

## Guluc 2 well hits 70+ metres of Gas Pay

### Maintain BUY and Target Price

This morning, Trillion Energy International Inc. ("TCF") announced that the Guluc 2 well intersected ~73 metres of potential natural gas pay, which exceeded the Company's expectations. Perforating and testing is expected to commence this weekend with results to be released next week. TCF is now 3 for 3 on its 20 well development drilling and recompletion program in the SASB gas field (49% W.I.), and we expect stock price appreciation as the Company builds production and cash flow through out 2023 and into 2024. We maintain our **BUY** recommendation and our \$1.35 target price.

### DETAILS: Guluc 2 well Exceeds Expectations

**Guluc 2 well Successful:** Trillion holds a 49% interest in the SASB natural gas project, located offshore in the Black Sea of Türkiye. The Guluc 2 well was drilled directionally from the Akcakoca offshore production platform and reached a total measured depth of 3,910 metres or 1,623 metres, true vertical depth. Logs indicate approximately 73 metres of potential natural gas pay within fourteen zones sands in the Akcakoca Member. Three of the sands had over 9 metres of gas pay, each. TCF plans to initially perforate the lower zones in the Guluc 2 well, with flow test results expected next week.

**Reprocessing 3D Seismic to Better Image Conventional Traps & to Identify Stratigraphic and Deeper Cretaceous Exploration Prospects:** TCF is currently reprocessing its 223 km<sup>2</sup> 3D seismic data set that includes the SASB block. The Company will apply modern seismic data processing algorithms that were not available in 2004 when the data was originally shot and processed. The reprocessed 3D seismic data is expected to provide more detailed and accurate mapping of individual gas reservoir units. TCF also plan to identify and define stratigraphic exploration gas prospects, which could hold substantially larger reserves, but have never been drilled on the SASB block. The Company also hopes to identify exploration prospects in the deeper, Cretaceous aged Akveren Formation.

### IMPACT - Positive.

TCF is three for three in the current drilling program and the fourth well (West Akcakoca-1 well) is expected to resume drilling shortly. As production builds from the current development of the SASB field, we expect TCF will begin to allocate capital towards its higher impact exploration prospects that if successful, can be placed onstream through the Company's extensive production infrastructure. We view the recent pullback in the stock prices as a buying opportunity and maintain our **BUY** recommendation and our \$1.35 target price.

#### RATING & TARGET PRICE

Rating	BUY
Price	C\$0.39
Price Target	C\$1.35
Market Cap (\$M)	C\$143.90
Projected Return	246.15%

#### MARKET DATA

TCF-CSE	C\$0.39
52 Week Range	C\$0.55 - C\$0.16
Basic Shares O/S (mm)	373.9
Fully Diluted O/S (mm)	490.9
Enterprise Value (\$M)	C\$125.3
Net Debt (\$M)	C\$(18.6)

#### ESTIMATES

		2022E	2023E	2024E
Production	Q1	128	866	3,782
	Q2	118	1,703	4,535
	Q3	115	2,433	4,988
	Q4	262	3,128	5,757
	FY	156	2,040	4,769
FFO (\$MM)	Q1	(0.9)	6.1	23.8
	Q2	(0.2)	12.2	28.8
	Q3	(0.4)	18.8	32.1
	Q4	0.1	23.5	37.3
	FY	(1.4)	60.6	122.0
FFPS	Q1	\$(0.00)	\$0.02	\$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)	\$0.16	\$0.31

#### UPCOMING EVENTS/CATALYSTS

Production test results of Guluc 2 well

#### ANALYST INFORMATION

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Figure 1: Detailed Summary and Forecast

Trillion Energy International Inc.													TCF
Share Data			Market Value					Stock Price					
Class B Shares (mm): 373.9			Market Cap. (\$ mm): \$ 143.9					Close: \$0.39					
Diluted Shares (mm): 394.4			Enterprise Value (\$ mm): \$ 125.3					High: \$0.55					
Fully Diluted (mm): 490.9			Net Debt (W.C.) (\$ mm): \$ (18.6)					Low: \$0.16					
Production		2021A	Q1/22A	Q2/22A	Q3/22A	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Oil	bb/d	124	98	97	105	95	99	90	90	90	90	90	90
NGL's	bb/d	-	-	-	-	-	-	-	-	-	-	-	-
Natural Gas	mmcf/d	0.3	0.2	0.1	0.1	1.0	0.3	4.7	9.7	14.1	18.2	11.7	28.1
Boe/d	6:1	177	128	118	115	262	156	866	1,703	2,433	3,128	2,040	4,769
Funds Flow & Earnings (US\$)		2021A	Q1/22A	Q2/22A	Q3/22A	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Funds Flow	US\$ mm	(1.4)	(0.9)	(0.2)	(0.4)	0.1	(1.4)	6.1	12.2	18.8	23.5	60.6	122.0
Funds Flow /FD Share	US\$/share	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	\$0.00	(\$0.00)	\$0.02	\$0.03	\$0.05	\$0.06	\$0.16	\$0.25
Funds Flow /FD Share	C\$/share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.00)	\$0.00	(\$0.01)	\$0.02	\$0.04	\$0.07	\$0.08	\$0.21	\$0.34
Earnings/FD Share	US\$/share	(\$0.01)	(\$0.01)	\$0.00	(\$0.01)	(\$0.01)	(\$0.02)	\$0.01	\$0.03	\$0.04	\$0.05	\$0.13	\$0.23
\$/Barrel of Oil Equivalent (C\$)		2021A	Q1/22A	Q2/22A	Q3/22A	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Revenue	\$/boe	57.44	88.01	139.13	101.87	147.23	125.29	155.87	142.18	143.26	135.98	141.54	110.13
Operating & Transport Costs	\$/boe	40.62	54.03	68.27	61.20	33.63	49.43	14.91	11.59	8.70	6.98	9.29	6.64
Operating Netback	\$/boe	16.82	33.98	70.86	40.67	95.20	68.08	120.15	110.56	114.19	109.47	112.23	92.02
G&A	\$/boe/d	34.89	96.54	113.56	167.72	73.71	103.33	23.08	11.62	8.04	6.26	9.67	4.13
Funds Flow Netback	\$/boe	(21.31)	(81.87)	(15.57)	(40.82)	5.75	(24.66)	78.48	78.84	84.05	81.62	81.44	69.89
Valuation Metrics (C\$)		2021A	Q1/22A	Q2/22A	Q3/22A	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
FD Funds Flow Multiple		na	na	na	na	197.4x	na	4.5x	2.3x	1.5x	1.2x	1.8x	1.1x
EV/DACF Multiple		na	0.0x	0.0x	0.0x	24.1x	na	5.0x	2.6x	1.6x	1.2x	1.3x	0.5x
EV/Production	C\$/mboe/d	709.8	0.0x	0.0x	0.0x	478.8	803.2	144.6	73.6	51.5	40.1	61.4	26.3
EV/boe reserves	C\$/boe	34.40											
Commodity Price		2021A	Q1/22A	Q2/22A	Q3/22A	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Corporate Natural Gas	US\$/mcf	5.19	12.73	20.08	22.55	30.15	22.18	27.51	24.28	24.28	22.93	24.75	18.50
Exchange Rate	C\$ per US\$	1.25	1.27	1.28	1.31	1.36	1.30	1.34	1.34	1.34	1.34	1.34	1.34
Exchange Rate	TL per US\$												
Capex and Capital Structure		2021A	Q1/22A	Q2/22A	Q3/22A	Q4/22E	2022E	Q1/23E	Q2/23E	Q3/23E	Q4/23E	2023E	2024E
Capex	US\$ mm	0.2	0.6	0.2	10.0	10.0	20.7	7.5	7.5	7.5	7.5	30.0	80.0
Capex/Cash Flow	%	-18%	-58%	-95%	-2315%	7229%	-1475%	123%	61%	40%	32%	49%	66%
Weighted Average Basic	mm	158.2	200.0	296.8	371.5	371.5	310.0	371.5	373.0	373.0	374.0	372.9	409.6
Dilutive Shares	mm	160.0	200.0	305.0	385.0	385.0	318.7	385.0	385.0	385.0	385.0	385.0	483.5
Market Cap	C\$ mm	71.3	114.1	142.1	144.0	144.0	136.0	144.0	144.0	144.0	148.2	145.0	157.7
Enterprise Value	C\$ mm	70.9	101.8	114.4	128.2	139.6	131.7	142.5	139.3	129.5	119.2	116.0	86.7
Net Debt (WC)	C\$ mm	(0.3)	(12.3)	(27.6)	(15.7)	(4.3)	(4.3)	(1.5)	(4.7)	(14.5)	(29.0)	(29.0)	(71.0)
Net Debt/Cash Flow	C\$ mm	na	na	na	na	na	na	na	na	na	na	na	na
Net Asset Value			Reserve Estimate (December 31, 2021)										
		C\$mm	C\$/share	(mboe)									
Reserves (P + P)		83.3	\$0.22	Proven 59% 2,133									
Working Capital Net of Debt		18.6	\$0.05	Probable 41% 1,509									
Undeveloped Land		-	\$0.00	P+P 3,642									
Net Asset Value (Basic)		102.0	\$0.27										
Dilution		4.0	\$0.01										
<b>Core NAV/FD Share</b>		<b>105.9</b>	<b>\$0.27</b>										
Price to core NAV			1.43x										
Risked Resource Value (C\$)		120.0	\$0.30										
<b>Risked NAV/FD share</b>		<b>225.9</b>	<b>\$0.57</b>										
Price to risked NAV (multiple)			0.67x										
				Reserve Life Index		Production							
						2022	2023						
						Proven	37.5	2.9					
						P+P	64.0	4.9					

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.

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