CALGARY, ALBERTA--(Marketwired - Aug 4, 2016) - [Trilogy Energy Corp.](#) (TSX:TET) ("Trilogy") is pleased to announce its financial and operating results for the six months-ended June 30, 2016.

Financial and Operating Highlights

- Reported sales volumes for the second quarter of 2016 were lower at 20,299 Boe/d as compared to 22,786 Boe/d in the previous quarter. The decrease in production was attributed to the impact of shut-in production due to low natural gas prices (~ 1,200 Boe/d), forest fires in the Fox Creek area (~ 700 Boe/d), and facility downtime and restrictions (~ 1,000 Boe/d). Natural declines were offset, mostly, by resumed and new well production brought on in the quarter;
- Combined liquids pricing increased quarter over quarter by 37 percent to $49.09/Bbl in the second quarter from $35.73/Bbl in the previous quarter, offset by a reduction in the price for natural gas of 47 percent from $2.70/mcf to $1.42/mcf resulting in the shut-in of natural gas production in the quarter. The decrease in natural gas prices were offset, in part, by significantly lower transportation costs on the commencement of long-term firm service contracts in the second quarter;
- Total operating expenditures decreased to $15.4 million ($8.34/Boe) in the second quarter from $16.9 million ($8.17/Boe) in the previous quarter on the lower production;
- Funds flow from operations [1] in the second quarter increased to $9.7 million as compared to $8.3 million in the previous quarter, primarily on lower operating, transportation and general and administrative costs, partially offset by lower sales revenue and higher interest costs;
- Trilogy has experienced significant capital cost efficiencies achieved mainly through improved drilling and completion practices and general decreases in the cost of the related services in the low commodity price environment;
- During the quarter, Trilogy's revolving credit facility agreement was amended. The amendments included:
  - an extension to the maturity date by one year (to April 30, 2018);
  - a reduction in the borrowing base to $300 million (previously $450 million);
  - an increase in pricing for all borrowings in excess of $250 million;
  - the suspension of its Consolidated debt to EBITDA financial covenant ratio until June 30, 2017; and
  - increased limits to its Senior Debt to EBITDA financial covenant ratio;
- Net debt [1] decreased to $561.6 million at the end of the second quarter of 2016 from $564.4 at the end of the prior quarter. Capacity under the credit facility at the end of the quarter was $33.3 million, inclusive of its working capital surplus and outstanding letters of credit.

  [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, 2016	March 31, 2016	Change %	2016	2015	Change %
FINANCIAL						
Petroleum and natural gas sales	39,125	45,527	(14)	84,652	163,698	(48
Funds flow						
From operations[1]	9,722	8,312	17	18,034	67,702	(73
Per share - diluted	0.08	0.07	17	0.14	0.54	(73
Earnings						
Loss before tax	(37,669)	(36,785)	2	(74,455)	(63,592)	17
Per share - diluted	(0.30)	(0.29)	2	(0.59)	(0.50)	17
Loss after tax	(29,112)	(27,544)	6	(56,657)	(47,543)	19
Per share - diluted	(0.23)	(0.22)	5	(0.45)	(0.38)	19
Capital expenditures						
Exploration, development, land, and facility	1,090	22,264	(95)	23,355	58,226	(60
Acquisitions (dispositions) and other - net	(484)	73	(763)	(412)	(3,853)	(89
Net capital expenditures	606	22,337	(97)	22,943	54,373	(58
Total assets	1,237,887	1,257,752	(2)	1,237,887	1,542,040	(20
Net debt[1]	561,585	564,389	-	561,585	737,018	(24
Shareholders' equity	398,975	422,185	(5)	398,975	532,915	(25
Total shares outstanding (thousands)						
- As at end of period [2]	126,064	126,024	-	126,064	126,123	-
OPERATING						
Production						
Natural gas (MMcf/d)	84	96	(13)	90	119	(24
Oil (Bbl/d)	4,045	4,136	(2)	4,090	6,213	(34
Natural gas liquids (Boe/d)	2,300	2,601	(12)	2,450	4,962	(51
Total production (Boe/d @ 6:1)	20,299	22,786	(11)	21,543	30,972	(30
Liquids Composition (percentage)	31	30		30	35	
Average prices before financial instruments						

Natural gas ($/Mcf)	1.42	2.70	(47)	2.10	3.16	(34
Crude Oil ($/Bbl)	51.04	37.25	37	44.07	55.29	(20
Natural gas liquids ($/Boe)	45.49	33.32	37	39.03	37.39	4
Average realized price	21.18	21.96	(4)	21.59	29.20	(26
Drilling activity (gross)						
Gas	-	3	(100)	3	8	(63
Oil	-	3	(100)	3	5	(40
Total wells	-	6	(100)	6	13	(54

(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 Second Quarter 2016

Trilogy's 2016 second quarter production was 20,299 Boe/d, a decrease of 11 percent from first quarter 2016 production of 22,786 Boe/d. The decline in second quarter production reflects the impact of shut-in production due to low commodity prices (~1,200 Boe/d), Fox Creek area forest fires (~700 Boe/d) and facility downtime and restrictions (~1,000 Boe/d). Trilogy did not participate in any new wells during the quarter; most of the natural production declines in the quarter were offset by production from two horizontal Montney oil wells that were drilled in the first quarter and brought on production during the second quarter. The Company expects to average approximately 22,000 Boe/d for the year, with its forecasted capital spending to be within cash flow.

During the quarter, Trilogy's net capital expenditures totaled $0.6 million while $9.7 million was generated in funds flow from operations, resulting in year-to-date net capital expenditures of $22.9 million and funds flow from operations of $18.0 million. Included in Trilogy's annual production guidance of 22,000 Boe/d are the proposed third quarter drilling of 4 Montney oil locations, 1 Duvernay completion and the drilling of a Duvernay horizontal lateral to manage expiries. Given the current production forecast and strip pricing, Trilogy expects to generate approximately $50 -$60 million in annual funds flow from operations. If the upper end of the funds flow forecast proves out, Trilogy may drill and complete up to four additional Montney oil locations in the fourth quarter, for a total of 10 new Montney oil wells drilled during 2016. Trilogy will continue to monitor commodity prices and operating netbacks to ensure its wells are producing profitably and that it is able to execute a cash flow-balanced spending program while maintaining or growing current production levels.

During the second quarter, Trilogy tied in the 2 horizontal Montney oil wells drilled in the first quarter - 100/05-06-064-18W5M (the "05-06 well") and 102/12-06-064-18W5M (the "02/12-06 well"). Each of these wells were drilled, completed and tied-in for total costs of approximately $2.9 million as compared to historical costs of $4.1 million. These cost reductions were achieved mainly through improved drilling and completion practices and Trilogy believes such reductions will be sustainable going forward. The 05-06 well and the 02/12-06 well were brought on production in April and, in the initial 60 producing days, produced 64,000 barrels and 33,000 barrels of oil, respectively. Trilogy increased the proppant from 10 tonnes of sand per stage in the 02/12-6 well to 20 tonnes of sand per stage in the 05-06 well (each well had 22 stages). Trilogy will continue to evaluate well performance to determine whether the higher productivity in the 05-06 well is directly related to the increase in proppant and will adjust future completions programs if required.

Due to low natural gas prices, Trilogy deferred production from the 2 extended reach horizontal Montney gas wells drilled in the first quarter of 2016. The first well (100 percent working interest) was brought on production in early July, while the second well (50 percent working interest) was put on production later in the month as natural gas prices continued to increase relative to the second quarter. These 2 wells were drilled, completed and tied in for a total cost of approximately $5.1 million each, which is a 25 percent cost reduction from previously drilled long reach lateral wells in the area. These cost reductions were the result of improvements in the technology used in drilling operations and in the completion design for the wells, which Trilogy believes to be sustainable, as well as reductions in the cost of services. Trilogy will continue to evaluate the relative economics of its Montney gas wells given the increase in forecasted natural gas prices, which may result in additional wells being drilled later in the year.

Included in Trilogy's annual 2016 capital and production guidance are 4 additional horizontal Montney oil wells that Trilogy plans to drill in the third quarter to grow production from its Kaybob Montney oil pool. On average, each well is budgeted to cost approximately $2.9 million to drill, complete, equip and tie-in, and is expected to generate attractive economics at current WTI oil prices of $40 to $50 USD per barrel. Additional Kaybob Montney oil wells may be drilled into this pool in the fourth quarter if Trilogy is able to opt-in to the new Modernized Royalty Framework before the original proposed implementation date of January 1, 2017 and assuming current pricing forecasts are maintained. Trilogy also plans to drill a Duvernay horizontal lateral from a well that was previously drilled to its intermediate casing point at 09-30-063-17W5M in the first quarter of the year. By drilling the horizontal lateral, Trilogy anticipates continuing nine sections of expiring acreage offsetting the well. The original 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 12-21-063-17W5M in August and is expected to have a lateral length of approximately 2,400 meters with an anticipated cost of drilling the lateral of approximately $2 million.

Trilogy is currently completing the horizontal Duvernay well that it drilled in the first quarter of 2016. The well was drilled from a surface location at 07-08-061-19W5M to a bottom hole location at 102/16-17-061-19W5M with a 2,255 meter lateral for a cost of $4.7 million. The single well completion is expected to cost approximately $5.8 million and is included in the Company's current budgeted capital spending program. Management believes the details announced by the Alberta Government in April 2016 for the Modernized Royalty Framework and subsequent information on the Emerging Resources Program will result in renewed investment interest in the Duvernay and will support the continued development of its lands in the future. Collectively, the industry has continued to progress drilling and completion techniques to further reduce costs and increase ultimate recoverable reserves per well, resulting in improved economics for the commercial development of the Duvernay formation in the Kaybob area. Trilogy's Duvernay land position and producing infrastructure provides it with a tremendous opportunity to profitably grow its corporate production and the Company will evaluate options to accelerate the development of its Duvernay asset base.

Trilogy is extremely pleased with the operating cost reductions achieved over the past year and believes it remains profitable and competitive in the current commodity price environment. The Company has been able to reduce year-to-date operating costs to $8.25/Boe versus $9.18/Boe in calendar 2015, despite declining production rates. Trilogy forecasts annual operating costs to be approximately $8.50/Boe for 2016. 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 as drilling resumes.

Outlook

In the current natural gas and crude oil commodity price environment, Trilogy expects to manage its business 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.

Trilogy is strategically positioned in that its Montney oil and gas, Duvernay and Gething oil pools are all economic at current oil and gas prices, mainly due to capital and operating efficiencies realized by Trilogy's staff over the past twelve to eighteen months. Management believes these pools and Trilogy's collective asset base will produce significant profitable growth into the future, and that the past eighteen months have been very important in helping Trilogy solidify its three to five year growth plan. Trilogy will continue to allocate capital and manage its resources to provide the best return to its shareholders. Accordingly, annual guidance for 2016 is estimated as follows:

Average production	22,000 Boe/d
Average operating costs	$8.50 /Boe
Capital expenditures	Equal to or less than funds flow from operations
Funds flow from operation	$55 million - based on average second half 2016 strip pricing of $2.42 (AECO $CDN/GJ) and $44.24 (WTI $US/Bbl)

Additional Information

Trilogy's financial and operating results for the second 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 June 30, 2016 can be obtained at http://media3.marketwire.com/docs/trilogy2016q2results.pdf. These reports will also be made available 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, h igh 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, tax expenses, certain other items (accrued cash remuneration costs for its employees - deducted from EBITDA when paid) that do not appear individually in the line items of the Company's financial statements in addition to pro-forma adjustments for properties acquired or disposed of in the period.

"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 charges, and transportation costs. Management uses this metric to measure the discrete operating results of its oil and gas properties.

"Operating netback" refers to operating income plus realized financial instrument gains and losses and other income minus actual decommissioning and restoration costs incurred. Operating netback provides management with a more fulsome metric on its oil and gas properties considering strategic decisions (for example, hedging program) and associated full life cycle charges.

"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: forecast commodity prices; the Company's forecast 2016 annual production levels, funds flow from operations, capital expenditures, spending levels and operating costs; the Company's drilling, completion and development plans in the Kaybob Montney oil and gas pools and the Duvernay shale play, including the estimated costs of drilling, completing, equipping and tying in the wells in these plays, the timing thereof and the expectant production resulting therefrom; the quality, tenure, and profitability of Trilogy's land base and its ability to provide Trilogy with the opportunity to grow production and create long-term shareholder value; Trilogy's commitment to maintaining financial sustainability during the current depressed commodity price environment by, without limitation, rationalizing assets, reducing costs, controlling capital spending and operating within expected annual funds flow from operations along with management's belief as to the impact of such measures on Trilogy's operations and financial position; management's intention to leverage off of drilling, completion and other cost reductions previously achieved by the Company and statements as to the sustainability of such cost reductions; Trilogy's expectations as to the size, term and provisions (including covenants therein) of its bank credit facility and the cost of borrowing; the anticipated impact of government royalty regimes and incentive programs affecting Trilogy including, without limitation, the Modernized Royalty Framework and the Emerging Resources Program; Trilogy's intention to evaluate options to accelerate the development of the Duvernay shale play; and other statements regarding Trilogy's profitability, the opportunities within Trilogy's asset base and the Company'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 development potential and profitability of Trilogy's assets; assumptions regarding royalties and expenses and the applicability and continuity of royalty regimes and government incentive programs; 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; foreign currency, exchange rates and interest rates; uncertainties as to the availability and cost of financing; Trilogy's ability to satisfy the maintenance covenants within its credit and debt arrangements; 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 sales volumes; the uncertainty of reserves estimates and reserves life; the uncertainty of estimates and projections relating to future production and NGL yields, as well as costs and expenses; uncertainty with regard to royalty payments and the applicability of and changes to royalty regimes and government incentive programs; 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 "climate change" and the cost to Trilogy of complying with same; imprecision in estimates of product sales, commodity prices, capital expenditures, tax pools and tax deductions available to Trilogy; changes to and the interpretation of tax legislation and regulations applicable to Trilogy; 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; 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 2016, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 36:1 ("Value Ratio"). The Value Ratio is obtained using the Q2 2016 average realized oil price of $51.04 (CAD$/Bbl) and the Q2 2016 average realized natural gas price of $1.42 (CAD$/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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