

Trilogy Energy Corp. Announces Receipt of CRA Proposal to Reassess and Intention to Defend

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CALGARY, ALBERTA--(Marketwired - Jan 28, 2014) - [Trilogy Energy Corp.](#) ("Trilogy") (TSX:TET) announced today that it has received a letter from the Canada Revenue Agency ("CRA") advising Trilogy that, subject to submissions by Trilogy, it is proposing to reassess Trilogy's income tax filings related to its conversion from an income trust to a corporation (the "Conversion") in early 2010.

The proposed reassessments seek to disallow certain tax pools in the amount of \$728 million. If these tax pools were to be disallowed it is expected to result in (1) taxable income for Trilogy's 2010 and 2011 taxation years of up to \$65 million in the aggregate with maximum estimated taxes owing for such years of approximately \$16 million and (2) a reduction of \$663 million of losses which could have otherwise been carried forward into subsequent taxation years. Trilogy will review its tax filings for these taxation years to ensure all available deductions are claimed to reduce the amount of taxes owing as much as possible.

Even if the losses are ultimately disallowed, Trilogy's management expects that Trilogy would not be cash taxable in years subsequent to 2011 for the foreseeable future given the significant amount of capital expenditures that were incurred previously and that are expected to be incurred in 2014 and beyond.

In the view of Trilogy's management, the proposed reassessment with respect to the use of tax pools is part of a current overall tax audit initiative by the CRA. Trilogy's management remains of the opinion that, after careful consideration and consultation at the time of the Conversion and at this time, Trilogy's tax returns were correct as filed.

If the proposed reassessments are issued, Trilogy's management will vigorously defend Trilogy's tax filing position. Any amounts paid to the CRA in connection with the defence of such reassessments (being 50% of the cash taxes assessed to be owing, estimated to be approximately \$8 million at the most, plus applicable interest) would be refunded on a successful appeal of the reassessments. If the proposed reassessments are issued and defended against, Trilogy's management currently estimates that the ultimate resolution of the matter would take between two to four years.

Trilogy's management confirms that the proposed reassessments are not expected to affect Trilogy's long term business strategy or its monthly dividend.

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".

Forward-Looking Statements

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", "will" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this news

release pertain to, without limitation: the proposed reassessments by the CRA and potential taxes owing, Trilogy's future taxability, the correct filing of Trilogy's prior tax returns, Trilogy's intention to defend the proposed reassessments by the CRA if issued, the length of time it would take to resolve the matter and the effect of the proposed reassessments by the CRA on Trilogy's business strategy and monthly dividend.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition, 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: imprecision and uncertainty in estimates of tax pools, tax shelters and tax deductions available to Trilogy, the interpretation of tax legislation and regulations applicable to Trilogy and other risks and uncertainties described in Trilogy's other filings with Canadian securities authorities including its annual information form (accessible through SEDAR at www.sedar.com).

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.

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