

## Completes 5:1 Share Consolidation

### Maintain SPECULATIVE BUY

On September 18, 2023, Trillion Energy International Inc. ("TCF") consolidated its shares on a 5 for 1 basis. As a result, the Company's total number of shares outstanding has been reduced to 77.9mm from 390mm. We maintain our **SPECULATIVE BUY** recommendation and we have adjusted our target price to \$2.25 (from \$0.45) to reflect the completion of the share consolidation..

#### RATING & TARGET PRICE

Rating	SPECULATIVE BUY
Price	C\$1.42
Price Target	C\$2.25
Market Cap (\$M)	C\$110.70
Projected Return	58.5%

#### MARKET DATA

TCF-CSE	C\$1.42
52 Week Range	C\$2.60 - C\$1.10
Basic Shares O/S (mm)	77.9
Fully Diluted O/S (mm)	79.2
Enterprise Value (\$M)	C\$135
Net Debt (\$M)	C\$24.4

#### ESTIMATES

		2022E	2023E	2024E
<b>Production</b>	Q1	128	714	1,335
	Q2	118	730	1,418
	Q3	115	1,168	2,085
	Q4	275	1,168	2,418
	FY	159	947	1,817
<b>FFO (\$MM)</b>	Q1	(0.9)	2.1	7.2
	Q2	(0.2)	(3.5)	7.8
	Q3	(0.4)	1.8	12.3
	Q4	1.7	3.6	14.6
	FY	0.2	4.0	41.9
<b>FFPS</b>	Q1	\$(0.02)	\$0.03	\$0.09
	Q2	\$(0.00)	\$(0.05)	\$0.10
	Q3	\$(0.01)	\$0.02	\$0.16
	Q4	\$0.02	\$0.05	\$0.19
	FY	\$0.00	\$0.05	\$0.54

#### ANALYST INFORMATION

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Figure 1: Detailed Summary and Forecast

Trillion Energy International Inc.													TCF
Share Data			Market Value					Stock Price			Target Price		
Class B Shares (mm):	77.9		Market Cap. (\$ mm): \$ 110.7					Close: \$1.42			Target: \$2.25		
Diluted Shares (mm):	79.2		Enterprise Value (\$ mm): \$ 135.1					High: \$2.60			Proj. Return: 58.5%		
Fully Diluted (mm):	131.4		Net Debt (W.C.) (\$ mm): \$ 24.4					Low: \$1.10			EV/DACF 3.5x		
Production		2021A	2022A	Q1/23A	Q2/23A	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Oil	bb/d	124	102	81	86	85	85	84	85	85	85	85	85
NGL's	bb/d	-	-	-	-	-	-	-	-	-	-	-	-
Natural Gas	mmcf/d	0.3	0.3	3.8	3.9	6.5	6.5	5.2	7.5	8.0	12.0	14.0	10.4
Boe/d	6:1	177	159	714	730	1,168	1,168	947	1,335	1,418	2,085	2,418	1,817
Funds Flow & Earnings (US\$)		2021A	2022A	Q1/23A	Q2/23A	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Funds Flow	US\$ mm	(1.4)	0.2	2.1	(3.5)	1.8	3.6	4.0	7.2	7.8	12.3	14.6	41.9
Funds Flow /FD Share	US\$/share	(\$0.04)	\$0.00	\$0.03	(\$0.05)	\$0.02	\$0.05	\$0.05	\$0.09	\$0.10	\$0.16	\$0.18	\$0.53
Funds Flow /FD Share	C\$/share	(\$0.05)	\$0.00	\$0.04	(\$0.06)	\$0.03	\$0.06	\$0.07	\$0.12	\$0.13	\$0.21	\$0.25	\$0.72
Earnings/FD Share	US\$/share	(\$0.06)	(\$0.10)	\$0.03	(\$0.03)	(\$0.02)	\$0.01	(\$0.01)	\$0.04	\$0.05	\$0.10	\$0.12	\$0.31
\$/Barrel of Oil Equivalent (C\$)		2021A	2022A	Q1/23A	Q2/23A	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Revenue	\$/boe	57.44	161.30	95.65	87.54	69.00	94.33	85.39	108.23	108.40	109.29	109.55	109.01
Operating & Transport Costs	\$/boe	40.62	61.39	21.19	17.72	30.73	30.73	26.45	9.57	9.45	8.82	8.64	9.02
Operating Netback	\$/boe	16.82	99.92	62.51	58.88	30.25	51.78	48.44	85.13	85.40	86.80	87.21	86.36
G&A	\$/boe/d	34.89	110.07	34.00	27.69	17.12	17.12	22.29	17.94	16.89	11.36	9.80	13.12
Funds Flow Netback	\$/boe	(21.31)	2.77	32.18	(52.48)	16.91	33.49	11.56	59.23	60.06	64.37	65.61	63.01
Valuation Metrics (C\$)		2021A	2022A	Q1/23A	Q2/23A	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
FD Funds Flow Multiple		na	431.4x	9.8x	na	11.3x	5.7x	20.3x	2.9x	2.7x	1.7x	1.4x	2.0x
EV/DACF Multiple		na	na	14.1x	-11.1x	14.9x	8.5x	19.5x	4.4x	4.0x	2.4x	1.9x	1.9x
EV/Production	C\$/mboe/d	765.4	848.4	189.2	185.0	115.6	115.6	142.7	101.2	95.3	64.8	55.9	74.4
EV/boe reserves	C\$/boe	16.10											
Commodity Price		2021A	2022A	Q1/23A	Q2/23A	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Corporate Natural Gas	US\$/mcf	5.19	22.18	22.26	13.11	11.50	16.00	15.72	18.53	18.53	18.53	18.53	18.53
Exchange Rate	C\$ per US\$	1.25	1.30	1.35	1.36	1.36	1.36	1.35	1.36	1.36	1.36	1.36	1.36
Exchange Rate	TL per US\$												
Capex and Capital Structure		2021A	2022A	Q1/23A	Q2/23A	Q3/23E	Q4/23E	2023E	Q1/24E	Q2/24E	Q3/24E	Q4/24E	2024E
Capex	US\$ mm	0.2	37.4	5.5	12.2	6.0	3.0	26.7	3.0	5.0	7.0	7.0	22.0
Capex/Cash Flow	%	-18%	23218%	265%	-351%	330%	83%	668%	42%	65%	57%	48%	53%
Weighted Average Basic	mm	31.6	62.0	76.9	74.3	77.9	77.9	76.8	77.9	77.9	77.9	77.9	77.9
Market Cap	C\$ mm	52.6	100.3	109.2	105.5	110.6	110.6	109.0	110.6	110.6	110.6	110.6	110.6
Enterprise Value	C\$ mm	52.2	106.9	119.3	129.9	142.2	141.3	139.6	135.6	131.9	124.6	114.3	114.3
Net Debt (WC)	C\$ mm	(0.3)	6.6	10.1	24.4	31.5	30.7	30.6	25.0	21.3	14.0	3.7	3.7
Net Debt/Cash Flow	C\$ mm	na	na	0.9x	na	3.2x	1.6x	5.7x	0.6x	0.5x	0.2x	0.0x	0.1x
Net Asset Value				Reserve Estimate (December 31, 2022)									
		C\$mm	C\$/share										
Reserves (P + P)		583.1	\$7.48			Proven	26%	2,149					
Net Debt		(24.4)	(\$0.31)			Probable	74%	6,241					
Undeveloped Land		-	\$0.00			P+P		8,390					
Net Asset Value (Basic)		558.7	\$7.17										
Dilution		0.9	\$0.01										
<b>Core NAV/FD Share</b>		<b>559.6</b>	<b>\$7.18</b>										
Price to core NAV			0.20x										
Risked Resource Value (C\$)		120.0	\$1.52										
<b>Risked NAV/FD share</b>		<b>679.6</b>	<b>\$8.58</b>										
Price to risked NAV (multiple)			0.17x										
						Reserve Life Index							
						Production							
						2022	2023						
						Proven	37.0	6.2					
						P+P	144.3	12.7					

Source: Company Reports, Research Capital Corp.

## Company Description:

Trillion Energy International Inc. holds a 49% interest in the SASB natural gas field in Türkiye, one of the Black Sea's first and largest-scale natural gas development projects. The company also holds a 19.6% (except three wells with 9.8%) interest in the Cendere oil field in Türkiye and a 100% interest in, the Vranino 1-11 block in Bulgaria, which is prospective unconventional natural gas.

## Risks:

While this is not an exhaustive list, we view the following risks as being noteworthy to investors in Trillion Energy International Inc.

**COMMODITY PRICE RISK** | Our 2023 and our 2024 realized natural gas price forecast is substantially higher than the 10-year range of approximately US\$ 7 - US\$12/mcf. If the domestic natural gas price reverts back to the normal range, our funds flow forecast would likely be overstated.

**PRODUCTION CONCENTRATION RISK** | In the near term, nearly all of Trillions' production will be derived from the SASB natural gas project. With significant pressure differentials between the new wells in the field and other issues related to the long reach deviated wells, the Company has experienced some technical difficulties in optimizing well production flow rates. Trillion has engaged a service provider to help resolve the production bottlenecks. Failure to find a solution to the production issues would impact the Company's ability to achieve our targets and potentially impact valuation.

**FINANCIAL RISK** | Trillion currently has limited production and cash flow and must rely on working capital to fund its capital intense, offshore drilling operations. If Trillion is unable to increase production as expected, the Company may need to source additional capital which may not be available when needed.

**POLITICAL RISK** | Trillion is an international oil and natural gas company with primary activities in Türkiye and as a result is subject to political risks. The government extensively regulates the energy industry, with influence over exploration and production activities, prices, taxes, and royalties. New regulations or modifications to existing regulations could adversely impact the company's profitability.

**EXCHANGE RATE RISK** | Over the past several years, the Turkish lira has steadily depreciated against the U.S. dollar. Trillion receives its revenue in Turkish lira and faces foreign exchange risk from converting from the Turkish lira to the US and Canadian dollars. The Turkish lira is difficult to hedge, given its low liquidity and expensive spreads.

**EXPLORATION RISK** | The company's current and future proved reserves will decline as reserves are produced. Future revenue will depend on Trillion's ability to replace reserves through acquisition or exploration and development of new reserves. Exploration and development drilling is capital intensive and is subject to numerous estimates and interpretations of geological and geophysical data. A portion of Trillion's capital expenditures in 2023 and 2024 is expected to be directed to appraisal and exploration activities.

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