

CALGARY, ALBERTA--(Marketwired - May 5, 2016) - [Trilogy Energy Corp.](#) (TSX:TET) ("Trilogy") is pleased to announce its financial and operating results for the three months-ended March 31, 2016.

Financial and Operating Highlights

- Reported sales volumes for the first quarter of 2016 were lower at 22,786 Boe/d as compared to 24,171 Boe/d for the fourth quarter of 2015. Natural production declines, the shut-in of uneconomic production and an increased number of suspended wells that require servicing contributed to reduced production. Asset dispositions and the expiry of Trilogy's NGL Recovery Agreement with Aux Sable Canada LP in fourth quarter of 2015 also contributed to the decrease in production and liquids composition;
- Net capital expenditures totaled \$22.3 million as compared to \$47.7 million for the first quarter of 2015, as Trilogy executed on a strategic portion of its 2016 spending plans. 6 wells (5.5 net) were drilled in the quarter as compared to 13 wells (7.2 net) wells drilled in first quarter of 2015;
- Operating expenditures decreased to \$16.9 million (\$8.17/Boe) in the quarter from \$18.0 million (\$8.11/Boe) in the fourth quarter of 2015 on the lower production and reduced well workover and maintenance costs;
- Funds flow from operations ⁽¹⁾ decreased to \$8.3 million as compared to \$19.5 million for the fourth quarter of 2015, primarily on lower commodity prices and higher short-term firm service transportation charges, partially offset by realized financial instrument gains on oil contracts and reduced interest charges;
- Net debt ⁽¹⁾ increased to \$564.4 million for the first quarter of 2016 from \$544.2 million at the end of 2015.

(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		
	March 31, 2016	December 31, 2015	Change %
FINANCIAL			
Petroleum and natural gas sales	45,527	56,730	(20)
Funds flow			
From operations ⁽¹⁾	8,312	19,493	(57)
Per share - diluted	0.07	0.15	(57)
Earnings			
Income (Loss) before tax	(36,785)	(17,646)	108)
Per share - diluted	(0.29)	(0.14)	109)
Loss after tax	(27,544)	(19,248)	43)
Per share - diluted	(0.22)	(0.15)	43)
Capital expenditures			
Exploration, development, land, and facility	22,264	5,599	298
Acquisitions (dispositions) and other - net	73	(111,492)	(100)
Net capital expenditures	22,337	(105,893)	(121)
Total assets	1,257,752	1,266,492	(1)
Net debt ⁽¹⁾	564,389	544,167	4
Shareholders' equity	422,185	447,742	(6)
Total shares outstanding (thousands)			
- As at end of period ⁽²⁾	126,024	126,024	-
OPERATING			
Production			
Natural gas (MMcf/d)	96	98	(2)
Oil (Bbl/d)	4,136	4,675	(12)
Natural gas liquids (Boe/d)	2,601	3,175	(18)
Total production (Boe/d @ 6:1)	22,786	24,171	(6)
Liquids Composition (percentage)	30	32	-
Average prices before financial instruments			
Natural gas (\$/Mcf)	2.70	2.81	(4)
Crude Oil (\$/Bbl)	37.25	48.21	(23)
Natural gas liquids (\$/Boe)	33.32	36.59	(9)
Average realized price	21.96	25.51	(14)
Drilling activity (gross)			
Gas	3	-	-

Oil	3	-	-
Total wells	6	-	-

(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.

Operations Update for the First Quarter 2016

Trilogy's 2016 first quarter production was 22,786 Boe/d, a decrease of 6 percent from 2015 fourth quarter production of 24,171 Boe/d. The decrease in production reflects natural declines and the sale of certain producing Duvernay assets as well as the November 30, 2015 expiry of the Company's natural gas liquids recovery agreement with Aux Sable Canada LP. During the quarter, Trilogy drilled 6 (5.5 net) wells, with four (3.5 net) wells completed and ready for production at the end of the quarter. Of the completed wells, two Montney oil wells were brought on stream in May, while the two recently completed Montney gas wells will remain shut in until commodity prices for natural gas improve. The rapid decline in the commodity price for natural gas has resulted in Trilogy shutting in approximately 1,500 Boe/d of production from higher operating cost production and lean natural gas wells considered uneconomic at current natural gas prices. Trilogy will continue to monitor commodity prices and operating netbacks to ensure that its wells are producing profitably.

During the quarter, Trilogy drilled two 100 percent working interest Duvernay wells on lands that were to expire in the current year. The first well was drilled at 9-30-63-17W5 on a ten section expiring acreage block. The well was drilled to intermediate casing point for approximately \$1.5 million before operations were suspended due to break up. The horizontal lateral will be drilled to a bottom hole location at 12-21-63-17W5 in August and is expected to have a lateral length of approximately 2,400 meters at a cost of approximately \$2 million. The second well was drilled from a surface location at 7-8-61-19W5 to a bottom hole location at 102/16-17-61-19W5 with a 2,255 meter lateral for a cost of approximately \$4.3 million to manage a two section expiry. The well is expected to be completed in the second half of the year; however, it may be deferred if the expiration date on lands are extended or until a second well is drilled from the same surface pad. Trilogy will continue to evaluate options to accelerate the development of its Duvernay land position in the Kaybob area. Management believes the details announced in April 2016 for the Modern Royalty Framework have provided sufficient certainty for renewed investment in the Duvernay and will support additional development of the lands in the future.

During the quarter, Trilogy also drilled and completed two Montney oil wells and two Montney gas wells using drilling techniques that were adopted in drilling the Duvernay wells. Each of the Montney oil wells were undertaken with total costs of \$2.9 million as compared to historical costs of \$4.1 million, for a 30 percent reduction. The Montney gas wells were drilled with extended reach laterals and completed and tied in for a total cost of \$5.1 million each, which is a cost reduction of 25 percent from previously drilled long reach laterals wells in the area. These cost reductions were the result of improvements in the technology used in drilling and completion design for the wells, in addition to a reduction in service costs. Trilogy expects to take advantage of these costs reductions and plans to drill three additional Montney oil wells in the third quarter.

First quarter capital spending totaled \$22.3 million, compared to funds flow over the same period of \$8.3 million, resulting in net debt increasing to \$564.4 million at the end of the quarter. Trilogy executed on a strategic portion of its 2016 spending plans and will manage capital spending throughout the balance of the year to operate within expected annual funds flow while maintaining net debt flat at 2015 year-end levels.

Trilogy is extremely pleased with the cost reductions achieved over the past year and believes they will ensure that it remains profitable and competitive in the current low commodity prices. The Company has been able to reduce operating costs from \$9.32/Boe in the first quarter of 2015 to \$8.17/Boe in the most recent quarter despite a decrease in production over that time. General and administrative costs have been reduced throughout the Company as employees and contractors have all shared in reducing costs and controlling expenditures. Significant savings have also been achieved in our capital spending program by re-engineering previous processes and applying new technology to reduce drilling days and completions costs. These reduced costs are expected to provide improved economics in our key plays once drilling resumes on a larger scale as commodity prices trend higher.

Outlook

Trilogy has continued to develop its technical expertise in large, unconventional liquids-rich gas and oil resource plays in the Montney and Duvernay formations. The Company believes it has accumulated a large inventory of high quality projects that should provide the opportunity to profitably grow annual production and replace produced reserves, in the long term.

In the current natural gas and crude oil commodity price environment, Trilogy expects to manage its balance sheet through continued production of profitable wells, 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 royalty structures and believes it can manage its asset base prudently through the year as its production declines from the prior year. Trilogy is confident in its high quality assets and the proven expertise of its employees and will operate with a strategy to create long term value for its shareholders.

Managing corporate spending, production and growth expectations during this period of commodity price volatility has proved to be challenging. However, the Company believes it has shown its ability to manage its business to weather the storm. Capital allocation through the balance of the year will be a function of commodity price forecasts through 2017 and will leverage off the capital efficiencies realized in the first quarter wells. Production, capital and operational guidance will be provided when there is greater certainty as to future commodity prices.

Additional Information

Trilogy's financial and operating results for the first quarter of 2016, including Management's Discussion and Analysis and the Company's unaudited Interim Consolidated Financial Statements and related notes as at and for the quarter ended March 31, 2016 can be obtained at <http://media3.marketwire.com/docs/Q12016Report.pdf>. These reports 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 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" 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 capital expenditures and costs of acquisitions, excluding expenditures where the related assets were disposed of by the end of the year, 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", "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 news release include, but are not limited to, statements regarding: the Company's drilling, completion and development plans in the Kaybob Montney oil and gas pools and the Duvernay shale play; Trilogy's commitment to maintaining financial sustainability during the current depressed commodity price environment by, without limitation, operating within expected annual funds flow, maintaining annual debt levels at 2015 year-end levels, managing its balance sheet; controlling the amount, timing and allocation of capital spending, continuing production of profitable wells and asset rationalization; management's intention to leverage off of drilling, completion and other cost reductions previously achieved by the Company; projections regarding the liquidity of Trilogy to enable Trilogy to pursue its growth objectives in the future; and other statements regarding Trilogy's business strategy and objectives for 2016 and beyond.

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 (including condensate); cash flow consistent with expectations; current reserves estimates; credit facility availability and access to sources of funding for Trilogy's planned operations and expenditures; 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 and the Duvernay Shale Gas play, among others); assumptions regarding royalties and expenses and the continuity of royalty regimes and government incentive programs and their applicability to Trilogy; operating and other costs; currency exchange and interest rates; expected timelines and budgets being met in respect of drilling programs and other operations; budget allocations and capital spending flexibility; ability of Trilogy to service and repay its debt when due; estimates of deferred tax amounts, tax assets and tax pools; estimates and projections in respect of the application of tax laws; the ability of Trilogy and its partners to achieve drilling, completion, construction and other operational results consistent with our expectations (including in respect of anticipated production volumes, reserves additions and NGL yields); 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 its crude oil, natural gas and natural gas liquids successfully to current and new customers; expectations that counterparties will fulfill their obligations under operating, gathering, processing, midstream and marketing agreements; the timing and costs of pipeline, storage and facility construction and expansion and facility run-times; the ability to secure adequate product processing, transmission, transportation, fractionation and storage capacity on acceptable terms 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 in oil, natural gas, condensate and other natural gas liquids and commodity prices; Trilogy's 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 meet current and future obligations and to service and repay debt; foreign currency, exchange rates and interest rates; uncertainties as to the availability and cost of financing, including under Trilogy's 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; the risk and effect of a downgrade in Trilogy's credit rating; 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, condensate and other natural gas liquids and market demand; the ability of Trilogy to add production and reserves through development and exploration activities and acquisitions; risks and uncertainties involving geology of oil and gas deposits; risks inherent in Trilogy's marketing operations, including credit risk and the risk that Trilogy may not be able to enter into suitable arrangements for the sale of its crude oil, natural gas and gas liquids on acceptable terms or at all; 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, applicable royalty incentive programs and the Natural Gas Deep Drilling Program, and uncertainties regarding the application of the Alberta Government's recently announced Modernized Royalty Framework; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; Trilogy's ability to secure adequate product transmission, transportation, fractionation and storage capacity on acceptable terms and on a timely basis or at all; risks related to the actions and financial circumstances of Trilogy's agents, contractors, counterparties, and joint venture partners; the possibility Trilogy will not commence or complete a process to evaluate opportunities with respect to its Duvernay shale assets in the near future or at all; Trilogy's ability to enter into or renew

leases; health, safety and environmental risks; weather conditions; the possibility that government policies, regulations or laws, including without limitation those relating to the environment and taxation, may change; risks and costs associated with environmental, regulatory, and compliance, including those potentially associated with hydraulic fracturing, greenhouse gasses, and regulations that may be implemented in relation to governmental policies regarding "climate change" or similar policies and the cost to Trilogy of complying with same; imprecision in estimates of product sales, commodity prices, capital expenditures, 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 Q1 2016, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 14:1 ("Value Ratio"). The Value Ratio is obtained using the Q1 2016 average realized oil price of \$37.25 (CAD\$/Bbl) and the Q1 2016 average realized natural gas price of \$2.70 (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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