditures	111,951	174,305	(36)	286,255	226,690	26
Total assets	1,726,495	1,676,448	3	1,726,495	1,509,213	14

Net debt(1)	750,109	728,054	3	750,109	719,171	4
Shareholders' equity	692,726	669,901	3	692,726	504,165	37
Total shares outstanding (thousands)						
- As at end of period (2)	125,755	125,160	0	125,755	117,841	7
OPERATING						
Production						
Natural gas (MMcf/d)	127	121	5	124	121	2
Oil (Bbl/d)	9,557	7,440	28	8,504	11,612	(27)
Natural gas liquids (Boe/d)	5,448	5,518	(1)	5,483	4,857	13
Total production (Boe/d @ 6:1)	36,187	33,135	9	34,670	36,667	(5)
Average prices before financial instruments						
Natural gas ($/Mcf)	5.25	6.19	(15)	5.71	3.72	53
Crude Oil ($/Bbl)	99.78	91.64	9	96.24	84.41	14
Natural gas liquids ($/Boe)	61.69	57.56	7	59.62	48.85	22
Average realized price	54.08	52.79	2	53.47	45.51	17
Drilling activity (gross)						
Gas	12	11	9	23	7	229
Oil	4	20	(80)	24	38	(37)
Total wells	16	31	(48)	47	45	4

(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.

Outlook

Trilogy has continued to develop its land position and expand on its technical expertise in large, tight, liquids-rich gas and oil resource plays in the Deep Basin. The Company believes that it has accumulated a large inventory of high quality horizontal drilling prospects that should provide the opportunity to grow annual production, replace produced reserves and maintain a meaningful dividend for its shareholders. Trilogy believes it is positioned at the end of the second quarter to meet its annual guidance for 2014 as follows:

•Average production	36,000 Boe/d (~45% oil and NGLs)
•Average operating costs	$9.00 /Boe
•Capital expenditures	$375 million

Trilogy's net debt typically peaks in the second quarter of each year due to the fact that over 75 percent of its annual capital expenditures are incurred during the first half of the year. Trilogy is well positioned with ample debt capacity from its revolving credit facility which recently increased to $725 million. Net debt is expected to be reduced through the balance of the year from increased operational cash flow from the Company's producing assets and through continued asset development.

In the current natural gas and crude oil commodity price environment, Trilogy expects to manage its balance sheet through production replacement, prudent asset management and the continued control over a significant portion of its operations. As a growth-oriented corporation, Trilogy must remain flexible in order to respond to changes in commodity prices. The remainder of 2014 may finally see some stability in natural gas prices as supply and demand forces in western Canada natural gas markets continue to balance. Trilogy believes it can manage its assets prudently through the year as its production base trends to a higher oil and natural gas liquids composition. Trilogy is confident in its strategy, its high quality assets and the proven expertise of its employees.

Additional Information

A copy of Trilogy's June 30, 2014 quarterly report to Shareholders, including Management's Discussion and Analysis and unaudited interim consolidated financial statements and related notes can be obtained at http://media3.marketwire.com/docs/Q2tet.pdf. This report will also be made available at a later date through

Trilogy's website at www.trilogyenergy.com and SEDAR at www.sedar.com.

About Trilogy

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. Trilogy's common shares are listed on the Toronto Stock Exchange under the symbol "TET".

Non-GAAP Measures

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

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

"Consolidated debt" generally includes all long-term debt plus the arithmetic mean of the net working capital balance for the last two quarters (excluding financial instrument assets and liabilities therein and as adjusted for certain additional items that do not appear individually in the line items of the Company's financial statements).

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

Forward-Looking Information

Certain information included in this news release constitutes 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" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this news release pertain to, without limitation: expected average production volumes in 2014, the timing thereof and the relative content of crude oil, natural gas, and natural gas liquids therein; projected average operating costs; future capital expenditures and the relative allocation and timing thereof; and statements regarding management's intention to reduce debt, grow and replace production, manage its balance sheet and its assets, control operations and pay dividends to its shareholders. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Such assumptions include: current commodity price forecasts for petroleum, natural gas and natural gas liquids; current reserves estimates; current production forecasts and the relative mix of crude oil, NGLs and natural gas therein; geology applicable to Trilogy's land holdings; the extent and development potential of Trilogy's assets (including, without limitation, Trilogy's Kaybob area Montney oil and gas assets, the Duvernay Shale Gas development program, the Gething and Dunvegan oil pools, among others); continuity of the mutually beneficial NGL Recovery Agreement with Aux Sable Canada LP and pricing thereunder; cash flow consistent with expectations; assumptions regarding royalties and expenses and the continuity of government incentive programs and their applicability to Trilogy; operating and other costs; currency exchange and interest rates; expected timelines and budgets being met; budget allocations and capital spending flexibility; access to capital markets and other sources of funding for Trilogy's planned operations and expenditures; estimates of deferred tax amounts, tax assets and tax pools; the ability of Trilogy and its partners to achieve drilling, completion construction and other operational results consistent with our expectations; general business, economic, and market conditions; the ability of Trilogy to obtain equipment, services and supplies in a timely manner to carry out its activities; the ability of Trilogy to market oil and natural gas successfully to current and new customers; the timing and costs of pipeline, storage and facility construction and expansion facility run-times; the ability to secure adequate product processing, transmission and transportation and the timely receipt of required regulatory approvals: among others.

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 of oil, natural gas and natural gas liquids prices, foreign currency, exchange rates and interest rates, volatile economic and business conditions, the ability of management to execute its business plan; the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil, natural gas and associated by-products and market demand; risks and uncertainties involving geology of oil and gas deposits; risks inherent in Trilogy's marketing operations, including c redit risk; the uncertainty of reserves estimates and reserves life; the uncertainty of estimates and projections relating to future production, NGL yields, costs and expenses; uncertainty in amounts and timing of royalty payments and applicability of and change to royalty regimes and government incentive programs including, without limitation, the Natural Gas Deep Drilling Programs and the Drilling Royalty Credit Program;
potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the availability of financing; the ability to generate sufficient cash flow from operations and other sources of financing at an acceptable cost to fund Trilogy's exploration, development and construction plans and repay debt; Trilogy's ability to secure adequate product transmission and transportation on a timely basis or at all; Trilogy's ability to enter into or renew leases; health, safety and environmental risks; the

ability of Trilogy to add production and reserves through development and exploration activities; weather conditions; the possibility that government policies, regulations or laws, including without limitation those relating to the environment and taxation, may change; imprecision in estimates of product sales, tax pools, tax shelters, tax deductions available to Trilogy, changes to and the interpretation of tax legislation and regulations applicable to Trilogy, and timing and amounts of reversals of temporary differences between assets and liabilities recognized for accounting and tax purpose; the possibility that regulatory approvals may be delayed or withheld; risks associated with existing and potential future lawsuits and regulatory actions against Trilogy; uncertainty regarding aboriginal land claims and co-existing local populations; hiring/maintaining staff; the impact of market competition; and other risks and uncertainties described elsewhere in this document or in Trilogy's other filings with Canadian securities authorities.

The forward-looking statements and information contained in this news release 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.

Refer to Trilogy's Management's Discussion and Analysis for additional information on forward-looking information.

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 2014, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 19:1 ("Value Ratio"). The Value Ratio is obtained using the Q2 2014 average realized oil price of $99.78 (CAD$/Bbl) and the Q2 2014 average realized natural gas price of $5.25 (CAD$/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.

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