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, 2020

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

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

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

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 ☒

As of August 7, 2020, the registrant had 68,586,290 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, 2019 and our subsequent Quarterly Reports on Form 10-Q. Such factors include, but are not limited to, the following: the occurrence of any event, change, or other circumstances that could give rise to the termination of the Merger Agreement (as defined in Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations); the inability to obtain the requisite shareholder approval for the proposed merger or the failure to satisfy other conditions to completion of the proposed merger; risks that the proposed transaction disrupts current plans and operations; the ability to recognize the benefits of the merger; the amount of the costs, fees, and expenses and charges related to the merger; our ability to continue as a going concern; well development results; access to sufficient capital; market prices for natural gas, natural gas liquids, and oil products, including price changes resulting from COVID-19 fears as well as oil oversupply concerns; estimates of reserves and economic assumptions; the ability to produce and transport natural gas, natural gas liquids, and oil products, including price changes resulting from coronavirus fears as well as oil oversupply concerns; the results of exploration and development drilling and related activities; the effects of the coronavirus on our operations, demand for oil and natural gas as well as governmental actions in response to the coronavirus; economic conditions in the countries and provinces in which we carry on business, especially economic slowdowns; actions by governmental authorities; the unwinding of our hedges against a decline in the price of oil; receipt of required approvals; increases in taxes; legislative and regulatory initiatives relating to fracture stimulation activities; changes in environmental and other regulations; renegotiations of contracts; political uncertainty, including sanctions, armed conflicts, and actions by insurgent groups; outcomes of litigation; the negotiation and closing of material contracts; and the other factors discussed in other documents that we file with or furnish to 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: liquidity; ability to continue as a going concern; COVID-19; access to sufficient capital; 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, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,598	$ 9,664
Accounts receivable, net		
Oil and natural gas sales	6,796	13,299
Joint interest and other	1,106	1,218
Related party	478	561
Prepaid and other current assets	12,497	12,375
Note receivable - related party	3,492	–
Derivative asset	10	–
Inventory	3,249	7,091
Total current assets	36,226	44,208
Property and equipment:		
Oil and natural gas properties (successful efforts method)		
Proved	120,915	167,948
Unproved	10,414	12,978
Equipment and other property	13,136	10,202
	144,465	191,128
Less accumulated depreciation, depletion and amortization	(89,529)	(106,610)
Property and equipment, net	54,936	84,518
Other long-term assets:		
Other assets	3,524	3,827
Note receivable - related party	–	3,951
Total other assets	3,524	7,778
Total assets	$ 94,686	$ 136,504
LIABILITIES, SERIES A PREFERRED SHARES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,611	$ 4,555
Accounts payable - related party	5,120	4,262
Accrued liabilities	13,993	15,244
Derivative liability	3,227	966
Loans payable	11,269	17,143
Total current liabilities	35,220	42,170
Long-term liabilities:		
Asset retirement obligations	3,505	4,749
Accrued liabilities	9,455	10,370
Deferred income taxes	17,721	22,728
Loans payable	–	2,857
Total long-term liabilities	30,681	40,704
Total liabilities	65,901	82,874
Commitments and contingencies		
Series A preferred shares, $0.01 par value, 100,000 shares authorized; 100,000 shares issued and outstanding with a liquidation preference of $50 per share as of June 30, 2020 and December 31, 2019	5,000	5,000
Series A preferred shares-related party, $0.01 par value, 821,000 shares authorized; 821,000 shares issued and outstanding with a liquidation preference of $50 per share as of June 30, 2020 and December 31, 2019	41,050	41,050
Shareholders' equity:		
Common shares, $0.10 par value, 200,000,000 shares authorized; 62,759,347 shares and 62,230,058 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	6,276	6,223
Treasury stock	(970)	(970)
Additional paid-in-capital	582,484	582,359
Accumulated other comprehensive loss	(140,671)	(147,347)
Accumulated deficit	(464,384)	(432,685)
Total shareholders' equity (deficit)	(17,265)	7,580
Total liabilities, Series A preferred shares and shareholders' equity	$ 94,686	$ 136,504

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,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Oil and natural gas sales	$ 6,483	$ 17,134	$ 14,826	$ 35,994
Other	17	81	34	262
Total revenues	6,500	17,215	14,860	36,256
Costs and expenses:				
Production	2,380	2,712	5,899	5,214
Transportation and processing	961	1,221	2,121	2,540
Exploration, abandonment and impairment	-	666	20,338	5,779
Seismic and other exploration	-	108	45	185
General and administrative	2,394	2,690	4,746	5,744
Depreciation, depletion and amortization	2,517	3,442	5,506	7,158
Accretion of asset retirement obligations	44	49	97	101
Total costs and expenses	8,296	10,888	38,752	26,721
Operating (loss) income	(1,796)	6,327	(23,892)	9,535
Other income (expense):				
Loss on sale	-	-	(10,128)	-
Interest and other expense	(2,396)	(2,753)	(4,608)	(5,231)
Interest and other income	292	221	413	395
Gain (loss) on derivative contracts	(3,217)	(323)	4,296	(433)
Foreign exchange loss	(356)	(115)	(484)	(1,388)
Total other expense	(5,677)	(2,970)	(10,511)	(6,657)
(Loss) income from operations before income taxes	(7,473)	3,357	(34,403)	2,878
Income tax (expense) benefit	(261)	(3,366)	2,704	(6,789)
Net loss	(7,734)	(9)	(31,699)	(3,911)
Other comprehensive loss:				
Foreign currency translation adjustment	(1,245)	(416)	6,676	(4,642)
Comprehensive loss	$ (8,979)	$ (425)	$ (25,023)	$ (8,553)
Net loss per common share				
Basic net loss per common share	$ (0.12)	$ (0.00)	$ (0.51)	$ (0.07)
Weighted average common shares outstanding	62,502	52,529	62,406	52,506
Diluted net loss per common share	$ (0.12)	$ (0.00)	$ (0.51)	$ (0.07)
Weighted average common and common equivalent shares outstanding	62,502	52,529	62,406	52,506

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

TRANSATLANTIC PETROLEUM LTD.

Consolidated Statements of Equity for the Three and Six Months Ended June 30, 2020 and 2019

(Unaudited)

(U.S. Dollars and shares in thousands)

Three months ended June 30, 2020	Common Shares	Treasury Shares	Common Shares	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholder[s'] Equity (Deficit)
Balance at March 31, 2020	62,349	333	$ 6,235	$ (970)	$ 582,426	$ (139,426)	$ (456,650)	$ (8,3
Issuance of restricted stock units	410	-	41	-	(41)	-	-	
Share-based compensation	-	-	-	-	114	-	-	1
Tax effect of restricted stock	-	-	-	-	(15)	-	-	
Foreign currency translation adjustment	-	-	-	-	-	(1,245)	-	(1,2
Net loss	-	-	-	-	-	-	(7,734)	(7,7
Balance at June 30, 2020	62,759	333	$ 6,276	$ (970)	$ 582,484	$ (140,671)	$ (464,384)	$ (17,2
Six Months Ended June 30, 2020								
Balance at December 31, 2019	62,230	333	$ 6,223	$ (970)	$ 582,359	$ (147,347)	$ (432,685)	$ 7,5
Issuance of restricted stock units	529	-	53	-	(53)	-	-	
Share-based compensation	-	-	-	-	229	-	-	2
Tax effect of restricted stock	-	-	-	-	(51)	-	-	
Foreign currency translation adjustment	-	-	-	-	-	6,676	-	6,6
Net loss	-	-	-	-	-	-	(31,699)	(31,6
Balance at June 30, 2020	62,759	333	$ 6,276	$ (970)	$ 582,484	$ (140,671)	$ (464,384)	$ (17,2
Three Months Ended June 30, 2019								
Balance at March 31, 2019	52,496	333	$ 5,249	$ (970)	$ 577,493	$ (146,247)	$ (431,221)	$ 4,3
Issuance of restricted stock units	227	-	24	-	(24)	-	-	
Share-based compensation	-	-	-	-	77	-	-	
Tax effect of restricted stock	-	-	-	-	(8)	-	-	
Foreign currency translation adjustment	-	-	-	-	-	(416)	-	(4
Net loss	-	-	-	-	-	-	(9)	
Balance at June 30, 2019	52,723	333	$ 5,273	$ (970)	$ 577,538	$ (146,663)	$ (431,230)	$ 3,9
Six Months Ended June 30, 2019								
Balance at December 31, 2018	52,413	333	$ 5,241	$ (970)	$ 577,488	$ (142,021)	$ (427,319)	$ 12,4
Issuance of restricted stock units	310	-	32	-	(32)	-	-	
Share-based compensation	-	-	-	-	179	-	-	1
Tax effect of restricted stock	-	-	-	-	(97)	-	-	
Foreign currency translation adjustment	-	-	-	-	-	(4,642)	-	(4,6
Net loss	-	-	-	-	-	-	(3,911)	(3,9
Balance at June 30, 2019	52,723	333	$ 5,273	$ (970)	$ 577,538	$ (146,663)	$ (431,230)	$ 3,9

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, 2020	For the Six Months Ended June 30, 2019
Operating activities:		
Net loss	$ (31,699)	$ (3,911)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation	229	179
Foreign currency loss	427	3,011
(Gain) loss on derivative contracts	(4,296)	433
Cash settlement on derivative contracts	6,468	–
Loss on sale	10,128	–
Amortization on loan financing costs	21	21
Deferred income tax (benefit) expense	(1,776)	3,713
Exploration, abandonment and impairment	20,338	5,779
Depreciation, depletion and amortization	5,506	7,158
Accretion of asset retirement obligations	97	101
Changes in operating assets and liabilities:		
Accounts receivable	5,457	(10,630)
Prepaid expenses and other assets	(1,635)	(6,205)
Accounts payable and accrued liabilities	996	10,973
Net cash provided by operating activities	10,261	10,622
Investing activities:		
Additions to oil and natural gas properties	(3,472)	(15,538)
Additions to equipment and other properties	(158)	(188)
Proceeds from sale	1,451	–
Net cash used in investing activities	(2,179)	(15,726)
Financing activities:		
Tax withholding on restricted share units	(51)	(97)
Note receivable - related party	–	1,000
Loan proceeds	626	20,000
Loan repayment	(9,357)	(10,800)
Net cash (used in) provided by financing activities	(8,782)	10,103
Effect of exchange rate on cash flows, cash equivalents, and restricted cash	(366)	(1,184)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,066)	3,815
Cash, cash equivalents and restricted cash, beginning of period (1)	9,804	10,032
Cash, cash equivalents and restricted cash, end of period (2)	$ 8,738	$ 13,847
Supplemental disclosures:		
Cash paid for interest	$ 2,229	$ 2,269
Cash paid for taxes	$ 414	$ 1,565

(1) The beginning of period balance at December 31, 2019 includes cash and cash equivalents of $9.7 million and restricted cash of $0.1 million in other assets. 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

(2) The end of period balance at June 30, 2020 includes cash and cash equivalents of $8.6 million and restricted cash of $0.1 million in other assets. 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 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 7, 2020, approximately 50.5% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors. Persons and entities associated with Mr. Mitchell also owned 739,000 of our 12.0% Series A Convertible Redeemable Preferred Shares (“Series A Preferred Shares”). Mr. Mitchell’s affiliates are currently prohibited from converting any of their Series A Preferred Shares to common shares if such conversion would cause Mr. Mitchell or his affiliates to obtain beneficial ownership in excess of 49.9% of the outstanding common shares; however, Mr. Mitchell, upon 61 days’ prior notice, may increase or decrease such percentage cap.

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 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 Annual Report on Form 10-K for the year ended December 31, 2019.

2. Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. These principles assume that we will be able to realize our assets and discharge our obligations in the normal course of operations for the foreseeable future.

We incurred a net loss of $31.7 million for the six months ended June 30, 2020. At June 30, 2020, we had cash and cash equivalents of $8.6 million, $11.3 million in short-term debt, and a working capital surplus of $1.0 million, compared to cash and cash equivalents of $9.7 million, $2.9 million in long-term debt, $17.1 million in short-term debt and a working capital surplus of $2.0 million at December 31, 2019.

In March 2020, crude oil prices declined to approximately $25 per barrel for Brent crude as a result of market concerns about the economic impact from the COVID-19 as well as the ability of OPEC and Russia to agree on a perceived need to implement further production cuts in response to weaker worldwide demand. Since then, Brent crude prices have rebounded to approximately $45.00 per barrel as of August 10, 2020 and remain unpredictable.

As a result of the decline in Brent crude prices, the current near term price outlook and resulting lower current and projected cash flows from operations, we have reduced our planned capital expenditures to those necessary for production lease maintenance and those projecting a return on invested capital at current prices. In order to mitigate the impact of reduced prices on our 2020 cash flows and liquidity, we implemented cost reduction measures to reduce our operating costs and general and administrative expenses. In connection therewith, we intend to prioritize funding operating expenditures over general and administrative expenditures, whenever possible.

On March 9, 2020, we unwound our commodity derivative contracts with respect to our future crude oil production. In connection with these transactions, we received $6.5 million. In order to reduce future interest expense, we used these proceeds to pay down the 2019 Term Loan (as defined in Note 8. "Loans Payable"). On April 3, 2020, we entered into a new swap contract with DenizBank, A.S. ("DenizBank"), which hedged approximately 2,000 barrels of oil per day. The swap contract is in place from May 2020 through February 2021, has an ICE Brent Index strike price of $36.00 per barrel, and is settled monthly. Therefore, DenizBank is required to make a payment to us if the average monthly ICE Brent Index price is less than $36.00 per barrel, and we are required to make a payment to DenizBank if the average monthly ICE Brent Index price is greater than $36.00 per barrel.

Türkiye Petrol Rafinerileri A.Ş. ("TUPRAS"), a privately-owned oil refinery in Turkey, purchases substantially all of our crude oil production. The price of substantially all of the oil delivered pursuant to the purchase and sale agreement with TUPRAS is tied to Arab Medium oil prices adjusted upward based on an API adjustment, Suez Canal tariff costs, and freight charges. Between March 2020 and May 2020, there was a significant widening of the differential between the average monthly ICE Brent Index price and our realized oil prices. In 2018 and 2019, the average monthly ICE Brent Index Price exceeded our realized oil prices by $2.44 and $0.17 per barrel, respectively. The differential between the average monthly ICE Brent Index Price and our realized oil prices widened from $3.40 per barrel in March 2020 to $8.34 per barrel in May 2020. The widening of the differential between the average monthly ICE Brent Index Price and our realized oil prices rendered our hedges less effective, resulting in significantly lowered revenues from March 2020 through May 2020. In June 2020, the differential between the average monthly ICE Brent Index Price and our realized oil prices contracted to $0.74 per barrel, and, in July 2020, our realized oil prices exceeded the average monthly ICE Brent Index Price by $3.71 per barrel. The differential between the average monthly ICE Brent Index Price and our realized oil prices remains unpredictable and may expand or contract in the future.

The price of the oil delivered pursuant to the purchase and sale agreement with TUPRAS is determined under the Petroleum Market Law No. 5015 under the laws of the Republic of Turkey. In November 2019, TUPRAS filed a lawsuit seeking restitution from us for alleged overpayments resulting from a February 2019 amendment to the Turkish domestic crude oil pricing formula under Petroleum Market Law No. 5015 (the "Pricing Amendment"). TUPRAS also claimed that the Pricing Amendment violates the Constitution of the Republic of Turkey and seeks to have the Pricing Amendment cancelled. Additionally, in April 2020, TUPRAS notified us that it intends to extend payment terms for oil purchases by 60 days. The outcome of the TUPRAS lawsuit and negotiations regarding the extension of payment terms is uncertain; however, a conclusion of the lawsuit in TUPRAS's favor or an extension of payment terms would reduce or delay our cash flow and decrease our cash balances.

In the second quarter of 2020, we borrowed approximately $626,000 pursuant to the U.S. Paycheck Protection Program (the "PPP") to cover certain payroll, benefit, and rent expenses. We have forecast that amounts borrowed or received pursuant to the PPP will be forgiven for cash flow purposes. New guidance on the criteria for forgiveness continues to be released, and we currently expect that we will meet the conditions for forgiveness for a majority of the loan. Additionally, in the second quarter of 2020, the Turkish government passed legislation permitting employers to reduce the working hours of employees, reducing payroll and benefit expenses, through the end of August 2020. The actual reduction in payroll and benefit expenses due to this legislation is approximately $533,000.

As of June 30, 2020, we had $10.6 million of outstanding principal under the 2019 Term Loan. The 2019 Term Loan is payable in seven monthly installments of $1.4 million plus accrued interest from July 2020 through the maturity date in February 2021. In addition, dividends on our 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 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%. In order to conserve cash, we elected to pay the 2020 second quarter dividend in common shares, and, as such, on July 30, 2020, we issued 5,819,908 common shares to holders of Series A Preferred Shares.

On August 7, 2020, to supplement our liquidity, we entered into an up to $8.0 million loan with an affiliate of Mr. Mitchell. The loan is due August 7, 2021. Even with this additional liquidity, as of the date hereof, based on cash on hand and projected future cash flow from operations, our current liquidity position is severely constrained. As a result, substantial doubt exists regarding our ability to continue as a going concern. Our management is actively pursuing improving our working capital position in order to remain a going concern for the foreseeable future.

Management believes the going concern assumption to be appropriate for these consolidated financial statements. If the going concern assumption was not appropriate, adjustments would be necessary to the carrying values of assets and liabilities, reported revenues and expenses and in the balance sheet classifications used in these consolidated financial statements.

3. Recent accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("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. 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 November 2018, the FASB 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. We adopted this standard effective January 1, 2020. The adoption of this update had no impact on our consolidated financial statements and results of operations.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes*. This update removes certain exceptions to the general principles in Topic 740 and provides clarifications related to certain franchise taxes, transactions with a government that result in a step-up in the tax basis of goodwill, allocation of current and deferred income tax expense and the annual effective tax rate. This update is effective January 1, 2021. We are currently assessing the potential impact of this update on our consolidated financial statements and results of operations.

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.

4. Series A Preferred Shares

Series A Preferred Shares

As of June 30, 2020 and 2019, we had 921,000 outstanding 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, 2020, there were $5.0 million of Series A Preferred Shares and $41.1 million of Series A Preferred Shares – related party outstanding (See Note 15. "Related party transactions").

Pursuant to the Certificate of Designations for the Series A Preferred Shares (as amended to date, 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 (as defined in the Certificate of Designations), 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. A change of control excludes a transaction with Mr. Mitchell, his family members, and their affiliates.

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, 2020, we recorded $1.8 million and $3.2 million, respectively, in dividends on the Series A Preferred Shares, which is recorded in our consolidated statements of comprehensive (loss) income under the caption "Interest and other expense". For the three and six months ended June 30, 2019, we recorded $1.8 million and $3.2 million, respectively, in dividends on the Series A Preferred Shares, which is recorded in our consolidated statements of comprehensive (loss) income under the caption "Interest and other expense".

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.

5. 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, 2020	December 31, 2019
	(in thousands)	
Oil and natural gas properties, proved:		
Turkey	$ 120,414	$ 167,446
Bulgaria	501	502
Total oil and natural gas properties, proved	120,915	167,948
Oil and natural gas properties, unproved:		
Turkey	10,414	12,978
Total oil and natural gas properties, unproved	10,414	12,978
Gross oil and natural gas properties	131,329	180,926
Accumulated depletion	(84,606)	(101,232)
Net oil and natural gas properties	$ 46,723	$ 79,694

At June 30, 2020 and December 31, 2019, we excluded $0.3 million and $0.2 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, 2020, the capitalized costs of our oil and natural gas properties, net of accumulated depletion, included $3.4 million relating to acquisition costs of proved properties, which are being depleted by the unit-of-production method using total proved reserves, and $56.8 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, 2019, the capitalized costs of our oil and natural gas properties included $5.0 million relating to acquisition costs of proved properties, which are being amortized by the unit-of-production method using total proved reserves, and $63.8 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 six months ended June 30, 2020, we recorded $2.1 million of exploratory dry-hole costs and $18.2 million of impairment of proved properties, which are primarily measured using Level 3 inputs. During the three and six months ended June 30, 2019, we recorded $0.7 million and $5.8 million of exploratory dry-hole costs, respectively, which are primarily measured using Level 3 inputs.

Capitalized cost greater than one year

As of June 30, 2020, 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, 2020	December 31, 2019
	(in thousands)	
Other equipment	$ 1,101	$ 1,121
Land	115	132
Inventory	7,032	3,209
Gas gathering system and facilities	76	172
Vehicles	242	304
Leasehold improvements, office equipment and software	4,570	5,264
Gross equipment and other property	13,136	10,202
Accumulated depreciation	(4,923)	(5,378)
Net equipment and other property	$ 8,213	$ 4,824

At June 30, 2020, in addition to the above, we have classified $3.2 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, 2020 and December 31, 2019, we excluded $10.3 million and $10.3 million of inventory, respectively, from depreciation as the inventory had not been placed into service.

6. Asset retirement obligations

The following table summarizes the changes in our asset retirement obligations (“ARO”) for the six months ended June 30, 2020 and for the year ended December 31, 2019:

	June 30, 2020	December 31, 2019
	(in thousands)	
Asset retirement obligations at beginning of period	$ 4,749	$ 4,667
Liabilities settled	(791)	–
Foreign exchange change effect	(550)	(519)
Additions	–	388
Accretion expense	97	213
Asset retirement obligations at end of period	$ 3,505	$ 4,749

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.

7. 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.

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 under the caption "(Loss) gain 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."

On March 9, 2020, we unwound our three-way collar contract with DenizBank, which hedged approximately 1,000 Bbl/d of our oil production in Turkey. The three-way collar contract had a Brent floor of $55.00, a Brent ceiling of $72.90, and a Brent long call of $80.00, and was in place through April 30, 2020. We also unwound our swap contract with DenizBank, which hedged approximately 1,000 Bbl/d of our oil production in Turkey. The swap contract had a Brent strike price of $60.30 and was in place through December 31, 2020. In connection with these transactions, we received approximately $6.5 million. We used these proceeds to pay down the 2019 Term Loan to reduce our future interest expense.

On April 3, 2020, we entered into a new swap contract DenizBank, which hedged 1,975 barrels of oil per day. The swap contract is in place from May 2020 through February 2021, has an ICE Brent Index strike price of $36.00 per barrel, and is settled monthly.

At June 30, 2020, we had outstanding commodity 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, 2020

Type	Period	Quantity (Bbl/day)	Weighted Average Minimum Price (per Bbl)	Weighted Average Maximum Price (per Bbl)	Additional Call Ceiling	Estimated Fair Value of Liability (in thousands)
Swap	July 1, 2020 - February 28, 2021	1,975	$ 36.00	$ -	$ -	$ (3,227)
Total Estimated Fair Value of Liability						$ (3,227)

At December 31, 2019, we had outstanding commodity derivative contracts with respect to our future crude oil production as set forth in the table below:

Fair Value of Derivative Instruments as of December 31, 2019

Type	Period	Quantity (Bbl/day)	Weighted Average Minimum Price (per Bbl)	Weighted Average Maximum Price (per Bbl)	Additional Call Ceiling (per Bbl)	Estimated Fair Value of Asset (Liability) (in thousands)
Three-way collar	January 1, 2020 - April 30, 2020	1,000	$ 55.00	$ 72.90	$ 80.00	21
Swap	January 1, 2020 - December 31, 2020	986	$ 60.30	-	-	(987)
Total Estimated Fair Value of Liability						$ (966)

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) gain 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."

On May 20, 2020, we entered into foreign exchange forward contracts to hedge against currency fluctuations between the TRY and USD. The forward contract settlement dates are from July through August, 2020 for $1.0 million at a strike price of 6.84 TRY to $1.00 USD.
At June 30, 2020, 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, 2020

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	Sell	6.840	07/01/20	USD	1,000,000	USD	6,840,000	2
FXOPT	Buy	1.000	08/03/20	TRY	1,000,000	USD	1,000,000	8
Total Estimated Fair Value of Asset								$ 10

We did not have any outstanding foreign currency derivatives outstanding as of December 31, 2019.

During the three months ended June 30, 2020 and 2019, we recorded a net loss on derivative contracts of $3.2 million and $0.3 million, respectively.

During the six months ended June 30, 2020 and 2019, we recorded a net gain on derivative contracts of $4.3 million and a net loss of $0.4 million, respectively.

Balance sheet presentation

The following tables 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, 2020 and December 31, 2019, and (ii) the net recorded fair value as reflected on our consolidated balance sheet at June 30, 2020 and December 31, 2019.

		As of June 30, 2020		
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)	
Commodity - crude oil	Current liabilities	$ (3,227)	$ -	$ (3,227)
Foreign exchange	Current asset	$ 10	$ -	$ 10

		As of December 31, 2019		
Type of Derivative Contract	Location on Consolidated Balance Sheets	Gross Amount of Recognized (Liabilities)	Gross Amount Offset in the Consolidated Balance Sheets	Net Amount of (Liabilities) Presented in the Consolidated Balance Sheets
			(in thousands)	
Crude Oil	Current liabilities	$ (987)	$ 21	$ (966)

8. Loans payable

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

Fixed and floating rate loans	June 30, 2020	December 31, 2019
	(in thousands)	
Term Loans (1)	$ 10,643	$ 20,000
PPP Loan	626	-
Less: current portion	11,269	17,143
Long-term portion	$ –	$ 2,857

(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. 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.

On August 31, 2016, 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.

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 bore 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 was 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.

On December 30, 2019, we repaid the 2017 Term Loan in full in accordance with its terms.

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 bore 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 was payable monthly and the principal on the 2018 Term Loan was 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.

On December 30, 2019, we repaid the 2018 Term Loan in full in accordance with its terms.

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 had a grace period through December 2019 during which no payments were due. Thereafter, accrued interest on the 2019 Term Loan was payable monthly, and the principal on the 2019 Term Loan was payable in 14 monthly installments of $1.4 million each.

On March 9, 2020, we unwound our three-way collar contract with DenizBank and received approximately $6.5 million in proceeds, which we used to pay down the 2019 Term Loan. As part of the pay down, DenizBank extended a grace period for principal repayments until July 2020, at which time we resumed principal payments for one monthly installment in July 2020 of $0.6 million and seven monthly installments of $1.4 million beginning in August 2020.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 Amity Oil International Pty Ltd (“Amity”), Talon Exploration, Ltd. (“Talon Exploration”), DMLP, Ltd. (“DMLP”), and TransAtlantic Turkey, Ltd. (“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 Gundem real estate and Muratli real estate owned by Gundem (as defined in Note 15. “Related party transactions”), (iv) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (v) 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, 2020, we had $10.6 million outstanding under the 2019 Term Loan and no availability, and we were in compliance with the covenants in the 2019 Term Loan.

Paycheck Protection Program

On April 10, 2020, we received loan proceeds in the amount of $626,000 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. We used the proceeds for purposes consistent with the PPP and believe that our use of the loan proceeds will meet the conditions for forgiveness for a majority of the loan.

9. Leases

Operating and financing 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, with some containing 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.

Our operating and financing leases are included in 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 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 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:

For the six months ended June 30, 2020	June 30, 2020 (in thousands)
Operations yards	$ 300
Office rent	133
Vehicles	22
Other	51
Total lease costs	$ 506

Future non-cancelable minimum lease payments under our operating lease commitments as of June 30, 2020 were as follows for each of the next five years and thereafter:

	June 30, 2020 (in thousands)
Remainder of 2020	$ 461
2021	729
2022	861
2023	558
2024	202
2025	-
Thereafter	-
Total	$ 2,811
Less: Imputed interest	87
Present value of lease liabilities	$ 2,724

As of June 30, 2020, the weighted average remaining lease term in years was 3.5 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, 2019 were as follows for each of the next five years and thereafter:

	December 31, 2019 (in thousands)
2020	$ 960
2021	867
2022	867
2023	557
2024	200
Thereafter	-
Total	$ 3,451

10. 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. The Supreme Court of Cessation held a court hearing on October 21, 2019. A ruling was issued on March 10, 2020, by virtue of which the Supreme Court of Cessation decided that the appeal of the Bulgarian Minister of Energy in its substance is inadmissible. The Bulgarian Minister of Energy has no further rights to appeal.

TUPRAS

We sell all of our Southeastern Turkey oil to TUPRAS pursuant to a domestic crude oil purchase and sale agreement between TUPRAS and TEMI. The price of the oil delivered pursuant to the purchase and sale agreement is determined under the Petroleum Market Law No. 5015 under the laws of the Republic of Turkey. In February 2019, Turkey entered into the Pricing Amendment to change the statutory pricing formula for purchases of Turkish domestic crude oil.

In November 2019, TUPRAS filed a lawsuit against us, and filed similar lawsuits against other domestic oil producers, in the Batman 4th Civil Court of First Instance seeking restitution from TEMI for alleged overpayments resulting from the implementation of the Pricing Amendment plus interest thereon. In addition, TUPRAS claimed that the Pricing Amendment violates the Constitution of the Republic of Turkey and seeks to have the Pricing Amendment cancelled. TEMI is vigorously defending against these allegations. Any adjustment arising out of the claims will be recorded when it becomes probable and measurable.

11. Shareholders' equity

Restricted stock units

We recorded share-based compensation expense of $0.1 million for awards of restricted stock units ("RSUs") for the three months ended June 30, 2020 and 2019, respectively. We recorded share-based compensation expense of $0.2 million for awards of RSUs for the six months ended June 30, 2020 and 2019.

As of June 30, 2020, 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 0.4 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 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:

(in thousands, except per share amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net loss	$ (7,734)	$ (9)	$ (31,699)	$ (3,911)
Basic net loss earnings per common share:				
Shares:				
Weighted average common shares outstanding	62,502	52,529	62,406	52,506
Basic net loss per common share:	$ (0.12)	$ (0.00)	$ (0.51)	$ (0.07)
Diluted net loss per common share:				
Shares:				
Weighted average common shares outstanding	62,502	52,529	62,406	52,506
Diluted net loss per common share:	$ (0.12)	$ (0.00)	$ (0.51)	$ (0.07)

12. 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, 2020				
Total revenues	$ -	$ 6,500	$ -	$ 6,500
Loss from operations before income taxes	(3,456)	(3,963)	(54)	(7,473)
Capital expenditures	$ -	$ 561	$ -	$ 561
For the three months ended June 30, 2019				
Total revenues	$ -	$ 17,215	$ -	$ 17,215
Loss from operations before income taxes	(2,667)	6,756	(732)	3,357
Capital expenditures	$ -	$ 5,509	$ 667	$ 6,176
For the six months ended June 30, 2020				
Total revenues	$ -	$ 14,860	$ -	$ 14,860
Loss from operations before income taxes	(6,972)	(27,254)	(177)	(34,403)
Capital expenditures	$ -	$ 3,472	$ -	$ 3,472
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
Segment assets				
June 30, 2020	$ 6,973	$ 87,054	$ 659	$ 94,686
December 31, 2019	$ 7,810	$ 127,986	$ 708	$ 136,504

13. 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, 2020, we had 14.6 million TRY (approximately $2.1 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, 2020, we were a party to foreign exchange derivative contracts (See Note 7. "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, 2020 and December 31, 2019, we were a party to commodity derivative contracts (See Note 7. "Derivative instruments").

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, 2020 and December 31, 2019, due to the short maturity of those instruments.

The following table summarizes the valuation of our financial liabilities as of June 30, 2020:

	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 and (liabilities):				
Commodity derivative contracts	$ -	$ (3,227)	$ -	$ (3,227)
Foreign exchange derivative contracts		10		10
Total	$ -	$ (3,217)	$ -	$ (3,217)
Disclosed but not carried at fair value				
Liabilities:				
2019 Term Loan	-	-	(9,708)	(9,708)
Total	$ -	$ -	$ (9,708)	$ (9,708)

The following table summarizes the valuation of our financial liabilities as of December 31, 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				
Liabilities:				
Commodity derivative contracts	$ -	$ (966)	$ -	$ (966)
Disclosed but not carried at fair value				
Liabilities:				
2019 Term Loan	-	-	(17,333)	(17,333)
Total	$ -	$ -	$ (17,333)	$ (17,333)

We remeasure our derivative contracts on a recurring basis, with changes flowing through earnings. At June 30, 2020 and December 31, 2019, the fair values of the 2019 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.

14. Asset divestiture

On February 24, 2020, we sold the shares in our wholly-owned subsidiary Petrogas Petrol Gaz ve Petrokemya Urunleri Insaat Sanayive Ticaret A.S. ("Petrogas"), which held the Edirne, Dogu Adatepe, Adatepe, and Gocerler production leases (the "Petrogas Leases") and 14 employees, to Reform Ham Petrol Dogal Gaz Arama Uretim Sanayi ve Ticaret A.S. ("Reform") in exchange for $1.5 million and a release of all plugging and abandonment obligations for 65 wells on the Petrogas leases and certain former leases.

For the three months ended March 31, 2020, we recorded a net loss of $10.1 million on the sale of Petrogas. The loss primarily related to the reclassification of the accumulated foreign currency translation adjustment that was realized into earnings from accumulated other comprehensive loss within shareholders' equity and presented below:

	Loss on Sale
	(in thousands)
Total cash proceeds for Petrogas	$ 1,451
Less: Petrogas net liabilities	(652)
Gain on sale before accumulated foreign currency translation adjustment	2,103
Less: Petrogas accumulated foreign currency translation adjustment	(12,231)
Net loss on sale of Petrogas	$ (10,128)

15. Related party transactions

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

	June 30, 2020	December 31, 2019
	(in thousands)	
Related party accounts receivable:		
Service Agreement	$ 204	$ 433
PSI MSA	274	128
Total related party accounts receivable	$ 478	$ 561
Related party accounts payable:		
Service Agreement	$ 215	$ 204
PSI MSA	3,055	3,959
Interest payable on Series A Preferred	1,560	-
Other - board of directors fees	290	99
Total related party accounts payable	$ 5,120	$ 4,262

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, 2020, we had $0.2 million of outstanding receivables and $0.2 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, 2020, we had $0.3 million of outstanding receivables and $3.1 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.

On June 30, 2020, TransAtlantic USA entered into a landlord consent (the “Consent”) with Longfellow, pursuant to which Longfellow consented to the continuing of that Sublease on a month-to-month basis with the rights of each of TransAtlantic USA and Longfellow to terminate the Sublease upon thirty days’ written notice.

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 expired on June 30, 2020. 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.

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. We have indemnified a third party for any liability relating to the payment of the Account Payable.

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 maturity date of the Amended Note was extended to June 13, 2019. 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.

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 2017 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 provides that interest payable to Dalea under the Dalea Convertible Notes (or any future securities for which the Dalea Convertible Notes are converted or exchanged) will be credited first against the outstanding principal balance of the Amended Note and, upon full repayment of the outstanding principal balance of the Amended Note, any accrued and unpaid interest on the Amended Note. The Pledge Agreement contains customary events of default. On November 4, 2016, Dalea exchanged $2.0 million of 2017 Notes for 40,000 Series A Preferred Shares.

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 Dalea and we agreed to extend the maturity date of the Note to February 26, 2021 (unless otherwise accelerated in accordance with the terms of 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.

During the six months ended June 30, 2020, we reduced the principal amount of the Note by $0.2 million for cash dividends paid on the Series A Preferred Shares.

As of June 30, 2020, the amount receivable under the Note was $3.5 million.

Pledge fee agreements

In connection with the pledge of certain Gundem real estate and Muratli real estate to DenizBank as collateral for certain loans, 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 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 certain loans, 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 Amended Note. During the six months ended June 30, 2020, we reduced the principal amount of the Note by $0.3 million for amounts paid under the pledge fee agreements.

16. Subsequent Events

Series A Dividend

On July 30, 2020, we issued an aggregate of 5,819,908 common shares to holders of the Series A Preferred Shares as payment of the June 30, 2020 quarterly dividend on the Series A Preferred Shares. Each common share was issued at a price of $0.3165 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 July 8, 2020.

Merger Agreement

On August 7, 2020, we entered into an Agreement and Plan of Merger (the "Merger Agreement"), with TAT Holdco LLC, a Texas limited liability company ("Parent") controlled by a group of holders (the "Preferred Shareholder Group") representing 100% of our outstanding Series A Preferred Shares, and TAT Merger Sub LLC, a Texas limited liability company and wholly-owned subsidiary of Parent ("Merger Sub"), pursuant to which we will merge with and into Merger Sub and each of our issued and outstanding common shares (other than the Excluded Shares and Dissenting Shares (each as defined in the Merger Agreement)) will be canceled and will be converted automatically into the right to receive $0.13 in cash (the "Merger Consideration").

The members of the Preferred Shareholder Group are Longfellow, Dalea, the Alexandria Nicole Mitchell Trust 2005, the Elizabeth Lee Mitchell Trust 2005, the Noah Malone Mitchell Trust 2005, Stevenson Briggs Mitchell, KMF Investments Partners, LP, West Investment Holdings, LLC, Randall I. Rochman, and Betsy Rochman. Longfellow and Dalea are affiliates of our chief executive officer and chairman of our board of directors, N. Malone Mitchell 3rd.

A special committee comprised entirely of independent and disinterested directors of our board of directors voted unanimously to recommend to our board of directors that it, and thereafter our board of directors (other than N. Malone Mitchell 3rd, Randall I. Rochman, and Jonathon T. Fite) voted unanimously to approve and declare, among other things, that (i) the merger, the Merger Agreement, a guaranty made in connection with the Merger Agreement (collectively, the "Merger Documents") and the transactions contemplated by the Merger Documents are procedurally fair to, and advisable and in the best interests of, us and our shareholders, including our unaffiliated shareholders, and (ii) the Merger Consideration is fair to, both from a financial point of view and otherwise, advisable and in the best interests of our shareholders, including our unaffiliated shareholders. Seaport Gordian Energy LLC served as the financial advisor to the special committee in connection with the merger and the Merger Agreement.

If the merger is consummated, our common shares will be delisted from the NYSE American Exchange and Toronto Stock Exchange and deregistered under the Exchange Act as soon as practicable following the effective time of the merger.

Our shareholders will be asked to vote on the adoption and approval of the Merger Agreement, a Bermuda statutory merger agreement and the transactions contemplated thereby at a special meeting of our shareholders that will be held on a date to be announced. Consummation of the merger is subject to customary conditions, including without limitation, the adoption and approval of the Merger Agreement and the Bermuda statutory merger agreement by holders of our common shares by at least 75% of the votes cast and holders of Series A Preferred Shares with at least 75% of the votes cast, in each case at a duly convened meeting of our shareholders at which a quorum is present. In connection with the execution of the Merger Agreement, the members of the Preferred Shareholder Group have entered into a voting agreement pursuant to which such shareholders have agreed to vote in favor of the merger and the adoption of the Merger Agreement, subject to the limitations set forth in the voting agreement.

Loan and Security Agreement

In addition, on August 7, 2020, we entered into a Loan and Security Agreement (the "Loan Agreement") with Dalea Investment Group, LLC (the "Lender"), an entity controlled by the Preferred Shareholder Group. Pursuant to the Loan Agreement, the Lender has committed to lend us an aggregate principal amount of up to $8.0 million (the "Loan"). Advances shall be made available by Lender and applied by us in accordance with a budget agreed to by us and the Lender and subject to milestones set forth in the Loan Agreement. We intend to use the proceeds of the Loan to finance our and our subsidiaries working capital needs in accordance with the budget.

The outstanding borrowings under the Loan Agreement bear interest at a rate equal to 10% per annum. Principal on the Loan does not amortize and is required to be repaid in full on the maturity date of August 7, 2021. The Loan may be optionally prepaid in whole or in part from time to time without fee, premium, or penalty.

Our obligations under the Loan Agreement are secured by all of our present and future accounts, chattel paper, commercial tort claims, commodity accounts, commodity contracts, contracts receivable, deposit accounts, documents, financial assets, general intangibles, instruments, investment property (including all of our right, title, and interest in and to all of the capital stock of TransAtlantic Petroleum (USA) Corp. and TransAtlantic Worldwide Ltd., each our wholly-owned direct subsidiary), letters of credit, letter of credit rights, payment intangibles, securities, notes receivable, choses of action, security accounts, and security entitlements, now or hereafter owned, held, or acquired.

The Loan Agreement contains representations, warranties, covenants, and events of default.

Farmout Agreement

On August 4, 2020, we entered into an agreement (the "Farmout Agreement") with Longfellow, an affiliate of Mr. Mitchell, to farm-out a petroleum license held by TEMI, our wholly owned subsidiary, for the exploration and production of oil and natural gas resources covering approximately 14,500 total acres in the region of Southeast Turkey (the "License").

Under the regulatory provisions governing the License, we must undertake operations to restore oil production or establish new production, from lands covered by the License on or before December 1, 2020, in order to perpetuate the term of the License past that date. We have decided not to undertake such operations and have agreed to farmout the License to Longfellow in accordance with the Farmout Agreement.

Under the terms of the Farmout Agreement, Longfellow has the right to re-enter the Goksu 3H wellbore, sidetrack the wellbore, and deepen the well to test the Bedinan formation, or other formations as encountered. In the event the operations for the Goksu 3H well result in a dry hole, Longfellow is required to reimburse us for all actual costs incurred by us with plugging the well and restoring the surface drillsite. Thereupon, the Farmout Agreement shall terminate.

In the event the operations for the Goksu 3H ST well result in a commercial producer of oil and/or gas, (i) (x) we shall install the appropriate equipment/facilities needed to produce the well and make such necessary arrangements to sell the oil and/or gas produced, utilizing such production contracts as we deem most favorable to maximize the commerciality of the well, and (y) Longfellow is required to reimburse us for all costs incurred by us to conduct such operations, and (ii) Longfellow shall grant us an overriding royalty interest of 5% in all sales of oil and gas from such well and any other wells thereafter drilled or produced on the License. The overriding royalty interest shall bear its share of production/severance taxes, and any gathering, transportation, processing, or marketing fees/costs but none of the well costs.

If completed operations for the Goksu 3H well result in perpetuation of the License, Longfellow is entitled to an assignment of all of the our rights in and to the License, and, upon earning such assignment, Longfellow shall assume all responsibility and liability from us as to the License. The terms of the Farmout Agreement shall apply to any such additional well drilled pursuant thereto in all respects as if such additional well was the Goksu 3H well. Longfellow shall have the right, at any time after a transfer has been approved pursuant to the provisions of the Farmout Agreement, and upon 30 days written notice, to take over as operator of the License from us.

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, 2020, we held interests in 365,171 and 162,800 net acres of developed and undeveloped oil and natural gas properties in Turkey and Bulgaria, respectively. As of August 7, 2020, approximately 50.5% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors. Persons and entities associated with Mr. Mitchell also owned 739,000 Series A Preferred Shares. Mr. Mitchell's affiliates are currently prohibited from converting any of their Series A Preferred Shares to common shares if such conversion would cause Mr. Mitchell or his affiliates to obtain beneficial ownership in excess of 49.9% of the outstanding common shares; however, Mr. Mitchell, upon 61 days' prior notice, may increase or decrease such percentage cap.

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.

Recent Developments

Merger Agreement. On August 7, 2020, we entered into the Merger Agreement, with Parent, an entity controlled by the Preferred Shareholder Group, which represents 100% of our outstanding Series A Preferred Shares, and Merger Sub, pursuant to which we will merge with and into Merger Sub and each of our issued and outstanding common shares (other than the Excluded Shares and Dissenting Shares (each as defined in the Merger Agreement)) will be canceled and will be converted automatically into the right to receive the Merger Consideration.

The members of the Preferred Shareholder Group are Longfellow, Dalea, the Alexandria Nicole Mitchell Trust 2005, the Elizabeth Lee Mitchell Trust 2005, the Noah Malone Mitchell Trust 2005, Stevenson Briggs Mitchell, KMF Investments Partners, LP, West Investment Holdings, LLC, Randall I. Rochman, and Betsy Rochman. Longfellow and Dalea are affiliates of our chief executive officer and chairman of our board of directors, N. Malone Mitchell 3rd.

A special committee comprised entirely of independent and disinterested directors of our board of directors voted unanimously to recommend to our board of directors that it, and thereafter our board of directors (other than N. Malone Mitchell 3rd, Randall I. Rochman, and Jonathon T. Fite) voted unanimously to approve and declare, among other things, that (i) the merger, the Merger Documents and the transactions contemplated by the Merger Documents are procedurally fair to, and advisable and in the best interests of, us and our shareholders, including our unaffiliated shareholders, and (ii) the Merger Consideration is fair to, both from a financial point of view and otherwise, advisable and in the best interests of our shareholders, including our unaffiliated shareholders.

If the merger is consummated, our common shares will be delisted from the NYSE American Exchange and Toronto Stock Exchange and deregistered under the Exchange Act as soon as practicable following the effective time of the merger.

Our shareholders will be asked to vote on the adoption and approval of the Merger Agreement, a Bermuda statutory merger agreement and the transactions contemplated thereby at a special meeting of our shareholders that will be held on a date to be announced. Consummation of the merger is subject to customary conditions, including without limitation, the adoption and approval of the Merger Agreement and the Bermuda statutory merger agreement by holders of our common shares by at least 75% of the votes cast and holders of Series A Preferred Shares with at least 75% of the votes cast, in each case at a duly convened meeting of our shareholders at which a quorum is present. In connection with the execution of the Merger Agreement, the members of the Preferred Shareholder Group have entered into a voting agreement pursuant to which such shareholders have agreed to vote in favor of the merger and the adoption of the Merger Agreement, subject to the limitations set forth in the voting agreement.

There can be no assurance that the closing conditions will be satisfied, or that the merger will be completed within the required time period pursuant to the Merger Agreement. See Item 1A. "Risk Factors – Risks Related to the Merger."

Loan Agreement. In addition, on August 7, 2020, we entered into the Loan Agreement with the Lender, an entity controlled by the Preferred Shareholder Group. Pursuant to the Loan Agreement, the Lender has committed to lend us the Loan. Advances shall be made available by Lender and applied by us in accordance with a budget agreed to by us and the Lender and subject to milestones set forth in the Loan Agreement. We intend to use the proceeds of the Loan to finance our and our subsidiaries working capital needs in accordance with the budget.

The outstanding borrowings under the Loan Agreement bear interest at a rate equal to 10% per annum. Principal on the Loan does not amortize and is required to be repaid in full on the maturity date of August 7, 2021. The Loan may be optionally prepaid in whole or in part from time to time without fee, premium, or penalty.

Our obligations under the Loan Agreement are secured by all of our present and future accounts, chattel paper, commercial tort claims, commodity accounts, commodity contracts, contracts receivable, deposit accounts, documents, financial assets, general intangibles, instruments, investment property (including all of our right, title, and interest in and to all of the capital stock of TransAtlantic Petroleum (USA) Corp. and TransAtlantic Worldwide Ltd., each our wholly-owned direct subsidiary), letters of credit, letter of credit rights, payment intangibles, securities, notes receivable, choses of action, security accounts, and security entitlements, now or hereafter owned, held, or acquired.

The Loan Agreement contains representations, warranties, covenants, and events of default.

Farmout Agreement. On August 4, 2020, we entered into the Farmout Agreement with Longfellow, an affiliate of Mr. Mitchell, to farm-out the License. Under the regulatory provisions governing the License, we must undertake operations to restore oil production or establish new production, from lands covered by the License on or before December 1, 2020, in order to perpetuate the term of the License past that date. We have decided not to undertake such operations and have agreed to farmout the License to Longfellow in accordance with the Farmout Agreement.

Under the terms of the Farmout Agreement, Longfellow has the right to re-enter the Goksu 3H wellbore, sidetrack the wellbore, and deepen the well to test the Bedinan formation, or other formations as encountered. In the event the operations for the Goksu 3H well result in a dry hole, Longfellow is required to reimburse us for all actual costs incurred by us with plugging the well and restoring the surface drillsite. Thereupon, the Farmout Agreement shall terminate.

In the event the operations for the Goksu 3H ST well result in a commercial producer of oil and/or gas, (i) (x) we shall install the appropriate equipment/facilities needed to produce the well and make such necessary arrangements to sell the oil and/or gas produced, utilizing such production contracts as we deem most favorable to maximize the commerciality of the well, and (y) Longfellow is required to reimburse us for all costs incurred by us to conduct such operations, and (ii) Longfellow shall grant us an overriding royalty interest of 5% in all sales of oil and gas from such well and any other wells thereafter drilled or produced on the License. The overriding royalty interest shall bear its share of production/severance taxes, and any gathering, transportation, processing, or marketing fees/costs but none of the well costs.

If completed operations for the Goksu 3H well result in perpetuation of the License, Longfellow is entitled to an assignment of all of the our rights in and to the License, and, upon earning such assignment, Longfellow shall assume all responsibility and liability from us as to the License. The terms of the Farmout Agreement shall apply to any such additional well drilled pursuant thereto in all respects as if such additional well was the Goksu 3H well. Longfellow shall have the right, at any time after a transfer has been approved pursuant to the provisions of the Farmout Agreement, and upon 30 days written notice, to take over as operator of the License from us.

Financial and Operational Performance Summary

The following summarizes our financial and operational performance for the second quarter of 2020:

- We reported a $7.7 million net loss for the three months ended June 30, 2020.
- We derived substantially all of our oil and natural gas revenues from the production of oil during the three months ended June 30, 2020.
- Total oil and natural gas sales revenues decreased 62.2% to $6.5 million for the quarter ended June 30, 2020 from $17.1 million in the same period in 2019. The decrease was the result of a $32.94 decrease in the average price received per barrel of oil equivalent (“Boe”) and a decrease in sales volumes of 62,000 barrels of oil equivalent (“Mboe”).
- For the quarter ended June 30, 2020, we incurred $0.6 million in capital expenditures, including seismic and corporate expenditures, as compared to $6.2 million for the quarter ended June 30, 2019.
- As of June 30, 2020, we had $11.3 million in short-term debt, and $46.1 million in Series A Preferred Shares as compared to $2.9 million in long-term debt, $17.1 million in short-term debt, and $46.1 million in Series A Preferred Shares as of December 31, 2019.

Second Quarter 2020 Operational Update

Southeastern Turkey

Molla

During 2020, we plan to continue our recompletion, workover, and production optimization plans in our producing fields, including Bahar, Yeniev, Goksu, Pinar, Southeast Bahar, Catak, and Karagoz. Drilling additional wells will be dependent on oil prices.

Bahar Field. In the second quarter of 2020, we completed construction and began operations of the second phase of electrification of the Bahar field to replace diesel generated power with gas generated power.

Arpatepe Field. In the second quarter of 2020, we started the initial phase of a full field waterflood project for the Arpatepe field. Ultimately, we plan to recomplete four wells in the field as water injection wells and one well as a water source well. Additionally, we plan to build a central facility and gathering system to handle increased volumes. Based on budget and partner considerations the timeline for full implementation is subject to change.

During the second quarter of 2020, we conducted extended reservoir injection tests to both test injectivity and confirm modelling assumptions. The test was consistent with expectations, and we expect to commence continuous injection starting in the second half of 2020.

Selmo

During 2020, we plan to continue our recompletion, workover, and production optimization operations in the Selmo field.

Bulgaria

We are currently evaluating future activity in Bulgaria.

Planned Operations

We expect our net field capital expenditures for the remainder of 2020 to range between $1.0 million and $1.5 million. We expect net field capital expenditures during 2020 will include between $0.5 million and $1.5 million to implement a waterflood in the Bedinan sandstone in the Arpatepe field and up to $0.5 million for recompletions. Our projected 2020 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, 2019 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, 2020 Compared to Three Months Ended June 3, 2019

Our results of operations for the three months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change 2020-2019
	(in thousands of U.S. Dollars, except per unit amounts and production volumes)		
Sales volumes:			
Oil (Mbbl)	199	253	(54)
Natural gas (Mmcf)	1	48	(47)
Total production (Mboe)	199	261	(62)
Average daily sales volumes (Boepd)	2,185	2,873	(688)
Average prices:			
Oil (per Bbl)	$ 32.60	$ 66.57	$ (33.97)
Natural gas (per Mcf)	$ 5.46	$ 5.41	$ 0.05
Oil equivalent (per Boe)	$ 32.60	$ 65.54	$ (32.94)
Revenues:			
Oil and natural gas sales	$ 6,483	$ 17,134	$ (10,651)
Other	17	$ 81	(64)
Total revenues	6,500	17,215	(10,715)
Costs and expenses (income):			
Production	2,380	2,712	(332)
Transportation and processing	961	1,221	(260)
Exploration, abandonment and impairment	-	666	(666)
Seismic and other geological and geophysical	-	108	(108)
General and administrative	2,394	2,690	(296)
Depletion	2,403	3,314	(911)
Depreciation and amortization	114	128	(14)
Interest and other expense	2,396	2,753	(357)
Interest and other income	(292)	(221)	(71)
Foreign exchange loss	356	115	241
Gain (loss) on derivative contracts:			
Cash settlements on derivative contracts	(79)	-	(79)
Change in fair value on derivative contracts	(3,138)	(323)	(2,815)
Total loss on derivative contracts	(3,217)	(323)	(2,894)
Oil and natural gas costs per Boe:			
Production	$ 10.51	$ 9.07	$ 1.44
Depletion	$ 10.58	$ 11.09	$ (0.51)

Oil and Natural Gas Sales. Total oil and natural gas sales revenues decreased to $6.5 million for the three months ended June 30, 2020 from $17.1 million for the same period in 2019. The decrease was primarily due to a decrease in the average realized price per Boe. Our average price received decreased $32.94 per Boe to $32.60 per Boe for the three months ended June 30, 2020 from $65.54 per Boe for the same period in 2019. The decrease was also due to a decrease in our average daily sales volumes of 688 Boe per day ("Boepd") for the three months ended June 30, 2020 as compared to the same period in 2019.

Production. Production expenses decreased to $2.4 million, or $10.51 per Boe, for the three months ended June 30, 2020 from $2.7 million, or $9.07 per Boe, for the same period in 2019. The decrease was primarily due to a decrease in contract labor costs and personnel expenses.

Transportation and Processing. Transportation and processing expense decreased to $1.0 million for the three months ended June 30, 2020 from $1.2 million for the same period in 2019. The decrease in transportation expenses was primarily due to the decrease in our average daily sales volumes of 688 Boepd.

Exploration, Abandonment and Impairment. Exploration, abandonment and impairment cost decreased to zero for the three months ended June 30, 2020 from $0.7 million for the same period in 2019. The decrease was due to the exploratory dry hole write-off of the Deventci R-1 well in 2019.

General and Administrative. General and administrative expense decreased to $2.4 million for the three months ended June 30, 2020 from $2.7 million for the same period in 2019. The decrease was primarily due to a decrease in personnel, travel and office expenses compared to the same period in 2019.

Depletion. Depletion expense decreased to $2.4 million, or $10.58 per Boe, for the three months ended June 30, 2020 from $3.3 million, or $11.09 per Boe, for the same period of 2019. The decrease was primarily due to a reduction in the depletable basis of our oil and gas properties and a decrease in production volumes.

Interest and Other Expense. Interest and other expense decreased to $2.4 million for the three months ended June 30, 2020 from $2.8 million for the same period in 2019. The decrease was due to our lower average debt balances outstanding during the three months ended June 30, 2020 versus the same period in 2019.

Foreign Exchange Loss. We recorded a foreign exchange loss of $0.4 million for the three months ended June 30, 2020 as compared to a loss of $0.1 million for the same period in 2019. 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, 2020 was due to a decrease in the value of the TRY compared to the USD.

Gain (Loss) on Derivative Contracts. We recorded a net gain on derivative contracts of $3.2 million for the three months ended June 30, 2020 as compared to a net loss of $0.3 million for the same period in 2019. During the three months ended June 30, 2020, we recorded a $3.1 million gain to mark our currency derivative contracts to their fair value and a $0.1 million loss on settled contracts. During the same period in 2019, we recorded a $0.3 million loss to mark our derivative contracts to their fair value.

Results of Operations—Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Our results of operations for the six months ended June 30, 2020 and 2019 were as follows:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change 2020-2019
	(in thousands of U.S. Dollars, except per unit amounts and production volumes)		
Sales volumes:			
Oil (Mbbl)	416	523	(107)
Natural gas (Mmcf)	58	98	(40)
Total production (Mboe)	426	539	(113)
Average daily sales volumes (Boepd)	2,341	2,977	(636)
Average prices:			
Oil (per Bbl)	$ 34.99	$ 67.82	$ (32.83)
Natural gas (per Mcf)	$ 4.33	$ 5.68	$ (1.35)
Oil equivalent (per Boe)	$ 34.79	$ 66.81	$ (32.02)
Revenues:			
Oil and natural gas sales	$ 14,826	$ 35,994	$ (21,168)
Other	34	262	(228)
Total revenues	14,860	36,256	(21,396)
Costs and expenses (income):			
Production	5,899	5,214	685
Transportation and processing	2,121	2,540	(419)
Exploration, abandonment and impairment	20,338	5,779	14,559
Seismic and other geological and geophysical	45	185	(140)
General and administrative	4,746	5,744	(998)
Depletion	5,280	6,894	(1,614)
Depreciation and amortization	226	264	(38)
Interest and other expense	4,608	5,231	(623)
Interest and other income	(413)	(395)	(18)
Foreign exchange loss	484	1,388	(904)
Gain (loss) on derivative contracts:			
Cash settlements on derivative contracts	6,468	-	6,468
Change in fair value on derivative contracts	(2,172)	(433)	(1,739)
Total (loss) gain on derivative contracts	4,296	(433)	4,729
Oil and natural gas costs per Boe:			
Production	$ 12.13	$ 8.47	$ 3.66
Depletion	$ 10.84	$ 11.20	$ (0.36)

Oil and Natural Gas Sales. Total oil and natural gas sales revenues decreased to $14.8 million for the six months ended June 30, 2020 from $36.0 million for the same period in 2019. The decrease was primarily due to a decrease in the average realized price per Boe. Our average price received decreased $32.02 per Boe to $34.79 per Boe for the six months ended June 30, 2020 from $66.81 per Boe for the same period in 2019. The decrease was also due to a decrease in our average daily sales volumes of 636 Boepd for the six months ended June 30, 2020 as compared to the same period in 2019.

Production. Production expenses increased to $5.9 million, or $12.13 per Boe, for the six months ended June 30, 2020 from $5.2 million, or $8.47 per Boe, for the same period in 2019. The increase was primarily due to an increase in contract labor costs and personnel expenses.

Transportation and Processing. Transportation and processing expense decreased to $2.1 million for the six months ended June 30, 2020 from $2.5 million for the same period in 2019. The decrease in transportation expenses was primarily due to the decrease in our average daily sales volumes of 636 Boepd.

Exploration, Abandonment and Impairment. Exploration, abandonment and impairment cost increased to $20.3 million for the six months ended June 30, 2020 from $5.8 million for the same period in 2019. The increase was due to proved property impairments of our Selmo and Bahar fields due to the oil price decline and the exploratory dry hole write-off of the Bati-Yasince well.

General and Administrative. General and administrative expense decreased to $4.7 million for the six months ended June 30, 2020 from $5.7 million for the same period in 2019. The decrease was primarily due to a decrease in personnel, travel and office expenses compared to the same period in 2019.

Depletion. Depletion expense decreased to $5.3 million, or $10.84 per Boe, for the six months ended June 30, 2020 from $7.0 million, or $11.20 per Boe, for the same period of 2019. The decrease was primarily due to a reduction in the depletable basis of our oil and gas properties and a decrease in production volumes.

Interest and Other Expense. Interest and other expense decreased to $4.6 million for the six months ended June 30, 2020 from $5.2 million for the same period in 2019. The decrease was due to our lower average debt balances outstanding during the six months ended June 30, 2020 versus the same period in 2019.

Foreign Exchange Loss. We recorded a foreign exchange loss of $0.5 million for the six months ended June 30, 2020 as compared to $1.4 million for the same period in 2019. 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, 2020 was due to a decrease in the value of the TRY compared to the USD.

Gain (Loss) on Derivative Contracts. We recorded a net gain on derivative contracts of $4.3 million for the six months ended June 30, 2020 as compared to a net loss of $0.4 million for the same period in 2019. During the six months ended June 30, 2020, we recorded a $2.2 million loss to mark our currency derivative contracts to their fair value and a $6.5 million gain on settled contracts. During the same period in 2019, we recorded a $0.4 million loss to mark our derivative contracts to their fair value.

Capital Expenditures

For the three months ended June 30, 2020, we incurred $0.6 million in capital expenditures, including seismic and corporate expenditures, as compared to $6.2 million for the same period in 2019.

We expect our net field capital expenditures for the remainder of 2020 to range between $1.0 million and $1.5 million. We expect net field capital expenditures during 2020 will include between $0.5 million and $1.5 million to implement a waterflood in the Bedinan sandstone in the Arpatepe field and up to $0.5 million for recompletions. Our projected 2020 capital expenditure budget is subject to change.

Cash Flows

Net cash provided by operating activities during the six months ended June 30, 2020 was $10.3 million, a decrease from net cash provided by operating activities of $10.6 million for the same period in 2019. The decrease was primarily due to a decrease in our revenues partially offset by changes in our current assets and current liabilities.

Net cash used in investing activities during the six months ended June 30, 2020 was $2.2 million, a decrease from net cash used in investing activities of $15.7 million for the same period in 2019. The decrease was primarily due to a decrease in our capital expenditures compared to the same period in 2019.

Net cash used in financing activities during the six months ended June 30, 2020 was $8.8 million, a decrease from net cash provided by financing activities of $10.1 million for the same period in 2019. The decrease was primarily due to a decrease in our outstanding loans.

Liquidity and Capital Resources

Our primary sources of liquidity for 2020 were our cash and cash equivalents, cash flow from operations, the sale of assets and borrowings under the U.S. Paycheck Protection Program (“PPP”) loan. At June 30, 2020, we had cash and cash equivalents of $8.6 million, $11.3 million in short-term debt, and a working capital surplus of $1.0 million, compared to cash and cash equivalents of $9.7 million, $2.9 million in long-term debt, $17.1 million in short-term debt and a working capital surplus of $2.0 million at December 31, 2019.

In March 2020, crude oil prices declined to approximately $25 per barrel for Brent crude as a result of market concerns about the economic impact from the COVID-19 as well as the ability of OPEC and Russia to agree on a perceived need to implement further production cuts in response to weaker worldwide demand. Since then, Brent crude prices have rebounded to approximately $45.00 per barrel as of August 10, 2020 and remain unpredictable.

As a result of the decline in Brent crude prices, the current near term price outlook and resulting lower current and projected cash flows from operations, we have reduced our planned capital expenditures to those necessary for production lease maintenance and those projecting a return on invested capital at current realized prices. In order to mitigate the impact of reduced prices on our 2020 cash flows and liquidity, we implemented cost reduction measures to reduce our operating costs and general and administrative expenses. In connection therewith, we intend to prioritize funding operating expenditures over general and administrative expenditures, whenever possible.

On March 9, 2020, we unwound our commodity derivative contracts with respect to our future crude oil production. In connection with these transactions, we received $6.5 million. In order to reduce future interest expense, we used these proceeds to pay down the 2019 Term Loan. On April 3, 2020, we entered into a new swap contract with DenizBank, which hedged approximately 2,000 barrels of oil per day. The swap contract is in place from May 2020 through February 2021, has an ICE Brent Index strike price of $36.00 per barrel, and is settled monthly. Therefore, DenizBank is required to make a payment to us if the average monthly ICE Brent Index price is less than $36.00 per barrel, and we are required to make a payment to DenizBank if the average monthly ICE Brent Index price is greater than $36.00 per barrel.

TUPRAS purchases substantially all of our crude oil production. The price of substantially all of the oil delivered pursuant to the purchase and sale agreement with TUPRAS is tied to Arab Medium oil prices adjusted upward based on an API adjustment, Suez Canal tariff costs, and freight charges. Between March 2020 and May 2020, there was a significant widening of the differential between the average monthly ICE Brent Index price and our realized oil prices. In 2018 and 2019, the average monthly ICE Brent Index Price exceeded our realized oil prices by $2.44 and $0.17 per barrel, respectively. The differential between the average monthly ICE Brent Index Price and our realized oil prices widened from $3.40 per barrel in March 2020 to $8.34 per barrel in May 2020. The widening of the differential between the average monthly ICE Brent Index Price and our realized oil prices rendered our hedges less effective, resulting in significantly lowered revenues from March 2020 through May 2020. In June 2020, the differential between the average monthly ICE Brent Index Price and our realized oil prices contracted to $0.74 per barrel, and, in July 2020, our realized oil prices exceeded the average monthly ICE Brent Index Price by $3.71 per barrel. The differential between the average monthly ICE Brent Index Price and our realized oil prices remains unpredictable and may expand or contract in the future.

The price of the oil delivered pursuant to the purchase and sale agreement with TUPRAS is determined under the Petroleum Market Law No. 5015 under the laws of the Republic of Turkey. In November 2019, TUPRAS filed a lawsuit seeking restitution from us for alleged overpayments resulting from the Pricing Amendment. TUPRAS also claimed that the Pricing Amendment violates the Constitution of the Republic of Turkey and seeks to have the Pricing Amendment cancelled. Additionally, in April 2020, TUPRAS notified us that it intends to extend payment terms for oil purchases by 60 days. The outcome of the TUPRAS lawsuit and negotiations regarding the extension of payment terms is uncertain; however, a conclusion of the lawsuit in TUPRAS's favor or an extension of payment terms would reduce or delay our cash flow and decrease our cash balances.

In the second quarter of 2020, we borrowed approximately $626,000 pursuant to the PPP to cover certain payroll, benefit, and rent expenses. We have forecast that amounts borrowed or received pursuant to the PPP will be forgiven for cash flow purposes. New guidance on the criteria for forgiveness continues to be released, and we currently expect that we will meet the conditions for forgiveness for a majority of the loan. Additionally, in the second quarter of 2020, the Turkish government passed legislation permitting employers to reduce the working hours of employees, reducing payroll and benefit expenses, through the end of August 2020. The actual reduction in payroll and benefit expenses due to this legislation is approximately $533,000.

As of June 30, 2020, we had $10.0 million of outstanding principal under the 2019 Term Loan. The 2019 Term Loan is payable in seven monthly installments of $1.4 million plus accrued interest from July 2020 through the maturity date in February 2021. In addition, dividends on our 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 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%. In order to conserve cash, we elected to pay the 2020 second quarter dividend in common shares, and, as such, on July 30, 2020, we issued 5,819,908 common shares to holders of Series A Preferred Shares.

On August 7, 2020, to supplement our liquidity, we entered into an up to $8.0 million loan with an affiliate of Mr. Mitchell. The loan is due August 7, 2021. Even with this additional liquidity, as of the date hereof, based on cash on hand and projected future cash flow from operations, our current liquidity position is severely constrained. As a result, substantial doubt exists regarding our ability to continue as a going concern. Our management is actively pursuing improving our working capital position in order to remain a going concern for the foreseeable future.

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 bore 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 was 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.

On December 30, 2019 we repaid the 2017 Term Loan in full in accordance with its terms.

2018 Term Loan. On May 28, 2018, DenizBank entered into the 2018 Term Loan under the Credit Agreement. The 2018 Term Loan bore 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 was payable monthly and the principal on the 2018 Term Loan was 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.

On December 30, 2019 we repaid the 2018 Term Loan in full in accordance with its terms.

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 were due. Thereafter, accrued interest on the 2019 Term Loan was payable monthly and the principal on the 2019 Term Loan was payable in 14 monthly installments of $1.4 million each.

On March 9, 2020, we unwound our three-way collar contract with DenizBank and received approximately $6.5 million in proceeds which we used to pay down the 2019 Term Loan. As part of the pay down, DenizBank extended a grace period for principal repayments until June 29, 2020 at which time we will resume principal payments for one monthly installment in June 2020 of $0.6 million and seven monthly installments of $1.4 million beginning in July 2020. 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 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 Gundem real estate and Muratli real estate owned by Gundem, (iv) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% by Mr. Uras, and (v) 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, 2020, we had $10.6 million outstanding under the 2019 Term Loan and no availability, and we were in compliance with the covenants in the 2019 Term Loan.

Loan and Security Agreement. In addition, on August 7, 2020, we entered into the Loan Agreement with the Lender. Pursuant to the Loan Agreement, the Lender has committed to lend us an aggregate principal amount of up to $8.0 million. Advances shall be made available by Lender and applied by us in accordance with a budget agreed to by us and the Lender and subject to milestones set forth in the Loan Agreement. We intend to use the proceeds of the Loan to finance our and our subsidiaries working capital needs in accordance with the budget.

The outstanding borrowings under the Loan Agreement bear interest at a rate equal to 10% per annum. Principal on the Loan does not amortize and is required to be repaid in full on the maturity date of August 7, 2021. The Loan may be optionally prepaid in whole or in part from time to time without fee, premium, or penalty.

Our obligations under the Loan Agreement are secured by all of our present and future accounts, chattel paper, commercial tort claims, commodity accounts, commodity contracts, contracts receivable, deposit accounts, documents, financial assets, general intangibles, instruments, investment property (including all of our right, title, and interest in and to all of the capital stock of TransAtlantic Petroleum (USA) Corp. and TransAtlantic Worldwide Ltd., each our wholly-owned direct subsidiary), letters of credit, letter of credit rights, payment intangibles, securities, notes receivable, choses of action, security accounts, and security entitlements, now or hereafter owned, held, or acquired. The Loan Agreement contains representations, warranties, covenants, and events of default.

Series A Preferred Shares. As of June 30, 2020, 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, 2020, we had $5.0 million of Series A Preferred Shares and $41.1 million of Series A Preferred Shares – related party outstanding (See Note 3. "Series A Preferred Shares").

Paycheck Protection Program

On April 10, 2020, we received loan proceeds in the amount of $626,000 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. We used the proceeds for purposes consistent with the PPP and believe that our use of the loan proceeds will meet the conditions for forgiveness of a majority the loan.

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, 2020, 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, 2020, 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, 2020 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 2020, 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, 2019 as supplemented by "Part II, Item 1. Legal Proceedings" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Item 1A. Risk Factors

During the second quarter of 2020, there were no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, other than as set forth below:

The consummation of the transactions contemplated by the Merger Agreement is contingent upon the satisfaction of a number of conditions, including approval by our shareholders, which may not be satisfied or completed on a timely basis, if at all. Failure to complete the transactions contemplated by the Merger Agreement could negatively impact our share price, business, financial condition, results of operations or prospects.

The closing of the transactions contemplated by the Merger Agreement is subject to conditions to closing which are not wholly within our control, including, among other things, adoption of the Merger Agreement by holders of common shares by at least 75% of the votes cast and holders of Series A Preferred Shares with at least 75% of the votes cast, in each case at a duly convened meeting of our shareholders at which a quorum is present. We cannot assure you that each of the conditions will be satisfied or waived in a timely manner, if at all, and the merger may be delayed or not consummated. If the conditions are not satisfied or waived in a timely manner and the merger is delayed or not consummated, we may lose some or all of the intended or perceived benefits of the merger, which could cause our stock price to decline and harm our business.

We are also subject to additional risks in connection with the merger, including, without limitation: (1) the parties' ability to meet expectations regarding the timing and completion of the merger; (2) the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement; (3) the effect of the announcement or pendency of the merger on our business relationships, operating results, and business generally; (4) risks that the proposed merger disrupts our current plans and operations; (5) the amount of the costs, fees, expenses and other charges related to the merger; (6) the outcome of any legal proceedings that may be instituted against us, our directors or others relating to the transactions contemplated by the Merger Agreement, which could result in significant defense costs, serve as a distraction to management and directors and delay completion of the merger in the expected timeframe or altogether; (7) the restrictions imposed on our business and operations pursuant to the affirmative and negative covenants set forth in the Merger Agreement and the potential impact of such covenants on our business; (8) the risk that the merger will divert management's attention resulting in a potential disruption of our current business plan; and (9) potential difficulties in employee retention arising from the merger.

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

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

2.1	Agreement and Plan of Merger, dated August 7, 2020, by and among TAT Holdco LLC, TAT Merger Sub LLC, and TransAtlantic Petroleum Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 4, 2020, filed with the SEC on August 7, 2020).
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).
3.6	Amendment No. 1 to the 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 May 22, 2020, filed with the SEC on May 27, 2020).
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	Landlord Consent, dated June 30, 2020, by and between TransAtlantic Petroleum (USA) Corp. and Longfellow Energy LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 30, 2020, filed with the SEC on July 2, 2020).
10.2	Limited Guaranty, dated August 7, 2020, made by Dalea Partners, LP in favor of TransAtlantic Petroleum Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 4, 2020, filed with the SEC on August 7, 2020).
10.3	Loan and Security Agreement, dated August 7, 2020, by and between TransAtlantic Petroleum Ltd. and Dalea Investment Group, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 4, 2020, filed with the SEC on August 7, 2020).
10.4	Farmout Agreement, dated August 4, 2020, by and between TransAtlantic Petroleum Ltd. and Longfellow Energy, LP (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated August 4, 2020, filed with the SEC on August 7, 2020).
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 12, 2020

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 12, 2020

/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 12, 2020

/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, 2020 (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 12, 2020

/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.