

Successful Drilling Program Results in a Large Increase in Reserves

Maintain BUY and Target Price

This morning, Trillion Energy International Inc. ("TCF") released the results of its independent reserves assessment effective December 31, 2022. Estimated proven plus probable ("2P") reserves increase by 130% on the back of the successful four well drilling program in the SASB natural gas field. We expect additional growth in 2023 with longer term production results from the newly drilled wells and from the ongoing multi-well drilling program that we expect should convert significant 2C contingent reserves into proven producing reserves. We maintain our **BUY** recommendation and our \$1.35 target price.

NPV-10 increases by 426%: Estimated proven reserves increased slightly to 11.6 bcf, with 2.7 bcf of proven undeveloped reserves, reclassified as proven producing. Probable reserves increased by 330% to 37.1 bcf as three of the four successful wells drilled to date targeted contingent resources. Overall, 2P reserves increased by 130% to 48.6 bcf. An additional 35.7 bcf (218% increase) is in the possible reserves category. The before-tax net present value ("NVP-10") of the 1P reserves value increased by 206% to US\$123.8mm on the back of a higher natural gas price forecast. The NVP-10 of the 2P reserves value increased by 426% to US\$431.5mm (C\$1.50/sh) on new reserves additions and a higher price deck.

IMPACT - Positive. Reserves Growth Expected to Continue

TCF drilling campaign has been highly successful as the company has proven that long reach directional drilling technology is effective at targeting existing and new reserves directly from the production platform. We expect significant reserves additions as the company drills an additional 16 wells in the balance of 2023 and into 2024 and we expect stock price appreciation as the Company continues to build its production and cash flow base.

RATING & TARGET PRICE

Rating	BUY
Price	C\$0.41
Price Target	C\$1.35
Market Cap (\$M)	C\$155.50
Projected Return	229.27%

MARKET DATA

TCF-CSE	C\$0.41
52 Week Range	C\$0.55 - C\$0.18
Basic Shares O/S (mm)	283.9
Fully Diluted O/S (mm)	496.0
Enterprise Value (\$M)	C\$136.8
Net Debt (\$M)	C\$(18.6)

ESTIMATES

		2022E	2023E	2024E
Production	Q1	128	590	3,782
	Q2	118	1,423	4,535
	Q3	115	2,433	4,988
	Q4	262	3,128	5,757
	FY	156	1,902	4,769
FFO (\$MM)	Q1	(0.9)	3.6	23.8
	Q2	(0.2)	9.9	28.8
	Q3	(0.4)	18.8	32.1
	Q4	0.1	23.5	37.3
FFPS	Q1	\$(0.00)	\$0.01	\$0.07
	Q2	\$(0.00)	\$0.03	\$0.08
	Q3	\$(0.00)	\$0.05	\$0.08
	Q4	\$0.00	\$0.06	\$0.08
	FY	\$(0.00)	\$0.15	\$0.31

UPCOMING EVENTS/CATALYSTS

Production test results of the West Akcakoca 1 and Guluc 2 wells

ANALYST INFORMATION

Bill Newman, CFA
(403) 260-2460
bnewman@researchcapital.com

Figure 1: Detailed Summary and Forecast

Trillion Energy International Inc.										TCF
Share Data			Market Value				Stock Price			
Class B Shares (mm):	383.9		Market Cap. (\$ mm): \$ 155.5				Close: \$0.41			
Diluted Shares (mm):	400.7		Enterprise Value (\$ mm): \$ 136.8				High: \$0.55			
Fully Diluted (mm):	496.9		Net Debt (W.C.) (\$ mm): \$ (18.6)				Low: \$0.18			
Production		2021A	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	
Oil	bbl/d	124	99	90	90	90	90	90	90	
NGL's	bbl/d	-	-	-	-	-	-	-	-	
Natural Gas	mmcf/d	0.3	0.3	3.0	8.0	14.1	18.2	10.9	28.1	
Boe/d	6:1	177	156	590	1,423	2,433	3,128	1,902	4,769	
Funds Flow & Earnings (US\$)		2021A	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	
Funds Flow	US\$ mm	(1.4)	(1.4)	3.6	9.9	18.8	23.5	55.9	122.0	
Funds Flow /FD Share	US\$/share	(\$0.01)	(\$0.00)	\$0.01	\$0.02	\$0.05	\$0.06	\$0.13	\$0.25	
Funds Flow /FD Share	C\$/share	(\$0.01)	(\$0.01)	\$0.01	\$0.03	\$0.06	\$0.08	\$0.18	\$0.34	
Earnings/FD Share	US\$/share	(\$0.01)	(\$0.02)	\$0.00	\$0.02	\$0.04	\$0.05	\$0.11	\$0.23	
\$/Barrel of Oil Equivalent (C\$)		2021A	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	
Revenue	\$/boe	57.44	125.29	151.56	141.50	143.26	135.98	140.55	110.13	
Operating & Transport Costs	\$/boe	40.62	49.43	16.27	11.90	8.70	6.98	9.16	6.64	
Operating Netback	\$/boe	16.82	68.08	116.32	109.92	114.19	109.47	111.60	92.02	
G&A	\$/boe/d	34.89	103.33	33.90	13.90	8.04	6.26	10.37	4.13	
Funds Flow Netback	\$/boe	(21.31)	(24.66)	68.24	76.81	84.05	81.62	80.48	69.89	
Valuation Metrics (C\$)		2021A	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	
FD Funds Flow Multiple		na	na	8.7x	3.2x	1.7x	1.3x	2.3x	1.2x	
EV/DACF Multiple		na	na	8.5x	3.6x	1.9x	1.4x	1.7x	0.6x	
EV/Production	C\$/mboe/d	775.2	877.1	231.9	96.1	56.2	43.7	71.9	28.7	
EV/boe reserves	C\$/boe	16.31								
Commodity Price		2021A	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	
Corporate Natural Gas	US\$/mcf	5.19	22.18	27.51	24.28	24.28	22.93	24.75	18.50	
Exchange Rate	C\$ per US\$	1.25	1.30	1.34	1.34	1.34	1.34	1.34	1.34	
Exchange Rate	TL per US\$									
Capex and Capital Structure		2021A	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E	
Capex	US\$ mm	0.2	20.7	9.0	9.0	9.0	9.0	36.0	80.0	
Capex/Cash Flow	%	-18%	-1475%	248%	90%	48%	38%	64%	66%	
Weighted Average Basic	mm	158.2	310.0	383.9	383.9	383.9	383.9	383.9	409.6	
Dilutive Shares	mm	160.0	318.7	415.0	415.0	415.0	415.0	415.0	483.5	
Market Cap	C\$ mm	75.0	143.1	155.5	155.5	155.5	155.5	155.5	165.6	
Enterprise Value	C\$ mm	74.7	138.7	158.0	158.6	150.2	137.2	137.2	105.3	
Net Debt (WC)	C\$ mm	(0.3)	(4.3)	2.5	3.1	(5.2)	(18.2)	(18.2)	(60.2)	
Net Debt/Cash Flow	C\$ mm	na	na	na	na	na	na	na	na	
Net Asset Value			Reserve Estimate (December 31, 2022)							
		C\$mm	C\$/share	(mboe)						
Reserves (P + P)		583.1	\$1.52	Proven	26%	2,149				
Working Capital Net of Debt		18.6	\$0.05	Probable	74%	6,241				
Undeveloped Land		-	\$0.00	P+P		8,390				
Net Asset Value (Basic)		601.7	\$1.57	Reserve Life Index						
Dilution		3.4	\$0.01	Production						
Core NAV/FD Share		605.2	\$1.58			2022	2023			
Price to core NAV			0.26x			Proven	37.7	3.1		
Risked Resource Value (C\$)		120.0	\$0.30			P+P	147.3	12.1		
Risked NAV/FD share		725.2	\$1.81							
Price to risked NAV (multiple)			0.22x							

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 | With the energy crisis in Europe, natural gas prices in Türkiye are at record highs and with the onset of winter, natural gas prices are expected to remain strong. 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. Any production disruptions caused by natural disasters, unscheduled maintenance of production facilities, or reservoir performance issues, could impact the company's ability to achieve our targets and potentially impact valuation.

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. Türkiye has ties to NATO, the WTO, and the EU, however, its neighbours include Syria, Iraq, and Iran. Conflicts in these countries may impact Trillion's operations in Türkiye.

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.

EXCHANGE RATE RISK | Over the past several years, the Turkish lira has steadily depreciated against the U.S. dollar, which has accelerated in 2022. 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.

RELEVANT DISCLOSURES APPLICABLE TO COMPANIES UNDER COVERAGE

- 1 • This Issuer has generated investment banking revenue for RCC
- 2 • Relevant disclosures required under IIROC Rule 3400 applicable to companies under coverage discussed in this research report are available on our web site at www.researchcapital.ca

Important Disclosures

Analyst Certification

I, Bill Newman, CFA, certify the views expressed in this report were formed by my review of relevant company data and industry investigation, and accurately reflect my opinion about the investment merits of the securities mentioned in the report. I also certify that my compensation is not related to specific recommendations or views expressed in this report. Research Capital Corporation publishes research and investment recommendations for the use of its clients. Information regarding our categories of recommendations, quarterly summaries of the percentage of our recommendations which fall into each category and our policies regarding the release of our research reports is available at www.researchcapital.com or may be requested by contacting the analyst. Each analyst of Research Capital Corporation whose name appears in this report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the analyst's personal views and (ii) no part of the research analyst's compensation was or will be directly or indirectly related to the specific conclusions or recommendations expressed in this research report.

Relevant Disclosures Applicable to Companies Under Coverage

Relevant disclosures required under IIROC Rule 3400 applicable to companies under coverage discussed in this research report are available on our website at www.researchcapital.ca

General Disclosures

The opinions, estimates and projections contained in all Research Reports published by Research Capital Corporation ("RCC") are those of RCC as of the date of publication and are subject to change without notice. RCC makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; RCC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained therein and accepts no liability whatsoever for any loss arising from any use of or reliance on its Research Reports or its contents. Information may be available to RCC that is not contained therein. Research Reports disseminated by RCC are not a solicitation to buy or sell. All securities not available in all jurisdictions.

Company Specific Disclosures

Within the past 12 months, Research Capital has provided investment banking services to the issuer.

Distribution Policy

Through www.researchcapital.com, our institutional and corporate clients can access our research as soon as it becomes available, 24-7. New reports are continually uploaded to the site as they become available throughout the day. Clients may also receive our research via Reuters, Bloomberg, FactSet, and Capital IQ. All of our research is made widely available at the same time to all Research Capital client groups entitled to our research. In addition, research reports are sent directly to our clients based on their delivery preference (mail, fax, e-mail).

Fair Dissemination of Research Reports and Ratings

To the extent reasonably practicable, Research Reports will be disseminated contemporaneously to all of Research Capital Corporation ("RCC") customers who are entitled to receive the firm's research. Until such time, Research Analysts will not discuss the contents of their reports with Sales and Trading or Investment Banking employees. RCC equity research is posted to our proprietary website to ensure eligible clients receive coverage initiations and changes in rating, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Please contact your investment advisor for more information regarding RCC research.

Percentage Distribution of Research Ratings

As required by the Investment Industry Regulatory Organization of Canada, Research Capital provides a summary of the percentage of its recommendations that fall into each category of our ratings. Please click this link [Our Research - Research Capital Corporation](#) to see our distribution of ratings.

Potential Conflicts of Interest

All Research Capital Corporation ("RCC") Analysts are compensated based in part on the overall revenues of RCC, a portion of which are generated by investment banking activities. RCC may have had, or seek to have, an investment banking relationship with companies mentioned in this report. RCC and/or its officers, directors and employees may from time to time acquire, hold or sell securities mentioned in our Research Reports as principal or agent. RCC makes every effort possible to avoid conflicts of interest, however readers should assume that a conflict might exist, and therefore not rely solely on this report when evaluating whether or not to buy or sell the securities of subject companies.

RC USA INC.

Information about Research Capital Corporation's Rating System, the distribution of our research to clients and the percentage of recommendations which are in each of our rating categories is available on our website at www.researchcapital.com.

The information contained in this report has been drawn from sources believed to be reliable but its accuracy or completeness is not guaranteed, nor in providing it does Research Capital Corporation assume any responsibility or liability. Research Capital Corporation, its directors, officers and other employees may, from time to time, have positions in the securities mentioned herein. Contents of this

report cannot be reproduced in whole or in part without the express permission of Research Capital Corporation. US Institutional Clients – Research Capital USA Inc., a wholly owned subsidiary of Research Capital Corporation, accepts responsibility for the contents of this report subject to the terms and limitations set out above. US firms or institutions receiving this report should effect transactions in securities discussed in the report through Research Capital USA Inc., a Broker – Dealer registered with the Financial Industry Regulatory Authority (FINRA).

Member – Canadian Investor Protection Fund / membre – fonds canadien de protection des épargnants