

## Expands Development Program to 20 Wells

### Maintain BUY and Target Price

This morning, Trillion Energy International Inc. ("TCF") announced that it has added three additional side-track wells to its development drilling program currently underway at the SASB gas field. The development drilling and recompletion program increases to a total of 20 wells (from 17 wells) of which 2 wells (South Akçakoca 2 and Akçakoca 3) were completed and placed onstream in 2022 and results of the third well (Guluc 2) are expected shortly. A total of 11 wells (up from 8 wells) are expected to be placed on production in 2023 with the balance of 7 wells on stream in 2024.

### IMPACT - Positive.

Unseasonably warm weather in Europe this winter has reduced supply fears in the short-term resulting in a pull back in the price of natural gas. With about two months of winter remaining, European gas prices have stabilized. The natural gas sales price in January was ~US\$27/mcf, down from US\$31/mcf in December. European supply concerns remain heading into next winter, which could result in a rebound of gas prices in late Q3/23.

We view the recent pullback in the stock price as a buying opportunity, and we maintain our **BUY** recommendation and our \$1.35 target price, based on a 3.0 x multiple of our 2024F debt-adjusted cash flow

#### RATING & TARGET PRICE

Rating	BUY
Price	C\$0.40
Price Target	C\$1.35
Market Cap (\$M)	C\$147.70
Projected Return	237.50%

#### MARKET DATA

TCF-CSE	C\$0.40
52 Week Range	C\$0.55 - C\$0.16
Basic Shares O/S (mm)	370.0
Fully Diluted O/S (mm)	490.9
Enterprise Value (\$M)	C\$129.0
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	345	3,128	5,757
	FY	177	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	1.1	23.5	37.2
	FY	(0.4)	60.6	121.9
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

Results of the 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): \$ 147.7					Close: \$0.40					
Diluted Shares (mm): 394.4			Enterprise Value (\$ mm): \$ 129.0					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	bbl/d	124	98	97	105	95	99	90	90	90	90	90	90
NGL's	bbl/d	-	-	-	-	-	-	-	-	-	-	-	-
Natural Gas	mmcf/d	0.3	0.2	0.1	0.1	1.5	0.5	4.7	9.7	14.1	18.2	11.7	28.1
Boe/d	6:1	177	128	118	115	345	177	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)	1.1	(0.4)	6.1	12.2	18.8	23.5	60.6	121.9
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	(\$0.00)	\$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)	(\$0.00)	(\$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	155.37	131.89	156.23	142.18	143.22	135.90	141.54	110.04
Operating & Transport Costs	\$/boe	40.62	54.03	68.27	61.20	32.75	47.13	14.91	11.59	8.70	6.98	9.29	6.64
Operating Netback	\$/boe	16.82	33.98	70.86	40.67	103.19	75.23	120.46	110.56	114.15	109.41	112.23	91.93
G&A	\$/boe/d	34.89	96.54	113.56	167.72	55.91	91.07	23.08	11.62	8.04	6.26	9.67	4.13
Funds Flow Netback	\$/boe	(21.31)	(81.87)	(15.57)	(40.82)	35.35	(6.51)	78.72	78.84	84.02	81.57	81.44	69.83
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	27.1x	na	4.6x	2.3x	1.5x	1.2x	1.9x	1.2x
EV/DACF Multiple		na	0.0x	0.0x	0.0x	14.6x	na	5.1x	2.7x	1.7x	1.2x	1.4x	0.5x
EV/Production	C\$/mboe/d	731.0	0.0x	0.0x	0.0x	374.0	729.0	148.9	75.8	53.0	41.3	63.3	27.1
EV/boe reserves	C\$/boe	35.43											
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	1.25	1.25	1.25	1.25	1.25	1.35	1.35	1.35	1.35	1.35	1.35
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%	891%	-4926%	122%	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	73.1	117.1	145.8	147.7	147.7	139.6	147.7	147.7	147.7	152.1	148.8	161.8
Enterprise Value	C\$ mm	72.8	104.8	118.1	132.0	142.4	134.2	145.2	142.0	132.2	122.1	118.8	90.0
Net Debt (WC)	C\$ mm	(0.3)	(12.3)	(27.6)	(15.7)	(5.3)	(5.3)	(2.5)	(5.7)	(15.5)	(30.0)	(30.0)	(71.8)
Net Debt/Cash Flow	C\$ mm	na	na	na	na	na	na	na	na	na	na	na	na
Net Asset Value	C\$mm	C\$/share	Reserve Estimate (December 31, 2021)										
Reserves (P + P)	83.3	\$0.22	(mboe)										
Working Capital Net of Debt	18.6	\$0.05	Proven 59% 2,133										
Undeveloped Land	-	\$0.00	Probable 41% 1,509										
Net Asset Value (Basic)	102.0	\$0.27	P+P 3,642										
Dilution	4.0	\$0.01	Reserve Life Index										
<b>Core NAV/FD Share</b>	<b>105.9</b>	<b>\$0.27</b>	Production										
Price to core NAV		1.47x	2022 2023										
Risked Resource Value (C\$)	120.0	\$0.30	Proven 33.0 2.9										
<b>Risked NAV/FD share</b>	<b>225.9</b>	<b>\$0.57</b>	P+P 56.4 4.9										
Price to risked NAV (multiple)		0.69x											

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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