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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended: **March 31, 2019**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **001-34574**

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**TRANSATLANTIC PETROLEUM LTD.**

(Exact name of registrant as specified in its charter)

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**Bermuda**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**16803 Dallas Parkway**  
**Addison, Texas**  
(Address of Principal Executive Offices)

**None**  
(I.R.S. Employer  
Identification No.)

**75001**  
(Zip Code)

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

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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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

<u>Title of each class</u>	<u>Ticker Symbol</u>	<u>Name of each exchange on which registered</u>
Common shares, par value \$0.10	TAT	NYSE American

As of May 3, 2019, the registrant had 52,496,666 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 1 A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2018. Such factors include, but are not limited to, the following: our ability to access sufficient capital to fund our operations; fluctuations in and volatility of the market prices for oil and natural gas products; the ability to produce and transport oil and natural gas; the results of exploration and development drilling and related activities; global economic conditions, particularly in the countries in which we carry on business, especially economic slowdowns; actions by governmental authorities including increases in taxes, legislative and regulatory initiatives related to fracture stimulation activities, changes in environmental and other regulations, and renegotiations of contracts; political uncertainty, including actions by insurgent groups or other conflicts; the negotiation and closing of material contracts or sale of assets; future capital requirements and the availability of financing; risks associated with drilling, operating and decommissioning wells; actions of third-party co-owners of interests in properties in which we also own an interest; and the other factors discussed in other documents that we file with or furnish to the U.S. Securities and Exchange Commission (the “SEC”) and Canadian securities regulatory authorities. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors and our course of action would depend upon our assessment of the future, considering all information then available. In that regard, any statements as to: future oil or natural gas production levels; capital expenditures; asset sales; the allocation of capital expenditures to exploration and development activities; sources of funding for our capital expenditure programs or operations; drilling of new wells; demand for oil and natural gas products; expenditures and allowances relating to environmental matters; dates by which certain areas will be developed or will come on-stream; expected finding and development costs; future production rates; ultimate recoverability of reserves, including the ability to convert probable and possible reserves to proved reserves; dates by which transactions are expected to close; future cash flows, uses of cash flows, collectability of receivables and availability of trade credit; expected operating costs; changes in any of the foregoing; and other statements using forward-looking terminology are forward-looking statements, and there can be no assurance that the expectations conveyed by such forward-looking statements will, in fact, be realized.

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

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

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 19,734	\$ 9,892
Accounts receivable, net		
Oil and natural gas sales	21,852	12,912
Joint interest and other	1,061	982
Related party	898	878
Prepaid and other current assets	9,304	8,696
Note receivable - related party	-	5,828
Inventory	4,830	5,167
Total current assets	<u>57,679</u>	<u>44,355</u>
<b>Property and equipment:</b>		
Oil and natural gas properties (successful efforts method)		
Proved	155,808	163,006
Unproved	15,195	15,695
Equipment and other property	13,559	14,408
	<u>184,562</u>	<u>193,109</u>
Less accumulated depreciation, depletion and amortization	(102,607)	(105,850)
Property and equipment, net	81,955	87,259
<b>Other long-term assets:</b>		
Other assets	3,380	986
Note receivable - related party	4,609	-
Total other assets	7,989	986
<b>Total assets</b>	<u>\$ 147,623</u>	<u>\$ 132,600</u>
<b>LIABILITIES, SERIES A PREFERRED SHARES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 6,074	\$ 3,896
Accounts payable - related party	2,667	2,922
Accrued liabilities	16,877	13,073
Derivative liability	110	-
Loans payable	21,186	22,000
Total current liabilities	<u>46,914</u>	<u>41,891</u>
<b>Long-term liabilities:</b>		
Asset retirement obligations	4,490	4,667
Accrued liabilities	9,620	7,259
Deferred income taxes	20,531	20,314
Loans payable	15,714	-
Total long-term liabilities	<u>50,355</u>	<u>32,240</u>
<b>Total liabilities</b>	<u>97,269</u>	<u>74,131</u>
<b>Commitments and contingencies</b>		
Series A preferred shares, \$0.01 par value, 426,000 shares authorized; 426,000 shares issued and outstanding with a liquidation preference of \$50 per share as of March 31, 2019 and December 31, 2018	21,300	21,300
Series A preferred shares-related party, \$0.01 par value, 495,000 shares authorized; 495,000 shares issued and outstanding with a liquidation preference of \$50 per share as of March 31, 2019 and December 31, 2018	24,750	24,750
<b>Shareholders' equity:</b>		
Common shares, \$0.10 par value, 200,000,000 shares authorized; 52,496,666 shares and 52,413,588 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	5,249	5,241
Treasury stock	(970)	(970)
Additional paid-in-capital	577,493	577,488
Accumulated other comprehensive loss	(146,247)	(142,021)
Accumulated deficit	(431,221)	(427,319)
Total shareholders' equity	<u>4,304</u>	<u>12,419</u>
<b>Total liabilities, Series A preferred shares and shareholders' equity</b>	<u>\$ 147,623</u>	<u>\$ 132,600</u>

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)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Oil and natural gas sales	\$ 18,861	\$ 16,661
Other	180	265
<b>Total revenues</b>	<b>19,041</b>	<b>16,926</b>
<b>Costs and expenses:</b>		
Production	2,502	2,869
Transportation and processing	1,319	1,193
Exploration, abandonment and impairment	5,113	40
Seismic and other exploration	77	159
General and administrative	3,054	3,337
Depreciation, depletion and amortization	3,716	4,459
Accretion of asset retirement obligations	52	46
<b>Total costs and expenses</b>	<b>15,833</b>	<b>12,103</b>
<b>Operating income (loss)</b>	<b>3,208</b>	<b>4,823</b>
<b>Other income (expense):</b>		
Interest and other expense	(2,478)	(2,782)
Interest and other income	174	254
Loss on derivative contracts	(110)	(725)
Foreign exchange loss	(1,273)	(2,058)
<b>Total other expense</b>	<b>(3,687)</b>	<b>(5,311)</b>
<b>Loss from operations before income taxes</b>	<b>(479)</b>	<b>(488)</b>
Income tax expense	(3,423)	(1,287)
<b>Net loss</b>	<b>(3,902)</b>	<b>(1,775)</b>
<b>Other comprehensive income (loss):</b>		
Foreign currency translation adjustment	(4,226)	(2,343)
<b>Comprehensive loss</b>	<b>\$ (8,128)</b>	<b>\$ (4,118)</b>
<b>Net loss per common share</b>		
Basic net loss per common share	\$ (0.07)	\$ (0.04)
Weighted average common shares outstanding	52,483	50,374
Diluted net loss per common share	\$ (0.07)	\$ (0.04)
Weighted average common and common equivalent shares outstanding	52,483	50,374

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

**TRANSATLANTIC PETROLEUM LTD.**  
Consolidated Statement of Equity for the Three Months Ended March 31, 2019 and 2018  
(Unaudited)  
(U.S. Dollars and shares in thousands)

	Common Shares	Treasury Shares	Warrants	Common Shares	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
<b>Balance at December 31, 2017</b>	50,319	333	700	\$ 5,032	\$ (970)	\$575,411	\$ (124,766)	\$ (422,103)	\$ 32,604
Expiration of warrants	-	-	(700)	-	-	-	-	-	-
Issuance of restricted stock units	64	-	-	6	-	(6)	-	-	-
Share-based compensation	-	-	-	-	-	101	-	-	101
Tax effect of restricted stock	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(2,343)	-	(2,343)
Net loss	-	-	-	-	-	-	-	(1,775)	(1,775)
<b>Balance at March 31, 2018</b>	<u>50,383</u>	<u>333</u>	<u>-</u>	<u>\$ 5,038</u>	<u>\$ (970)</u>	<u>\$575,506</u>	<u>\$ (127,109)</u>	<u>\$ (423,878)</u>	<u>\$ 28,587</u>
<b>Balance at December 31, 2018</b>	52,413	333	-	\$ 5,241	\$ (970)	\$577,488	\$ (142,021)	\$ (427,319)	\$ 12,419
Issuance of restricted stock units	83	-	-	8	-	(8)	-	-	-
Share-based compensation	-	-	-	-	-	102	-	-	102
Tax effect of restricted stock	-	-	-	-	-	(89)	-	-	(89)
Foreign currency translation adjustment	-	-	-	-	-	-	(4,226)	-	(4,226)
Net loss	-	-	-	-	-	-	-	(3,902)	(3,902)
<b>Balance at March 31, 2019</b>	<u>52,496</u>	<u>333</u>	<u>-</u>	<u>\$ 5,249</u>	<u>\$ (970)</u>	<u>\$577,493</u>	<u>\$ (146,247)</u>	<u>\$ (431,221)</u>	<u>\$ 4,304</u>

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)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities:</b>		
Net loss	\$ (3,902)	\$ (1,775)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation	102	101
Foreign currency loss	1,637	2,634
Loss on derivative contracts	110	725
Cash settlement on derivative contracts	-	(1,339)
Amortization on loan financing costs	10	10
Deferred income tax expense	1,769	767
Exploration, abandonment and impairment	5,113	40
Depreciation, depletion and amortization	3,716	4,459
Accretion of asset retirement obligations	52	46
Changes in operating assets and liabilities:		
Accounts receivable	(10,216)	(548)
Prepaid expenses and other assets	(3,757)	(1,091)
Accounts payable and accrued liabilities	9,880	3,781
Net cash provided by operating activities	<u>4,514</u>	<u>7,810</u>
<b>Investing activities:</b>		
Additions to oil and natural gas properties	(9,326)	(6,337)
Additions to equipment and other properties	-	(677)
Net used in provided by investing activities	<u>(9,326)</u>	<u>(7,014)</u>
<b>Financing activities:</b>		
Tax withholding on restricted share units	(88)	-
Note receivable - related party	1,000	-
Loan proceeds	20,000	-
Loan repayment	(5,100)	(4,125)
Net cash provided by (used in) financing activities	<u>15,812</u>	<u>(4,125)</u>
Effect of exchange rate on cash flows, cash equivalents, and restricted cash	(1,018)	(716)
Net increase (decrease) in cash, cash equivalents and restricted cash	9,982	(4,045)
Cash, cash equivalents and restricted cash, beginning of period (1)	9,892	20,431
Cash, cash equivalents and restricted cash, end of period (2)	<u>\$ 19,874</u>	<u>\$ 16,386</u>
<b>Supplemental disclosures:</b>		
Cash paid for interest	<u>\$ 526</u>	<u>\$ 3,104</u>
Cash paid for taxes	<u>\$ 1,178</u>	<u>\$ 657</u>

- (1) The beginning of period balance at December 31, 2018 includes cash and cash equivalents of \$9.9 million and restricted cash of \$0.1 million in other assets. The beginning of period balance at December 31, 2017 includes cash and cash equivalents of \$18.9 million and restricted cash of \$1.5 million in other assets
- (2) The end of period balance at March 31, 2019 includes cash and cash equivalents of \$19.7 million and restricted cash of \$0.1 million in other assets. The end of period balance at March 31, 2018 includes cash and cash equivalents of \$16.3 million and restricted cash of \$0.1 million in other assets.

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

**TRANSATLANTIC PETROLEUM LTD.**  
Notes to Consolidated Financial Statements  
(Unaudited)

**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 May 3, 2019, approximately 48% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors.

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

***Basis of presentation***

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

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

***Liquidity***

During the three months ended March 31, 2019, we repaid \$5.1 million of outstanding debt and entered into the 2019 Term Loan with DenizBank, A.S. (“DenizBank”) for \$20.0 million (see Note 7 “Loans Payable”).

As of March 31, 2019, we had \$15.7 million of long-term debt, \$21.2 million of short-term debt, \$19.7 million in cash and a \$10.8 million work capital surplus.

Based on current forecasted oil prices for 2019 and beyond, we believe that our cash flows from operations and existing cash on hand are sufficient to conduct our planned operations and meet our contractual requirements, including license obligations through June 30, 2020.

**2. Recent accounting pronouncements**

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

twelve months or less off of the consolidated balance sheet. On January 1, 2019, we also recognized \$2.7 million of additional right-of-use assets and liabilities on our consolidated balance sheet.

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

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

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

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

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

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

### **3. Series A Preferred Shares**

#### ***Series A Preferred Shares***

As of March 31, 2019 and 2018, we had 921,000 outstanding shares of our 12.0% Series A Convertible Redeemable Preferred Shares (“Series A Preferred Shares”). The Series A Preferred Shares contain a substantive conversion option, are mandatorily redeemable and convert into a fixed number of common shares. As a result, under U.S. GAAP, we have classified the Series A Preferred Shares within mezzanine equity in our consolidated balance sheets. As of March 31, 2019, there were \$21.3 million of Series A Preferred Shares and \$24.8 million of Series A Preferred Shares – related party outstanding (See Note 13. “Related party transactions”).

Pursuant to the Certificate of Designations for the Series A Preferred Shares (the “Certificate of Designations”), each Series A Preferred Share may be converted at any time, at the option of the holder, into 45.754 common shares (which is equal to an initial

conversion price of approximately \$1.0928 per common share and is subject to customary adjustments for stock splits, stock dividends, recapitalizations or other fundamental changes).

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

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

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

Dividends on the Series A Preferred Shares are payable quarterly at our election in cash, common shares or a combination of cash and common shares at an annual dividend rate of 12.0% of the liquidation preference if paid all in cash or 16.0% of the liquidation preference if paid in common shares. If paid partially in cash and partially in common shares, the dividend rate on the cash portion is 12.0%, and the dividend rate on the common share portion is 16.0%. Dividends are payable quarterly on March 31, June 30, September 30, and December 31 of each year. The holders of the Series A Preferred Shares also are entitled to participate pro-rata in any dividends paid on the common shares on an as-converted-to-common shares basis. For the three months ended March 31, 2019 and 2018, we paid \$1.3 million in cash 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.

#### 4. Property and equipment

##### *Oil and natural gas properties*

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

	March 31, 2019	December 31, 2018
	(in thousands)	
Oil and natural gas properties, proved:		
Turkey	\$ 155,306	\$ 162,494
Bulgaria	502	512
Total oil and natural gas properties, proved	155,808	163,006
Oil and natural gas properties, unproved:		
Turkey	15,195	14,965
Bulgaria	—	730
Total oil and natural gas properties, unproved	15,195	15,695
Gross oil and natural gas properties	171,003	178,701
Accumulated depletion	(97,449)	(100,582)
Net oil and natural gas properties	\$ 73,554	\$ 78,119

The decline in oil and natural gas properties during the three months ended March 31, 2019 was primarily driven by the devaluation of the New Turkish Lira (“TRY”) versus the USD. From December 31, 2018 to March 31, 2019, the TRY to the USD declined 7.0%. At March 31, 2019, the exchange rate was 5.6284 as compared to 5.2609 at December 31, 2018. For the three months ended March 31, 2019, foreign currency translations reduced oil and natural gas properties and increased accumulated other comprehensive loss within shareholders’ equity on our consolidated balance sheet.

At March 31, 2019 and December 31, 2018, we excluded \$0.3 million and \$0.5 million, respectively, from the depletion calculation for proved development wells currently in progress and for costs associated with fields currently not in production.

At March 31, 2019, the capitalized costs of our oil and natural gas properties, net of accumulated depletion, included \$6.9 million relating to acquisition costs of proved properties, which are being depleted by the unit-of-production method using total proved reserves, and \$51.2 million relating to well costs and additional development costs, which are being depleted by the unit-of-production method using proved developed reserves.

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

##### *Impairments of proved properties and impairment of exploratory well costs*

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

During the three months ended March 31, 2019 and 2018, we recorded \$5.1 million of exploratory dry-hole costs and \$0.1 million of impairment of proved properties, respectively, which are primarily measured using Level 3 inputs.

##### *Capitalized cost greater than one year*

As of March 31, 2019, there were no exploratory well costs greater than one year.

## Equipment and other property

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

	March 31, 2019	December 31, 2018
	(in thousands)	
Other equipment	\$ 1,159	\$ 1,240
Land	140	149
Inventory	6,323	6,791
Gas gathering system and facilities	182	194
Vehicles	317	336
Leasehold improvements, office equipment and software	5,438	5,698
Gross equipment and other property	13,559	14,408
Accumulated depreciation	(5,158)	(5,268)
Net equipment and other property	<u>\$ 8,401</u>	<u>\$ 9,140</u>

At March 31, 2019, in addition to the above, we have classified \$4.8 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 March 31, 2019 and December 31, 2018, we excluded \$11.2 million and \$12.0 million of inventory, respectively, from depreciation as the inventory had not been placed into service.

## 5. Asset retirement obligations

The following table summarizes the changes in our asset retirement obligations (“ARO”) for the three months ended March 31, 2019 and for the year ended December 31, 2018:

	March 31, 2019	December 31, 2018
	(in thousands)	
Asset retirement obligations at beginning of period	\$ 4,667	\$ 4,727
Liabilities settled	-	-
Foreign exchange change effect	(288)	(1,270)
Additions	59	1,036
Accretion expense	52	174
Asset retirement obligations at end of period	<u>\$ 4,490</u>	<u>\$ 4,667</u>

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.

During the three months ended March 31, 2019 and 2018, we recorded accretion expense of \$0.1 million and \$0.1 million, respectively.

## 6. Derivative instruments

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

### 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 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.”

At March 31, 2019, we had outstanding foreign exchange derivative contracts as set forth in the tables below:

#### Fair Value of Foreign Exchange Derivative Instruments as of March 31, 2019

Type	Buy/Sell	Rate	Settlement Date	Buy Currency	Buy Currency Amount	Sell Currency	Sell Currency Amount	Estimated Fair Value of Asset (Liability)
								(in thousands)
FXOPT	Buy	5.750	04/29/19	TRY	8,625,000	USD	1,500,000	8
FXOPT	Sell	5.750	04/29/19	USD	2,250,000	TRY	12,937,500	(59)
FXOPT	Buy	5.750	06/03/19	TRY	8,625,000	USD	1,500,000	8
FXOPT	Sell	5.750	06/03/19	USD	2,250,000	TRY	12,937,500	(41)
FXOPT	Buy	5.750	07/01/19	TRY	8,625,000	USD	1,500,000	7
FXOPT	Sell	5.750	07/01/19	USD	2,250,000	TRY	12,937,500	(33)
Total Estimated Fair Value of Liability								<u>\$ (110)</u>

During the three months ended March 31, 2019 and 2018, we recorded a net loss on derivative contracts of \$0.1 million and \$0.7 million, respectively.

### Balance sheet presentation

The following table summarizes both: (i) the gross fair value of our derivative instruments by the appropriate balance sheet classification even when the derivative instruments are subject to netting arrangements and qualify for net presentation in our consolidated balance sheets at March 31, 2019, and (ii) the net recorded fair value as reflected on our consolidated balance sheet at March 31, 2019.

Type of Derivative Contract	Location on Consolidated Balance Sheets	As of March 31, 2019		
		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)	
Foreign exchange	Current liabilities	\$ 133	\$ (23)	\$ 110
Foreign exchange	Long-term liabilities	\$ -	\$ -	\$ -

### 7. Loans payable

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

	March 31, 2019	December 31, 2018
<b>Fixed and floating rate loans</b>		
	(in thousands)	
Term Loans (1)	\$ 36,900	\$ 22,000
Less: current portion	21,186	22,000
Long-term portion	<u>\$ 15,714</u>	<u>\$ -</u>

(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.

#### **2016 Term Loan**

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

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

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

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

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

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

#### **2017 Term Loan**

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

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

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

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

At March 31, 2019, we had \$9.4 million outstanding under the 2017 Term Loan and no availability, and we were in compliance with the covenants in the 2017 Term Loan.

#### **2018 Term Loan**

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

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

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

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

At March 31, 2019, we had \$7.5 million outstanding under the 2018 Term Loan and no availability, and we were in compliance with the covenants in the 2018 Term Loan.

#### **2019 Term Loan**

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

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

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

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

At March 31, 2019, we had \$20.0 million outstanding under the 2019 Term Loan and no availability, and we were in compliance with the covenants in the 2019 Term Loan.

For the three months ended March 31, 2019 and 2018, we recorded interest expense related to the 2016, 2017 and 2018 Term Loans of \$0.3 million and \$0.1 million, respectively.

#### *Unsecured lines of credit*

Our wholly-owned subsidiaries operating in Turkey are party to unsecured, non-interest bearing lines of credit with a Turkish bank. At March 31, 2019, we had no outstanding borrowings under these lines of credit.

### **8. Leases**

#### *Operating leases*

We lease office space in Dallas, Texas, Bulgaria and Turkey. We also lease apartments, vehicles and operations yards in Turkey. The terms of our lease agreements generally range from one to five years, 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. We currently do not have any financing leases.

Operating leases are included in prepaid and other current assets and other assets and accrued liabilities (current and long-term) on our consolidated balance sheet. Lease expense for our operating leases is recognized in our consolidated statements of 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:

	<b>March 31, 2019</b>	
	<b>(in thousands)</b>	
Operations yards	\$	146
Office rent		58
Vehicles		36
Other		23
Total lease costs	\$	<u>263</u>

Future non-cancelable minimum lease payments under our operating lease commitments as of March 31, 2019 are as follows for each of the next five years and thereafter:

	<b>March 31, 2019</b>	
	<b>(in thousands)</b>	
Remainder of 2019	\$	756
2020		731
2021		658
2022		648
2023		327
2024		-
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>3,120</b>
Less: Imputed interest		567
<b>Present value of lease liabilities</b>	<b>\$</b>	<b>2,553</b>

As of March 31, 2019, the weighted average remaining lease term in years is 4.25 years and the weighted average discount rate used was 7.55%.

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

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

## 9. Contingencies relating to production leases and exploration permits

### *Selmo*

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

### *Bulgaria*

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

In October 2015, the Bulgarian Minister of Energy filed a suit in the Sofia City Court against Direct Petroleum Bulgaria EOOD ("Direct Bulgaria"), claiming \$200,000 in liquidated damages for Direct Bulgaria's alleged failure to fulfill its obligations under the Aglen exploration permit work program. In May 2018, the Sofia City Court concluded that Direct Bulgaria did not fail to fulfill its obligations under the Aglen exploration permit work program as Direct Bulgaria received a force majeure event recognition as a result of a fracture stimulation ban in 2012, imposed by the Bulgarian Parliament, which force majeure event had not been terminated before the expiry of Direct Bulgaria's obligations under the Aglen exploration permit work program. Additionally, the Sofia City Court concluded that, even if Direct Bulgaria had failed to fulfill its obligations under the Aglen exploration permit work program, the Bulgarian Minister of Energy failed to file suit within the three-year limitation period. Therefore, the Sofia City Court dismissed all claims of the Bulgarian Minister of Energy and ordered the Bulgarian Minister of Energy to pay Direct Bulgaria's attorney's fees and

legal costs for court experts. In June 2018, the Bulgarian Minister of Energy filed an appeal in the Sofia Court of Appeal. In November 2018, the Sofia Court of Appeal concluded that the judgement of the Sofia City Court was correct and, therefore, dismissed the Bulgarian Minister of Energy's appeal. In January 2019, the Bulgarian Minister of Energy filed an appeal in the Supreme Court of Cassation. We continue to vigorously defend against this claim.

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

## 10. Shareholders' equity

### *Restricted stock units*

We recorded share-based compensation expense of \$0.1 million and \$0.1 million for awards of restricted stock units ("RSUs") for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, we had approximately \$0.2 million of unrecognized compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 0.8 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 months ended March 31, 2019 and 2018 equals net loss divided by the weighted average shares outstanding during the periods. Weighted average shares outstanding are equal to the weighted average of all shares outstanding for the period, excluding unvested RSUs. Diluted earnings per common share for the three months ended March 31, 2019 and 2018 are computed in the same manner as basic earnings per common share after assuming the issuance of common shares for all potentially dilutive common share equivalents, which includes RSUs and preferred shares, whether exercisable or not. For the three months ended March 31, 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:

<i>(in thousands, except per share amounts)</i>	Three Months Ended March 31,	
	2019	2018
Net loss	\$ (3,902)	\$ (1,775)
Basic net loss earnings per common share:		
Shares:		
Weighted average common shares outstanding	52,483	50,374
Basic net loss per common share:	\$ (0.07)	\$ (0.04)
Diluted net loss per common share:		
Shares:		
Weighted average common shares outstanding	52,483	50,374
Diluted net loss per common share:	\$ (0.07)	\$ (0.04)

## 11. Segment information

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

	Corporate	Turkey	Bulgaria	Total
	(in thousands)			
<i>For the three months ended March 31, 2019</i>				
Total revenues	\$ -	\$ 19,041	\$ -	\$ 19,041
(Loss) income from operations before income taxes	(2,873)	7,616	(5,222)	(479)
Capital expenditures	\$ -	\$ 9,857	\$ -	\$ 9,857
<i>For the three months ended March 31, 2018</i>				
Total revenues	\$ -	\$ 16,926	\$ -	\$ 16,926
(Loss) income from operations before income taxes	(3,806)	3,364	(46)	(488)
Capital expenditures	\$ -	\$ 5,246	\$ -	\$ 5,246
<i>Segment assets</i>				
March 31, 2019	\$ 11,244	\$ 134,831	\$ 1,548	\$ 147,623
December 31, 2018	\$ 8,358	\$ 122,325	\$ 1,917	\$ 132,600

## 12. Financial instruments

### *Interest rate risk*

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

### *Foreign currency risk*

We have underlying foreign currency exchange rate exposure. Our currency exposures primarily relate to transactions denominated in the Bulgarian Lev, the European Union Euro, and the TRY. We are also subject to foreign currency exposures resulting from translating the functional currency of our subsidiary financial statements into the USD reporting currency. At March 31, 2019, we had 1.2 million TRY (approximately \$0.2 million) in cash and cash equivalents, which exposes us to exchange rate risk based on fluctuations in the value of the TRY. At March 31, 2019, we were a party to foreign exchange derivative contracts (See Note 6. “Derivative instruments”).

### *Commodity price risk*

We are exposed to fluctuations in commodity prices for oil and natural gas. Commodity prices are affected by many factors, including, but not limited to, supply and demand. At March 31, 2019 and December 31, 2018, we were not party to any commodity derivative contracts.

### *Concentration of credit risk*

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

**Fair value measurements**

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

The following table summarizes the valuation of our financial assets and liabilities as of March 31, 2019:

	Fair Value Measurement Classification			
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
(in thousands)				
<i>Measured on a recurring basis</i>				
Liabilities:				
Foreign exchange derivative contracts	\$ -	\$ (110)	\$ -	\$ (110)
<i>Disclosed but not carried at fair value</i>				
Liabilities:				
2019 Term Loan	-	-	(15,981)	(15,981)
2018 Term Loan	-	-	(7,014)	(7,014)
2017 Term Loan	-	-	(8,789)	(8,789)
Total	\$ -	\$ -	\$ (31,784)	\$ (31,784)

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

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

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

### 13. Related party transactions

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

	March 31, 2019	December 31, 2018
	(in thousands)	
<i>Related party accounts receivable:</i>		
Service Agreement	\$ 412	\$ 526
PSI MSA	486	352
Total related party accounts receivable	<u>\$ 898</u>	<u>\$ 878</u>
<i>Related party accounts payable:</i>		
Service Agreement	\$ 309	\$ 372
PSI MSA	1,677	2,439
Interest payable on Series A Preferred	681	-
Other - board of directors fees	-	111
Total related party accounts payable	<u>\$ 2,667</u>	<u>\$ 2,922</u>

#### *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 March 31, 2019, we had \$0.4 million of outstanding receivables and \$0.3 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 March 31, 2019, we had \$0.5 million of outstanding receivables and \$1.7 million of outstanding payables pursuant to the PSI MSA.

#### *Office sublease*

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

TransAtlantic USA subleases approximately 10,000 square feet of corporate office space in Addison, Texas. The initial lease term under the Sublease commenced on June 14, 2018 (the "Commencement Date") and expires on June 30, 2020, unless earlier terminated in accordance with the Sublease. From the Commencement Date until June 30, 2019, TransAtlantic USA is 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 three months ended March 31, 2019, we reduced the principal amount of the Note by \$1.0 million for amounts prepaid by Dalea on February 28, 2019 in conjunction with the Note Amendment and by \$0.1 million for cash dividends paid on the Series A Preferred Shares.

As of March 31, 2019, the amount receivable under the Note was \$4.6 million.

### ***Pledge fee agreements***

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

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

Amounts payable to Mr. Mitchell under the Gundem Fee Agreement and the Diyarbakir Fee Agreement are used to reduce the outstanding principal amount of the Amended Note. During the three months ended March 31, 2019, we reduced the principal amount of the Amended Note by \$0.1 million for amounts paid under the pledge fee agreements.

### **14. Subsequent Events**

On April 1 and April 24, 2019, we entered into foreign exchange option and forward contracts to hedge against currency fluctuations between the TRY and USD. The option contract settlement dates are between April and July for \$1.0 million at a strike price of 5.60 TRY to \$1.00 USD. The forward contracts settlement dates are between June and September for \$1.5 million at a strike price of 5.87 TRY to \$1.00 USD.

On April 16, 2019, we entered into a three-way costless collar with DenizBank to hedge 1,000 Bbl/day of our oil production in Turkey. The three-way collar term begins on May 1, 2019 and extends through April 30, 2020, with a weighted average minimum price of \$55.00 per barrel, a weighted average maximum price of \$72.90 per barrel, and an additional call ceiling of \$80.00 per barrel.

On April 17, 2019 and effective as of August 1, 2017, we and our subsidiaries and the Riata Entities entered into the Third Amendment (the “Third Amendment”) to the Service Agreement, dated August 6, 2008 and effective as of May 1, 2008, as previously amended by the Amendment, dated February 9, 2009 and effective as of October 1, 2008, and the Second Amendment, dated and effective as of March 20, 2017. The Third Amendment added and removed certain of the Riata Entities. Each of the Riata Entities is an affiliate of Mr. Mitchell.

## 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 March 31, 2019, we held interests in 372,050 and 162,500 net acres of developed and undeveloped oil and natural gas properties in Turkey and Bulgaria, respectively. As of May 3, 2019, approximately 48% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors.

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

### Financial and Operational Performance Summary

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

- We reported a \$3.9 million net loss for the three months ended March 31, 2019.
- We derived 98.4% of our oil and natural gas revenues from the production of oil and 1.6% from the production of natural gas during the three months ended March 31, 2019.
- Total oil and natural gas sales revenues increased 13.2% to \$18.9 million for the quarter ended March 31, 2019 from \$16.7 million in the same period in 2018. The increase was the result of a \$3.83 increase in the average price received per barrel of oil equivalent ("Boe") and an increase in sales volumes of 17,000 barrels of oil equivalent ("Mboe").
- For the quarter ended March 31, 2019, we incurred \$9.9 million in capital expenditures, including seismic and corporate expenditures, as compared to \$5.2 million for the quarter ended March 31, 2018.
- As of March 31, 2019, we had \$15.7 million in long-term debt, \$21.2 million in short-term debt, and \$46.1 million in Series A Preferred Shares as compared to no long-term debt, \$22.0 million in short-term debt, and \$46.1 million in Series A Preferred Shares as of December 31, 2018.

### First Quarter 2019 Operational Update

During the first quarter of 2019, we spud two wells and continued workover and recompletion production optimizations in southeastern Turkey. Additionally, we re-drilled and tested one well in Bulgaria.

#### Southeastern Turkey

##### Molla

*Yeniev Field.* Both the Yeniev-1 and West Yeniev-1 wells continue flowing naturally with little water. In November 2018, we spud the East Yeniev-1 appraisal well to further delineate the structure. The well was drilled to a total measured depth of 9,900 feet and encountered hydrocarbon shows in the Mardin and Bedinan formations. Completion operations began in January 2019 and resulted in a discovery in the Mardin formation.

*Bahar Field.* We spud the Southeast Bahar-1 well in March 2019. The well was drilled to a total measured depth of 11,000 feet and encountered oil shows in the Mardin, Hazro, and Bedinan formations. We expect to begin completion operations in the second quarter of 2019.

*Other.* We spud the Blackeye-1 well in January 2019. The well was drilled to a total measured depth of 11,105 feet and encountered oil shows in the Hazro, Mardin, and Bedinan formations. The well was completed in the Hazro formation and put on production in the first quarter of 2019.

We have applied for conversion of the New Molla exploration license into a production lease and expect a final determination with respect to our application in the second quarter of 2019.

## Selmo

We have completed the initial phase of operations in the Selmo-1 well to re-enter and test the Permian formation, establishing the productivity of the Permian formation. During a short-term flow test of a previously untested interval, the Selmo-1 well tested 45.6 API condensate along with natural gas containing a high carbon dioxide percentage component.

## **Northwestern Turkey**

### Thrace Basin BCGA

We continue to evaluate our prospects in the Thrace Basin's Basin Center Gas Accumulation ("Thrace Basin BCGA") in light of the recent production test results at the Yamalik-1 exploration well operated by Valeura Energy Inc. ("Valeura") with their partner Equinor ASA (formerly Statoil ASA) ("Equinor"). The Yamalik-1 exploration well is located on a license directly adjacent to our 120,000 net acres in the Thrace Basin of which we believe approximately 50,000 net acres (100% working interest, 87.5% net revenue interest) is in the Thrace Basin BCGA and analogous to the Valeura and Equinor acreage.

Subsequent to drilling and testing of the Yamalik-1 well, the joint venture between Valeura and Equinor announced a three-well program. In the first quarter of 2019, Valeura and Equinor announced that they drilled and cased a second well in the Thrace Basin BCGA, the Inanli-1 well. According to Valeura and Equinor, the well was drilled to a total depth of 4,885 meters and encountered 1,615 meters of high net-to-gross sandstone, which they interpreted to contain over-pressured gas. In the first quarter of 2019, Valeura and Equinor announced that they commenced completion operations for the Inanli-1 well. In the second quarter of 2019, Valeura and Equinor announced that they drilled the Devepinar-1 appraisal well to a total depth of 4,796 meters and encountered 1,066 meters of high-pressure gas saturated rock.

We expect to spud a shallow exploration well on our license in the Thrace Basin in the second quarter of 2019.

## **Bulgaria**

We commenced the side-track and re-drilling of the Deventci R-1 well in December 2018, targeting the Ozirovu and Dolmi Dabnik formations. The well was drilled to a total depth of 16,450 feet. Although we encountered the targeted formations, tests did not indicate commercial quantities of reservoir quality rock. The well was plugged and abandoned at a cost of \$5.1 million as of March 31, 2019. We are currently evaluating future activity in Bulgaria.

### ***Planned Operations***

We expect our net field capital expenditures for the remainder of 2019 to range between \$15.0 million and \$20.0 million. We expect net field capital expenditures during the remainder of 2019 to include between \$14.5 million and \$19.5 million in drilling and completion expense and approximately \$0.5 million in recompletion expense.

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

### ***Significant Accounting Policies and Estimates***

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

**Results of Operations—Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018**

Our results of operations for the three months ended March 31, 2019 and 2018 were as follows:

	<b>Three Months Ended March 31,</b>		<b>Change</b>
	<b>2019</b>	<b>2018</b>	<b>2019-2018</b>
(in thousands of U.S. Dollars, except per unit amounts and production volumes)			
<b>Sales volumes:</b>			
Oil (Mbbbl)	269	248	21
Natural gas (Mmcf)	50	67	(17)
Total production (Mboe)	277	260	17
Average daily sales volumes (Boepd)	3,082	2,885	197
<b>Average prices:</b>			
Oil (per Bbl)	\$ 69.00	\$ 65.71	\$ 3.29
Natural gas (per Mcf)	\$ 5.94	\$ 5.00	\$ 0.94
Oil equivalent (per Boe)	\$ 68.00	\$ 64.17	\$ 3.83
<b>Revenues:</b>			
Oil and natural gas sales	\$ 18,861	\$ 16,661	\$ 2,200
Other	180	265	(85)
Total revenues	19,041	16,926	2,115
<b>Costs and expenses (income):</b>			
Production	2,502	2,869	(367)
Transportation and processing	1,319	1,193	126
Exploration, abandonment and impairment	5,113	40	5,073
Seismic and other geological and geophysical	77	159	(82)
General and administrative	3,054	3,337	(283)
Depletion	3,579	4,197	(618)
Depreciation and amortization	137	262	(125)
Interest and other expense	2,478	2,782	(304)
Interest and other income	(174)	(254)	80
Foreign exchange loss	1,273	2,058	(785)
<b>Gain (loss) on derivative contracts:</b>			
Cash settlements on derivative contracts	-	(1,339)	1,339
Change in fair value on derivative contracts	(110)	614	(724)
Total loss on derivative contracts	(110)	(725)	615
<b>Oil and natural gas costs per Boe:</b>			
Production	\$ 7.90	\$ 10.28	\$ (2.38)
Depletion	\$ 11.29	\$ 14.53	\$ (3.24)

**Oil and Natural Gas Sales.** Total oil and natural gas sales revenues increased to \$18.9 million for the three months ended March 31, 2019 from \$16.7 million for the same period in 2018. The increase was primarily due to an increase in the average realized price per Boe. Our average price received increased \$3.83 per Boe to \$68.00 per Boe for the three months ended March 31, 2019 from \$64.17 per Boe for the same period in 2018. The increase was also due to an increase in our average daily sales volumes of 197 Boe per day (“Boepd”) for the three months ended March 31, 2019 as compared to the same period in 2018.

**Production.** Production expenses decreased to \$2.5 million, or \$7.90 per Boe, for the three months ended March 31, 2019 from \$2.9 million, or \$10.28 per Boe, for the same period in 2018. The decrease was primarily due to a devaluation of the TRY to the USD, as most of our production expenses are denominated in TRY.

**Transportation and Processing.** Transportation and processing expense increased to \$1.3 million for the three months ended March 31, 2019 from \$1.2 million for the same period in 2018. The increase in transportation expenses was primarily due to the increase in our average daily sales volumes 197 Boepd.

**Exploration, Abandonment and Impairment.** Exploration, abandonment and impairment cost increased to \$5.1 million for the three months ended March 31, 2019 from \$0.1 million for the same period in 2018. The increase was due to the exploratory dry hole write-off of the Deventci R-1 well.

**General and Administrative.** General and administrative expense decreased to \$3.1 million for the three months ended March 31, 2019 from \$3.3 million for the same period in 2018. The decrease was primarily due to a decrease in professional and accounting fees associated with the strategic transaction in 2018.

**Depletion.** Depletion expense decreased to \$3.6 million, or \$11.29 per Boe, for the three months ended March 31, 2019 from \$4.2 million, or \$14.53 per Boe, for the same period of 2018. The decrease was primarily due to the devaluation of the TRY to the USD.

**Interest and Other Expense.** Interest and other expense decreased to \$2.5 million for the three months ended March 31, 2019 from \$2.8 million for the same period in 2018. The decrease was due to our lower average debt balances outstanding during the three months ended March 31, 2019 versus the same period in 2018.

**Foreign Exchange Loss.** We recorded a foreign exchange loss of \$1.3 million for the three months ended March 31, 2019 as compared to \$2.1 million for the same period in 2018. Foreign exchange gains and losses are primarily unrealized (non-cash) in nature and result from the re-measuring of specific transactions and monetary accounts in a currency other than the functional currency. For example, a USD transaction which occurs in Turkey is re-measured at the period-end to the TRY amount if it has not been settled previously. Generally, a strengthening of the USD relative to the TRY increases our foreign exchange loss. The foreign exchange loss for the three months ended March 31, 2019 was due to a decrease in the value of the TRY compared to the USD. From December 31, 2018 to March 31, 2019, the TRY to the USD declined 7.0%. At March 31, 2019, the exchange rate was 5.6284 as compared to 5.2609 at December 31, 2018.

**Gain (Loss) on Derivative Contracts.** We recorded a net loss on derivative contracts of \$0.1 million for the three months ended March 31, 2019 as compared to \$0.7 million for the same period in 2018. During the three months ended March 31, 2019, we recorded a \$0.1 million loss to mark our currency derivative contracts to their fair value. During the same period in 2018, we recorded a \$0.6 million gain to mark our commodity derivative contracts to their fair value and a \$1.3 million loss on settled contracts.

#### ***Capital Expenditures***

For the three months ended March 31, 2019, we incurred \$9.9 million in capital expenditures, including seismic and corporate expenditures, as compared to \$5.2 million for the same period in 2018.

We expect our net field capital expenditures for the remainder of 2019 to range between \$15.0 million and \$20.0 million. We expect net field capital expenditures during the remainder of 2019 to include between \$14.5 million and \$19.5 million in drilling and completion expense and approximately \$0.5 million in recompletion expense. We expect that cash on hand and cash flow from operations will be sufficient to fund the remainder of our 2019 net field capital expenditures. If not, we will either curtail our discretionary capital expenditures or seek other funding sources. Our projected remaining 2019 capital expenditure budget is subject to change.

#### ***Cash flows***

Net cash provided by operating activities during the three months ended March 31, 2019 was \$4.5 million, a decrease from net cash provided by operating activities of \$7.8 million for the same period in 2018. The decrease was primarily due to an increase in our accounts receivable which was partially offset by an increase in our revenues.

Net cash used in investing activities during the three months ended March 31, 2019 was \$9.3 million, an increase from net cash used in investing activities of \$7.0 million for the same period in 2018. The increase was primarily due to an increase in our capital expenditures as compared to the same period in 2017.

Net cash provided by financing activities during the three months ended March 31, 2019 was \$15.8 million, an increase from net cash used in financing activities of \$4.1 million for the same period in 2018. The change was primarily due to an increase in our outstanding loans.

#### ***Liquidity and Capital Resources***

As of March 31, 2019, we had \$36.9 million of indebtedness, not including \$8.7 million of trade payables, as further described below. We believe that our cash flow from operations will be sufficient to meet our normal operating requirements and to fund planned capital expenditures during the next 12 months. As of March 31, 2019, we had a working capital surplus of \$10.8 million.

### ***Outstanding Debt and Series A Preferred Shares***

*2016 Term Loan.* On August 23, 2016, the Turkish branch of TEMI entered into 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, DenizBank entered the 2016 Term Loan under the Credit Agreement. In addition, we and DenizBank entered into additional agreements with respect to up to \$20.0 million of non-cash facilities, including guarantee letters and treasury instruments for future hedging transactions. The 2016 Term Loan bore interest at a fixed rate of 5.25% (plus 0.2625% for Banking and Insurance Transactions Tax per the Turkish government) per annum and was payable in monthly installments of \$1.38 million through June 2018. Amounts repaid under the 2016 Term Loan could not be re-borrowed and early repayments under the 2016 Term Loan were subject to early repayment fees. The 2016 Term Loan was guaranteed by DMLP, TransAtlantic Turkey, Talon Exploration, and TransAtlantic Worldwide.

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

The 2016 Term Loan was secured by a pledge of (i) the stock of TEMI, DMLP, TransAtlantic Turkey and Talon Exploration, (ii) substantially all of the assets of TEMI, (iii) certain real estate owned by Petrogas, (iv) certain Gudem real estate and Muratli real estate owned by Gudem Yatirim, and (v) certain Diyarbakir real estate owned 80% by Mr. Mitchell and 20% 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 2016 Term Loan.

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

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

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

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

At March 31, 2019, we had \$9.4 million outstanding under the 2017 Term Loan and no availability, and we were in compliance with the covenants in the 2017 Term Loan.

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

2018 Term Loan are subject to early repayment fees. The 2018 Term Loan is guaranteed by Petrogas, Amity, Talon Exploration, DMLP, and TransAtlantic Turkey.

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

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

At March 31, 2019, we had \$7.5 million outstanding under the 2018 Term Loan and no availability, and we were in compliance with the covenants in the 2018 Term Loan.

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

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

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

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

At March 31, 2019, we had \$20.0 million outstanding under the 2019 Term Loan and no availability, and we were in compliance with the covenants in the 2019 Term Loan.

*Series A Preferred Shares.* As of March 31, 2019, we had 921,000 Series A Preferred Shares outstanding. The Series A Preferred Shares contain a substantive conversion option, are mandatorily redeemable, and convert into a fixed number of common shares. As a result, under U.S. GAAP, we have classified the Series A Preferred Shares within mezzanine equity in our consolidated balance sheets. As of March 31, 2019, we had \$21.3 million of Series A Preferred Shares and \$24.8 million of Series A Preferred Shares – related party outstanding (See Note 3. “Series A Preferred Shares”).

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded,

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

As of March 31, 2019, management carried out an evaluation, under the supervision and with the participation of our chief executive officer and principal accounting and financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon the evaluation, our chief executive officer and principal accounting and financial officer concluded that, as of March 31, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

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

***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

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

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

None

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

- 3.1 [Certificate of Continuance of TransAtlantic Petroleum Ltd., dated October 1, 2009 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 1, 2009, filed with the SEC on October 7, 2009\).](#)
- 3.2 [Altered Memorandum of Continuance of TransAtlantic Petroleum Ltd., dated March 4, 2014 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 6, 2014, filed with the SEC on March 6, 2014\).](#)
- 3.3 [Amended Bye-Laws of TransAtlantic Petroleum Ltd., dated March 4, 2014 \(incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated March 6, 2014, filed with the SEC on March 6, 2014\).](#)
- 3.4 [Certificate of Designations of 12.0% Series A Convertible Redeemable Preferred Shares of TransAtlantic Petroleum Ltd. \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 31, 2016, filed with the SEC on November 4, 2016\).](#)
- 3.5 [Memorandum of Increase of Share Capital of TransAtlantic Petroleum Ltd., dated July 2017 \(incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K filed with the SEC on March 26, 2019\).](#)
- 4.1 [Amended and Restated Registration Rights Agreement, dated December 30, 2008, by and between TransAtlantic Petroleum Corp. and Riata Management, LLC \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 30, 2008, filed with the SEC on January 6, 2009\).](#)
- 4.2 [Specimen Common Share certificate \(incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K dated March 4, 2014, filed with the SEC on March 6, 2014\).](#)
- 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.



## 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.

May 8, 2019

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

## 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.

May 8, 2019

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

**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 March 31, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly represents, in all material respects, the financial condition and results of operation of the Company as of, and for, the periods presented in the Form 10-Q.

Date: May 8, 2019

/s/ N. Malone Mitchell 3rd

N. Malone Mitchell 3rd  
Chief Executive Officer

/s/ Michael P. Hill

Michael P. Hill  
Chief Accounting Officer

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