

Trillion Energy International Inc.

(TCF-CSE: C\$0.39)

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BUY

Target: C\$1.50

A Turkish Delight: Initiating Coverage on Trillion Energy

TCF-CSE	New	Last
Rating	BUY	-
Target Price	\$1.50	-
Projected Return (Incl. Dividends)	285%	-
Current Price		\$0.39
52 Week L/H		\$0.155-\$0.550
Market Cap. (\$MM)		\$152
Enterprise Value (\$MM)		\$145
Shares Outstanding - Basic (MM)		388.6
W.A. Shares Outstanding - Diluted (MM)		403.6
Avg Daily Volume (1 Mth)		1,843,807
Current Net Debt (\$MM)		-\$6
Annual Dividend per Share/Yield		\$0.00 / 0.0%
Fiscal Year End		Dec 31
FORECAST		
Pricing	2022E	2023E
Brent (US\$/Bbl)	\$98.80	\$122.60
BOTAS Reference Price (US\$/Mcf)	\$22.24	\$26.60
FX Rate (\$C/\$US)	\$0.77	\$0.80
Production		
Liquids (Bbl/d)	96	90
Gas (Boe/d)	120	2,210
Boe/d (6/1)	215	2,300
% Oil & Liquids	44%	4%
FINANCIALS		
Cash Flow (US\$MM)	\$3	\$92
Free CF (US\$MM)	(\$20)	\$37
CFPS (US\$ dil)	\$0.01	\$0.23
VALUATION		
EV/DACF	34.6x	0.8x
EV/Boe/d	\$496,924	\$32,624
Net Debt/CF	-3.1x	-0.5x
2023E Estimates		
Liquids (Bbl/d)	95	92
Gas (Boe/d)	1,076	1,811
Boe/d (6/1)	1,171	1,903
CFPS (US\$ dil)	\$0.02	\$0.04

Source: FactSet & Eight Capital Estimates

TCF: Price/Volume Chart



Source: Factset

Company Description

Trillion Energy is a Canadian oil & gas E&P with assets focused in Türkiye and Bulgaria. In the near term, Trillion is focused on developing gas reserves the SASB Field in the shallow waters of the Black Sea in offshore Türkiye.

We are initiating coverage of Trillion Energy International (TCF-CSE) with a BUY rating and a C\$1.50 price target. TCF is a natural gas focused E&P with assets located in Türkiye and we believe that the company offers North American investors unique pure-play exposure to European gas pricing. In addition, the company is at an important inflection point, having drilled three wells of a 20-well development program that we see as providing a meaningful runway for catalysts in the next 12-16 months. Our positive outlook is based on the following:

Assets situated in Türkiye which has its natural gas market tied to Europe: TCF's assets are located in the South Akçakoca Sub-basin, which is situated in ~100m deep water off the coast of Türkiye and sells natural gas, into the country's industrial market. Türkiye consumes 5.8 Bcf/d of natural gas which makes it the fourth largest consumer when compared to the 27 EU member countries. Importantly, the country imports 99% of its natural gas needs under long-term import contracts with Russia, Iran, and Azerbaijan that have pricing mechanisms linked to Brent crude oil prices, resulting in domestic gas prices trading at roughly a US\$3/Mcf premium to Dutch TTF in the years leading up to the COVID-19 pandemic. 2021 saw roughly 2.6 Bcf/d of these long term contracts expire which resulted in increased pricing exposure to the TTF hub at a time when European gas entered into a supply crisis; resulting in the Turkish domestic gas price increasing to a peak of US\$32/Mcf versus a historical range of US\$6 - US\$12 per Mcf. We see continued elevated pricing as the Russia/Ukraine conflict persists.

High gas price environment drives strong well economics that underpin self-funded development program: On our Eight Capital price deck, which assumes Turkish gas prices of US\$26/Mcf in 2023, we see the average well generating an NPV10 of US\$66 million, with an IRR greater than 500% and a pay-out of 3 months. This quick generation of free cash flow results in a self-funded 20-well development program which drives production from an estimated 515 BOE/d in Q4/22 to 6.2 MBOE/d at the end of the development program in Q2/24. This results in an estimated US\$95 million of free cash flow being generated over the company's US\$105 million spending cycle, which can be redirected to the company's infield exploration upside to accelerate growth, in our view. We see TCF's development program being funded down to a US\$14.50/Mcf realized price in 2023 and further reduced to US\$4.40/Mcf in 2024 as a result of its larger production base driving per BOE cost efficiencies.

TCF's trading metrics suggest the market is valuing the stock on a heavily risked NAV basis: On the Eight Capital price deck, we see TCF generating a 33% 2023 FCF yield in the early innings of its growth phase while having the second best balance sheet with net debt to cash flow at -0.5x. The company's high cash generation combined with production growth leads to a peer leading DAPPSG in excess of 500%. On an EV/'23 DACF basis, TCF's shares trade at 0.8x, which is among the lowest in our coverage space. Our NAV model suggests that TCF's stock is valued with a chance of success less than 50%. We believe that as the company drills more successful wells, the market will have to give credit to near-term cash flow generation that could potentially lead to the stock re-rating positively in the near term.

Trillion Energy is a Canadian based gas-focused exploration & production company with assets located in Türkiye and an exploration license in Bulgaria. The company's stock trades on the Canadian Securities Exchange as TCF (Frankfurt: Z62 & OTC: TRLEF) and it has a C\$152 million market cap with an estimated net cash surplus of C\$7 million at Q1/23. We believe TCF is at a significant inflection point, having drilled the first two wells of its 20 well drilling program, providing a pathway of significant catalysts from well results this year that could potentially lead to the stock re-rating.

The company's near-term focus is on the South Akçakoca Gas Field (SASB Field) which is situated in the shallow waters of the Black Sea in offshore Türkiye. We see TCF's assets in Türkiye having a competitive advantage relative to North American assets due to the constructive outlook on natural gas pricing within Türkiye. This is largely a result of the country's growing demand for natural gas due to economic growth, industrialization, and urbanization experienced as of late. Furthermore, Türkiye supplies 99% of its 5.8 Bcf/d natural gas market with imports from countries such as Russia, Iran, and Azerbaijan on long-term contracts with pricing mechanisms linked to Brent crude oil prices. This has resulted in structurally higher gas prices, with Türkiye's domestic natural gas prices (based on the BOTAS Reference Price) trading at an average US\$3.15/Mcf premium to Dutch TTF in the years preceding the COVID-19 pandemic. Additionally, the Turkish government is going full steam ahead in trying to domesticate its natural gas supply; having discovered a 20+ TCF gas resource in the deep waters of the Black Sea, which places TCF in an advantageous position as the country is aggressively investing in infrastructure and drilling for new reserves.

2021 saw a fundamental shift in Türkiye's gas markets, with significant import volumes linked to these long-term contracts expiring; resulting in increased exposure to European gas pricing as the country renegotiates for shorter-term, TTF linked import contracts along with increased buying of SPOT LNG. This change has come at a time when the European natural gas markets have entered a period of crisis due to a shortage of natural gas as a result of the Ukraine/Russia conflict and rebounding growth in the European economy after the COVID-19 lockdowns. This has resulted in Türkiye's natural gas prices increasing from US\$6/Mcf in 2021 to over US\$26/Mcf by January 2023 which drives TCF's almost incomparable cash netbacks relative to peers with gas focused assets in North America.

The SASB Field, which is located roughly 10 miles offshore of Türkiye in ~100m deep water of the Black Sea, was first discovered in 2004. Since then, predecessors have invested over US\$600 million in the field with the construction of platforms and the drilling of more than 20 wells. TCF plans to save capital by focusing its near-term development program on drilling off these existing platforms. Based on our average type-well assumptions, we estimate successful wells generate NPV10s of US\$66 million, IRRs in excess of 500% and payouts in 3 months under our Eight Capital price deck assumptions (long term price of US\$16/Mcf). This leads to TCF being able to quickly recycle cash back into drilling, resulting in a self-funded development program. The company plans on developing 11 locations this year for an estimated US\$55 million in capital followed up by 6 wells in 2024 for US\$40 million.

Due to advantageous price realizations and a low-cost structure, TCF commands extremely high cash netbacks. At current price levels, we see TCF generating cash netbacks in excess of C\$100/BOE and producing 2.3 MBOE/d in 2023, which grows to 5.6 MBOE/d in 2024. This results in a 2023 and 2024 free cash flow yield of 33% and 139%, respectively, while trading at 0.8x EV/23' DACF with its estimated 2024 cash balance of US\$198 million, surpassing the company's current market cap.

Based on the current share price of C\$0.39, we think the market is overlooking fundamental metrics based on this year's drilling program and is instead valuing the stock based on a risk-adjusted view of the potential value of the reserves/resource with <50% chance of success. **Therefore, we believe that this year is an important inflection point for TCF's stock to potentially re-rate** as the company's drilling program is going full-steam ahead with roughly two new wells coming into production each quarter. With more successes, eventually the market will likely factor in this year's cash flows; meaning the share price will have to appreciate to reflect the near-term value creation. To date, TCF is 2/2 on its drilling program and the addition of 3 side-track wells to this year's program is a positive indication to us that the technical team is confident in the quality of the asset base.

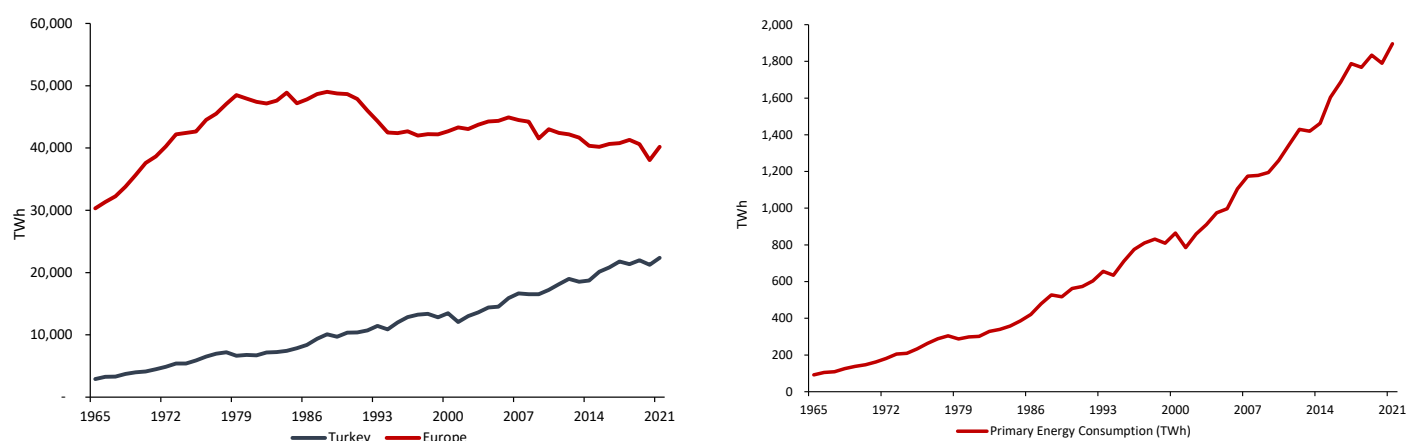
Our C\$1.50 price target reflects a 50/50 blend of 5.0x EV/'24 DACFs and 1x our risk-adjusted NAVPS of C\$0.63 which factors in a 60% chance of success in development.

Why Türkiye: Overview of the Turkish Natural Gas Market

Demand

Türkiye has experienced tremendous growth in energy consumption as the country has been progressively urbanizing and industrializing over the past 20 years (Figure 1). The country has seen continuous growth in energy consumption, driven by higher energy use per person and population growth. Behind this steady growth in energy usage has been an outsized GDP growth of 5.5% between 2002-2021. The OECD estimates the country's GDP growth in 2023 and 2024 to be 3% and 3.4%, respectively.

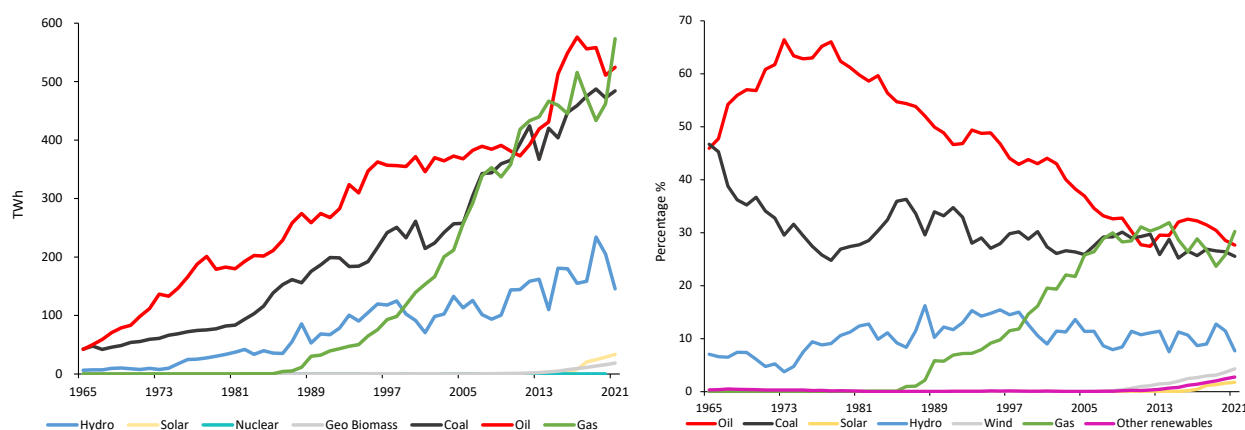
Figure 1: Energy Use per Person (Left) & Primary Energy Consumption (Right)



Source: Our World in Data & Eight Capital Estimates

The country has also seen impressive growth in natural gas within its energy mix since the 1990s, with this source having overtaken 30% of its total share in energy consumption in 2021 (Figure 2). The three biggest sectors of natural gas consumption in Türkiye are power generation, household, and industrial. In 2021, the country consumed 5.8 Bcf/d of natural gas, and would be the fourth largest natural gas consumer when compared to the 27 EU member countries.

Figure 2: Türkiye's Primary Energy Consumption by Source (Left) & Share of Energy Consumption by Source (Right)

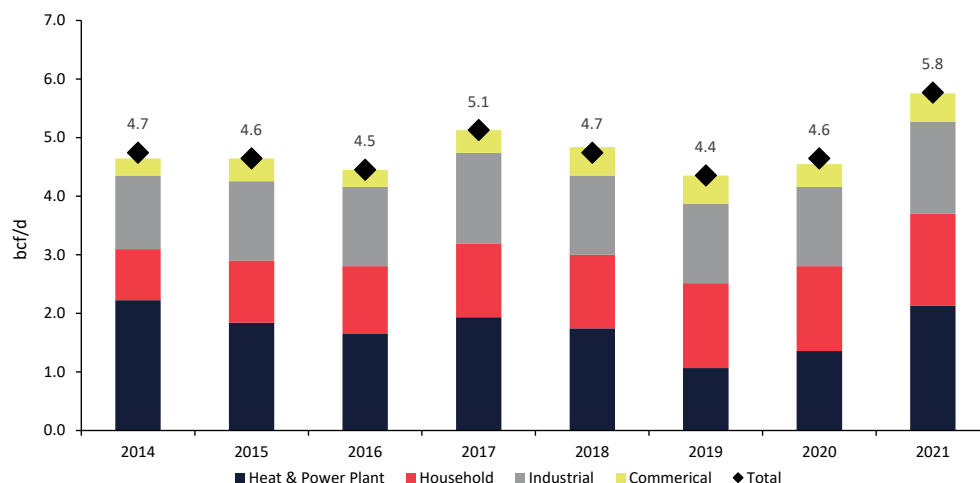


Source: Our World in Data & Eight Capital Estimates

Power generation accounted for 37% of total natural gas consumption (Figure 3): Türkiye has the sixth largest electricity market when compared to Europe with natural gas supplying 33% of the country's power needs. Coal and hydroelectricity are the main sources of power generation in the country, so demand for natural gas is affected by the imported price of coal and domestic hydro levels. Türkiye is looking to reduce its exposure to imported energy, so it is working to increase its power generation from renewable sources through investments in solar, nuclear and wind projects, which could put pressure on the growth of natural gas as an electricity source. Nonetheless we expect it to be a crucial source of energy for Türkiye's power grid in the near term.

Industrial and household sectors accounted for 27% of total natural gas consumption each (54% total) (Figure 3): Household and Industrial demand has been a key driver of natural gas consumption growth in Türkiye. Industrial natural gas demand is the least volatile and has experienced steady growth due to increasing manufacturing output, and in recent years the depreciating Lira has bolstered industrial exports. On the household side, natural gas usage has also experienced steady growth over time and is primarily driven by Türkiye's population growth and continued urbanization.

Figure 3: Turkish Gas Demand by Sector

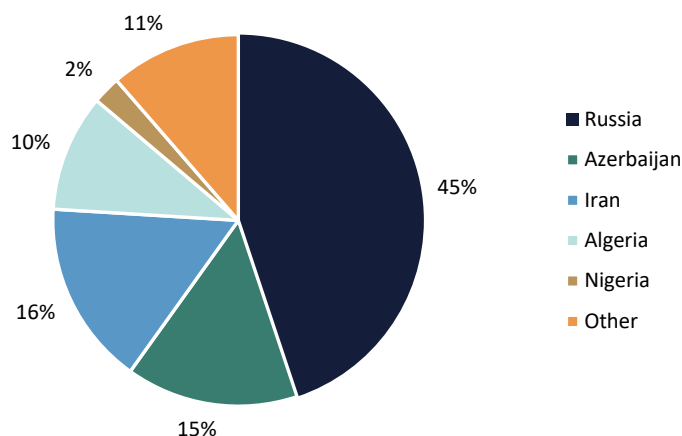


Source: EPDK

Supply

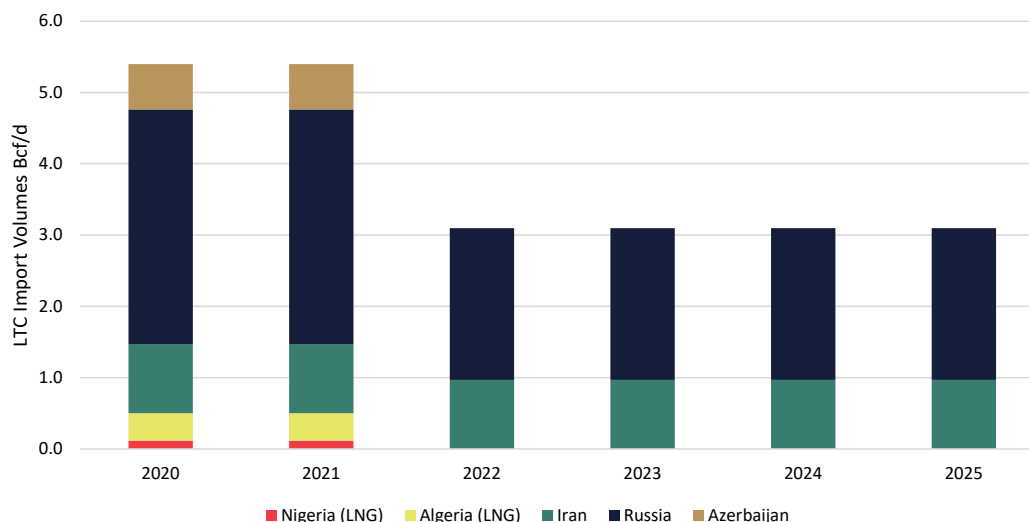
Türkiye produces less than 1% of its domestic consumption of natural gas, and therefore relies heavily on foreign sources. In 2021, Türkiye's top three importers of natural gas were Russia, Azerbaijan, and Iran (Figure 4). Natural gas is primarily imported through pipelines, with LNG being a swing supply source.

Figure 4: Share of Gas Imports by Source Country



Source: EPDK

Türkiye's natural gas imports are primarily governed by long-term contracts, many of which were signed in the 1990's. The older contracts have term lengths ranging from 20-30 years, with take-or-pay commitments and formulaic pricing linked to Brent crude oil which is reflective of natural gas markets in the past. 2021 was the beginning of a turning point for Türkiye's natural gas market, with 2.3 Bcf/d worth of long-term contracts expiring. The country has replaced these volumes with increased LNG shipments and shorter-term, more flexible contracts that offer pricing linked to European gas hub Dutch TTF (Figure 5).

Figure 5: Türkiye's Long Term Gas Contracts

Source: Petform

The expiration of Türkiye's long-term contracts comes at an opportune time with Türkiye's discovery of a large gas field in the Black Sea called the Sakarya field via the drilling of the Tuna-1 well in 2020 by the national oil company TPAO (Türkiye Petrolleri Anonim Ortaklığı) (Figure 6). Türkiye estimates the reserves of the Sakarya field to contain over 20 Tcf of natural gas and anticipates producing 350 MMcf/d in 2023 and ramping up to 1.5 Bcf/d by 2028. We see this as a key development for Türkiye as the country can begin to replace contracted volumes with its own supply.

Furthermore, we view TCF as a beneficiary of Türkiye's push to develop its own gas reserves. We believe that the Sakarya discovery will push the Turkish government to accelerate more discoveries in the Black Sea and the construction of infrastructure to handle new gas volumes. This is evident with TPAO's construction of a 170km pipeline from Sakarya to a planned 1.4 Bcf/d gas processing facility in Filyos, Türkiye that will be operated by BOTAS, Türkiye's state-owned crude oil and natural gas infrastructure and trading company. Türkiye also has since purchased its own fleet of seismic and drilling vessels to conduct exploration in the Black Sea; keep in mind that these initiatives have only begun since the Sakarya discovery in 2020. We see all of this as positive indicators that the country is extremely pro-natural gas development, and given TCF's partnership with TPAO, TCF will likely benefit from Türkiye's aggressive infrastructure development and business friendly environment.

Figure 6: Sakarya Discovery

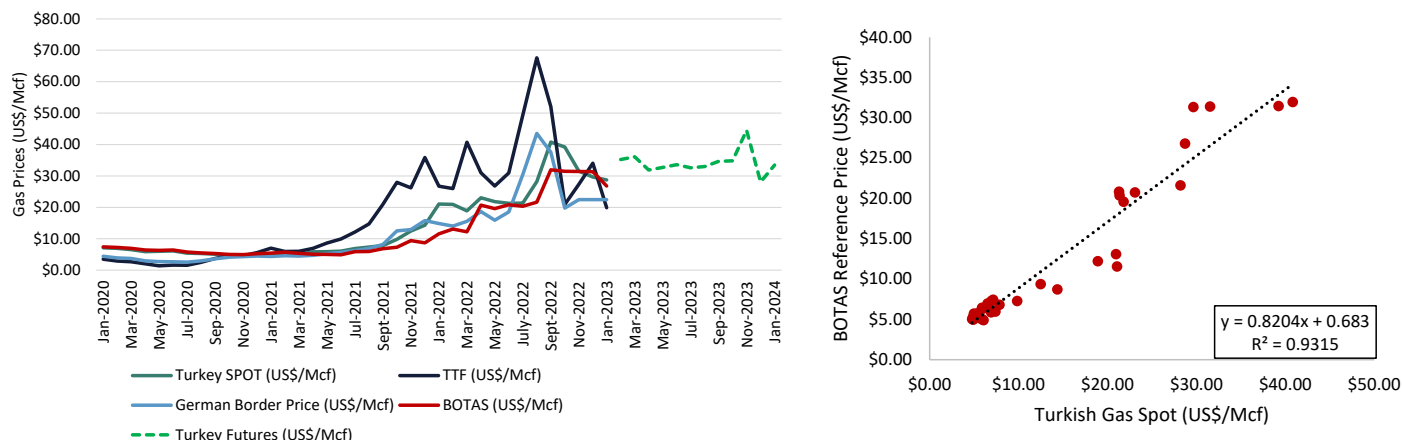
Source: Gas Compression Magazine

Pricing/Market Dynamics

Türkiye's domestic natural gas prices are determined by the price it pays to import natural gas under the previously highlighted long-term contracts. Because many of these contracts pre-date today's natural gas hubs, they are indexed to Brent crude oil prices and as these contracts expire, we can expect them to be replaced with shorter-term TTF linked contracts. Since BOTAS is the largest importer of natural gas, it essentially sets the price of domestic natural gas with the BOTAS Reference Price that is determined at the beginning of each month. Natural gas is sold domestically into three markets: Electricity and Households, which are subsidized by the government, and Industry which receives a price closer to the import price. We highlight that TCF receives the higher industrial gas price from BOTAS because it does not sell to the consumer residential market and 100% of gas is sold to industrial users.

The import price of natural gas into Türkiye lacks transparency due to the lack of disclosure. However, countries such as Germany purchase gas with similar long term & oil indexed contracts; and Figure 7 highlights the German BAFA Natural Gas Border Price, which primarily represents gas purchased by pipeline from Russia. Many of the import contracts into Germany are of the same age as Türkiye's and use Brent crude oil as an index. We highlight that it trades similarly to the BOTAS reference price, and also at a discount to TTF during the European gas crisis due to its linkage with Brent crude oil prices.

Figure 7: Turkish & EU Gas Prices (Left) and Correlation of the BOTAS Gas Price and Turkish SPOT Gas Price (Right)



Source: EPIAS, Bloomberg & Eight Capital Estimates

Türkiye also has a domestic SPOT and Futures market, which is still in its early stages and trades at a low volume. These markets are managed by the Energy Exchange Istanbul (EPIAS) which is regulated under the Energy Markets Regulatory Authority (EMRA). Since the majority of Türkiye's gas market is imported, the SPOT market is strongly correlated to the BOTAS reference price (Figure 7). We highlight the fact that since the beginning of the European gas crisis in early 2021, the Turkish SPOT price has been trading at a premium to the BOTAS Reference price, implying that the physical market may be tighter than the reference price suggests.

Historically, the BOTAS reference price has traded at a US\$3.15/Mcf premium to TTF and in the range of US\$6 - US\$12 per Mcf before the COVID-19 pandemic started. During the European gas crisis beginning in 2021, BOTAS natural gas prices lagged behind TTF due to its indexing with Brent crude oil, and have remained resilient as the TTF gas price eased off towards the end of last year (Figure 7).

On our Eight Capital price deck, we assume a BOTAS Reference Price of US\$26.60 for 2023 which is in-line with the January contract price and implies a US\$4.28/Mcf premium to TTF. For longer-term pricing, we assume US\$3.15/Mcf premium to TTF implying a price of US\$16/Mcf; however we recognize the changing market fundamentals in Türkiye, as Brent-linked long term contracts continue to roll off and as the country starts to meaningfully produce its own supply, and will be monitoring how the BOTAS reference price behaves relative to European benchmarks in the future. For STRIP pricing, we use the monthly futures contracts traded on EPIAS that extend into January 2024, and reflect an average price of US\$31.17/Mcf for 2023. Given the lack of liquidity in the futures market, these contracts may not reflect the latest market sentiment.

Trillion's Near Term Prize: South Akçakoca Gas Field

TCF's near-term focus is the South Akçakoca Sub-basin ("SASB Field"), where it holds a 49% working interest with Türkiye's state-owned petroleum company TPAO (51%). The SASB Field was first discovered in 2004; and initially developed in two phases in 2008 and 2011. US\$608 million had been invested in the project over the two phases, which resulted in 24 wells drilled and 4 production platforms constructed that are tied into 75 MMcf/d of gas processing capacity that can be expanded to 150 MMcf/d with investment in additional gas compression. The SASB field is located in shallow water with depths of roughly 100 meters and is drilled using jack-up rigs with horizontal drilling to minimize near term well costs by focusing on exploiting existing platforms and wellbores.

Figure 8: South Akçakoca Sub-Basin Location



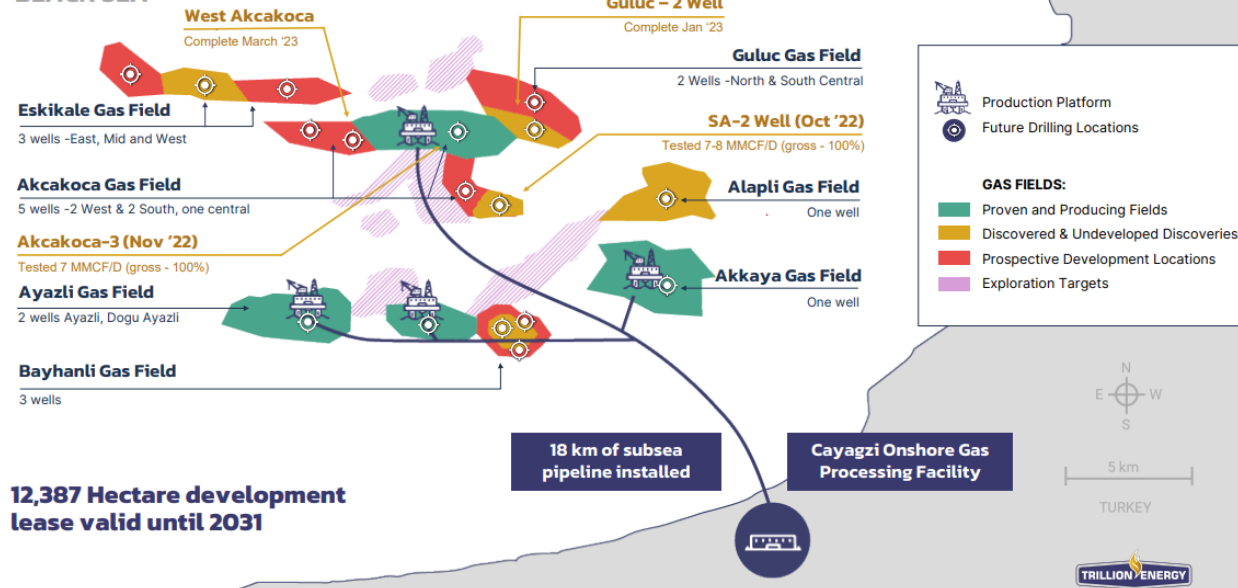
Source: GLJ SASB Reserve Report

There are 7 fields located within the SASB field highlighted in Figure 9. The Akçakoca, Ayazali, Dogu Ayazlı and Akkaya fields have produced ~43 Bcf of natural gas to date. TCF plans an initial seven well development program to exploit 20.1 Bcf of 2P reserves that will be followed up with a 10-well infield exploration program to further exploit 23 Bcf of P50 mean recoverable resources. In addition, TCF announced an additional 3-side-track well development program to be completed in 2023. To-date, TCF has drilled two wells that are in production with test rates roughly at 7-8 MMcf/d (gross) and a third well to be put on production in early February.

Figure 9: South Akçakoca Sub-basin Fields and Development Locations

SASB Development Program -17 Wells

BLACK SEA



Source: TCF Investor Presentation

Future Potential for Upside

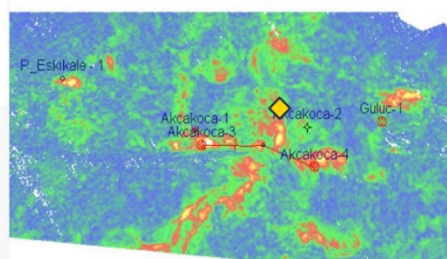
TCF has identified 13 additional low risk exploration targets that are proximate to the company's platforms. This is part of a stratigraphic prospect that is highlighted in Figure 10. We believe that this will be the near-term growth in addition to the current drilling program and we could potentially see a well testing this zone as part of the 2023 drilling program. The company also has 3.1 thousand kilometers of 2D seismic data delineating off-block targets for future exploration (Figure 11). As previously discussed, we think the Sakarya Field discovery paints a picture of the resource potential in the western part of the Black Sea. We have not factored this upside into our estimates or price target.

Figure 10: Near Field Exploration Prospects

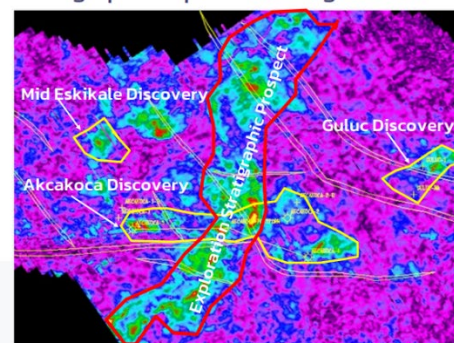
SASB Near Field Low Risk Exploration

13 Additional Exploration Targets

- 13 additional exploration prospects provide significant additional upside
- These targets are proximate to the platforms & Includes stratigraphic targets



Stratigraphic Exploration Targets



LEGEND ANOMALIES IN LOWER SANDS PRODUCING GAS POOLS

TRILLION ENERGY 15

Source: TCF Investor Presentation

Figure 11: Price Target Calculation

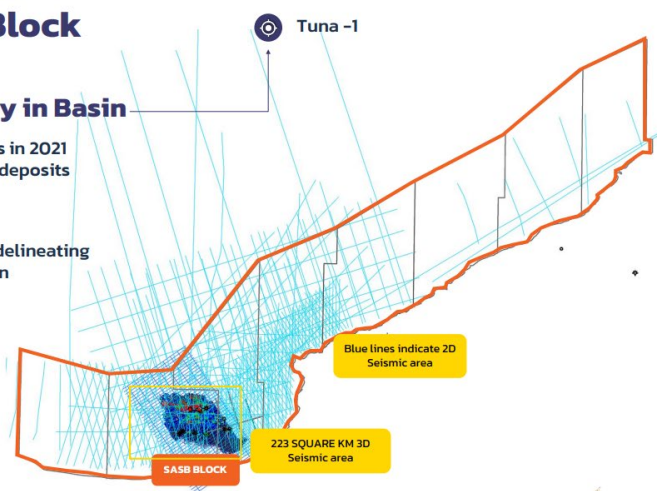
Blue Sky Exploration Proximate to SASB Block

Recent 19 TCF Gas Discovery in Basin

- Recent Tuna -1 & Amasra-1 discoveries in 2021 are game changers showing huge gas deposits

Our Plan

- We have 3,100 km of 2D seismic data delineating targets off block for future exploration
- We plan to explore off block after production commences in 2022 seeking large natural gas structures



TRILLION ENERGY 16

Source: TCF Investor Presentation

European Commodity Linked Pricing & Low-Cost Structure Drives Superior Well Economics

Using the average production profile of the 7 fields to be developed, our modeling highlights the superb economics that could be generated out of the SASB field. On our price deck, we see an average well generating a before tax NPV10 of US\$66 million with an IRR exceeding 500%. This is driven by multiple factors:

1) Pricing: As discussed in our overview of the Turkish natural gas market, the country is exposed to European gas pricing dynamics, which drives high top-line revenue. Our model suggests a relatively low breakeven price of US\$3.15 due to the project's low cost structure.

2) Operating expense: TCF pays TPAO a monthly flat fee of US\$100 - US\$120 thousand for the entire SASB field. This is primarily composed of plant Opex and overhead to operate the facilities. In modeling the single-well economics shown below, we do not incorporate this cost per well, but as an exercise to demonstrate the high rates of return; attributing the entire field's Opex to a single average well reduces the NPV10 to US\$56 million and still generates an IRR in excess of 500%.

3) Türkiye has a corporate tax rate of 23% which is on par with EU member countries. However, we highlight that the country has not imposed or proposed a windfall tax on energy extraction. This means that TCF is keeping the profits from the rally in gas pricing. In addition, the company pays a 12.5% royalty rate that does not adjust with pricing.

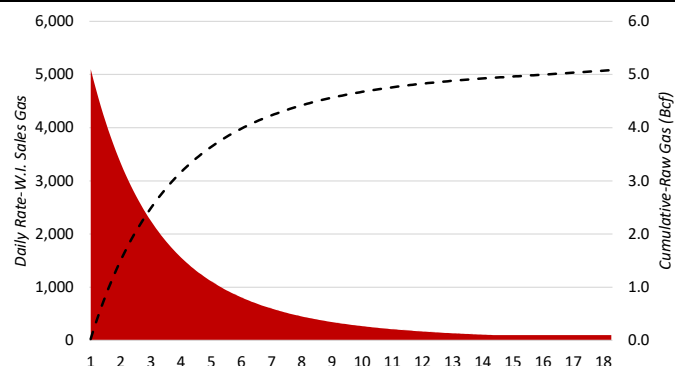
3) Capital efficiencies: TCF is targeting conventional gas pools, which offer relatively low decline rates. On average, we estimate a first-year decline rate of 36%, which compares to typical decline rates of 50% - 70% in shale gas plays. We estimate TCF's first-year capital efficiency to be roughly US\$15,500/MBOE/d.

Our well economics highlight the field's fast pay outs of roughly 3 months on both STRIP and EC Deck pricing scenarios and pay out four times within the first year of production. In our view, this leads to a quick recycle of cash and TCF's ability to self-fund the development program and generate free cash flow.

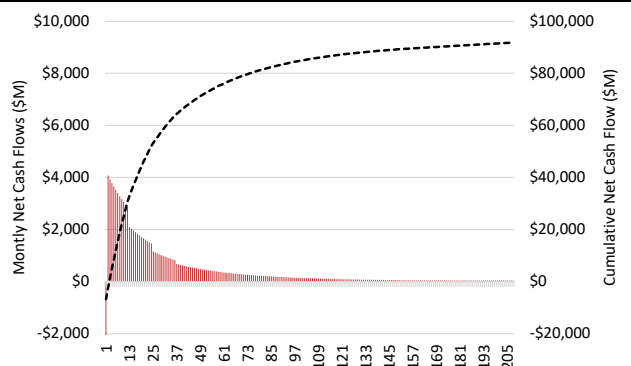
TCF has had two well results to date. The first, Akçakoca South, was completed and tested in October 2022 and tested at 7-8 MMcf/d (gross) and the second well, Akçakoca-3 was recompleted in November 2022 and tested at 7 MMcf/d (gross). While these are test rates in the early days of production, we believe they are positive indications that actual results are in-line with expectations.

Figure 12: Average SASB Field Well Economics

Type Curve - Average SASB Well



Net Cash Flows - STRIP



Commodity Price Assumptions

Gas Price (US\$/Mcf)	Year 1	Year 2	Year 3	Year 4	Year 5
STRIP	\$31.17	\$23.71	\$19.34	\$16.35	\$16.35
EC Deck	\$26.60	\$23.41	\$18.76	\$16.55	\$16.55
US\$/Mcf	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00

Well Economic/Productivity Assumptions

IP30 Rate - Mcf/d	5,100	Capital Cost - \$M	\$11,000
Initial Effective Decline	36%	Var. Opex - \$/Mcf	\$0.00
First Year Capital Efficiency	\$15,670	Fixed Opex	\$0
Ultimate Recovery - Bcf	5.1	Royalty	12.5%
Transport. Costs - \$/Mcf	\$0.00	Tax Rate	23.0%

Economics

	STRIP	EC Deck	US\$/Mcf
NPV10 (B-tax)	\$72,097	\$65,938	\$20,410
NPV10 (A-tax)	\$55,017	\$50,271	\$15,178
IRR (B-tax)	>500%	>500%	170%
IRR (A-tax)	>500%	>500%	112%
P/I Ratio (B-tax)	6.55x	5.99x	1.86x
P/I Ratio (A-tax)	5.00x	4.57x	1.38x
Payout (Yrs)	0.2	0.3	0.8

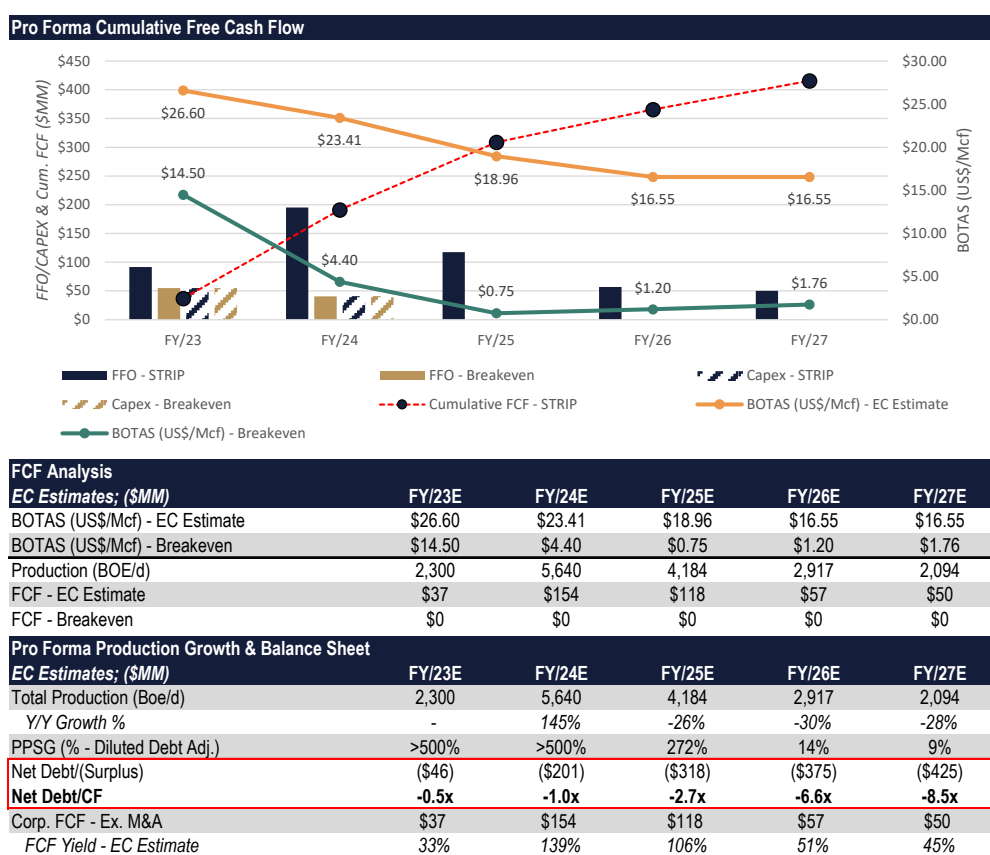
Source: GLJ SASB Resource Report & Eight Capital Estimates

Self-funded Development Program Highlights Cash Machine Potential

TCF kicked off its development program in October 2022 with one new drill and a re-complete focusing on the Akçakoca platform (highlighted in Figure 9). Moving forward, the plan is to focus drilling on existing platforms to avoid excess infrastructure spending. Unto this, in 2023 we estimate the company will complete nine new-drills and three side-tracks, then finish the development program in 2024 by completing six new-drills. We estimate that this will grow production from 515 MBOE/d in Q4/22 to 3.5 MBOE/d in Q4/23, eventually reaching 6.2 MBOE/d at the end of the development plan in Q2/24.

On our EC Deck, we estimate TCF generating US\$37 million of free cash flow in 2023 while spending US\$55 million on capital which represents 52% of the total development's capital cost for the 20 wells & infrastructure upgrades. Furthermore, in 2024 with a larger production base, we see the company generating US\$154 million of FCF after spending the remaining US\$41 million of its capital program. Figure 13 also highlights that the initial ramp up stage of production is self-funded down to a BOTAS reference price of US\$14.50/Mcf, which declines to US\$4.40/Mcf when TCF hits its peak production year in 2024 at 5.6 MBOE/d. After this, the breakeven price represents what is needed to cover Opex, royalties and G&A. We think this highlights the resiliency of TCF's business model, under today's gas pricing backdrop, while in the early innings of its growth stage.

Figure 13: Growth, Free Cash Flow & Balance Sheet Outlook with Breakeven Gas Prices



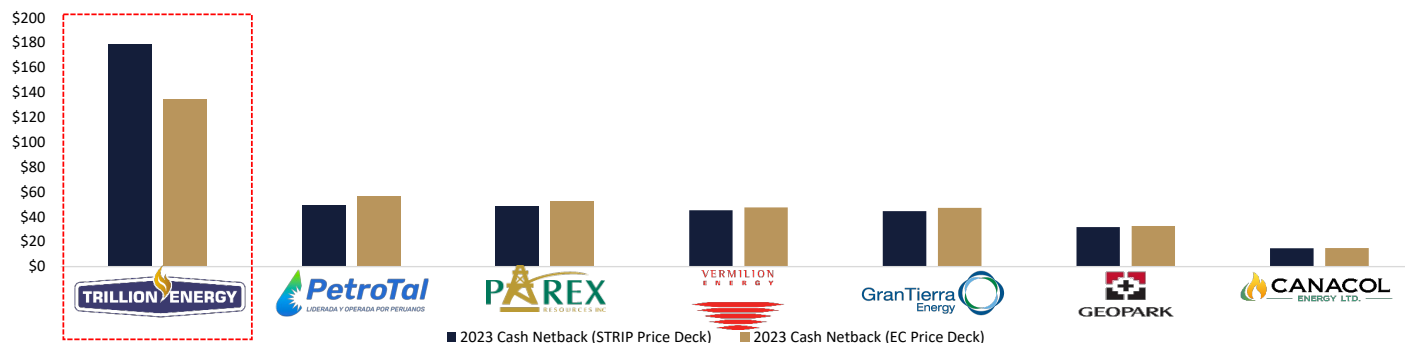
Source: Company Reports & Eight Capital Estimates

TCF builds an estimated cash balance of US\$106 by the end of its drilling program in Q2/24 and continues to grow to ~US\$400 million as production declines into the 5-year mark. We think this highlights the size of capital that TCF could allocate towards exploration upside that exists within its portfolio of assets that could potentially add to the company's growth story without additional financing. In addition, the company has 75 MMcf/d of processing capacity, of which 18% is used at peak production. Therefore, we view that additional investment within the SASB field would likely come through more drilling and exploration initiatives such as seismic.

High Margins Drive Strong Cash Flow Generation

TCF has the potential to receive huge netbacks. This is a function of the price realizations being experienced in Europe and the company's small fixed operating cost structure, which decreases per BOE as the company increases its production volumes.

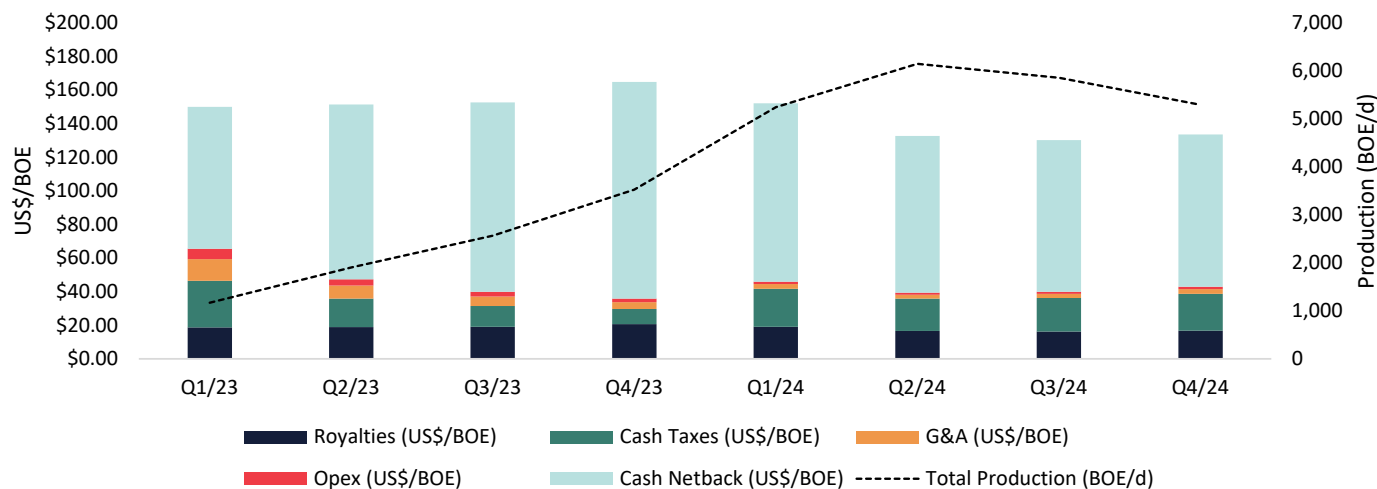
Figure 14: Internationals Cash Netback



Source: Company Reports & Eight Capital Estimates

On our EC Deck, we estimate the company receives a C\$114/BOE cash netback, which is 2.7x larger than the International peer average of C\$42/BOE. Furthermore, it is four times greater than our Domestic gas-weighted SMID-cap E&Ps cash netback average of C\$28/BOE.

Figure 15: Trillion's Quarterly Cash Netback Breakdown vs Production



Source: Company Reports & Eight Capital Estimates

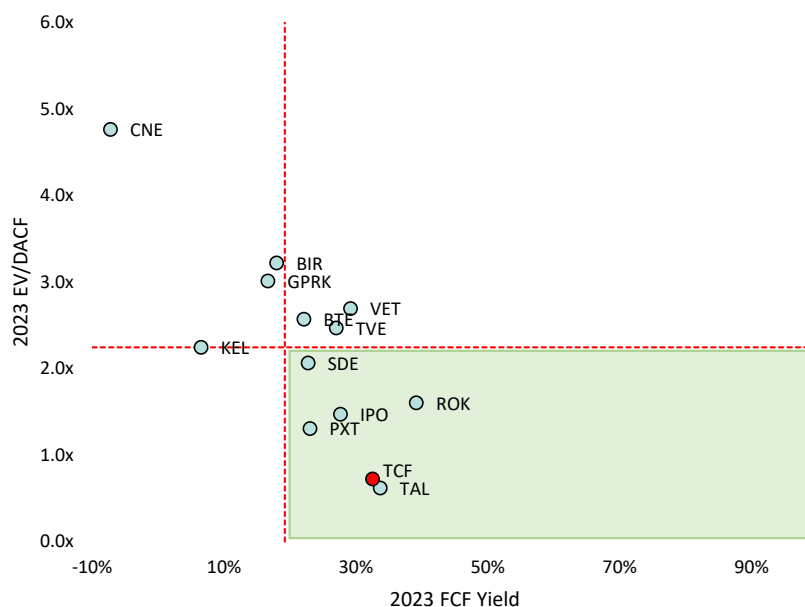
As previously mentioned, TCF's operating costs are largely fixed as the company pays a monthly rate to TPAO for gas processing and overhead for staff on the field. We estimate the company pays US\$650 thousand per quarter going forward. Additionally, we assume a fixed quarterly G&A expense of US\$1.4 million. Together, we estimate these costs decrease from US\$19/BOE in Q1/23 to US\$6/BOE by Q4/23 and further decline to US\$3.6/BOE at the company's peak production rate in Q2/24.

We think this cost structure is beneficial for TCF's growth story, as when the company decides to drill new wells, it will not add additional operating costs and the economics will continue to look better. We think there is line of sight for this until the company reaches 75 MMcf/d, at which point additional facility capacity would have to be built; management believes that only additional compression is required at the onshore gas processing facility.

Near-term Growth at a Discounted Valuation

Free cash flow relative to valuation: We estimate TCF generates a competitive 33% FCF yield on our EC Deck in 2023 while trading at 0.8x EV/'23 DACF which is the second lowest in our coverage space. We also highlight that this yield is coming with top tier production and cash flow growth across our entire coverage space.

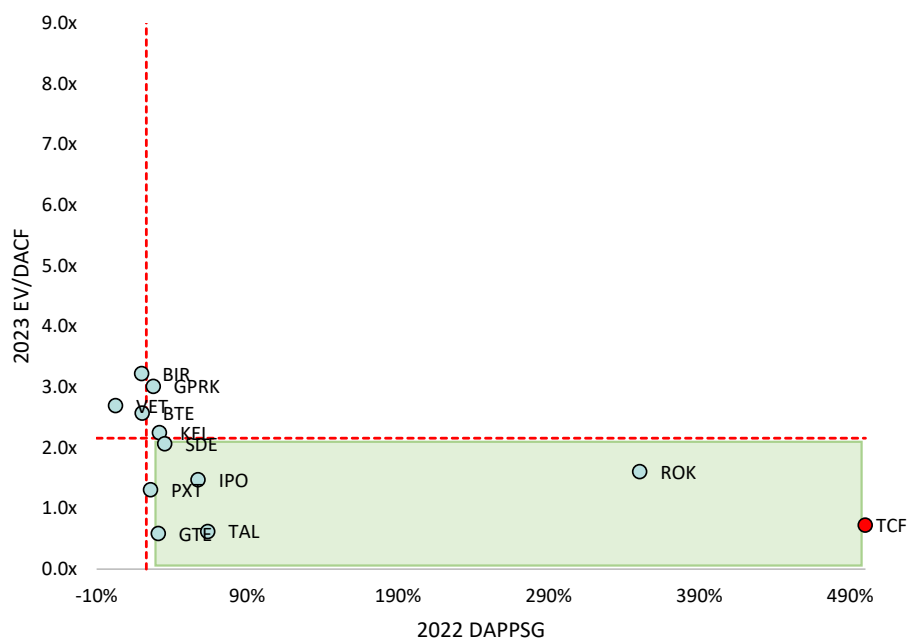
Figure 16: 2023 EV/DACF vs FCF Yield - EC Deck



Source: Company Reports & Eight Capital Estimates

TCF also shows potential to have outsized growth in a Debt Adjusted Production per Share Growth. Based on our estimates, we see TCF growing by in excess of 500% on DAPPSG basis. This is driven by our estimated strong cash generation through the company's high price realizations.

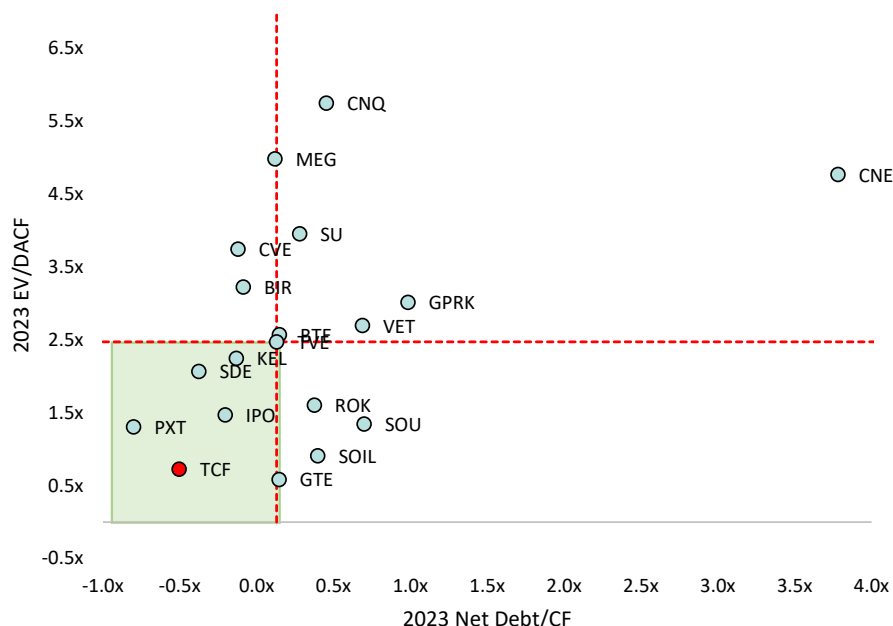
Figure 17: 2023 EV/DACF vs Debt Adjusted Production per Share Growth - EC Deck



Source: Company Reports & Eight Capital Estimates

Clean balance sheet through self-funded growth: On our EC Deck, we estimate TCF exits 2023 with a net cash surplus of 0.5x cash flow. We think this puts TCF in a prime position to accelerate growth through additional drilling and exploiting exploration prospects, either through using cash from the balance sheet or layering in debt financing.

Figure 18: 2023 EV/DACF vs Net Debt to Cash Flow



Source: Company Reports & Eight Capital Estimates

How do we Think the Market is Pricing the Stock & Why is Now the Time to BUY TCF

Based on the current share price of C\$0.39, we don't think the market is paying attention to fundamental metrics based on this year's drilling program and is risking the potential value of the reserves/resource with a less than 50% chance of success.

If we risk the company's development program by 50%, our NAV model suggests an intrinsic value of C\$0.45/sh, which is within 15% of the current share price (Figure 19).

Figure 19: NAVPS With 50% Chance of Success

NAV SUMMARY	Gross Reserves (MMBoe)	Eight BTAX PV10% (US\$MM)	BTAX NAVPS (US\$/sh)
Base 2P NAV (10% BTAX)		\$56	\$ 0.11
Unrisked Upside (10% ATAX)		\$109	\$ 0.22
Total NAV : Base 2P + E&D Upside Unrisked (10% ATAX)		\$165	\$0.34
Unrisked (10% ATAX) - C\$ & C\$/sh		\$221.02	\$0.45

Source: Company Reports & Eight Capital Estimates

We believe that this year is an important inflection point for TCF's stock to rerate. This is because the company's drilling program is full-steam ahead, with roughly two new wells coming into production each quarter. With more successes, we believe eventually the market will have to factor in this year's cash flows, meaning the share price will potentially appreciate to reflect the near-term value creation. To date, TCF is 2/2 on its drilling program, and the addition of 3 side-track wells is a positive indication to us that the technical team is confident in the quality of the asset base.

Price Target

We are initiating coverage of TCF with a BUY recommendation and a C\$1.50 price target. Our Price Target is based on a 50/50 weighting of 5.0x EV/2024E DACF and our 1x risked NAVPS. Our price target reflects a premium multiple when compared to its international peers due to the outsized growth and high margins from the pricing realizations in Türkiye. Finally, our NAVPS estimate reflects a 60% chance of success from TCF's 17 new-drill and 3 side-track development program.

Figure 20: Price Target Calculation

Target Price & Valuations			
Trillion Energy International Inc.		Ticker: TCF	Share Price: \$0.39
Eight Capital Target Price Calculation			
Target EV/DACF Multiple:	5.00x	Target NAV Multiple:	100%
Implied Price:	\$2.40	Upside NAVPS:	\$0.63
Percent EV / DACF:	50%	Percent NAVPS:	50%
EV / DACF Contribution:	\$1.20	NAVPS Contribution:	\$0.32
Eight Capital Target Price	\$1.52	Implied Target Upside (%)	289%
Eight Capital Estimates & Implications			
2024 DACF:	\$195	NAVPS:	\$0.63
2024 Net Debt:	-\$201	Current P / NAVPS:	62%
Current 2022 EV / DACF:	-0.3x		
Target Price:	\$1.52		
Implied Target EV / DACF:	2.1x	Implied Target P / NAVPS:	240%
Consensus Estimates & Implications			
2021 DACF:		NAVPS:	\$0.56
2021 Net Debt:		Current P / NAVPS:	70%
Current 2021 EV / DACF:			
Target Price:	\$1.32		
Implied Target EV / DACF:		Implied Target P / NAVPS:	237%
	Hi \$1.32		
	Low \$1.32		

Source: Company Reports, FactSet & Eight Capital Estimates

Figure 21: NAV Summary

NAV SUMMARY		Gross Reserves (MMBoe)	Eight BTAX PV10% (US\$MM)	BTAX NAVPS (US\$/sh)
Proved				
Developed Producing		0.1	\$4	\$0.01
PDNP & Undeveloped		1.7	\$2	\$0.00
Total Proved		1.9	\$6	\$0.01
Probable		1.5	\$43	\$0.09
Total Proved + Probable		3.4	\$49	\$0.10
Financial Assets (Liabilities)				
Total Net Debt			\$8	\$0.02
Corporate Costs (2 Years G&A)			(\$11)	(\$0.02)
Hedging Gains (Losses)			-	\$0.00
Proceeds from Options/Warrants			\$38	\$0.08
Land Value			-	\$0.00
Total Financial Assets (Liabilities)			\$35	\$0.07
Base 2P NAV (10% BTAX)			\$84	\$ 0.17
Unrisked Upside (10% ATAX)			\$302	\$ 0.62
Total NAV : Base 2P + E&D Upside				
Riskd (10% ATAX)			\$231	\$0.47
Riskd (10% ATAX) (C\$ & C\$/Sh)			\$309	\$0.63
Shares Outstanding				
Basic Shares O/S - MM		388.6		
Convertible Debentures (Potential Shares Issuab		0.0		
Options/ Warrants/ Convertible Shares O/S - MM		101.2		
Fully Diluted Shares O/S - MM		489.8		

Source: Company Reports, FactSet & Eight Capital Estimates

Risks to Price Target & Estimates

Exposure to Lira: TCF is exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian Dollars and the Turkish Lira. The Lira has experienced significant depreciation against the U.S. dollar, largely as a result of the country's poor economic policies and high inflation expectations.

Capital program & gas pricing: TCF's development program is self-funded in the current natural gas price environment. However, if prices were to decline substantially, the company may have to seek external funding or reduce its capital expenditures, of which the latter would impact production and cash flow estimates. Currently, TCF does not have access to immediate debt financing.

Development program is concentrated in the SASB Field: the SASB Field is the primary focus for TCF's near term development and our estimates. Severe weather events or lack of drilling rig availability in the Black Sea would have an outsized impact on TCF's outlook in the near term.

Expropriation Risk: Türkiye has domestic legislation that offers a level of protection for foreign investment, such as equal treatment with domestic investors and protection against expropriation or nationalization without due process or just compensation. Additionally, Türkiye has bilateral investment treaties with almost all OECD and EU countries that provide investment protections to foreign investors that are above and beyond what is offered by domestic law. Included in this are guarantees that provide the investor with the full and fair value of an expropriated investment and guarantees of the repatriation of profits. Türkiye's Petroleum Law regulates the exploration and production of crude oil and natural gas and allows both foreign and domestic private companies to obtain leases and licenses. Additionally, the country is aggressively pursuing the development of its domestic natural gas supply and has the regulatory processes in place to allow resource extraction. Our view is that Turkey has a friendly environment for foreign investment and lacks a track-record of expropriating assets from foreign investors.

Political/Economic Risk: Türkiye has gone through a period of monetary and fiscal policy that has resulted in high inflation rates that have devalued the Turkish Lira which has negatively impacted the economy since it is a net-importer of goods. Türkiye is also nearing a contentious presidential election in May 2023, which has the potential to create domestic unrest that could lead to negative headline risk for companies that have assets located in Türkiye.

Sensitivities

Figure 22 illustrates the sensitivity to the BOTAS Reference price in our 2023 and 2024 estimates. Our EC Deck assumes BOTAS reference pricing in 2023 and 2024 of US\$26.60/Mcf and US\$23.41/Mcf respectively. Our high case assumes US\$35/Mcf in both 2023 and 2024, while our low case assumes US\$15/Mcf in both years. Furthermore, we include a further downside case of US\$7.50/Mcf in 2024 to reflect the increasing production base from TCF's development program.

Figure 22: 2023 & 2024 Cash flow and Valuation Sensitivity

FY/23	CFPS (US\$/Sh)	Free Cash Flow (US\$MM)	Cash & Equivalents (US\$MM)	FCF Yield (%)	DAPPSG (%)	EV/DACF
US\$35/Mcf	\$0.30	\$65	\$71	60%	>500%	0.3x
US\$26.71/Mcf	\$0.23	\$40	\$46	36%	>500%	0.6x
US\$15/Mcf	\$0.14	\$1	\$8	1%	>500%	1.7x
Change vs EC Deck Assumption:						
FY/23	CFPS (US\$/Sh)	Free Cash Flow (US\$MM)	Cash & Equivalents (US\$MM)	FCF Yield (%)	DAPPSG (%)	EV/DACF
US\$35/Mcf	27%	64%	55%	23%	34%	-0.3x
US\$26.71/Mcf	0%	0%	0%	0%	0%	0.0x
US\$15/Mcf	-40%	-97%	-83%	-35%	-29%	1.1x

FY/24	CFPS (US\$/Sh)	Free Cash Flow (US\$MM)	Cash & Equivalents (US\$MM)	FCF Yield (%)	DAPPSG (%)	EV/DACF
US\$35/Mcf	\$0.71	\$248	\$319	228%	>500%	-1.0x
US\$23.12/Mcf	\$0.48	\$152	\$198	140%	>500%	-0.7x
US\$15/Mcf	\$0.32	\$87	\$95	80%	502%	0.0x
US\$7.50/Mcf	\$0.17	\$27	\$35	25%	200%	0.9x
Change vs EC Deck Assumption:						
FY/24	CFPS (US\$/Sh)	Free Cash Flow (US\$MM)	Cash & Equivalents (US\$MM)	FCF Yield (%)	DAPPSG (%)	EV/DACF
US\$35/Mcf	50%	63%	61%	88%	nm	-0.3x
US\$26.71/Mcf	0%	0%	0%	0%	0%	0.0x
US\$15/Mcf	-34%	-43%	-52%	-60%	nm	0.7x
US\$7.50/Mcf	-65%	-82%	-82%	-115%	nm	1.6x

Source: Company Reports, FactSet & Eight Capital Estimates

Appendix A: Model & Share Ownership Summary**Trillion Energy International Inc. (TCF.CA)**

All figures in CAD unless otherwise noted

Production (Boe/d)	2020A	2021A	2022E	2023E
Q1	175	178	114	1,171
Q2	213	182	112	1,903
Q3	162	155	117	2,570
Q4	163	109	515	3,528
FY	178	156	215	2,300
% Gas	34%	24%	56%	96%
PPSG	-34%	-47%	-31%	740%
DAPPSG	-37%	-45%	-25%	1018%

EIGHT CAPITAL BASE PRICING

Commodity Prices	2020A	2021A	2022E	2023E
WTI Crude Oil (US\$/Bbl)	\$42.51	\$71.06	\$98.80	\$122.60
NYMEX Natural Gas (US\$/Mcf)	\$4.03	\$19.93	\$48.56	\$28.93
Forex (C\$/US\$)	\$0.75	\$0.80	\$0.77	\$0.80

Financials (\$MM)

Revenue (Production + Other)	\$2.6	\$3.7	\$11.4	\$126.1
Royalty	\$0.0	\$0.0	(\$1.0)	(\$15.8)
Hedging	(\$0.2)	\$1.5	(\$0.3)	\$0.0
Operating/Transportation Costs	(\$2.4)	(\$2.6)	(\$2.7)	(\$2.6)
G&A	(\$2.4)	(\$2.2)	(\$5.5)	(\$5.4)
Interest	(\$0.1)	(\$0.1)	(\$0.0)	\$0.0
Other Costs	(\$1.1)	(\$2.3)	(\$2.2)	(\$10.9)
Net Income Before Tax	(\$3.5)	(\$2.1)	(\$0.1)	\$91.4
Taxes (Current/Deferred)	\$0.0	\$0.0	(\$1.0)	(\$21.0)
Net Income After Tax	(\$3.5)	(\$2.1)	(\$1.1)	\$70.4
Total Non-Cash Items	\$1.6	\$0.7	\$4.2	\$21.4
Cash Flow	(\$2.0)	(\$1.3)	\$3.1	\$91.7
Net Debt (Surplus)	\$0.5	(\$1.0)	(\$9.6)	(\$46.2)
Average D/CF	nmf	nmf	-3.1x	-0.5x
Net Capital Spending	(\$0)	(\$0)	(\$23)	(\$55)
Free Cash Flow	(\$2)	(\$1)	(\$20)	\$37

Per Share Values

CFPS (\$/sh dil)	(\$0.02)	(\$0.01)	\$0.01	\$0.23
Basic Shares Outstanding (MM)	96.8	158.2	357.4	388.6
Diluted Shares Outstanding (MM)	96.8	158.2	316.8	403.6

\$/Boe Values

Revenue (Production + Other)	\$39.64	\$65.16	\$145.11	\$150.20
Hedging Gains (Losses)	\$0.00	\$0.00	\$0.00	\$0.00
Royalties	\$0.00	\$0.00	(\$12.42)	(\$18.78)
Operating/Transportation Costs	(\$36.49)	(\$46.08)	(\$33.82)	(\$3.10)
Operating Netback	\$3.39	\$19.94	\$99.43	\$128.33
G&A	(\$36.08)	(\$39.58)	(\$69.55)	(\$6.43)
Interest	(\$1.31)	(\$2.22)	(\$0.46)	\$0.01
Cash Taxes/Other	\$3.91	(\$1.25)	\$9.53	(\$12.62)
Cash Flow Netback	(\$30.09)	(\$23.11)	\$38.94	\$109.28

Source: Eight Capital

Reserves	2018A	2019A	2020A	2021A
Proven (MMBoe)	0	2	2	2
Proven + Probable (MMBoe)	0	4	4	4
RLI - Proven (Q4 Annualized) (Years)	na	28	36	54
RLI - 2P (Q4 Annualized) (Years)	na	47	62	92

STRIP PRICING

Commodity Prices	2020A	2021A	2022E	2023E
WTI Crude Oil (US\$/Bbl)	\$42.51	\$71.06	\$98.80	\$82.84
NYMEX Natural Gas (US\$/Mcf)	\$4.03	\$19.93	\$48.56	\$26.65
Forex (C\$/US\$)	\$0.75	\$0.80	\$0.77	\$0.75

Financials (\$MM)

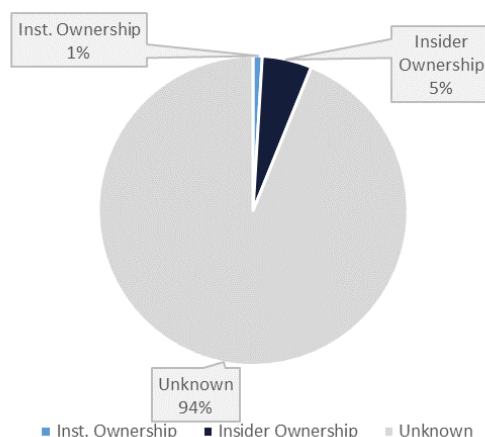
Revenue (Production + Other)	\$2.6	\$3.7	\$11.4	\$156.1
Royalty	\$0.0	\$0.0	(\$1.0)	(\$19.5)
Hedging	(\$0.2)	\$1.5	(\$0.3)	\$0.0
Operating/Transportation Costs	(\$2.4)	(\$2.6)	(\$2.7)	(\$2.6)
G&A	(\$2.4)	(\$2.2)	(\$5.5)	(\$5.4)
Interest	(\$0.1)	(\$0.1)	(\$0.0)	\$0.0
Other Costs	(\$1.1)	(\$2.3)	(\$2.2)	(\$10.9)
Net Income Before Tax	(\$3.5)	(\$2.1)	(\$0.1)	\$117.7
Taxes (Current/Deferred)	\$0.0	\$0.0	(\$1.0)	(\$27.1)
Net Income After Tax	(\$3.5)	(\$2.1)	(\$1.1)	\$90.6
Total Non-Cash Items	\$1.6	\$0.7	\$4.2	\$21.4
Cash Flow	(\$2.0)	(\$1.3)	\$3.1	\$112.0
Net Debt (Surplus)	\$0.5	(\$1.0)	(\$9.6)	(\$66.4)
Average D/CF	nmf	nmf	-3.1x	-0.6x
Net Capital Spending	(\$0)	(\$0)	(\$23)	(\$55)
Free Cash Flow	(\$2)	(\$1)	(\$20)	\$57

Per Share Values

CFPS (\$/sh dil)	(\$0.02)	(\$0.01)	\$0.01	\$0.28
Basic Shares Outstanding (MM)	96.8	158.2	357.4	388.6
Diluted Shares Outstanding (MM)	96.8	158.2	316.8	403.6

\$/Boe Values

Revenue (Production + Other)	\$39.64	\$65.16	\$145.11	\$185.94
Hedging Gains (Losses)	\$0.00	\$0.00	\$0.00	\$0.00
Royalties	\$0.00	\$0.00	(\$12.42)	(\$23.24)
Operating/Transportation Costs	(\$36.49)	(\$46.08)	(\$33.82)	(\$3.10)
Operating Netback	\$3.39	\$19.94	\$99.43	\$159.60
G&A	(\$36.08)	(\$39.58)	(\$69.55)	(\$6.43)
Interest	(\$1.31)	(\$2.22)	(\$0.46)	\$0.01
Cash Taxes/Other	\$3.91	(\$1.25)	\$9.53	(\$19.81)
Cash Flow Netback	(\$30.09)	(\$23.11)	\$38.94	\$133.36



Source: Company Reports & Eight Capital Estimates

Appendix B: Management & Directors**Directors & Management Team****Dr. Arthur Halleran** ▶ **PRESIDENT, CEO & DIRECTOR**

Dr. Halleran has served as a director of Trillion Energy since October 4, 2011. He has a Ph.D. in Geology from the University of Calgary and 40 years of petroleum exploration and development experience. His international experience includes countries such as Canada, Colombia, Egypt, India, Guinea, Sierra Leone, Sudan, Suriname, Chile, Brazil, Bulgaria, Türkiye, Pakistan, Peru, Tunisia, Trinidad Tobago, Argentina, Ecuador and Guyana. Dr. Halleran has worked for Petro-Canada, Chevron, Rally Energy, Canacol Energy and United Hydrocarbon International Corp. In 2007, Dr. Halleran founded Canacol Energy Ltd., a company with petroleum and natural gas exploration and development activities in Colombia, Brazil and Guyana which made a billion-dollar natural gas discovery in Colombia.

**Kubilay Yildirim** ▶ **COO & DIRECTOR**

Mr. Yildirim has had, over the past 24 years, hands-on experience in drilling, production, seismic acquisition and logistics for both onshore and offshore projects in Türkiye. He has spent most of career with Trillion Energy and its predecessor companies: Madison, Toreador and Tiway. He has also been involved in sales and divestitures of assets and has taken on a significant number of managerial positions until being promoted to General Manager in 2009. Mr. Yildirim has a degree in Petroleum and Natural Gas Engineering from Middle East Technical University and an MBA from Bilgi University in Istanbul.

**Ozge Karalli** ▶ **CFO & FINANCE DIRECTOR**

Mrs. Karalli began her career in Deloitte as tax compliance auditor where she was also senior auditor and supervisor between 1998 and 2004. She joined Toreador in 2004 as Accounting Manager and Financial Controller, before becoming the Finance Director of Tiway Oil in 2010. Mrs. Karalli has a Bachelor of Economics degree from Bilkent University and has been a Chartered Public Accountant in Türkiye since 2002.

**David Thompson** ▶ **DIRECTOR, Audit Committee Chair**

Mr. Thompson has 30 years of financial experience in the oil and gas industry. He successfully founded an oil trading company in Bermuda, with offices in the U.S. and Europe, and was responsible for the company's Turkmenistan production operations in the Lhamov and Zhdanov oil fields (offshore Caspian Sea — part of the Turkmenistan project), which discovered producing reserves of 365M barrels oil and 2 TCF gas and successfully raised over \$100M in equity. He is Managing Director of AMS Limited, a Bermuda based Management Company. He has served as Founder, President and CEO of Sea Dragon Energy Inc. (London exchange: SDX 21.00 GBP), Financial Director of Forum Energy Plc (AIM) and SVP at Larmag Group of Companies. Mr. Thompson is a Certified Management Accountant since 1998.

**Dr. Barry Wood** **DIRECTOR**

Dr. Wood has over 45 years of experience in the upstream oil and gas industry, having spent the core of his career with Shell Canada and Marathon International Oil Company. With Marathon, he directed asset evaluations across Southeast Asia and the Afro/Arabian regions, and drilling campaigns in Egypt and Syria for over 16 years. In 1998 he founded PetroQuest International SA, which had exploration in Tanzania, Syria and Egypt. His experience has included senior advisory positions with Dana Gas, NPC (Egypt), Sea Dragon (Egypt) and Maurel et Prom (Tanzania), among others. Dr. Wood holds a DPhil from Oxford University and is a member of the Geological Society of London, The Petroleum Exploration Society of Great Britain and the American Association of Petroleum Geologists.

Sean Stofer **DIRECTOR**

Sean Stofer has over 20 years of renewable energy experience. Mr. Stofer is a graduate of the University of British Columbia in Engineering and is a registered Engineer in California. He is a founder of several successful renewable energy companies including for the arctic's largest solar array; 250 MW of solar in the USA; 200+MW of wind projects and over 300MW of hydroelectric projects. He is COO of Green Data Center Real Estate, which uses renewable energy to power data centers. Sean is leading a project of over 500 MW using wind, solar and hydropower. Sean has worked closely with Government to guide policy and has consulted to a wide range of companies. Sean was awarded the Top 40 Under 40 in Vancouver, Canada for his business achievements.



Source: Company Reports

Appendix C: Comps - Eight Capital Price Deck (1/2)



	Ticker	Rating	Analyst	Share Price	Target Price	Return 2022E	Performance					EV/DACF		P/NAVPS		Company Size (\$MM)	
							1 Week	1 Month	3 Month	6 Month	1 Year	2022E	2023E	2P	Upside	Mkt. Cap	EV
Canadian Senior E&P, Integrated & Oil Sands																	
Canadian Natural Resources Limited	CNQ	BUY	Skolnick	\$81.67	\$118.00	44%	-1%	8%	-1%	14%	24%	5.1x	5.7x	85%	101%	\$91,366	\$102,087
Cenovus Energy Inc.	CVE	BUY	Skolnick	\$26.58	\$38.00	43%	3%	1%	-3%	9%	44%	4.7x	3.7x	68%	67%	\$51,047	\$56,007
Imperial Oil Limited	IMO	NEUTRAL	Skolnick	\$72.72	\$78.00	7%	3%	7%	-4%	15%	36%	5.3x	8.0x	81%	78%	\$44,468	\$45,179
MEG Energy Corp.	MEG	BUY	Skolnick	\$21.99	\$34.00	55%	6%	14%	8%	22%	47%	3.7x	5.0x	61%	53%	\$6,632	\$7,723
Suncor Energy Inc.	SU	SELL	Skolnick	\$46.18	\$46.00	0%	1%	6%	-1%	5%	26%	3.5x	4.0x	64%	53%	\$62,491	\$72,229
Group Median						43%	3%	7%	-1%	14%	36%	4.7x	5.0x	68%	67%		
Gas & Liquids Focused E&P																	
Birchcliff Energy Ltd.	BIR	BUY	Skolnick	\$8.53	\$20.00	134%	-11%	-11%	-15%	-15%	33%	2.5x	3.2x	51%	52%	\$2,268	\$2,404
Kelt Exploration Ltd.	KEL	BUY	True	\$4.57	\$14.25	212%	-9%	-9%	-22%	-34%	-17%	2.7x	2.2x	70%	44%	\$877	\$886
Southern Energy Corp.	SOU	BUY	Skolnick	\$0.72	\$3.00	317%	-10%	-12%	-27%	-14%	85%	2.1x	1.4x	28%	20%	\$57	\$51
Spartan Delta Corp	SDE	BUY	Skolnick	\$15.03	\$30.00	100%	-6%	0%	23%	12%	97%	3.0x	2.1x	72%	61%	\$2,353	\$2,444
Group Median						173%	-9%	-10%	-19%	-15%	59%	2.6x	2.2x	60%	48%		
Oil Focused E&P																	
Baytex Energy Corp.	BTE	BUY	Skolnick	\$6.16	\$12.00	95%	1%	0%	-15%	-12%	33%	3.6x	2.6x	105%	70%	\$3,450	\$4,398
ROK Resources Ltd.	ROK	BUY	True	\$0.43	\$0.80	88%	-9%	-13%	0%	53%	87%	2.3x	1.6x	57%	57%	\$86	\$110
Saturn Oil & Gas Inc.	SOIL	R	True	\$2.42	R	R	-6%	2%	-14%	-2%	-30%	R	R	R	R	R	R
Tamarack Valley Energy Ltd.	TVE	BUY	True	\$4.82	\$12.50	159%	1%	7%	-8%	7%	1%	4.3x	2.6x	68%	34%	\$2,569	\$3,717
InPlay Oil Corp.	IPO	BUY	Skolnick	\$2.81	\$11.00	291%	-7%	-8%	-18%	-17%	-8%	1.9x	1.5x	53%	42%	\$245	\$265
Group Median						127%	-6%	0%	-14%	-2%	1%	3.0x	2.1x	62%	49%		
International & Multi-National E&P																	
Canacol Energy Ltd.	CNE	BUY	Skolnick	\$11.80	\$6.00	-49%	-4%	20%	18%	-4%	-27%	5.0x	4.9x	98%	65%	\$403	\$984
GeoPark Ltd	GPRK	BUY	Skolnick	US\$15.21	US\$37.00	143%	-2%	-1%	4%	21%	10%	2.5x	3.0x	60%	61%	US\$890	US\$1,503
Gran Tierra Energy Inc.	GTE	BUY	Skolnick	\$1.29	\$6.25	384%	-2%	-6%	-28%	-25%	12%	2.5x	0.6x	30%	32%	\$476	\$1,303
Parex Resources Inc.	PXT	BUY	Skolnick	\$22.65	\$54.00	138%	-1%	13%	9%	-5%	-13%	1.8x	1.5x	51%	45%	\$2,476	\$2,015
PetroTal Corp.	TAL	BUY	Skolnick	\$0.69	\$2.25	226%	-6%	1%	-4%	1%	17%	1.1x	0.7x	30%	30%	\$593	\$435
Trillion Energy International Inc	TCF	BUY	True	\$0.39	\$1.50	285%	1%	-14%	-15%	23%	117%	34.6x	0.8x	79%	62%	\$152	\$139
Vermilion Energy Inc.	VET	BUY	Skolnick	\$20.40	\$52.00	155%	-6%	-16%	-34%	-39%	1%	3.1x	2.7x	44%	44%	\$3,323	\$5,085
Group Median						155%	-2%	-1%	-4%	-4%	10%	2.5x	1.5x	51%	45%		
Royalty Companies																	
Freehold Royalties Ltd.	FRU	BUY	True	\$16.08	\$27.00	68%	1%	1%	-5%	10%	26%	7.9x	7.9x	172%	93%	\$2,423	\$2,524
PrairieSky Royalty Ltd	PSK	BUY	True	\$22.86	\$32.00	40%	-2%	5%	7%	21%	43%	11.0x	12.0x	305%	120%	\$5,459	\$5,739
Group Median						54%	-1%	3%	1%	16%	35%	9.5x	9.9x	239%	106%		
Helium Exploration & Production																	
Royal Helium Ltd.	RHC	BUY	True	\$0.33	\$1.85	461%	-1%	16%	32%	-7%	-8%	214.9x	6.9x	181%	181%	\$74	\$70
Group Median																	
Commodity Assumptions																	
Eight Capital Price Deck																	
	FY/20A	FY/21A	FY/22E	FY/23E													
WTI Oil (US\$/Bbl)	\$39.26	\$68.13	\$94.18	\$117.60													
Ed. Par Premium/(Discount) (US\$/Bbl)	(\$5.43)	(\$3.89)	(\$2.12)	(\$1.50)													
WCS Diff (US\$/Bbl)	(\$12.58)	(\$13.09)	(\$18.80)	(\$20.00)													
Brent (US\$/Bbl)	\$42.51	\$71.06	\$98.80	\$122.60													
AECO Premium/(Discount) (US\$/Mcf)	(\$0.36)	(\$1.00)	(\$2.36)	(\$1.00)													
Henry Hub Gas (US\$/Mcf)	\$2.02	\$3.86	\$6.51	\$7.82													
FX Rate (US\$/C\$)	\$0.75	\$0.80	\$0.77	\$0.80													
R=Restricted																	

R=Restricted

Source: Company Reports, FactSet & Eight Capital Estimates

Appendix D: Comps - Eight Capital Price Deck (2/2)

	Ticker	Rating	Analyst	Share Price	Target Price	Net Debt/CF		Capex+Div./CF		FCF Yield		Production (MBOE/d)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Canadian Senior E&P, Integrated & Oil Sands													
Canadian Natural Resources Limited	CNQ	BUY	Skolnick	\$81.67	\$118.00	0.6x	0.5x	25%	31%	16%	13%	1,286.8	1,342.8
Cenovus Energy Inc.	CVE	BUY	Skolnick	\$26.58	\$38.00	0.4x	-0.1x	33%	32%	15%	17%	787.2	815.9
Imperial Oil Limited	IMO	NEUTRAL	Skolnick	\$72.72	\$78.00	0.1x	-0.3x	17%	32%	16%	8%	413.9	417.8
MEG Energy Corp.	MEG	BUY	Skolnick	\$21.99	\$34.00	0.6x	0.1x	20%	33%	23%	14%	95.3	102.9
Suncor Energy Inc.	SU	SELL	Skolnick	\$46.18	\$46.00	0.5x	0.3x	28%	40%	21%	13%	744.6	750.2
Group Median								25%	32%	16%	13%		
Gas & Liquids Focused E&P													
Birchcliff Energy Ltd.	BIR	BUY	Skolnick	\$8.53	\$20.00	0.1x	-0.1x	38%	40%	26%	18%	78.0	82.9
Kelt Exploration Ltd.	KEL	BUY	True	\$4.57	\$14.25	0.0x	-0.1x	96%	84%	1%	6%	27.7	34.6
Southern Energy Corp.	SOU	BUY	Skolnick	\$0.72	\$3.00	-0.3x	0.7x	nm	178%	-51%	-110%	2.6	8.3
Spartan Delta Corp	SDE	BUY	Skolnick	\$15.03	\$30.00	0.1x	-0.4x	53%	44%	16%	23%	72.7	81.1
Group Median								53%	64%	9%	12%		
Oil Focused E&P													
Baytex Energy Corp.	BTE	BUY	Skolnick	\$6.16	\$12.00	0.8x	0.1x	46%	44%	18%	22%	83.4	88.1
ROK Resources Ltd.	ROK	BUY	True	\$0.43	\$0.80	0.6x	0.4x	62%	50%	18%	39%	2.8	4.3
Saturn Oil & Gas Inc.	SOIL	R	True	\$2.42	R	R	R	R	R	R	R	R	R
Tamarack Valley Energy Ltd.	TVE	BUY	True	\$4.82	\$12.50	1.4x	0.5x	55%	39%	14%	27%	47.8	70.4
InPlay Oil Corp.	IPO	BUY	Skolnick	\$2.81	\$11.00	0.1x	-0.2x	52%	53%	27%	28%	9.2	10.0
Group Median								54%	47%	18%	27%		
International & Multi-National E&P													
Canacol Energy Ltd.	CNE	BUY	Skolnick	\$11.80	\$6.00	3.1x	3.8x	117%	117%	-8%	-7%	32.9	32.4
GeoPark Ltd	GPRK	BUY	Skolnick	US\$15.21	US\$37.00	1.0x	1.0x	34%	59%	36%	17%	37.2	38.5
Gran Tierra Energy Inc.	GTE	BUY	Skolnick	\$1.29	\$6.25	1.8x	0.1x	66%	30%	33%	138%	31.3	34.0
Parex Resources Inc.	PXT	BUY	Skolnick	\$22.65	\$54.00	-0.4x	-0.8x	60%	52%	18%	21%	52.6	61.5
PetroTal Corp.	TAL	BUY	Skolnick	\$0.69	\$2.25	-0.4x	-1.0x	36%	45%	39%	31%	12.2	19.6
Trillion Energy International Inc	TCF	BUY	True	\$0.39	\$1.50	-3.1x	-0.5x	nm	60%	-17%	30%	0.2	2.3
Vermilion Energy Inc.	VET	BUY	Skolnick	\$20.40	\$52.00	1.1x	0.7x	35%	37%	31%	29%	84.9	88.6
Group Median								48%	52%	31%	29%		
Royalty Companies													
Freehold Royalties Ltd.	FRU	BUY	True	\$16.08	\$27.00	0.3x	-0.1x	0%	0%	13%	12%	14.1	15.0
PrairieSky Royalty Ltd	PSK	BUY	True	\$22.86	\$32.00	0.6x	0.2x	0%	0%	9%	8%	25.2	25.9
Group Median								0%	0%	11%	10%		
Helium Exploration & Production													
Royal Helium Ltd.	RHC	BUY	True	\$0.33	\$1.85	-11.0x	-0.5x	nm	nm	-13%	-42%	He Production (Mcf/d)	
Group Median												0.0	67.2

Commodity Assumptions		Eight Capital Price Deck			
		FY/20A	FY/21A	FY/22E	FY/23E
WTI Oil (US\$/Bbl)		\$39.26	\$68.13	\$94.18	\$117.60
Ed. Par Premium/(Discount) (US\$/Bbl)		(\$5.43)	(\$3.89)	(\$2.12)	(\$1.50)
WCS Diff (US\$/Bbl)		(\$12.58)	(\$13.09)	(\$18.80)	(\$20.00)
Brent (US\$/Bbl)		\$42.51	\$71.06	\$98.80	\$122.60
AECO Premium/(Discount) (US\$/Mcf)		(\$0.36)	(\$1.00)	(\$2.36)	(\$1.00)
Henry Hub Gas (US\$/Mcf)		\$2.02	\$3.86	\$6.51	\$7.82
FX Rate (US\$/C\$)		\$0.75	\$0.80	\$0.77	\$0.80

R=Restricted

Source: Company Reports, FactSet & Eight Capital Estimates

Appendix E: Comps - STRIP Price Deck (1/2)



						Return	Performance					EV/DACF		P/NAVPS		Company Size (\$MM)	
	Ticker	Rating	Analyst	Share Price	Target Price	2022E	1 Week	1 Month	3 Month	6 Month	1 Year	2022E	2023E	2P	Upside	Mkt. Cap	EV
Canadian Senior E&P, Integrated & Oil Sands																	
Canadian Natural Resources Limited	CNQ	BUY	Skolnick	\$81.67	\$118.00	44%	-1%	8%	-1%	14%	24%	5.1x	6.6x	85%	101%	\$91,366	\$102,666
Cenovus Energy Inc.	CVE	BUY	Skolnick	\$26.58	\$38.00	43%	3%	1%	-3%	9%	44%	5.0x	4.9x	68%	67%	\$51,244	\$56,275
Imperial Oil Limited	IMO	NEUTRAL	Skolnick	\$72.72	\$78.00	7%	3%	7%	-4%	15%	36%	5.4x	9.0x	81%	78%	\$44,468	\$45,466
MEG Energy Corp.	MEG	BUY	Skolnick	\$21.99	\$34.00	55%	6%	14%	8%	22%	47%	3.7x	6.5x	61%	53%	\$6,632	\$7,723
Suncor Energy Inc.	SU	SELL	Skolnick	\$46.18	\$46.00	0%	1%	6%	-1%	5%	26%	3.5x	5.0x	64%	53%	\$62,491	\$72,240
Group Median						43%	3%	7%	-1%	14%	36%	5.0x	6.5x	68%	67%		
Gas & Liquids Focused E&P																	
Birchcliff Energy Ltd.	BIR	BUY	Skolnick	\$8.53	\$20.00	134%	-11%	-11%	-15%	-15%	33%	2.5x	4.3x	76%	79%	\$2,268	\$2,401
Kelt Exploration Ltd.	KEL	BUY	True	\$4.57	\$14.25	212%	-9%	-9%	-22%	-34%	-17%	2.8x	2.9x	109%	62%	\$877	\$877
Southern Energy Corp.	SOU	BUY	Skolnick	\$0.72	\$3.00	317%	-10%	-12%	-27%	-14%	85%	2.1x	2.2x	48%	33%	\$57	\$51
Spartan Delta Corp	SDE	BUY	Skolnick	\$15.03	\$30.00	100%	-6%	0%	23%	12%	97%	2.8x	2.7x	96%	78%	\$2,353	\$2,397
Group Median						173%	-9%	-10%	-19%	-15%	59%	2.6x	2.8x	86%	70%		
Oil Focused E&P																	
Baytex Energy Corp.	BTE	BUY	Skolnick	\$6.16	\$12.00	95%	1%	0%	-15%	-12%	33%	3.5x	3.6x	139%	82%	\$3,450	\$4,360
ROK Resources, Inc.	ROK	BUY	True	\$0.43	\$0.80	88%	-9%	-13%	0%	53%	87%	2.3x	2.0x	64%	64%	\$86	\$110
Saturn Oil & Gas Inc.	SOIL	R	True	\$2.42	R	R	-6%	2%	-14%	-2%	-30%	R	R	R	R	R	R
Tamarack Valley Energy Ltd.	TVE	BUY	True	\$4.82	\$12.50	159%	1%	7%	-8%	7%	1%	4.3x	3.5x	95%	43%	\$2,569	\$3,717
InPlay Oil Corp.	IPO	BUY	Skolnick	\$2.81	\$11.00	291%	-7%	-8%	-18%	-17%	-8%	1.9x	1.8x	69%	52%	\$245	\$265
Group Median						127%	-6%	0%	-14%	-2%	1%	2.9x	2.7x	82%	58%		
International & Multi-National E&P																	
Canacol Energy Ltd.	CNE	BUY	Skolnick	\$11.80	\$6.00	-49%	-4%	20%	18%	-4%	-27%	13.2x	12.1x	406%	263%	\$2,015	\$2,596
GeoPark Ltd	GPRK	BUY	Skolnick	US\$15.21	US\$37.00	143%	-2%	-1%	4%	21%	10%	2.5x	3.6x	77%	69%	US\$890	US\$1,503
Gran Tierra Energy Inc.	GTE	BUY	Skolnick	\$1.29	\$6.25	384%	-2%	-6%	-28%	-25%	12%	2.6x	2.1x	38%	38%	\$476	\$1,312
Parex Resources Inc.	PXT	BUY	Skolnick	\$22.65	\$54.00	138%	-1%	13%	9%	-5%	-13%	1.8x	1.6x	59%	52%	\$2,476	\$2,015
PetroTal Corp.	TAL	BUY	Skolnick	\$0.69	\$2.25	226%	-6%	1%	-4%	1%	17%	1.1x	0.8x	35%	35%	\$593	\$435
Trillion Energy International Inc	TCF	BUY	Skolnick	\$0.39	\$1.50	285%	1%	-14%	-15%	23%	117%	34.6x	0.4x	76%	60%	\$152	\$139
Vermilion Energy Inc.	VET	BUY	Skolnick	\$20.40	\$52.00	155%	-6%	-16%	-34%	-39%	1%	3.1x	2.9x	53%	53%	\$3,323	\$5,085
Group Median						155%	-2%	-1%	-4%	-4%	10%	2.6x	2.1x	59%	53%		
Royalty Companies																	
Freehold Royalties Ltd.	FRU	BUY	True	\$16.08	\$27.00	68%	1%	1%	-5%	10%	26%	8.1x	9.2x	199%	101%	\$2,423	\$2,529
PrairieSky Royalty Ltd	PSK	BUY	True	\$22.86	\$32.00	40%	-2%	5%	7%	21%	43%	11.0x	13.8x	352%	129%	\$5,459	\$5,725
Group Median						54%	-1%	3%	1%	16%	35%	9.5x	11.5x	276%	115%		
Helium Exploration & Production																	
Royal Helium Ltd.	RHC	BUY	True	\$0.33	\$1.85	461%	-1%	16%	32%	-7%	-8%	214.9x	6.9x	181%	181%	\$74	\$70
Group Median																	

Commodity Assumptions		STRIP Price Deck			
		FY/20A	FY/21A	FY/22E	FY/23E
WTI Oil (US\$/Bbl)		\$39.26	\$68.13	\$94.18	\$77.44
Ed. Par Premium/(Discount) (US\$/Bbl)		(\$5.43)	(\$3.89)	(\$2.12)	(\$2.77)
WCS Diff (US\$/Bbl)		(\$12.58)	(\$13.09)	(\$18.80)	(\$22.02)
Brent (US\$/Bbl)		\$42.51	\$71.06	\$98.80	\$82.84
AECO Premium/(Discount) (US\$/Mcf)		(\$0.36)	(\$0.99)	(\$2.32)	(\$0.89)
Henry Hub Gas (US\$/Mcf)		\$2.02	\$3.86	\$6.47	\$3.35
FX Rate (US\$/C\$)		\$0.75	\$0.80	\$0.77	\$0.75

R=Restricted

Source: Company Reports, FactSet & Eight Capital Estimates

Appendix F: Comps - STRIP Price Deck (2/2)



						Net Debt/CF		Capex+Div./CF		FCF Yield		Production (MBOE/d)	
	Ticker	Rating	Analyst	Share Price	Target Price	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Canadian Senior E&P, Integrated & Oil Sands													
Canadian Natural Resources Limited	CNQ	BUY	Skolnick	\$81.67	\$118.00	0.6x	0.6x	25%	36%	16%	10%	1,300.8	1,360.5
Cenovus Energy Inc.	CVE	BUY	Skolnick	\$26.58	\$38.00	0.5x	0.0x	33%	41%	14%	11%	792.7	816.3
Imperial Oil Limited	IMO	NEUTRAL	Skolnick	\$72.72	\$78.00	0.1x	-0.2x	19%	36%	15%	7%	423.2	428.7
MEG Energy Corp.	MEG	BUY	Skolnick	\$21.99	\$34.00	0.6x	0.4x	20%	42%	23%	9%	95.3	102.9
Suncor Energy Inc.	SU	SELL	Skolnick	\$46.18	\$46.00	0.5x	0.5x	29%	46%	21%	11%	742.7	750.2
Group Median								25%	41%	16%	10%		
Gas & Liquids Focused E&P													
Birchcliff Energy Ltd.	BIR	BUY	Skolnick	\$8.53	\$20.00	0.1x	0.1x	38%	50%	26%	12%	78.0	82.9
Kelt Exploration Ltd.	KEL	BUY	True	\$4.57	\$14.25	0.0x	0.0x	94%	103%	2%	-1%	27.7	34.6
Southern Energy Corp.	SOU	BUY	Skolnick	\$0.72	\$3.00	-0.3x	1.4x	nm	nm	-51%	-158%	2.6	8.3
Spartan Delta Corp	SDE	BUY	Skolnick	\$15.03	\$30.00	0.1x	-0.3x	50%	54%	18%	16%	73.2	81.1
Group Median								50%	54%	10%	5%		
Oil Focused E&P													
Baytex Energy Corp.	BTE	BUY	Skolnick	\$6.16	\$12.00	0.8x	0.5x	44%	58%	19%	13%	83.7	88.1
ROK Resources, Inc.	ROK	BUY	True	\$0.43	\$0.80	0.6x	0.6x	62%	57%	18%	29%	2.8	4.3
Saturn Oil & Gas Inc.	SOIL	R	True	\$2.42	R	R	R	R	R	24%	63%	R	R
Tamarack Valley Energy Ltd.	TVE	BUY	True	\$4.82	\$12.50	1.4x	0.9x	55%	51%	14%	17%	47.8	70.4
InPlay Oil Corp.	IPO	BUY	Skolnick	\$2.81	\$11.00	0.1x	-0.1x	52%	56%	27%	22%	9.2	10.3
Group Median								54%	57%	19%	22%		
International & Multi-National E&P													
Canacol Energy Ltd.	CNE	BUY	Skolnick	\$11.80	\$6.00	3.1x	3.8x	117%	117%	-2%	-1%	32.9	32.4
GeoPark Ltd	GPRK	BUY	Skolnick	US\$15.21	US\$37.00	1.0x	1.3x	37%	69%	35%	10%	37.2	38.5
Gran Tierra Energy Inc.	GTE	BUY	Skolnick	\$1.29	\$6.25	1.8x	1.4x	68%	63%	31%	38%	31.3	34.0
Parex Resources Inc.	PXT	BUY	Skolnick	\$22.65	\$54.00	-0.4x	-0.8x	60%	57%	18%	18%	52.6	61.5
PetroTal Corp.	TAL	BUY	Skolnick	\$0.69	\$2.25	-0.4x	-1.0x	36%	50%	39%	27%	12.2	19.6
Trillion Energy International Inc	TCF	BUY	Skolnick	\$0.39	\$1.50	-3.1x	-0.6x	nm	49%	-17%	50%	0.2	2.3
Vermilion Energy Inc.	VET	BUY	Skolnick	\$20.40	\$52.00	1.1x	0.8x	35%	39%	31%	27%	84.9	88.6
Group Median								48%	57%	31%	27%		
Royalty Companies													
Freehold Royalties Ltd.	FRU	BUY	True	\$16.08	\$27.00	0.3x	0.0x	0%	0%	13%	11%	14.1	15.0
PrairieSky Royalty Ltd	PSK	BUY	True	\$22.86	\$32.00	0.5x	0.3x	0%	0%	9%	7%	25.2	25.9
Group Median								0%	0%	11%	9%		
Helium Exploration & Production													
Royal Helium Ltd.	RHC	BUY	True	\$0.33	\$1.85	-11.0x	-0.5x	nm	nm	-13%	-42%	He Production (Mcf/d)	
Group Median												0.0	67.2

Commodity Assumptions	STRIP Price Deck			
	FY/20A	FY/21A	FY/22E	FY/23E
WTI Oil (US\$/Bbl)	\$39.26	\$68.13	\$94.18	\$77.44
Ed. Par Premium/(Discount) (US\$/Bbl)	(\$5.43)	(\$3.89)	(\$2.12)	(\$2.77)
WCS Diff (US\$/Bbl)	(\$12.58)	(\$13.09)	(\$18.80)	(\$22.02)
Brent (US\$/Bbl)	\$42.51	\$71.06	\$98.80	\$82.84
AECO Premium/(Discount) (US\$/Mcf)	(\$0.36)	(\$0.99)	(\$2.32)	(\$0.89)
Henry Hub Gas (US\$/Mcf)	\$2.02	\$3.86	\$6.47	\$3.35
FX Rate (US\$/C\$)	\$0.75	\$0.80	\$0.77	\$0.75

R=Restricted

Source: Company Reports, FactSet & Eight Capital Estimates

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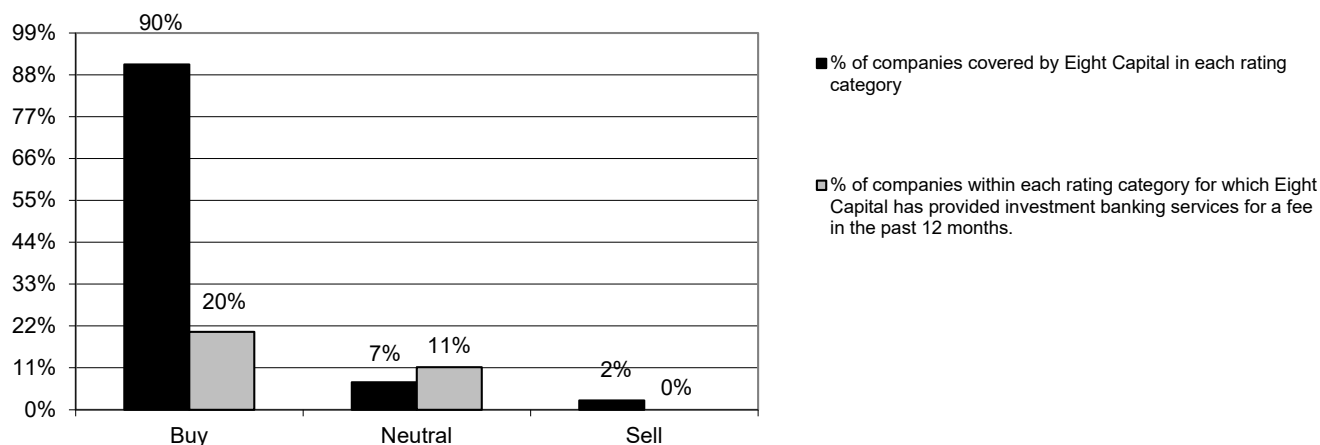
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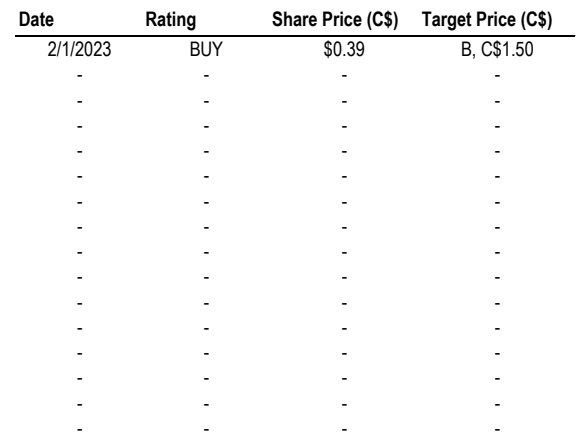
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