UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission file number: 001-34574

TRANSATLANTIC PETROLEUM LTD.
(Exact name of registrant as specified in its charter)

Bermuda	**None**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
16803 Dallas Parkway, Suite 200 Addison, Texas	**75001**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (214) 220-4323

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant is required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common shares, par value $0.10	**TAT**	**NYSE American**

As of August 2, 2019, the registrant had 55,044,534 common shares outstanding.

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Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of applicable U.S. and Canadian securities legislation. Additionally, forward-looking statements may be made orally or in press releases, conferences, reports, on our website or otherwise, in the future, by us or on our behalf. Such statements are generally identifiable by the terminology used such as "plans," "expects," "estimates," "budgets," "intends," "anticipates," "believes," "projects," "indicates," "targets," "objective," "could," "should," "may," or other similar words.

By their very nature, forward-looking statements require us to make assumptions that may not materialize or that may not be accurate. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements, including the factors discussed under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018. Such factors include, but are not limited to, the following: our ability to access sufficient capital to fund our operations; fluctuations in and volatility of the market prices for oil and natural gas products; the ability to produce and transport oil and natural gas; the results of exploration and development drilling and related activities; global economic conditions, particularly in the countries in which we carry on business, especially economic slowdowns; actions by governmental authorities including increases in taxes, legislative and regulatory initiatives related to fracture stimulation activities, changes in environmental and other regulations, and renegotiations of contracts; political uncertainty, including actions by insurgent groups or other conflicts; the negotiation and closing of material contracts or sale of assets; future capital requirements and the availability of financing; risks associated with drilling, operating and decommissioning wells; actions of third-party co-owners of interests in properties in which we also own an interest; and the other factors discussed in other documents that we file with or furnish to the U.S. Securities and Exchange Commission (the "SEC") and Canadian securities regulatory authorities. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors and our course of action would depend upon our assessment of the future, considering all information then available. In that regard, any statements as to: future oil or natural gas production levels; capital expenditures; asset sales; the allocation of capital expenditures to exploration and development activities; sources of funding for our capital expenditure programs or operations; drilling of new wells; demand for oil and natural gas products; expenditures and allowances relating to environmental matters; dates by which certain areas will be developed or will come on-stream; expected finding and development costs; future production rates; ultimate recoverability of reserves, including the ability to convert probable and possible reserves to proved reserves; dates by which transactions are expected to close; future cash flows, uses of cash flows, collectability of receivables and availability of trade credit; expected operating costs; changes in any of the foregoing; and other statements using forward-looking terminology are forward-looking statements, and there can be no assurance that the expectations conveyed by such forward-looking statements will, in fact, be realized.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity, achievements or financial condition.

Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning us, including factors that potentially could materially affect our financial results, may emerge from time to time. We do not intend to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRANSATLANTIC PETROLEUM LTD.
Consolidated Balance Sheets
(in thousands of U.S. Dollars, except share data)

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,707	$ 9,892
Accounts receivable, net		
Oil and natural gas sales	22,339	12,912
Joint interest and other	1,113	982
Related party	885	878
Prepaid and other current assets	11,431	8,696
Derivative asset	218	–
Note receivable - related party	–	5,828
Inventory	4,707	5,167
Total current assets	54,400	44,355
Property and equipment:		
Oil and natural gas properties (successful efforts method)		
Proved	155,392	163,006
Unproved	17,486	15,695
Equipment and other property	12,918	14,408
	185,796	193,109
Less accumulated depreciation, depletion and amortization	(103,917)	(105,850)
Property and equipment, net	81,879	87,259
Other long-term assets:		
Other assets	3,457	986
Note receivable - related party	4,451	–
Total other assets	7,908	986
Total assets	$ 144,187	$ 132,600
LIABILITIES, SERIES A PREFERRED SHARES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,554	$ 3,896
Accounts payable - related party	3,007	2,922
Accrued liabilities	16,759	13,073
Derivative liability	651	–
Loans payable	19,772	22,000
Total current liabilities	46,743	41,891
Long-term liabilities:		
Asset retirement obligations	4,506	4,667
Accrued liabilities	9,667	7,259
Deferred income taxes	21,845	20,314
Loans payable	11,428	–
Total long-term liabilities	47,446	32,240
Total liabilities	94,189	74,131
Commitments and contingencies		
Series A preferred shares, $0.01 par value, 426,000 shares authorized; 426,000 shares issued and outstanding with a liquidation preference of $50 per share as of June 30, 2019 and December 31, 2018	21,300	21,300
Series A preferred shares-related party, $0.01 par value, 495,000 shares authorized; 495,000 shares issued and outstanding with a liquidation preference of $50 per share as of June 30, 2019 and December 31, 2018	24,750	24,750
Shareholders' equity:		
Common shares, $0.10 par value, 200,000,000 shares authorized; 52,722,966 shares and 52,413,588 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	5,273	5,241
Treasury stock	(970)	(970)
Additional paid-in-capital	577,538	577,488
Accumulated other comprehensive loss	(146,663)	(142,021)
Accumulated deficit	(431,230)	(427,319)
Total shareholders' equity	3,948	12,419
Total liabilities, Series A preferred shares and shareholders' equity	$ 144,187	$ 132,600

The accompanying notes are an integral part of these unaudited consolidated financial statements.

TransAtlantic Petroleum Ltd.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Unaudited)

(U.S. Dollars and shares in thousands, except per share amounts)

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Revenues:				
Oil and natural gas sales	$ 17,134	$ 18,100	$ 35,994	$ 34,761
Other	81	98	262	363
Total revenues	17,215	18,198	36,256	35,124
Costs and expenses:				
Production	2,712	2,804	5,214	5,673
Transportation and processing	1,221	1,138	2,540	2,331
Exploration, abandonment and impairment	666	191	5,779	231
Seismic and other exploration	108	59	185	218
General and administrative	2,690	3,786	5,744	7,123
Depreciation, depletion and amortization	3,442	3,276	7,158	7,735
Accretion of asset retirement obligations	49	43	101	89
Total costs and expenses	10,888	11,297	26,721	23,400
Operating income	6,327	6,901	9,535	11,724
Other income (expense):				
Interest and other expense	(2,753)	(2,091)	(5,231)	(4,873)
Interest and other income	221	377	395	631
Loss on derivative contracts	(323)	(3,141)	(433)	(3,866)
Foreign exchange loss	(115)	(1,938)	(1,388)	(3,996)
Total other expense	(2,970)	(6,793)	(6,657)	(12,104)
Income (loss) from operations before income taxes	3,357	108	2,878	(380)
Income tax expense	(3,366)	(1,114)	(6,789)	(2,401)
Net loss	(9)	(1,006)	(3,911)	(2,781)
Other comprehensive loss:				
Foreign currency translation adjustment	(416)	(9,109)	(4,642)	(11,452)
Comprehensive loss	$ (425)	$ (10,115)	$ (8,553)	$ (14,233)
Net loss per common share				
Basic net loss per common share	$ (0.00)	$ (0.02)	$ (0.07)	$ (0.06)
Weighted average common shares outstanding	52,529	50,420	52,506	50,397
Diluted net loss per common share	$ (0.00)	$ (0.02)	$ (0.07)	$ (0.06)
Weighted average common and common equivalent shares outstanding	52,529	50,420	52,506	50,397

The accompanying notes are an integral part of these unaudited consolidated financial statements.

TransAtlantic Petroleum Ltd.
Consolidated Statement of Equity for the Three and Six Months Ended June 30, 2019 and 2018
(Unaudited)
(U.S. Dollars and shares in thousands)

Three months ended June 30, 2019	Common Shares	Treasury Shares	Warrants	Common Shares	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
Balance at March 31, 2019	52,496	333	-	$ 5,249	$ (970)	$ 577,493	$ (146,247)	$ (431,221)	$ 4,304
Issuance of restricted stock units	227	-	-	24	-	(24)	-	-	-
Share-based compensation	-	-	-	-	-	77	-	-	77
Tax effect of restricted stock	-	-	-	-	-	(8)	-	-	(8)
Foreign currency translation adjustment	-	-	-	-	-	-	(416)	-	(416)
Net loss	-	-	-	-	-	-	-	(9)	(9)
Balance at June 30, 2019	52,723	333	-	$ 5,273	$ (970)	$ 577,538	$ (146,663)	$ (431,230)	$ 3,948
Six Months Ended June 30, 2019									
Balance at December 31, 2018	52,413	333	-	$ 5,241	$ (970)	$ 577,488	$ (142,021)	$ (427,319)	$ 12,419
Issuance of restricted stock units	310	-	-	32	-	(32)	-	-	-
Share-based compensation	-	-	-	-	-	179	-	-	179
Tax effect of restricted stock	-	-	-	-	-	(97)	-	-	(97)
Foreign currency translation adjustment	-	-	-	-	-	-	(4,642)	-	(4,642)
Net loss	-	-	-	-	-	-	-	(3,911)	(3,911)
Balance at June 30, 2019	52,723	333	-	$ 5,273	$ (970)	$ 577,538	$ (146,663)	$ (431,230)	$ 3,948
Three months ended June 30, 2018									
Balance at March 31, 2018	50,383	333	-	$ 5,038	$ (970)	$ 575,506	$ (127,109)	$ (423,878)	$ 28,587
Issuance of restricted stock units	208	-	-	21	-	(21)	-	-	-
Share-based compensation	-	-	-	-	-	117	-	-	117
Tax effect of restricted stock	-	-	-	-	-	(11)	-	-	(11)
Foreign currency translation adjustment	-	-	-	-	-	-	(9,109)	-	(9,109)
Net loss	-	-	-	-	-	-	-	(1,006)	(1,006)
Balance at June 30, 2018	50,591	333	-	$ 5,059	$ (970)	$ 575,591	$ (136,218)	$ (424,884)	$ 18,578
Six Months Ended June 30, 2018									
Balance at December 31, 2017	50,319	333	700	$ 5,032	$ (970)	$ 575,411	$ (124,766)	$ (422,103)	$ 32,604
Expiration of warrants	-	-	(700)	-	-	-	-	-	-
Issuance of restricted stock units	272	-	-	27	-	(27)	-	-	-
Share-based compensation	-	-	-	-	-	218	-	-	218
Tax effect of restricted stock	-	-	-	-	-	(11)	-	-	(11)
Foreign currency translation adjustment	-	-	-	-	-	-	(11,452)	-	(11,452)
Net loss	-	-	-	-	-	-	-	(2,781)	(2,781)
Balance at June 30, 2018	50,591	333	-	$ 5,059	$ (970)	$ 575,591	$ (136,218)	$ (424,884)	$ 18,578

The accompanying notes are an integral part of these unaudited consolidated financial statements.

TransAtlantic Petroleum Ltd.
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands of U.S. Dollars)

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Operating activities:		
Net loss	$ (3,911)	$ (2,781)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation	179	218
Foreign currency loss	3,011	6,928
Gain on derivative contracts	433	3,866
Cash settlement on derivative contracts	–	(3,199)
Amortization on loan financing costs	21	21
Deferred income tax expense	3,713	1,431
Exploration, abandonment and impairment	5,779	231
Depreciation, depletion and amortization	7,158	7,735
Accretion of asset retirement obligations	101	89
Changes in operating assets and liabilities:		
Accounts receivable	(10,630)	(4,971)
Prepaid expenses and other assets	(6,205)	(4,558)
Accounts payable and accrued liabilities	10,973	7,224
Net cash provided by operating activities	10,622	12,234
Investing activities:		
Additions to oil and natural gas properties	(15,538)	(10,898)
Additions to equipment and other properties	(188)	(548)
Net cash used in investing activities	(15,726)	(11,446)
Financing activities:		
Tax withholding on restricted share units	(97)	(15)
Note receivable - related party	1,000	–
Loan proceeds	20,000	10,000
Loan repayment	(10,800)	(8,250)
Net cash provided by financing activities	10,103	1,735
Effect of exchange rate on cash flows, cash equivalents, and restricted cash	(1,184)	(4,104)
Net increase (decrease) in cash, cash equivalents and restricted cash	3,815	(1,581)
Cash, cash equivalents and restricted cash, beginning of period (1)	10,032	20,431
Cash, cash equivalents and restricted cash, end of period (2)	$ 13,847	$ 18,850
Supplemental disclosures:		
Cash paid for interest	$ 2,269	$ 5,236
Cash paid for taxes	$ 1,565	$ 534

(1) The beginning of period balance at December 31, 2018 includes cash and cash equivalents of $9.9 million and restricted cash of $0.1 million in other assets. The beginning of period balance at December 31, 2017 includes cash and cash equivalents of $18.9 million and restricted cash of $1.5 million in other assets

(2) The end of period balance at June 30, 2019 includes cash and cash equivalents of $13.7 million and restricted cash of $0.1 million in other assets. The end of period balance at June 30, 2018 includes cash and cash equivalents of $18.7 million and restricted cash of $0.1 million in other assets.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

1. General

Nature of operations

TransAtlantic Petroleum Ltd. (together with its subsidiaries, "we," "us," "our," the "Company," or "TransAtlantic") is an international oil and natural gas company engaged in acquisition, exploration, development, and production. We have focused our operations in countries that have established, yet underexplored petroleum systems, are net importers of petroleum, have an existing petroleum transportation infrastructure, and provide favorable commodity pricing, royalty rates, and tax rates to exploration and production companies. We hold interests in developed and undeveloped oil and natural gas properties in Turkey and Bulgaria. As of August 2, 2019, approximately 47% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors.

We are a holding company with two operating segments – Turkey and Bulgaria. Our assets consist of our ownership interests in subsidiaries that primarily own assets in Turkey and Bulgaria.

Basis of presentation

Our consolidated financial statements are expressed in U.S. Dollars ("USD") and have been prepared by management in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All amounts in the notes to the consolidated financial statements are in USD unless otherwise indicated. The unaudited consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management reviews estimates, including those related to fair value measurements associated with acquisitions and financial derivatives, the recoverability and impairment of long-lived assets, contingencies and income taxes. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2018.

2. Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842),* which establishes a new lease accounting model for leases. The most significant changes include the clarification of the definition of a lease, the requirement for lessees to recognize for all leases a right-of-use asset and a lease liability in the consolidated balance sheet, and additional quantitative and qualitative disclosures which are designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. Expenses are recognized in the consolidated statement of income in a manner similar to current accounting guidance. Lessor accounting under the new standard is substantially unchanged. The new standard became effective for us beginning with the first quarter of 2019. We adopted the accounting standard using a prospective transition approach, which applied the provisions of the new guidance at the effective date without adjusting the comparative periods presented. We elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. We also made an accounting policy election to keep leases with an initial term of twelve months or less off of the consolidated balance sheet. On January 1, 2019, we recognized $2.7 million of additional right-of-use assets and liabilities on our consolidated balance sheet.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for a fiscal year beginning after December 15, 2018, including interim periods within that fiscal year. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We are currently assessing the potential impact of ASU 2016-13 on our consolidated financial statements and results of operations.

In May 2017, the FASB issued ASU 2017-09, *Scope of Modification Accounting*, which clarifies Topic 718, *Compensation – Stock Compensation* ("ASU 2017-09"), such that an entity must apply modification accounting to changes in the terms or conditions of a share-based payment award unless all of the following criteria are met: (1) the fair value of the modified award is the same as the fair value of the original award immediately before the modification and the ASU indicates that if the modification does not affect any of the inputs to the valuation technique used to value the award, the entity is not required to estimate the value immediately before and after the modification; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the modification; and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the modification. The ASU is effective for fiscal years beginning after December 15, 2017. We adopted ASU 2017-09 effective January 1, 2018. The adoption of this update had no impact our consolidated financial statements and results of operations.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815)*: *Targeted Improvements to Accounting for Hedging Activities*, which amends the hedge accounting recognition and presentation requirements in Accounting Standards Codification ("ASC") Topic 815. The new standard provides partial relief on the timing of certain aspects of hedge documentation and eliminates the requirement to recognize hedge ineffectiveness separately in income. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and for interim periods therein. The Company adopted this standard effective January 1, 2019. The adoption of this update had no impact our consolidated financial statements and results of operations.

In June 2018, the FASB issued ASU 2018-07, *Stock Compensation - Improvements to Nonemployee Share-Based Payment Accounting*. This update applied the existing employee guidance to nonemployee share-based transactions, with the exception of specific guidance related to the attribution of compensation cost. This update is effective for financial statements issued for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company adopted this standard effective January 1, 2019. The adoption of this update had no impact on our consolidated financial statements and results of operations.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*. This update clarifies that receivables arising from operating leases are not in scope of this topic, but rather Topic 842, Leases. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This update will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company does not believe the adoption of this standard will have an impact on its consolidated financial statements.

We have reviewed other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on our consolidated results of operations, financial position and cash flows. Based on that review, we believe that none of these pronouncements will have a significant effect on current or future earnings or operations.

3. Series A Preferred Shares

As of June 30, 2019 and 2018, we had 921,000 outstanding shares of our 12.0% Series A Convertible Redeemable Preferred Shares ("Series A Preferred Shares"). The Series A Preferred Shares contain a substantive conversion option, are mandatorily redeemable, and convert into a fixed number of common shares. As a result, under U.S. GAAP, we have classified the Series A Preferred Shares within mezzanine equity in our consolidated balance sheets. As of June 30, 2019, there were $21.3 million of Series A Preferred Shares and $24.8 million of Series A Preferred Shares – related party outstanding (See Note 13. "Related party transactions").

Pursuant to the Certificate of Designations for the Series A Preferred Shares (the "Certificate of Designations"), each Series A Preferred Share may be converted at any time, at the option of the holder, into 45.754 common shares (which is equal to an initial conversion price of approximately $1.0928 per common share and is subject to customary adjustments for stock splits, stock dividends, recapitalizations, or other fundamental changes).

If not converted sooner, on November 4, 2024, we are required to redeem the outstanding Series A Preferred Shares in cash at a price per share equal to the liquidation preference plus accrued and unpaid dividends. At any time on or after November 4, 2020, we may redeem all or a portion of the Series A Preferred Shares at the redemption prices listed below (expressed as a percentage of the liquidation preference amount per share) plus accrued and unpaid dividends to the date of redemption, if the closing sale price of the common shares equals or exceeds 150% of the conversion price then in effect for at least 10 trading days (whether or not consecutive) in a period of 20 consecutive trading days, including the last trading day of such 20 trading day period, ending on, and including, the trading day immediately preceding the business day on which we issue a notice of optional redemption. The redemption prices for the 12-month period starting on the dates below are:

Period Commencing	Redemption Price
November 4, 2020	105.000%
November 4, 2021	103.000%
November 4, 2022	101.000%
November 4, 2023 and thereafter	100.000%

Additionally, upon the occurrence of a change of control, we are required to offer to redeem the Series A Preferred Shares within 120 days after the first date on which such change of control occurred, for cash at a redemption price equal to the liquidation preference per share, plus any accrued and unpaid dividends.

Dividends on the Series A Preferred Shares are payable quarterly at our election in cash, common shares, or a combination of cash and common shares at an annual dividend rate of 12.0% of the liquidation preference if paid all in cash or 16.0% of the liquidation preference if paid in common shares. If paid partially in cash and partially in common shares, the dividend rate on the cash portion is 12.0%, and the dividend rate on the common share portion is 16.0%. Dividends are payable quarterly on March 31, June 30, September 30, and December 31 of each year. The holders of the Series A Preferred Shares also are entitled to participate pro-rata in any dividends paid on the common shares on an as-converted-to-common shares basis. For the three and six months ended June 30, 2019, we accrued $1.8 million and $3.2 million, respectively, in dividends on the Series A Preferred Shares, which is recorded in our consolidated statements of operations and comprehensive (loss) income under the caption "Interest and other expense". Such amounts were paid in cash and in common shares. On July 2, 2019, we issued an aggregate of 2,321,568 common shares to holders of the Series A Preferred Shares as payment of the June 30, 2019 quarterly dividend on the Series A Preferred Shares (see Note 14. *"Subsequent Events"*).

Except as required by Bermuda law, the holders of Series A Preferred Shares have no voting rights, except that for so long as at least 400,000 Series A Preferred Shares are outstanding, the holders of the Series A Preferred Shares voting as a separate class have the right to elect two directors to our Board of Directors. For so long as between 80,000 and 399,999 Series A Preferred Shares are outstanding, the holders of the Series A Preferred Shares voting as a separate class have the right to elect one director to our Board of Directors. Upon less than 80,000 Series A Preferred Shares remaining outstanding, any directors elected by the holders of Series A Preferred Shares shall immediately resign from our Board of Directors.

The Certificate of Designation also provides that without the approval of the holders of a majority of the outstanding Series A Preferred Shares, we will not issue indebtedness for money borrowed or other securities which are senior to the Series A Preferred Shares in excess of the greater of (i) $100 million or (ii) 35% of our PV-10 of proved reserves as disclosed in our most recent independent reserve report filed or furnished by us on EDGAR.

4. Property and equipment

Oil and natural gas properties

The following table sets forth the capitalized costs under the successful efforts method for our oil and natural gas properties as of:

	June 30, 2019	December 31, 2018
	(in thousands)	
Oil and natural gas properties, proved:		
Turkey	$ 154,883	$ 162,494
Bulgaria	509	512
Total oil and natural gas properties, proved	155,392	163,006
Oil and natural gas properties, unproved:		
Turkey	17,486	14,965
Bulgaria	–	730
Total oil and natural gas properties, unproved	17,486	15,695
Gross oil and natural gas properties	172,878	178,701
Accumulated depletion	(98,704)	(100,582)
Net oil and natural gas properties	$ 74,174	$ 78,119

The decline in oil and natural gas properties during the six months ended June 30, 2019 was primarily driven by the devaluation of the New Turkish Lira ("TRY") versus the USD. From December 31, 2018 to June 30, 2019, the TRY to the USD declined 9.4%. At June 30, 2019, the exchange rate was 5.7751 as compared to 5.2609 at December 31, 2018. For the six months ended June 30, 2019, foreign currency translations reduced oil and natural gas properties and increased accumulated other comprehensive loss within shareholders' equity on our consolidated balance sheet.

At June 30, 2019 and December 31, 2018, we excluded $0.1 million and $0.5 million, respectively, from the depletion calculation for proved development wells currently in progress and for costs associated with fields currently not in production.

At June 30, 2019, the capitalized costs of our oil and natural gas properties, net of accumulated depletion, included $5.7 million relating to acquisition costs of proved properties, which are being depleted by the unit-of-production method using total proved reserves, and $53.3 million relating to well costs and additional development costs, which are being depleted by the unit-of-production method using proved developed reserves.

At December 31, 2018, the capitalized costs of our oil and natural gas properties included $6.5 million relating to acquisition costs of proved properties, which are being amortized by the unit-of-production method using total proved reserves, and $58.7 million relating to well costs and additional development costs, which are being amortized by the unit-of-production method using proved developed reserves.

Impairments of proved properties and impairment of exploratory well costs

Proved oil and natural gas properties are reviewed for impairment when events and circumstances indicate the carrying value of such properties may not be recoverable. We primarily use Level 3 inputs to determine fair value, including but not limited to, estimates of proved reserves, future commodity prices, the timing and amount of future production and capital expenditures and discount rates commensurate with the risk reflective of the lives remaining for the respective oil and natural gas properties.

During the three months ended June 30, 2019 and 2018, we recorded $0.7 million of exploratory dry-hole costs and $0.2 million of impairment of proved properties and exploratory well costs, respectively, which are primarily measured using Level 3 inputs.

During the six months ended June 30, 2019 and 2018, we recorded $5.8 million of exploratory dry-hole costs and $0.2 million of impairment of proved properties and exploratory well costs, respectively, which are primarily measured using Level 3 inputs.

Capitalized cost greater than one year

As of June 30, 2019, there were no exploratory well costs greater than one year.

Equipment and other property

The historical cost of equipment and other property, presented on a gross basis with accumulated depreciation, is summarized as follows:

	June 30, 2019	December 31, 2018
	(in thousands)	
Other equipment	$ 1,136	$ 1,240
Land	137	149
Inventory	5,788	6,791
Gas gathering system and facilities	178	194
Vehicles	311	336
Leasehold improvements, office equipment and software	5,368	5,698
Gross equipment and other property	12,918	14,408
Accumulated depreciation	(5,213)	(5,268)
Net equipment and other property	$ 7,705	$ 9,140

At June 30, 2019, in addition to the above, we have classified $4.7 million of inventory as a current asset, which represents our expected inventory consumption during the next twelve months. We classify our remaining materials and supply inventory as a long-term asset because such materials will ultimately be classified as a long-term asset when the material is used in the drilling of a well.

At June 30, 2019 and December 31, 2018, we excluded $10.5 million and $12.0 million of inventory, respectively, from depreciation as the inventory had not been placed into service.

5. Asset retirement obligations

The following table summarizes the changes in our asset retirement obligations ("ARO") for the six months ended June 30, 2019 and for the year ended December 31, 2018:

	June 30, 2019	December 31, 2018
	(in thousands)	
Asset retirement obligations at beginning of period	$ 4,667	$ 4,727
Foreign exchange change effect	(371)	(1,270)
Additions	109	1,036
Accretion expense	101	174
Asset retirement obligations at end of period	$ 4,506	$ 4,667

Our ARO is measured using primarily Level 3 inputs. The significant unobservable inputs to this fair value measurement include estimates of plugging costs, remediation costs, inflation rate and well life. The inputs are calculated based on historical data as well as current estimated costs.

6. Derivative instruments

We use derivative instruments to manage certain risks related to commodity prices and foreign currency exchange rates. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by our senior management. We do not hold any derivatives for speculative purposes and do not use derivatives with leveraged or complex features. We have not designated the derivative contracts as hedges for accounting purposes, and accordingly, we record the derivative contracts at fair value and recognize changes in fair value in earnings as they occur.

Commodity price derivatives

To the extent that a legal right of offset exists, we net the value of our derivative contracts with the same counterparty in our consolidated balance sheets. All of our oil derivative contracts are settled based upon Brent crude oil pricing. We recognize gains and losses related to these contracts on a fair value basis in our consolidated statements of operations and comprehensive (loss) income under the caption "Loss on derivative contracts." Settlements of derivative contracts are included in operating activities on our consolidated statements of cash flows under the caption "Cash settlement on derivative contracts."

At June 30, 2019, we had outstanding derivative contracts with respect to our future crude oil production as set forth in the table below:

Fair Value of Commodity Derivative Instruments as of June 30, 2019

Type	Period	Quantity (Bbl/day)	Weighted Average Minimum Price (per Bbl)	Weighted Average Maximum Price (per Bbl)	Additional Call Ceiling	Estimated Fair Value of Asset
						(in thousands)
Three-way collar	July 1, 2019 - April 30, 2020	1,000	$ 55.00	$ 72.90	$ 80.00	$ 218
Total Estimated Fair Value of Asset						$ 218

As of December 31, 2018, we had no outstanding derivative contracts with respect to our future crude oil production.

Foreign currency derivatives

To the extent that a legal right of offset exists, we net the value of our derivative contracts with the same counterparty in our consolidated balance sheets. All of our foreign exchange derivative contracts are settled based upon the contract rate. We recognize gains and losses related to these contracts on a fair value basis in our consolidated statements of operations and comprehensive (loss) income under the caption "Loss on derivative contracts." Settlements of derivative contracts are included in operating activities on our consolidated statements of cash flows under the caption "Cash settlement on derivative contracts."

At June 30, 2019, we had outstanding foreign exchange derivative contracts as set forth in the table below:

Fair Value of Foreign Exchange Derivative Instruments as of June 30, 2019

Type	Buy/Sell	Rate	Settlement Date	Buy Currency	Buy Currency Amount	Sell Currency	Sell Currency Amount	Estimated Fair Value of Asset (Liability)
								(in thousands)
FXOPT	Buy	5.750	07/01/19	TRY	8,625,000	USD	1,500,000	11
FXOPT	Sell	5.750	07/01/19	USD	2,250,000	TRY	12,937,500	(2)
FXOPT	Sell	5.750	07/01/19	TRY	8,625,000	USD	1,500,000	(11)
FXOPT	Buy	5.750	07/01/19	USD	2,250,000	TRY	12,937,500	2
FXOPT	Buy	6.030	07/01/19	TRY	9,045,000	USD	1,500,000	-
FXOPT	Sell	6.030	07/01/19	USD	2,250,000	TRY	13,567,500	(95)
FXOPT	Buy	5.870	09/03/19	USD	1,500,000	TRY	8,805,000	(52)
FXOPT	Buy	6.090	10/28/19	USD	1,400,000	TRY	8,526,000	(504)
Total Estimated Fair Value of Liability								$ (651)

During the three months ended June 30, 2019 and 2018, we recorded a net loss on derivative contracts of $0.3 million and $3.1 million, respectively. During the six months ended June 30, 2019 and 2018, we recorded a net loss on derivative contracts of $0.4 million and $3.9 million, respectively.

Balance sheet presentation

The following table summarizes both: (i) the gross fair value of our derivative instruments by the appropriate balance sheet classification even when the derivative instruments are subject to netting arrangements and qualify for net presentation in our consolidated balance sheets at June 30, 2019, and (ii) the net recorded fair value as reflected on our consolidated balance sheet at June 30, 2019.

		As of June 30, 2019		
Type of Derivative Contract	Location on Consolidated Balance Sheets	Gross Amount of Recognized Assets (Liabilities)	Gross Amount Offset in the Consolidated Balance Sheets	Net Amount of Assets (Liabilities) Presented in the Consolidated Balance Sheets
			(in thousands)	
Foreign exchange	Current liabilities	$ (664)	$ 13	$ (651)
Commodity - crude oil	Current assets	$ 218	$ -	$ 218

7. Loans payable

As of the dates indicated, our third-party debt consisted of the following:

	June 30, 2019	December 31, 2018
Fixed and floating rate loans	(in thousands)	
Term Loans (1)	$ 31,200	$ 22,000
Less: current portion	19,772	22,000
Long-term portion	$ 11,428	$ –

(1) Includes the 2019 Term Loan, the 2018 Term Loan, and the 2017 Term Loan (each as defined below and collectively, "Term Loans").

On August 23, 2016, the Turkish branch of TransAtlantic Exploration Mediterranean International Pty Ltd ("TEMI") entered into a Credit Agreement (the "Credit Agreement") with DenizBank, A.S. ("DenizBank"). The Credit Agreement is a master agreement pursuant to which DenizBank may make loans to TEMI from time to time pursuant to additional loan agreements.

2016 Term Loan

On August 31, 2016, DenizBank entered into a $30.0 million term loan (the "2016 Term Loan") with TEMI under the Credit Agreement. In addition, we and DenizBank entered into additional agreements with respect to up to $20.0 million of non-cash facilities, including guarantee letters and treasury instruments for future hedging transactions.

The 2016 Term Loan bore interest at a fixed rate of 5.25% (plus 0.2625% for Banking and Insurance Transactions Tax per the Turkish government) per annum and was payable in six monthly installments of $1.25 million each through February 2017 and thereafter in twelve monthly installments of $1.88 million each through February 2018. On April 27, 2017, TEMI and DenizBank approved a revised amortization schedule for the 2016 Term Loan. Pursuant to the revised amortization schedule, the maturity date of the 2016 Term Loan was extended from February 2018 to June 2018, and the monthly principal payments were reduced from $1.88 million to $1.38 million. The other terms of the 2016 Term Loan remained unchanged. Amounts repaid under the 2016 Term Loan could not be re-borrowed and early repayments under the 2016 Term Loan were subject to early repayment fees.

The 2016 Term Loan was guaranteed by DMLP, Ltd. ("DMLP"), TransAtlantic Turkey, Ltd. ("TransAtlantic Turkey"), Talon Exploration, Ltd. ("Talon Exploration"), and TransAtlantic Worldwide, Ltd. ("TransAtlantic Worldwide").

The 2016 Term Loan contained standard prohibitions on the activities of TEMI as the borrower, including prohibitions on granting of liens on its assets, incurring additional debt, dissolving, liquidating, merging, consolidating, paying dividends, making certain investments, selling assets or transferring revenue, and other similar matters. In addition, the 2016 Term Loan prohibited Amity Oil International Pty Ltd ("Amity") and Petrogas Petrol Gaz ve Petrokimya Urunleri Insaat Sanayi ve Ticaret A.S. ("Petrogas") from incurring additional debt. An event of default under the 2016 Term Loan included, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties, and obligations, bankruptcy or insolvency, and the occurrence of a material adverse effect.

The 2016 Term Loan was secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim ve Ticaret A.S. ("Gundem Yatirim"), and (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Selami Erdem Uras. In addition, TEMI assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2016 Term Loan. Gundem Yatirim is beneficially owned by Mr. Mitchell, his adult children, and Mr. Uras. Mr. Mitchell is our chief executive officer and chairman of our board of directors. Mr. Uras is our executive vice president, Turkey.

On June 28, 2018, we repaid the 2016 Term Loan in full in accordance with its terms.

2017 Term Loan

On November 17, 2017, DenizBank entered into a $20.4 million term loan (the "2017 Term Loan") with TEMI under the Credit Agreement.

The 2017 Term Loan bears interest at a fixed rate of 6.0% (plus 0.3% for Banking and Insurance Transactions Tax per the Turkish government) per annum. The 2017 Term Loan had a grace period which bore no interest or payments due until July 2018. Thereafter, the 2017 Term Loan is payable in one monthly installment of $1.38 million, nine monthly installments of $1.2 million each through April 2019 and thereafter in eight monthly installments of $1.0 million each through December 2019, with the exception of one monthly installment of $1.2 million occurring in October 2019. The 2017 Term Loan matures in December 2019. Amounts repaid under the 2017 Term Loan may not be re-borrowed, and early repayments under the 2017 Term Loan are subject to early repayment fees. The 2017 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

The 2017 Term Loan contains standard prohibitions on the activities of TEMI as the borrower, including prohibitions on granting of liens on its assets, incurring additional debt, dissolving, liquidating, merging, consolidating, paying dividends, making certain investments, selling assets or transferring revenue, and other similar matters. In addition, the 2017 Term Loan prohibits Amity and Petrogas from incurring additional debt. An event of default under the 2017 Term Loan includes, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties, and obligations, bankruptcy or insolvency, and the occurrence of a material adverse effect.

The 2017 Term Loan is secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim, (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (vi) certain Ankara real estate owned 100% by Mr. Uras. In addition, TEMI assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2017 Term Loan.

At June 30, 2019, we had $6.2 million outstanding under the 2017 Term Loan and no availability, and we were in compliance with the covenants in the 2017 Term Loan.

2018 Term Loan

On May 28, 2018, DenizBank entered into a $10.0 million term loan (the “2018 Term Loan”) with TEMI under the Credit Agreement.

The 2018 Term Loan bears interest at a fixed rate of 7.25% (plus 0.3% for Banking and Insurance Transactions Tax per the Turkish government) per annum. The 2018 Term Loan had a grace period through July 2018 during which no payments were due. Thereafter, accrued interest on the 2018 Term Loan is payable monthly and the principal on the 2018 Term Loan is payable in five monthly installments of $0.2 million each through December 2018, four monthly installments of $0.5 million each through April 2019, four monthly installments of $1.0 million each through August 2019, and four monthly installments of $0.75 million each through December 2019. The 2018 Term Loan matures in December 2019. Amounts repaid under the 2018 Term Loan may not be reborrowed, and early repayments under the 2018 Term Loan are subject to early repayment fees. The 2018 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

The 2018 Term Loan contains standard prohibitions on the activities of TEMI as the borrower, including prohibitions on encumbering or creating restrictions or limitations on all or a part of its assets, revenues, or properties, giving guaranties or sureties, selling assets or transferring revenues, dissolving, liquidating, merging, or consolidating, incurring additional debt, paying dividends, making certain investments, undergoing a change of control, and other similar matters. In addition, the 2018 Term Loan prohibits Amity, Talon Exploration, DMLP, and TransAtlantic Turkey from incurring additional debt. An event of default under the 2018 Term Loan includes, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties, and obligations, bankruptcy or insolvency, and the occurrence of a material adverse effect.

The 2018 Term Loan is secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim, (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (vi) certain Ankara real estate owned 100% by Mr. Uras. In addition, TEMI assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2018 Term Loan.

At June 30, 2019, we had $5.0 million outstanding under the 2018 Term Loan and no availability, and we were in compliance with the covenants in the 2018 Term Loan.

2019 Term Loan

On February 22, 2019, DenizBank entered into a $20.0 million term loan (the “2019 Term Loan”) with TEMI under the Credit Agreement.

The 2019 Term Loan bears interest at a fixed rate of 7.5% (plus 0.375% for Banking and Insurance Transactions Tax per the Turkish government) per annum. The 2019 Term Loan has a grace period through December 2019 during which no payments are due. Thereafter, accrued interest on the 2019 Term Loan is payable monthly, and the principal on the 2019 Term Loan is payable in 14 monthly installments of $1.4 million each. The 2019 Term Loan matures in February 2021. Amounts repaid under the 2019 Term Loan may not be reborrowed, and early repayments under the 2019 Term Loan are subject to early repayment fees. The 2019 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

The 2019 Term Loan contains standard prohibitions on the activities of TEMI as the borrower, including prohibitions on encumbering or creating restrictions or limitations on all or a part of its assets, revenues, or properties, giving guaranties or sureties, selling assets or transferring revenues, dissolving, liquidating, merging, or consolidating, incurring additional debt, paying dividends, making certain investments, undergoing a change of control, and other similar matters. In addition, the 2019 Term Loan prohibits Amity, Talon Exploration, DMLP, and TransAtlantic Turkey from incurring additional debt. An event of default under the 2019 Term Loan includes, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties, and obligations, bankruptcy or insolvency, and the occurrence of a material adverse effect.

The 2019 Term Loan is secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim, (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (vi) certain Ankara real estate owned 100% by Mr. Uras. In addition, TEMI assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2019 Term Loan.

At June 30, 2019, we had $20.0 million outstanding under the 2019 Term Loan and no availability, and we were in compliance with the covenants in the 2019 Term Loan.

Unsecured lines of credit

Our wholly-owned subsidiaries operating in Turkey are party to unsecured, non-interest bearing lines of credit with a Turkish bank. At June 30, 2019, we had no outstanding borrowings under these lines of credit.

8. Leases

Operating leases

We lease office space in Dallas, Texas, Bulgaria, and Turkey. We also lease apartments, vehicles, and operations yards in Turkey. The terms of our lease agreements generally range from one to five years, and some contain options to renew or cancel. We determine if an arrangement meets the definition of a lease at inception, at which time we also perform an analysis to determine whether the lease qualifies as an operating or financing lease. We currently do not have any financing leases.

Operating leases are included in prepaid and other current assets and other assets and accrued liabilities (current and long-term) on our consolidated balance sheet. Lease expense for our operating leases is recognized in our consolidated statements of operations and comprehensive (loss) income under the caption "General and administrative". Lease expense for our operating leases for our operations yards in Turkey is recognized in our consolidated statements of operations and comprehensive (loss) income under the caption "Production".

Lease right-of-use assets and lease liabilities are measured using the present value of future minimum lease payments over the lease term at commencement date. The right-of-use asset also includes any lease payments made on or before the commencement date of the lease, less any lease incentives received. As the rate implicit in the lease is not readily determinable in our leases, we use our incremental borrowing rates based on the information available at the lease commencement date in determining the present value of lease payments.

For leases with an initial non-cancelable lease term of less than one year and no option to purchase, we have elected not to recognize the lease on our consolidated balance sheets and instead recognize lease payments on a straight-line basis over the lease term.

Operating lease costs were comprised of the following:

		June 30, 2019
		(in thousands)
Operations yards	$	292
Office rent		115
Vehicles		70
Other		42
Total lease costs	$	519

Future non-cancelable minimum lease payments under our operating lease commitments as of June 30, 2019 were as follows for each of the next five years and thereafter:

		June 30, 2019
		(in thousands)
Remainder of 2019	$	500
2020		731
2021		658
2022		648
2023		327
2024		-
Thereafter		-
Total	$	2,864
Less: Imputed interest		440
Present value of lease liabilities	$	2,424

As of June 30, 2019, the weighted average remaining lease term in years is 4.0 years and the weighted average discount rate used was 7.55%.

Future non-cancelable minimum lease payments under our operating lease commitments as of December 31, 2018 were as follows for each of the next five years and thereafter:

	December 31, 2018
	(in thousands)
2019	$ 963
2020	710
2021	636
2022	626
2023	316
Thereafter	-
Total	$ 3,251

9. Contingencies relating to production leases and exploration permits

Selmo

We are involved in litigation with persons who claim ownership of a portion of the surface at the Selmo oil field in Turkey. These cases are being vigorously defended by TEMI and Turkish governmental authorities. We do not have enough information to estimate the potential additional operating costs we would incur in the event the purported surface owners' claims are ultimately successful. Any adjustment arising out of the claims will be recorded when it becomes probable and measurable.

Bulgaria

During 2012, we were notified that the Bulgarian government may seek to recover approximately $2.0 million in contractual obligations under our Aglen exploration permit work program. Due to the Bulgarian government's January 2012 ban on fracture stimulation and related activities, a force majeure event under the terms of the exploration permit was recognized by the Bulgarian government. Although we invoked force majeure, we recorded $2.0 million in general and administrative expense relating to our Aglen exploration permit during 2012 for this contractual obligation.

In October 2015, the Bulgarian Minister of Energy filed a suit in the Sofia City Court against Direct Petroleum Bulgaria EOOD ("Direct Bulgaria"), claiming $200,000 in liquidated damages for Direct Bulgaria's alleged failure to fulfill its obligations under the Aglen exploration permit work program. In May 2018, the Sofia City Court concluded that Direct Bulgaria did not fail to fulfill its obligations under the Aglen exploration permit work program as Direct Bulgaria received a force majeure event recognition as a result of a fracture stimulation ban in 2012, imposed by the Bulgarian Parliament, which force majeure event had not been terminated before the expiry of Direct Bulgaria's obligations under the Aglen exploration permit work program. Additionally, the Sofia City Court concluded that, even if Direct Bulgaria had failed to fulfill its obligations under the Aglen exploration permit work program, the Bulgarian Minister of Energy failed to file suit within the three-year limitation period. Therefore, the Sofia City Court dismissed all claims of the Bulgarian Minister of Energy and ordered the Bulgarian Minister of Energy to pay Direct Bulgaria's attorney's fees and legal costs for court experts. In June 2018, the Bulgarian Minister of Energy filed an appeal in the Sofia Court of Appeal. In November 2018, the Sofia Court of Appeal concluded that the judgement of the Sofia City Court was correct and, therefore, dismissed the Bulgarian Minister of Energy's appeal. In January 2019, the Bulgarian Minister of Energy filed an appeal in the Supreme Court of Cassation. We continue to vigorously defend against this claim.

As a result of the judgement of the Sofia Court of Appeal, we are currently evaluating an adjustment to our contingencies relating to production leases and exploration permits.

10. Shareholders' equity

Restricted stock units

We recorded share-based compensation expense of $0.1 million for awards of restricted stock units ("RSUs") for each of the three months ended June 30, 2019 and 2018. We recorded share-based compensation expense of $0.2 million for awards of RSUs for each of the six months ended June 30, 2019 and 2018.

As of June 30, 2019, we had approximately $0.2 million of unrecognized compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 1.6 years.

Earnings per share

We account for earnings per share in accordance with ASC Subtopic 260-10, *Earnings Per Share* ("ASC 260-10"). ASC 260-10 requires companies to present two calculations of earnings per share: basic and diluted. Basic earnings per common share for the three and six months ended June 30, 2019 and 2018 equals net loss divided by the weighted average shares outstanding during the periods. Weighted average shares outstanding are equal to the weighted average of all shares outstanding for the period, excluding unvested RSUs. Diluted earnings per common share for the three and six months ended June 30, 2019 and 2018 are computed in the same manner as basic earnings per common share after assuming the issuance of common shares for all potentially dilutive common share equivalents, which includes RSUs and preferred shares, whether exercisable or not. For the three and six months ended June 30, 2019, there were no dilutive securities included in the calculation of diluted earnings per share.

The following table presents the basic and diluted earnings per common share computations:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	**2019**	**2018**	**2019**	**2018**
Net loss	$ (9)	$ (1,006)	$ (3,911)	$ (2,781)
Basic net loss earnings per common share:				
Shares:				
Weighted average common shares outstanding	52,529	50,420	52,506	50,397
Basic net loss per common share:	$ (0.00)	$ (0.02)	$ (0.07)	$ (0.06)
Diluted net loss per common share:				
Shares:				
Weighted average common shares outstanding	52,529	50,420	52,506	50,397
Diluted net loss per common share:	$ (0.00)	$ (0.02)	$ (0.07)	$ (0.06)

11. Segment information

In accordance with ASC 280, *Segment Reporting* ("ASC 280"), we have two reportable geographic segments: Turkey and Bulgaria. Summarized financial information from operations concerning our geographic segments is shown in the following table:

	Corporate	Turkey	Bulgaria	Total
		(in thousands)		
For the three months ended June 30, 2019				
Total revenues	$ -	$ 17,215	$ -	$ 17,215
(Loss) income from operations before income taxes	(2,667)	6,756	(732)	3,357
Capital expenditures	$ -	$ 5,509	$ 667	$ 6,176
For the three months ended June 30, 2018				
Total revenues	$ -	$ 18,198	$ -	$ 18,198
(Loss) income from operations before income taxes	(4,429)	4,612	(75)	108
Capital expenditures	$ -	$ 5,625	$ -	$ 5,625
For the six months ended June 30, 2019				
Total revenues	$ -	$ 36,256	$ -	$ 36,256
(Loss) income from operations before income taxes	(5,540)	14,372	(5,954)	2,878
Capital expenditures	$ -	$ 10,728	$ 5,050	$ 15,778
For the six months ended June 30, 2018				
Total revenues	$ -	$ 35,124	$ -	$ 35,124
(Loss) income from operations before income taxes	(8,222)	7,963	(121)	(380)
Capital expenditures	$ -	$ 10,835	$ -	$ 10,835
Segment assets				
June 30, 2019	$ 6,674	$ 136,363	$ 1,150	$ 144,187
December 31, 2018	$ 8,358	$ 122,325	$ 1,917	$ 132,600

12. Financial instruments

Interest rate risk

We are exposed to interest rate risk as a result of our variable rate short-term cash holdings.

Foreign currency risk

We have underlying foreign currency exchange rate exposure. Our currency exposures primarily relate to transactions denominated in the Bulgarian Lev, the European Union Euro, and the TRY. We are also subject to foreign currency exposures resulting from translating the functional currency of our subsidiary financial statements into the USD reporting currency. At June 30, 2019, we had 1.0 million TRY (approximately $0.2 million) in cash and cash equivalents, which exposes us to exchange rate risk based on fluctuations in the value of the TRY. At June 30, 2019, we were a party to foreign exchange derivative contracts (See Note 6. “Derivative instruments”).

Commodity price risk

We are exposed to fluctuations in commodity prices for oil and natural gas. Commodity prices are affected by many factors, including, but not limited to, supply and demand. At June 30, 2019, we were a party to commodity derivative contracts (See Note 6. “Derivative instruments”). At December 31, 2018, we were not party to any commodity derivative contracts.

Concentration of credit risk

The majority of our receivables are within the oil and natural gas industry, primarily from our industry partners and from government agencies. Included in receivables are amounts due from Turkiye Petrolleri Anonim Ortakligi (“TPAO”), the national oil company of Turkey, Zorlu Dogal Gaz Ithalat Ihracat ve Toptan Ticaret A.S. (“Zorlu”), a privately owned natural gas distributor in Turkey, and TUPRAS, which purchase the majority of our oil and natural gas production. The receivables are not collateralized. To date, we have experienced minimal bad debts and have no allowance for doubtful accounts for TUPRAS. The majority of our cash and cash equivalents are held by four financial institutions in the United States and Turkey.

Fair value measurements

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and our loans payable were each estimated to have a fair value approximating the carrying amount at June 30, 2019 and December 31, 2018, due to the short maturity of those instruments.

The following table summarizes the valuation of our financial assets and liabilities as of June 30, 2019:

	Fair Value Measurement Classification			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(in thousands)		
Measured on a recurring basis				
Assets:				
Commodity derivative contracts	$ -	$ 218	$ -	$ 218
Liabilities:				
Foreign exchange derivative contracts	$ -	$ (651)	$ -	$ (651)
Disclosed but not carried at fair value				
Liabilities:				
2019 Term Loan	-	-	(16,651)	(16,651)
2018 Term Loan	-	-	(4,781)	(4,781)
2017 Term Loan	-	-	(5,910)	(5,910)
Total	$ -	$ -	$ (27,342)	$ (27,342)

The following table summarizes the valuation of our financial assets and liabilities as of December 31, 2018:

	Fair Value Measurement Classification			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in thousands)			
Disclosed but not carried at fair value				
Liabilities:				
2018 Term Loan	-	-	(8,192)	(8,192)
2017 Term Loan	-	-	(11,938)	(11,938)
Total	$ -	$ -	$ (20,130)	$ (20,130)

We remeasure our derivative contracts on a recurring basis, with changes flowing through earnings. At June 30, 2019 and December 31, 2018, the fair values of the 2019 Term Loan, the 2018 Term Loan, and the 2017 Term Loan were estimated using a discounted cash flow analysis based on unobservable Level 3 inputs, including our own credit risk associated with the loans payable.

13. Related party transactions

The following table summarizes related party accounts receivable and accounts payable as of the dates indicated:

	June 30, 2019	December 31, 2018
	(in thousands)	
Related party accounts receivable:		
Service Agreement	$ 491	$ 526
PSI MSA	394	352
Total related party accounts receivable	$ 885	$ 878
Related party accounts payable:		
Service Agreement	$ 367	$ 372
PSI MSA	1,569	2,439
Interest payable on Series A Preferred Shares	960	-
Other - board of directors fees	111	111
Total related party accounts payable	$ 3,007	$ 2,922

Services transactions

We are a party to a Service Agreement (as amended, the “Service Agreement”) with Longfellow Energy, LP (“Longfellow”), Viking Drilling, LLC (“Viking Drilling”), Riata Management, LLC (“Riata”), LFN Holdco LLC (“LFN”), Red Rock Minerals, LP (“RRM”), Red Rock Minerals II, LP (“RRM II”), Red Rock Advisors, LLC (“RRA”), Production Solutions International Limited (“PSIL”), and NexLube Operating, LLC (“NexLube”) and their subsidiaries (collectively, the “Riata Entities”), under which we and the Riata Entities agreed to provide technical and administrative services to each other from time to time on an as-needed basis. Under the terms of the Service Agreement, the Riata Entities agree to provide us upon our request certain computer services, payroll and benefits services, insurance administration services, and entertainment services, and we and the Riata Entities agree to provide to each other certain management consulting services, oil and natural gas services, and general accounting services (collectively, the “Services”). Under the terms of the Service Agreement, we pay, or are paid, for the actual cost of the Services rendered plus the actual cost of reasonable expenses on a monthly basis. We or any Riata Entity may terminate the Service Agreement at any time by providing advance notice of termination to the other parties.

As of June 30, 2019, we had $0.5 million of outstanding receivables and $0.4 million of outstanding payables pursuant to the Service Agreement.

On March 3, 2016, Mr. Mitchell closed a transaction whereby he sold his interests in Viking Services B.V. (“Viking Services”), the beneficial owner of Viking International Limited (“Viking International”), Viking Petrol Sahasi Hizmetleri A.S. (“VOS”) and Viking Geophysical Services Ltd. (“Viking Geophysical”), to a third party. As part of the transaction, Mr. Mitchell acquired certain equipment used in the performance of stimulation, wireline, workover and similar services, which equipment is owned and operated by Production Solutions International Petrol Arama Hizmetleri Anonim Sirketi (“PSI”). PSI is beneficially owned by PSIL, which is beneficially owned by Dalea Investment Group, LLC, which is controlled by Mr. Mitchell. Consequently, on March 3, 2016, TEMI entered into a master services agreement (the "PSI MSA") with PSI on substantially similar terms to our then current master services agreements with Viking International, VOS, and Viking Geophysical. Pursuant to the PSI MSA, PSI performs the services on behalf of TEMI and its affiliates. On February 28, 2019, TEMI and PSI entered into an amendment (the "PSI MSA Amendment") to the PSI MSA, pursuant to which PSI and TEMI agreed to extend the primary term of the PSI MSA to February 26, 2021, with automatic successive renewal terms of one (1) year each, unless terminated by PSI or TEMI by written notice at least sixty (60) days prior to the end of the primary term or any successive renewal term. The master services agreement with each of Viking International, VOS, and Viking Geophysical currently remain in effect.

As of June 30, 2019, we had \$0.4 million of outstanding receivables and \$1.6 million of outstanding payables pursuant to the PSI MSA.

Office sublease

On August 7, 2018 and effective as of June 14, 2018, TransAtlantic USA entered into a sublease agreement (the "Sublease") with Longfellow to lease corporate office space located at 16803 North Dallas Parkway, Addison, Texas. The Sublease was approved by the audit committee of the board of directors.

TransAtlantic USA subleases approximately 10,000 square feet of corporate office space in Addison, Texas. The initial lease term under the Sublease commenced on June 14, 2018 (the "Commencement Date") and expires on June 30, 2020, unless earlier terminated in accordance with the Sublease. From the Commencement Date until June 30, 2019, TransAtlantic USA was required to pay monthly rent of \$18,333.33 to Longfellow, plus utilities, real property taxes, and liability insurance (to the extent that TransAtlantic USA does not obtain its own liability insurance). The monthly rent increases by \$416.67 for the period commencing June 30, 2019 and ending June 30, 2021.

Pursuant to the Sublease, effective as of June 14, 2018, TransAtlantic USA and Longfellow agreed to terminate the Amended and Restated Office Lease, dated June 26, 2017, by and between TransAtlantic USA and Longfellow.

Series A Preferred Shares Dividends

On July 2, 2019, we issued an aggregate of 2,321,568 common shares to holders of the Series A Preferred Shares as payment of the June 30, 2019 quarterly dividend on the Series A Preferred Shares (see Note 14. *"Subsequent Events"*). Of the 2,321,568 common shares, 1,036,010 common shares were issued to Dalea, Longfellow, and the trusts of Mr. Mitchell's four adult children.

Dalea Note and Pledge Agreement

On June 13, 2012, we closed the sale of our oilfield services business, which was substantially comprised of our wholly owned subsidiaries, Viking International and Viking Geophysical, to a joint venture owned by Dalea Partners, LP ("Dalea") and funds advised by Abraaj Investment Management Limited for an aggregate purchase price of \$168.5 million, consisting of approximately \$157.0 million in cash and a \$11.5 million promissory note from Dalea (the "Original Note"). The promissory note bore interest at a rate of 3.0% per annum and was guaranteed by Mr. Mitchell. The promissory note was payable five years from the date of issuance or earlier upon the occurrence of certain specified events.

On April 19, 2016, we entered into a note amendment agreement (the "Note Amendment Agreement") with Mr. Mitchell and Dalea, pursuant to which Dalea agreed to deliver an amended and restated promissory note (the "Amended Note") in favor of us, in the principal sum of \$7,964,053, which Amended Note would amend and restate that certain Promissory Note, dated June 13, 2012, made by Dalea in favor of us in the principal amount of \$11.5 million (the "Original Note"). The Note Amendment Agreement reduced the principal amount of the Original Note to \$7,964,053 in exchange for the cancellation of an account payable of approximately \$3.5 million (the "Account Payable") owed by TransAtlantic Albania Ltd. ("TransAtlantic Albania"), our former subsidiary, to Viking International.

Pursuant to the Note Amendment Agreement, on April 19, 2016, we entered into the Amended Note, which amended and restated the Original Note that was issued in connection with our sale of our subsidiaries, Viking International and Viking Geophysical Services, to a joint venture owned by Dalea and Abraaj Investment Management Limited in June 2012. In the Amended Note, we and Dalea acknowledged that (i) while the sale of Dalea's interest in Viking Services enabled us to take the position that the Original Note was accelerated in accordance with its terms, the principal purpose of including the acceleration events in the Original Note was to ensure that certain oilfield services provided by Viking Services to us would continue to be available to us, and (ii) such services will now be provided pursuant to the PSI MSA. PSI is beneficially owned by PSIL, which is beneficially owned by Dalea Investment Group, LLC, which is controlled by Mr. Mitchell. As a result, the Amended Note revised the events triggering acceleration of the repayment of the Original Note to the following: (i) a reduction of ownership by Dalea (and other controlled affiliates of Mr. Mitchell) of equity interest in PSI to less than 50%; (ii) the sale or transfer by Dalea or PSI of all or substantially all of its assets to any person (a "Transferee") that does not own a controlling interest in Dalea or PSI and is not controlled by Mr. Mitchell (an "Unrelated Person"), or the subsequent transfer by any Transferee that is not an Unrelated Person of all or substantially all of its assets to an Unrelated Person;

(iii) the acquisition by an Unrelated Person of more than 50% of the voting interests of Dalea or PSI; (iv) termination of the PSI MSA other than as a result of an uncured default thereunder by TEMI; (v) default by PSI under the PSI MSA, which default is not remedied within a period of 30 days after notice thereof to PSI; and (vi) insolvency or bankruptcy of PSI. The interest rate on the Amended Note remains at 3.0% per annum and continues to be guaranteed by Mr. Mitchell. The Amended Note contains customary events of default. On February 28, 2019, we and Dalea entered into an amendment (the "Note Amendment") to the Amended Note (as amended by the Note Amendment, the "Note"), pursuant to which we and Dalea agreed to extend the maturity date of the Note to February 26, 2021 (unless otherwise accelerated in accordance with the terms of the Note).

In addition, pursuant to the Note Amendment Agreement, on April 19, 2016, we entered into a pledge agreement (the "Pledge Agreement") with Dalea, whereby Dalea pledged the $2.0 million principal amount of the Company's 13.0% Senior Convertible Notes due 2017 ("Convertible Notes") owned by Dalea (the "Dalea Convertible Notes"), including any future securities for which the Dalea Convertible Notes are converted or exchanged, as security for the performance of Dalea's obligations under the Amended Note. The Pledge Agreement contains customary events of default. On November 4, 2016, Dalea exchanged $2.0 million of Convertible Notes for 40,000 Series A Preferred Shares.

On June 28, 2019, we and Dalea entered into an amendment to the Pledge Agreement, pursuant to which we and Dalea agreed that any interest payable on the Series A Preferred Shares held by Dalea and pledged under the Pledge Agreement (i) if paid in cash, will be credited first against the outstanding principal balance of the Note and, upon full repayment of the outstanding principal balance of the Note, any accrued and unpaid interest on the Note, and (ii) if paid other than in cash, will be paid to Dalea and, within five business days of such payment to Dalea, Dalea will pay $61,500 toward the principal and, upon full repayment of the outstanding principal balance of the Note, any accrued and unpaid interest on the Note.

During the six months ended June 30, 2019, we reduced the principal amount of the Note by $1.0 million for amounts prepaid by Dalea on February 28, 2019 in conjunction with the Note Amendment and by $0.1 million for cash dividends paid on the Series A Preferred Shares.

As of June 30, 2019, the amount receivable under the Note was $4.5 million.

Pledge fee agreements

In connection with the pledge of certain Gundem real estate and Muratli real estate to DenizBank as collateral for the 2016 Term Loan, on August 31, 2016, we entered into a pledge fee agreement (the "Gundem Fee Agreement") with Gundem Turizm Yatirim ve Isletme A.S., predecessor-in-interest to Gundem Yatirim with respect to the Gundem real estate and Muratli real estate pledged as collateral for the Term Loans ("Gundem"). Pursuant to the Gundem Fee Agreement, we pay Gundem Yatirim a fee equal to 5% per annum of the collateral value of the Gundem real estate and Muratli real estate pledged as collateral for the Term Loans. Pursuant to the Gundem Fee Agreement, the Gundem real estate has a deemed collateral value of $10.0 million and the Muratli real estate has a deemed collateral value of $5.0 million.

In connection with the pledge of the Diyarbakir real estate to DenizBank as collateral for the 2016 Term Loan, on August 31, 2016, we entered into a pledge fee agreement with Messrs. Mitchell and Uras (the "Diyarbakir Fee Agreement") pursuant to which we pay Mr. Mitchell and Mr. Uras a fee of 5% per annum of the collateral value of the Diyarbakir real estate. Pursuant to the Diyarbakir Fee Agreement, the Diyarbakir real estate has a deemed collateral value of $5.0 million.

Amounts payable to Mr. Mitchell under the Gundem Fee Agreement and the Diyarbakir Fee Agreement are used to reduce the outstanding principal amount of the Note. During the six months ended June 30, 2019, we reduced the principal amount of the Note by $0.3 million for amounts paid under the pledge fee agreements.

14. Subsequent Events

On July 2, 2019, we issued an aggregate of 2,321,568 common shares to holders of the Series A Preferred Shares as payment of the June 30, 2019 quarterly dividend on the Series A Preferred Shares. Each common share was issued at a value of $0.7934 per common share, which was equal to the 15-day volume weighted average price through the close of trading of the common shares on the NYSE American on June 14, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, references to "we," "our," "us" or the "Company," refer to TransAtlantic Petroleum Ltd. and its subsidiaries on a consolidated basis unless the context requires otherwise. Unless stated otherwise, all sums of money stated in this Quarterly Report on Form 10-Q are expressed in USD.

Executive Overview

We are an international oil and natural gas company engaged in acquisition, exploration, development, and production. We have focused our operations in countries that have established, yet underexplored petroleum systems, are net importers of petroleum, have an existing petroleum transportation infrastructure and provide favorable commodity pricing, royalty rates, and tax rates to exploration and production companies. As of June 30, 2019, we held interests in 373,948 and 162,500 net acres of developed and undeveloped oil and natural gas properties in Turkey and Bulgaria, respectively. As of August 2, 2019, approximately 47% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors.

We are a holding company with two operating segments – Turkey and Bulgaria. Our assets consist of our ownership interests in subsidiaries that primarily own assets in Turkey and Bulgaria.

Financial and Operational Performance Summary

The following summarizes our financial and operational performance for the second quarter of 2019:

- We reported a $0.01 million net loss for the three months ended June 30, 2019.
- We derived 98.5% of our oil and natural gas revenues from the production of oil and 1.5% from the production of natural gas during the three months ended June 30, 2019.
- Total oil and natural gas sales revenues decreased 5.3% to $17.1 million for the quarter ended June 30, 2019 from $18.1 million in the same period in 2018. The decrease was the result of a $6.88 decrease in the average price received per barrel of oil equivalent ("Boe") and was partially offset by an increase in sales volumes of 11,000 barrels of oil equivalent ("Mboe").
- For the quarter ended June 30, 2019, we incurred $6.2 million in capital expenditures, including seismic and corporate expenditures, as compared to $5.6 million for the quarter ended June 30, 2018.
- As of June 30, 2019, we had $11.4 million in long-term debt, $19.8 million in short-term debt, and $46.1 million in Series A Preferred Shares as compared to no long-term debt, $22.0 million in short-term debt, and $46.1 million in Series A Preferred Shares as of December 31, 2018.

Second Quarter 2019 Operational Update

During the second quarter of 2019, we spud three wells and continued workover and recompletion production optimizations in southeastern Turkey.

Southeastern Turkey

<u>Molla</u>

Yeniev Field. Both the Yeniev-1 and West Yeniev-1 wells continue flowing naturally from the Bedinan formation with little water.

The East Yeniev-1 well was put on production in the first quarter of 2019 and completed in the Mardin formation.

In the second quarter of 2019, we drilled the Yeniev-4 well to a total measured depth of 9,520 feet targeting the Bedinan, Hazro, and Mardin formations. We successfully recovered approximately 120 feet of core from the Bedinan sandstone, which is currently undergoing analysis to assist in infill development planning and secondary recovery evaluation. We plan to commence completion operations in the third quarter of 2019.

We plan to spud the Yeniev-5 and Yeniev-6 wells in the third and fourth quarter of 2019, respectively, to test the Mardin, Hazro, and Bedinan formations. We expect to core approximately 150 feet of the Mardin formation in the Yeniev-5 well to assist in infill development planning and secondary recovery evaluation.

Bahar Field. The Southeast Bahar-1 well was drilled to a total measured depth of 11,000 feet in the second quarter of 2019. Oil shows were observed in the Bedinan and Mardin formations, and oil was swab tested from the Bedinan formation. Completion operations are currently ongoing.

We commenced drilling the Bahar-12 well in July 2019 targeting the Bedinan and Hazro formations. We successfully recovered approximately 150 feet of core from the Hazro formation and expect to core the well in the Bedinan formation to further assist in infill development planning and secondary recovery evaluation for the Bahar field.

Blackeye Field. The Blackeye-1 well continues to produce at a stable rate with low water cut from the Hazro F4 formation. We are evaluating testing additional formations within the well and drilling additional appraisal wells to develop the field.

During the second quarter of 2019, our application for conversion of the New Molla exploration license into a production lease was approved.

Pinar Field. We plan to stimulate the Pinar-1 side-track well in the third quarter of 2019. The well is currently producing commercial oil with low productivity from the Bedinan formation.

Bati-Yasince Field. In the third quarter of 2019, we plan to re-enter the Bati-Yasince-1 well and deepen the well to the Hazro formation.

Arpatepe Field. In the third quarter of 2019, we plan to recomplete the Arpatepe-2 well as a water injection well and execute the first phase of a water-flood of the Arpatepe field. Subject to the results of the initial phase, we intend to expand to full-field flooding in the future.

<u>Selmo</u>

During the second quarter of 2019, we have continued a recompletion, workover, and production optimization campaign in the Selmo field.

Northwestern Turkey

<u>Thrace Basin BCGA</u>

We continue to evaluate our prospects in the Thrace Basin's Basin Center Gas Accumulation ("Thrace Basin BCGA") in light of the recent exploration activity by Valeura Energy Inc. ("Valeura") with its partner Equinor ASA (formerly Statoil ASA) ("Equinor") on a license directly adjacent to our 120,000 net acres in the Thrace Basin of which we believe approximately 50,000 net acres (100% working interest, 87.5% net revenue interest) is in the Thrace Basin BCGA.

In the second quarter of 2019, we drilled the Karli-1 well to a total measured depth of 1,289 feet and encountered several shallow gas sand intervals. We are currently evaluating completion options.

Valeura and Equinor. According to Valeura and Equinor, in the third quarter of 2018 the Yamalik-1 well was recompleted and was flowing gas, condensate, and water. In the second quarter of 2019, Valeura and Equinor announced that they are developing a plan to re-enter the well in order to isolate a portion of the column to conduct further selective zonal flow testing.

In the first quarter of 2019, Valeura and Equinor announced that the Inanli-1 well was drilled to a total depth of 4,885 meters and encountered 1,615 meters of high net-to-gross sandstone, which they interpreted to contain over-pressured gas. According to Valeura and Equinor, completion operations are ongoing.

In the second quarter of 2019, Valeura and Equinor announced that they drilled the Devepinar-1 appraisal well to a total depth of 4,796 meters after drilling a 1,066-meter gross column of indicated over-pressured gas. According to Valeura and Equinor, the Devepinar-1 appraisal well is designed as a 20-kilometer step-out well to test the lateral extent of the Thrace Basin BCGA.

Bulgaria

We are currently evaluating future activity in Bulgaria.

Planned Operations

We expect our net field capital expenditures for the remainder of 2019 to range between $10.0 million and $15.0 million. We expect net field capital expenditures during the remainder of 2019 to include between $9.0 million and $14.0 million in drilling and completion expense and approximately $1.0 million in recompletion expense.

We expect that cash on hand and cash flow from operations will be sufficient to fund the remainder of our 2019 net field capital expenditures. If not, we will either curtail our discretionary capital expenditures or seek other funding sources. Our projected remaining 2019 capital expenditure budget is subject to change.

Significant Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. Our significant accounting policies are described in "Note 3. Significant accounting policies" to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 and are of particular importance to the portrayal of our financial position and results of operations and require the application of significant judgment by management. These estimates are based on historical experience, information received from third parties, and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Results of Operations—Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Our results of operations for the three months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,		Change
	2019	2018	2019-2018
	(in thousands of U.S. Dollars, except per unit amounts and production volumes)		
Sales volumes:			
Oil (Mbbl)	253	241	12
Natural gas (Mmcf)	48	56	(8)
Total production (Mboe)	261	250	11
Average daily sales volumes (Boepd)	2,873	2,746	127
Average prices:			
Oil (per Bbl)	$ 66.57	$ 74.10	$ (7.53)
Natural gas (per Mcf)	$ 5.41	$ 4.84	$ 0.57
Oil equivalent (per Boe)	$ 65.54	$ 72.42	$ (6.88)
Revenues:			
Oil and natural gas sales	$ 17,134	$ 18,100	$ (966)
Other	81	98	(17)
Total revenues	17,215	18,198	(983)
Costs and expenses (income):			
Production	2,712	2,804	(92)
Transportation and processing	1,221	1,138	83
Exploration, abandonment and impairment	666	191	475
Seismic and other geological and geophysical	108	59	49
General and administrative	2,690	3,786	(1,096)
Depletion	3,314	3,039	275
Depreciation and amortization	128	237	(109)
Interest and other expense	2,753	2,091	662
Interest and other income	(221)	(377)	156
Foreign exchange loss	115	1,938	(1,823)
Loss on derivative contracts:			
Cash settlements on derivative contracts	-	(1,860)	1,860
Change in fair value on derivative contracts	(323)	(1,281)	958
Total loss on derivative contracts	(323)	(3,141)	2,818
Oil and natural gas costs per Boe:			
Production	$ 9.07	$ 9.18	$ (0.11)
Depletion	$ 11.09	$ 10.64	$ 0.45

Oil and Natural Gas Sales. Total oil and natural gas sales revenues decreased to $17.1 million for the three months ended June 30, 2019 from $18.1 million for the same period in 2018. The decrease was primarily due to a decrease in the average realized price per Boe. Our average price received decreased $6.88 per Boe to $65.54 per Boe for the three months ended June 30, 2019 from $72.42 per Boe for the same period in 2018. The decrease was partially offset due to an increase in our average daily sales volumes of 127 Boe per day ("Boepd") for the three months ended June 30, 2019 as compared to the same period in 2018.

Production. Production expenses decreased to $2.7 million, or $9.07 per Boe, for the three months ended June 30, 2019 from $2.8 million, or $11.09 per Boe, for the same period in 2018. The decrease was primarily due to a devaluation of the TRY to the USD, as most of our production expenses are denominated in TRY.

Transportation and Processing. Transportation and processing expense increased to $1.2 million for the three months ended June 30, 2019 from $1.1 million for the same period in 2018. The increase in transportation expenses was primarily due to the increase in our average daily sales volumes of 127 Boepd.

Exploration, Abandonment and Impairment. Exploration, abandonment and impairment cost increased to $0.7 million for the three months ended June 30, 2019 from $0.2 million for the same period in 2018. The increase was due to the exploratory dry hole write-off of the Deventci R-1 well.

General and Administrative. General and administrative expense decreased to $2.7 million for the three months ended June 30, 2019 from $3.8 million for the same period in 2018. The decrease was primarily due to a decrease in professional and accounting fees associated with the evaluation of strategic alternatives in 2018.

Depletion. Depletion expense increased to $3.3 million, or $11.09 per Boe, for the three months ended June 30, 2019 from $3.0 million, or $10.64 per Boe, for the same period of 2018. The increase was primarily due to the increase in our average daily sales volumes of 127 Boepd and an increase to our proved properties during the three months ended June 30, 2019.

Interest and Other Expense. Interest and other expense increased to $2.7 million for the three months ended June 30, 2019 from $2.1 million for the same period in 2018. The increase was due to our higher average debt balances outstanding during the three months ended June 30, 2019 versus the same period in 2018.

Foreign Exchange Loss. We recorded a foreign exchange loss of $0.1 million for the three months ended June 30, 2019 as compared to $1.9 million for the same period in 2018. Foreign exchange gains and losses are primarily unrealized (non-cash) in nature and result from the re-measuring of specific transactions and monetary accounts in a currency other than the functional currency. For example, a USD transaction which occurs in Turkey is re-measured at the period-end to the TRY amount if it has not been settled previously. Generally, a strengthening of the USD relative to the TRY increases our foreign exchange loss. The foreign exchange loss for the three months ended June 30, 2019 was due to a decrease in the value of the TRY compared to the USD. From March 31, 2019 to June 30, 2019, the TRY to the USD declined 2.3%. At June 30, 2019, the exchange rate was 5.7551 as compared to 5.6284 at March 31, 2019.

Loss on Derivative Contracts. We recorded a net loss on derivative contracts of $0.3 million for the three months ended June 30, 2019 as compared to $3.1 million for the same period in 2018. During the three months ended June 30, 2019, we recorded a $0.3 million loss to mark our currency derivative contracts to their fair value. During the same period in 2018, we recorded a $1.3 million loss to mark our commodity derivative contracts to their fair value and a $1.9 million loss on settled contracts.

Results of Operations—Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Our results of operations for the six months ended June 30, 2019 and 2018 were as follows:

	Six Months Ended June 30,		Change
	2019	2018	2019-2018
	(in thousands of U.S. Dollars, except per unit amounts and production volumes)		
Sales volumes:			
Oil (Mbbl)	523	489	34
Natural gas (Mmcf)	98	123	(25)
Total production (Mboe)	539	510	29
Average daily sales volumes (Boepd)	2,977	2,800	177
Average prices:			
Oil (per Bbl)	$ 67.82	$ 69.84	$ (2.02)
Natural gas (per Mcf)	$ 5.68	$ 4.92	$ 0.76
Oil equivalent (per Boe)	$ 66.81	$ 68.22	$ (1.41)
Revenues:			
Oil and natural gas sales	$ 35,994	$ 34,761	$ 1,233
Other	262	363	(101)
Total revenues	36,256	35,124	1,132
Costs and expenses (income):			
Production	5,214	5,673	(459)
Transportation and processing	2,540	2,331	209
Exploration, abandonment and impairment	5,779	231	5,548
Seismic and other geological and geophysical	185	218	(33)
General and administrative	5,744	7,123	(1,379)
Depletion	6,894	7,350	(456)
Depreciation and amortization	264	385	(121)
Interest and other expense	5,231	4,873	358
Interest and other income	(395)	(631)	236
Foreign exchange loss	1,388	3,996	(2,608)
Loss on derivative contracts:			
Cash settlements on derivative contracts	-	(3,200)	3,200
Change in fair value on derivative contracts	(433)	(667)	234
Total loss on derivative contracts	(433)	(3,867)	3,434
Oil and natural gas costs per Boe:			
Production	$ 8.47	$ 9.74	$ (1.27)
Depletion	$ 11.20	$ 12.62	$ (1.42)

Oil and Natural Gas Sales. Total oil and natural gas sales revenues increased to $36.0 million for the six months ended June 30, 2019 from $34.8 million for the same period in 2018. The increase was primarily due to an increase in our average daily sales volumes of 177 Boepd for the six months ended June 30, 2019 as compared to the same period in 2018. This was partially offset by a decrease in the average realized price per Boe. Our average price received decreased $1.41 per Boe to $66.81 per Boe for the six months ended June 30, 2019 from $68.22 per Boe for the same period in 2018.

Production. Production expenses decreased to $5.2 million, or $8.47 per Boe, for the six months ended June 30, 2019 from $5.7 million, or $9.74 per Boe, for the same period in 2018. The decrease was primarily due to a devaluation of the TRY to the USD, as most of our production expenses are denominated in TRY.

Transportation and Processing. Transportation and processing expense increased to $2.5 million for the six months ended June 30, 2019 from $2.3 million for the same period in 2018. The increase in transportation expenses was primarily due to the increase in our average daily sales volumes of 177 Boepd.

Exploration, Abandonment and Impairment. Exploration, abandonment and impairment cost increased to $5.8 million for the six months ended June 30, 2019 from $0.2 million for the same period in 2018. The increase was due to the exploratory dry hole write-off of the Deventci R-1 well.

General and Administrative. General and administrative expense decreased to $5.7 million for the six months ended June 30, 2019 from $7.1 million for the same period in 2018. The decrease was primarily due to a decrease in professional and accounting fees associated with the evaluation of strategic alternatives in 2018.

Depletion. Depletion expense decreased to $6.9 million, or $11.20 per Boe, for the six months ended June 30, 2019 from $7.4 million, or $12.62 per Boe, for the same period of 2018. The decrease was primarily due to the devaluation of the TRY to the USD.

Interest and Other Expense. Interest and other expense increased to $5.2 million for the six months ended June 30, 2019 from $4.9 million for the same period in 2018. The increase was due to our higher average debt balances outstanding during the six months ended June 30, 2019 versus the same period in 2018.

Foreign Exchange Loss. We recorded a foreign exchange loss of $1.4 million for the six months ended June 30, 2019 as compared to $4.0 million for the same period in 2018. Foreign exchange gains and losses are primarily unrealized (non-cash) in nature and result from the re-measuring of specific transactions and monetary accounts in a currency other than the functional currency. For example, a USD transaction which occurs in Turkey is re-measured at the period-end to the TRY amount if it has not been settled previously. Generally, a strengthening of the USD relative to the TRY increases our foreign exchange loss. The foreign exchange loss for the six months ended June 30, 2019 was due to a decrease in the value of the TRY compared to the USD. From December 31, 2018 to June 30, 2019, the TRY to the USD declined 9.4%. At June 30, 2019, the exchange rate was 5.7551 as compared to 5.2609 at December 31, 2018.

Loss on Derivative Contracts. We recorded a net loss on derivative contracts of $0.4 million for the six months ended June 30, 2019 as compared to $3.9 million for the same period in 2018. During the six months ended June 30, 2019, we recorded a $0.4 million loss to mark our currency derivative contracts to their fair value. During the same period in 2018, we recorded a $0.7 million loss to mark our commodity derivative contracts to their fair value and a $3.2 million loss on settled contracts.

Capital Expenditures

For the three months ended June 30, 2019, we incurred $6.2 million in capital expenditures, including seismic and corporate expenditures, as compared to $5.6 million for the same period in 2018.

We expect our net field capital expenditures for the remainder of 2019 to range between $10.0 million and $15.0 million. We expect net field capital expenditures during the remainder of 2019 to include between $9.0 million and $14.0 million in drilling and completion expense and approximately $1.0 million in recompletion expense. We expect that cash on hand and cash flow from operations will be sufficient to fund the remainder of our 2019 net field capital expenditures. If not, we will either curtail our discretionary capital expenditures or seek other funding sources. Our projected remaining 2019 capital expenditure budget is subject to change.

Cash flows

Net cash provided by operating activities during the six months ended June 30, 2019 was $10.6 million, a decrease from net cash provided by operating activities of $12.2 million for the same period in 2018. The decrease was primarily due to an increase in our accounts receivable due to early collections on our oil and natural gas receivables in December of 2018, which was partially offset by an increase in our revenues.

Net cash used in investing activities during the six months ended June 30, 2019 was $15.7 million, an increase from net cash used in investing activities of $11.4 million for the same period in 2018. The increase was primarily due to an increase in our capital expenditures as compared to the same period in 2018.

Net cash provided by financing activities during the six months ended June 30, 2019 was $10.1 million, an increase from net cash provided by financing activities of $1.7 million for the same period in 2018. The change was primarily due to an increase in our outstanding loans.

Liquidity and Capital Resources

As of June 30, 2019, we had $31.2 million of indebtedness, not including $9.6 million of trade payables, as further described below. We believe that our cash flow from operations will be sufficient to meet our normal operating requirements and to fund planned capital expenditures during the next 12 months. As of June 30, 2019, we had a working capital surplus of $7.7 million.

Outstanding Debt and Series A Preferred Shares

2017 Term Loan. On November 17, 2017, DenizBank entered into the 2017 Term Loan under the Credit Agreement. The 2017 Term Loan bears interest at a fixed rate of 6.0% (plus 0.3% for Banking and Insurance Transactions Tax per the Turkish government) per annum. The 2017 Term Loan had a grace period which bore no interest or payments due until July 2018. Thereafter, the 2017 Term Loan is payable in one monthly installment of $1.38 million, nine monthly installments of $1.2 million each through April 2019 and thereafter in eight monthly installments of $1.0 million each through December 2019, with the exception of one monthly installment of $1.2 million occurring in October 2019. The 2017 Term Loan matures in December 2019. Amounts repaid under the 2017 Term Loan may not be re-borrowed, and early repayments under the 2017 Term Loan are subject to early repayment fees. The 2017 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

The 2017 Term Loan contains standard prohibitions on the activities of TEMI as the borrower, including prohibitions on granting of liens on its assets, incurring additional debt, dissolving, liquidating, merging, consolidating, paying dividends, making certain investments, selling assets or transferring revenue, and other similar matters. In addition, the 2017 Term Loan prohibits Amity and Petrogas from incurring additional debt. An event of default under the 2017 Term Loan includes, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties and obligations, bankruptcy or insolvency and the occurrence of a material adverse effect.

The 2017 Term Loan is secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim, (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (vi) certain Ankara real estate owned 100% by Mr. Uras. In addition, TEMI assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2017 Term Loan.

At June 30, 2019, we had $6.2 million outstanding under the 2017 Term Loan and no availability, and we were in compliance with the covenants in the 2017 Term Loan.

2018 Term Loan. On May 28, 2018, DenizBank entered into the 2018 Term Loan under the Credit Agreement. The 2018 Term Loan bears interest at a fixed rate of 7.25% (plus 0.3% for Banking and Insurance Transactions Tax per the Turkish government) per annum. The 2018 Term Loan had a grace period through July 2018 during which no payments were due. Thereafter, accrued interest on the 2018 Term Loan is payable monthly and the principal on the 2018 Term Loan is payable in five monthly installments of $0.2 million each through December 2018, four monthly installments of $0.5 million each through April 2019, four monthly installments of $1.0 million each through August 2019, and four monthly installments of $0.75 million each through December 2019. The 2018 Term Loan matures in December 2019. Amounts repaid under the 2018 Term Loan may not be reborrowed, and early repayments under the 2018 Term Loan are subject to early repayment fees. The 2018 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

The 2018 Term Loan contains standard prohibitions on the activities of TEMI as the borrower, including prohibitions on encumbering or creating restrictions or limitations on all or a part of its assets, revenues, or properties, giving guaranties or sureties, selling assets or transferring revenues, dissolving, liquidating, merging, or consolidating, incurring additional debt, paying dividends, making certain investments, undergoing a change of control, and other similar matters. In addition, the 2018 Term Loan prohibits Amity, Talon Exploration, DMLP, and Transatlantic Turkey from incurring additional debt. An event of default under the 2018 Term Loan includes, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties, and obligations, bankruptcy or insolvency, and the occurrence of a material adverse effect.

The 2018 Term Loan is secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim, (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (vi) certain Ankara real estate owned 100% by Mr. Uras. In addition, TEMI will assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2018 Term Loan.

At June 30, 2019, we had $5.0 million outstanding under the 2018 Term Loan and no availability, and we were in compliance with the covenants in the 2018 Term Loan.

2019 Term Loan. On February 22, 2019, DenizBank entered into the 2019 Term Loan under the Credit Agreement.

The 2019 Term Loan bears interest at a fixed rate of 7.5% (plus 0.375% for Banking and Insurance Transactions Tax per the Turkish government) per annum. The 2019 Term Loan had a grace period through December 2019 during which no payments are due. Thereafter, accrued interest on the 2019 Term Loan is payable monthly and the principal on the 2019 Term Loan is payable in 14 monthly installments of $1.4 million each. The 2019 Term Loan matures in February 2021. Amounts repaid under the 2019 Term

Loan may not be reborrowed, and early repayments under the 2019 Term Loan are subject to early repayment fees. The 2019 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

The 2019 Term Loan contains standard prohibitions on the activities of TEMI as the borrower, including prohibitions on encumbering or creating restrictions or limitations on all or a part of its assets, revenues, or properties, giving guaranties or sureties, selling assets or transferring revenues, dissolving, liquidating, merging, or consolidating, incurring additional debt, paying dividends, making certain investments, undergoing a change of control, and other similar matters. In addition, the 2019 Term Loan prohibits Amity, Talon Exploration, DMLP, and Transatlantic Turkey from incurring additional debt. An event of default under the 2019 Term Loan includes, among other events, failure to pay principal or interest when due, breach of certain covenants, representations, warranties, and obligations, bankruptcy or insolvency, and the occurrence of a material adverse effect.

The 2019 Term Loan is secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey, and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gundem real estate and Muratli real estate owned by Gundem Yatirim, (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (vi) certain Ankara real estate owned 100% by Mr. Uras. In addition, TEMI will assigned its Turkish collection accounts and its receivables from the sale of oil to DenizBank as additional security for the 2019 Term Loan.

At June 30, 2019, we had $20.0 million outstanding under the 2019 Term Loan and no availability, and we were in compliance with the covenants in the 2019 Term Loan.

Series A Preferred Shares. As of June 30, 2019, we had 921,000 Series A Preferred Shares outstanding. The Series A Preferred Shares contain a substantive conversion option, are mandatorily redeemable, and convert into a fixed number of common shares. As a result, under U.S. GAAP, we have classified the Series A Preferred Shares within mezzanine equity in our consolidated balance sheets. As of June 30, 2019, we had $21.3 million of Series A Preferred Shares and $24.8 million of Series A Preferred Shares – related party outstanding (See Note 3. “Series A Preferred Shares”).

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our chief executive officer and principal accounting and financial officer, as appropriate to allow timely decisions regarding required disclosure.

As of June 30, 2019, management carried out an evaluation, under the supervision and with the participation of our chief executive officer and principal accounting and financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon the evaluation, our chief executive officer and principal accounting and financial officer concluded that, as of June 30, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurances of achieving their control objectives.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

During the second quarter of 2019, there were no material developments to the Legal Proceedings disclosed in “Part I, Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 1A. Risk Factors

During the second quarter of 2019, there were no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 2, 2019, we issued an aggregate of 2,321,568 common shares to holders of the Series A Preferred Shares as payment of the June 30, 2019 quarterly dividend on the Series A Preferred Shares. Each common share was issued at a value of $0.7934 per common share, which was equal to the 15-day volume weighted average price through the close of trading of the common shares on the NYSE American on June 14, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1	Certificate of Continuance of TransAtlantic Petroleum Ltd., dated October 1, 2009 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 1, 2009, filed with the SEC on October 7, 2009).
3.2	Altered Memorandum of Continuance of TransAtlantic Petroleum Ltd., dated March 4, 2014 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 6, 2014, filed with the SEC on March 6, 2014).
3.3	Amended Bye-Laws of TransAtlantic Petroleum Ltd., dated March 4, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 6, 2014, filed with the SEC on March 6, 2014).
3.4	Certificate of Designations of 12.0% Series A Convertible Redeemable Preferred Shares of TransAtlantic Petroleum Ltd. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 31, 2016, filed with the SEC on November 4, 2016).
3.5	Memorandum of Increase of Share Capital of TransAtlantic Petroleum Ltd., dated July 2017 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K filed with the SEC on March 26, 2019).
4.1	Amended and Restated Registration Rights Agreement, dated December 30, 2008, by and between TransAtlantic Petroleum Corp. and Riata Management, LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 30, 2008, filed with the SEC on January 6, 2009).
4.2	Specimen Common Share certificate (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated March 4, 2014, filed with the SEC on March 6, 2014).
10.1	Third Amendment to Service Agreement, dated April 17, 2019 and effective as of August 1, 2017, by and among TransAtlantic Petroleum Ltd. and its subsidiaries and Longfellow Energy, LP, Viking Drilling, LLC, Riata Management, LLC, LFN Holdco LLC, Red Rock Minerals, LP, Red Rock Minerals II, LP, Red Rock Advisors, LLC, Production Solutions International Limited, and NexLube Operating, LLC and their subsidiaries (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 17, 2019, filed with the SEC on April 17, 2019).
10.2	TransAtlantic Petroleum Ltd. 2019 Long-Term Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement filed with the SEC on April 18, 2019).
10.3	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 4, 2019, filed with the SEC on June 7, 2019).
10.4	Amendment No. 1 to the Pledge Agreement, dated June 28, 2019, by and between TransAtlantic Petroleum Ltd. and Dalea Partners, LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 28, 2019, filed with the SEC on June 28, 2019).
31.1*	Certification of the Chief Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Accounting and Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer and Principal Accounting and Financial Officer of the Company, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

*	Filed herewith.
**	Furnished herewith.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ N. MALONE MITCHELL 3rd
N. Malone Mitchell 3rd
Chief Executive Officer

By: /s/ MICHAEL P. HILL
Michael P. Hill
Chief Accounting Officer

Date: August 7, 2019

EXHIBIT 31.1

CERTIFICATION

I, N. Malone Mitchell 3rd, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransAtlantic Petroleum Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2019

/s/ N. Malone Mitchell 3rd
N. Malone Mitchell 3rd
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael P. Hill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransAtlantic Petroleum Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2019

/s/ Michael P. Hill
Michael P. Hill
Chief Accounting Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of TransAtlantic Petroleum Ltd. (the “Company”) does hereby certify, to such officer’s knowledge, that:

This Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly represents, in all material respects, the financial condition and results of operation of the Company as of, and for, the periods presented in the Form 10-Q.

Date: August 7, 2019

/s/ N. Malone Mitchell 3rd
N. Malone Mitchell 3rd
Chief Executive Officer

/s/ Michael P. Hill
Michael P. Hill
Chief Accounting Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.