**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Dated as at May 14, 2020**

The following Management’s Discussion and Anaylsis (“MD&A”) is a review of the operations and current financial position for the year ended December 31, 2019 for Trillion International Inc. (“Trillion” or the “Company”) and should be read in conjunction with the audited Annual Financial Statements and related notes as at and for the years ended December 31, 2019 and 2018. These documents and additional information relating to the Company, including the Company’s Annual information Form, are available on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company’s website at [www.trillionenergy.com.](http://www.trillionenergy.com.)

The information in this MD&A is based on the audited annual financial statements which were prepared in accordance with international Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

This MD&A contains non-IFRS measures and forward-looking statements. Readers are cautioned that this document should be read in conjunction with Trillion’s disclosure under “Non-IFRS and additional IFRS Measures” and ”Forward-Looking Statements” included at the end of this MD&A. All figures are in US dollars unless otherwise noted.

**Business Overview**

Trillion Energy International Inc. Is focused on it’s oil and gas producing assets in Turkey and a coal bed methane exploration license in Bulgaria.

Effective April 1, 2019, the Company changed its name from Park Place Energy Inc. (OTC:PKPL) to Trillion Energy International Inc. (OTC:TCFF). Subsequent to the 2019 year end on Feb 11, 2020 Trillion started trading on the Canadian Security Exchange (CSE:TCF).

The Company is headquartered in Ankara, Turkey and is traded on the CSE under the symbol “TCF” and OTC under the symbol “TCFF”.

Turkey

On January 18, 2017, the Company completed the acquisition of three oil and gas exploration and production companies operating in Turkey (the “Tiway Companies”). As a result of the acquisition of the Tiway Companies Trillion now owns interests in the producing Cendere oil field, in the producing South Akcakoca Sub-Basin (“SASB”) gas field, and in the shut in Bakuk gas field all in Turkey. We have changed the name of the Tiway Companies to include Park Place in the name so hereinafter we will refer to them as “PPE Turkey”.

PPE Turkey own 19.6% interest in the onshore Cendere oil field except three wells where PPE Turkey owns 9.8% interest. PPE owns 49% working interest in the offshore SASB.

At December 31, 2019, net production to PPE Turkey from such fields was 181 barrels of oil equivalent per day for Boe/d. For the year 2019, net production to PPE Turkey averaged 191 Boe/d. Due to the acquisition of PPE Turkey, the Company is now a qualified oil and gas operator in Turkey. With this base of operations in Turkey and its experienced management team the Company is poised to exploit these assets and for further growth in the region.

The Cendere onshore oil field is located in South East Turkey and has a total of 25 wells. At December 31, 2019 the gross oil production rate for the producing wells in Cendere was 702 barrels oil per day (bopd), the average daily 2019 gross production rate for the field was 790 bopd. At the end of March 2020, oil is currently sold at a price of approximately US$32 per barrel for a netback per barrel of approximately US$1. At year-end 2019 the Cendere field was producing 115 bopd net to PPE Turkey and averaged 127 bopd during 2019 net to PPE Turkey.

SASB has four producing fields, each with a production platform plus subsea pipelines that connect the fields to an onshore gas plant.The SASB fields are located off the north coast of Turkey towards the western end of the Black Sea. Total gross production to date from the four fields is in excess of 40 Bcf.

At December 31, 2019 the gross gas production rate for the 4 producing wells in SASB was 0.807 MMcfd: the average daily 2019 gross production rate for the field was 1.04 MMcfd. At the end of February 2020. Gas is currently sold at a prce of approximately US$7.01 per Mcf for a netback per Mcf of approximately US$1.65. The low netback is the result of high fixed op costs, once gas rate per day is increased the net back increases substantially.

With the acquisition of PPE Turkey the Company aslo acquired another oil and gas assed, a 50% operated interest in the Bakuk gas field located near the Syrian border. The Bakuk field is shut-in.

*Bulgaria*

In October of 2010 the Company was awarded an exploration permit for the “Vranino 1-11 Block”, a 98,205 acre, (39,742 hectare) oil and gas exploration land located in Dobrudja Basin, Bulgaria, but the Bulgarian Counsel of Ministers. On April 1, 2014 the Company entered into an Agreement for Crude Oil and Natural Gas Prospecting and Exploration in the Vranino 1-11 Block with the Ministry of Economy and Energy of Bulgaria (the “License Agreement”). The initial term of the License Agreement is five years. This five-year period will commence once the Bulgarian regulatory authorities approve of the Company’s work programs for the permit area and can be extended up to 35 years.

Before the license for the Bulgarian CBM project is “effective” the Company’s overall work program and first year annual work program must be approved by both the Bulgarian environmental ministry and the energy ministry. On August 26, 2014, the Bulgarian Environmental agency approved the Company’s overall work program and first year annual work program. A number of parties appealed the decision of the environmental agency and an appeal proceeding was commenced before a three-judge administrative panel. The three-judge panel issued a decision on February 3, 2017 in which it ruled that the environmental agency had failed to follow its own regulations in approving the Company’s work programs. Both the environmental agency and the Company have appealed the decision to a five-judge panel whose decision will be final. A final decision was issued in favour of the Company during 2017.

 **Operating Results**

The following summary of our results of operations should be read in conjunction with our audited year end condensed consolidated financial statements for the periods ended December 31, 2019 and 2018 which are included herein.

Production Net

|  |  |  |
| --- | --- | --- |
| By Production | Year Ended Dec 31, 2018 | Year Ended Dec 31, 2019 |
| Oil (bb/d) | 130  | 127 |
| Natural Gas (MMcf/d) | 0.510 | 0.489  |
| Total (boe/d) | 198  | 191 |
| Oil & NGL weighting |  |  |

The Company’s average daily production for the year ending December 31, 2019 was 191 boe/d and for the year ending December 31, 2018 was 198boe/d illustrating the consistent production.

Average Realized Price

|  |  |  |
| --- | --- | --- |
|  | 2018 | 2019 |
| Gas | $5.71 | $ 6.90  |
| Oil | $67.69 | $62.45 |

***Revenue***

For the year ended December 31, 2019 the Company had oil and gas revenue of $3,915,799 compared to $4,253,326 for the year ended December 31, 2018. Revenue decreased primarily due to the devaluation of the Turkish Lira compared to the U.S. dollar of approximately 17% over the comparable period and was partially offset by an increase in revenue dominated in Turkish Liras. Oil and gas revenue denominated in Turkish Liras was TL 22,244,942 for the year ended December 31, 2019 compared to TL 19,981,333 for the year ended December 31, 2018.

Revenue

|  |  |  |
| --- | --- | --- |
| Revenue | Year end Dec. 31, 2018 | Year end Dec. 31, 2019 |
| Oil | $3,395,957 | $2,943,213 |
| Natural Gas | $857,369 | $972,586 |
| Total  | $4,253,326 | $3,915,799 |

Operational Netback

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Year 2018 Gas | Year 2018 Oil | Year 2019 Gas | Year 2019 Oil |
| Production | 0.410 MMcf/d\* | 130 bopd | 0.371 MMcf/d\* | 129 bopd |
| Price | $5.71/Mcf | $67.69/bbl | $7.17/Mcf | $62.45/bbl |
| Royalty | $0.71 | $8.46 | $0.0.90 | $7.81 |
| Opex | $5.27\*\* | $23.20 | $5.51\*\* | $23.55 |
| Netback | ($0.34)\*\* | $34.65 | $0.73\*\* | $31.09 |

\* net to Trllion after utility gas; \*\* costs high and netback low as production is at minimum and Opex cost is predominantly fixed and will be substantially lower per Mcf as production increases.

***Expenses***

For the year ended December 1, 2019 the Company incurred production expenses related to its Tiway operations of $2,593,180 (2018 - $2,802,080), depletion charges of $302,094 (2018 - $700,219), depreciation expense of $59,020 (2018 - $29,408) and asset retirement obligations accretion expense of $417,965 (2018 - $371,526) for the year ended December 31, 2019. Accretion of asset retirement costs increased by $46,439 for the year ended December 31, 2019 primarily due to the increase in the asset retirement obligation cost base from the Foinavan interest acquired in the prior year. Depreciation increased by $29,612 for the year ended December 31, 2019 primarily due to the capitalization and depreciation of right-of-use assets following the adoption of Topic 842 in the year. Production expenses and depletion charges decreased by $208,900 ad $398,125, respectively, primarily due to devaluation of the Turkish Lira compared to the U.S. dollar of approximately 17% over the comparable period and was partially offset by an increase production costs due to higher production in the current year.

For the year ended December 31, 2019 the Company had stock-based compensation of $437,725 compared to $337,227 for the year ended December 31, 2018. The expense for the year ended December 31, 2019 included $379,225 for the grant of 3,800,000 stock options under the 2013 Option Plan and $58,500 for the garn and vesting of 585,000 RSU’s.

For the year ended December 31, 2019 the Company had general and administrative expenses of $1,824,561, compared to $2,118,213 for the year ended December 31, 2018. $756,181 in expenses were from the North American head office, which resulted in a year over year decrease of $250,265. In general & administrative expenses in the North American operations, $107,300 was for consulting and management fees, $127,791 for legal and professional fees and $167,789 for audit and financial services. Turkey general and administrative expenses accounted for $1,069,128 of the total general and administrative for 2019.

The increase in legal and professional fees were in relation to the preparation of the Preliminary Prospectus filed in the first quarter of 2019 and the application to list the Company’s common shares on the Canadian Securities Exchange (the “CSE”).

General and Adminstrative Expenses (“G&A”)

|  |  |  |
| --- | --- | --- |
| Year | 2019 | 2018 |
| Gross G&A | $1,824,561\* | $2,118,213 |
| $ per boe | $26.17 | $29.31 |

\*$756,181 for North American Office of which $107,300 was for consulting and management fees, $127,791 for legal and professional fees, $167,789 for audit and financial services.

***Other Income (Expense)***

For the year ended December 31, 2019 the Company had net other income of $627 compared to other expenses of $272,650 for the year ended December 31, 2018. For the year ended December 31, 2019 other income (expense) consisted primarily of interest expense and foreign exchange loss, partially offset by other income and interest income. For the year ended December 31, 2018, other income (expense) consisted primarily of warrant modifications expense, loss on debt settlement and interest expense, partially offset by other income and foreign exchange gain.

***Loss***

Our net loss for the year ended December 31, 2019 was $1,718,199 compared to $2,375,513 for the year ended December 31, 2018 for the reasons explained above.

**Liquidity and Capital Resources**

The following table summarizes our liquidity position as of December 31, 2019 and 20

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   |  | **December 31, 2019** |  |  | **December 31, 2018** |  |
| Cash and cash equivalents |   | $ | 863,017 |   |   | $ | 795,520 |   |
| Working capital |   |   | 370,915 |  |   |   | (11,817) |   |
| Total assets |   |   | 7,292,485 |   |   |   | 8,662,675 |   |
| Total liabilities |   |   | 5,527,204 |   |   |   | 5,791,591 |   |
| Stockholders’ equity |   |   | 1,765,281 |   |   |   | 2,871,084 |   |

***Cash Used in Operating Activities***

Net cash provided by operating activities for the year ended December 31, 2019 was $58,832 compared to $267,221 cash used in operating activities for the year ended December 31, 2018. The current year loss of $1,718,199 was offset by $1,288,755 in net non-cash items and $488,196 in changes in working capital items for the year ended December 31, 2019. This compares to a prior year loss of $2,375,513 offset by $2,051,979 in net non-cash items and $56,313 in changes in working capital items.

***Cash Used in Investing Activities***

Net cash used for investing activities for the year ended December 31, 2019 was $37,448 compared to $589,834 used for the year ended December 31, 2018. Oil and gas properties expenditures decreased to $37,448 from $504,110 in 2018 as the prior year expenditures included the acquisition costs for the SASB fields.

***Cash Provided by Financing Activities***

We have funded our business to date from sales of our common stock through private placements and loans form shareholders.

Net cash provided by financing activities for the year ended December 31, 2019 was $144,064 compared to $1,483,018 for the year ended December 31, 2018. Cash provided by financing activities in the current year was from convertible debentures and loans payable, partially offset by repayment of loans payable. This compres to the prior year where cash provided by financing activities was from issuance ov common stock, partially offset by repayment of loans payable.

***Future Operating Requirements***

Based on our current plan of operations, we estimate that we will require approximately $500,000 to pursue our plan of operations over the next 12 months. We plan to spend approximately $50,000 on an environmental report and we also plan to improve our working capital surplus by paying off accounts payable. The operations in Turkey are self-sustaining and will generate net cash flow sufficient to fund in-country general and administrative expenses as well as a portion of our head office overhead. We will require approximately $250,000 for general and administrative expenses.

To reduce our current outstanding trade payables and indebtedness will require approximately $1.2 million; however, we may be able to negotiate terms that will require a lesser amount.

Based on the recent increase in reserves on SASB our current plan of operations in the period 12 to 18 months is the drilling of up to four (4) new wells at SASB and to re-enter three existing wells to perform workovers to increase gas production. Depending on the timing of the drilling operations at our current interest (49%), we project we will incur up to an additional $16 to $25 million in capital expenditures to enable use to conduct such operations.

As of December 31, 2019 the Company had unrestricted cash of $863,017. The Company is attempting to raise additional capital to fund future exploration and operating requirements.

***Off-Balance Sheet Arrangements***

On October 1, 2018 the Company entered into an agreement to grant to a consultant of the Company a 2% (two percent) gross overriding royalty on petroleum substances produced from certain of its currently undeveloped exploration properties, namely: Block 1-11 Vranino situated in Dobrich District, Bulgaria and seven contiguous exploration licences in the province of Hakkari-Derecik, Turkey. The Grant of the royalty agreement was for services involving technical and corporate advisory services.

On October 1, 2018 the Company entered into an agreement to grant to the CEO of the Company a 0.5% (one half of one percent) gross overriding royalty on petroleum substances produced from certain of its currently undeveloped exploration properties, namely: Block 1-11 Vranino situated in Dobrich District, Bulgaria and seven contiguous exploration licences in the province of Hakkari-Derecik, Turkey. The Grant of the royalty agreement was for services involving technical and corporate advisory services.

The Company holds a 100% interest in 1 Exploration Permits in the Hakkari-Derecik area of Turkey. The permit became effective on October 30th, 2014 and was set to expire on October 30th, 2019, however, the received an extension of the license until April 30, 2021 due to delays in exploration caused by security and safety issues in the region.

***Stock Based Compensation***

We have a stock-based compensation plan covering our employees, consultants, and directors. See the Notes to the Consolidated Financial Statements.

**Contractual Obligation and Commercial Commitments**

See the Executive Summary of this MD&A relating to our commitment under the Bulgarian License.

**Critical Accounting Policies and Estimates**

Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) applied on a consistent basis. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management’s estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

We believe that our critical accounting policies and estimates include the following:

*Oil and gas properties*

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas reserves are capitalized and accumulated in cost centers on a country-by-country basis. Costs include land acquisition costs, geological and geophysical charges, carrying charges on non-productive properties and costs of drilling both productive and non-productive wells. General and administrative costs are not capitalized other than to the extent of the Company’s working interest in operated capital expenditure programs on which operator’s fees have been charged equivalent to standard industry operating agreements.

The costs in each cost center, including the costs of well equipment, are depleted and depreciated using the unit-of-production method based on the estimated proved reserves before royalties. Natural gas reserves and production are converted to equivalent barrels of crude oil based on relative energy content. The costs of acquiring and evaluating significant unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

The capitalized costs less accumulated depletion and depreciation in each cost center are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties. The total capitalized costs less accumulated depletion and depreciation, site restoration provision and future income taxes of all cost centers are further limited to an amount equal to the future net revenue from proved reserves plus the cost (net of impairments) of unproved properties of all cost centers less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

*Stock-based compensation*

The Company accounts for share-based compensation under the provisions of ASC 718 “Compensation – Stock Compensation”. ASC 718 requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. We use the Black-Scholes option-pricing model to estimate the fair value of the options on the date of each grant. The Black-Scholes option-pricing model utilizes highly subjective and complex assumptions to determine the fair value of stock-based compensation, including the option’s expected term and price volatility of the underlying stock.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This accounting standard seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Current U.S. GAAP does not require lessees to recognize assets and liabilities arising from operating leases on the balance sheet. This standard also provides guidance from the lessees’ perspective on how to determine if a lease is an operating lease or a financing lease and the differences in accounting for each. In January 2018, the FASB issued ASU 2018-01, which allows for an entity to elect an optional transition practical expedient for land easements that exist or expired before the adoption of Topic 842. The Company adopted this standard on January 1, 2019 using the modified retroactive approach and electing the available package of practical expedients. Upon adoption, the Company recognized a right-of-use asset of $60,390 and related lease liability of $59,076.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company’s present or future consolidated financial statements.

 Risks

The Company’s activities expose it to a variety of risks that arise as a result of its exploration, development, production and financing activities. These risks and uncertainties include,among other things, volatility in market prices for oil and natural gas, general economic conditions in Canada, Turkey and globally and other factors describebd under “Risk Factor” in Trillion’s most recently filed Annual Information Form which is available on the Company’s website at [www.trillionenergy.com](http://www.trillioneneergy.com) or on SEDAR at [www.sedar.](http://www.sedar.) Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The following provides information about the Company’s exposure to some risks associated with the oil and gas industry, as well as the Company’s objectives, policies and processes for measuring and managing risk.

Business Risk

Oil and gas exploration and development involves a high degree of risk whereby many properties are ultimately not developed to a producing stage. There can be no assurance that the Company’s future exploration and development activities will result in discoveries of commercial bodies of oil and gas. Whether an oil and gas property will be commercially viable depends on a number of factors including the particular attributes of the reserve and it proximity to infrastructure, as well as commodity prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in an oil and gas property not being profitable.

***We have a history of losses and may not achieve consistent profitability in the future.***

We have incurred losses in prior years. We will need to generate and sustain increased revenue levels in future periods in order to become consistently profitable, and even if we do, we may not be able to maintain or increase our level of profitability. We may incur losses in the future for a number of reasons, including risks described herein, unforeseen expenses, difficulties, complications and delays, and other unknown risks.

Any international operations performed may expose us to greater risks than those associated with more developed markets. Due to our foreign operations, we are subject to the following issues and uncertainties that can adversely affect our operations in Bulgaria or other countries in which we may operate properties in the future:

|  |  |  |
| --- | --- | --- |
|   | ● | the risk of, and disruptions due to, expropriation, nationalization, war, revolution, election outcomes, economic instability, political instability, or border disputes; |
|   |   |   |
|   | ● | the uncertainty of local contractual terms, renegotiation or modification of existing contracts and enforcement of contractual terms in disputes before local courts; |
|   |   |   |
|   | ● | the risk of import, export and transportation regulations and tariffs, including boycotts and embargoes; |
|   |   |   |
|   | ● | the risk of not being able to procure residency and work permits for our expatriate personnel; |
|   |   |   |
|   | ● | the requirements or regulations imposed by local governments upon local suppliers or subcontractors, or being imposed in an unexpected and rapid manner; |
|   |   |   |
|   | ● | taxation and revenue policies, including royalty and tax increases, retroactive tax claims and the imposition of unexpected taxes or other payments on revenues; |
|   |   |   |
|   | ● | exchange controls, currency fluctuations and other uncertainties arising out of foreign government sovereignty over foreign operations; |
|   |   |   |
|   | ● | laws and policies of the United States and of the other countries in which we may operate affecting foreign trade, taxation and investment, including anti- bribery and anti-corruption laws; |

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|   | ● | the possibility of being subjected to the exclusive jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States; and |
|   |   |   |
|   | ● | the possibility of restrictions on repatriation of earnings or capital from foreign countries. |

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its payment obligations. This risk arises principally from the Company’s receivables from joint operators and oil and natural gas marketers. The Company sells the majority of its oil production to a single oil marketer and , therefore, is subject to concentration, historically, the Company has never experienced any collection issues with its oil and gas marketer.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company’s approach to managing liquidity risk it to ensure, as far as possible, that it will have sufficient liqiuidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

The Company also prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-opearated projects to further manage capital expenditures.

In light of the current volatility in oil and gas prices and uncertainty regarding the timing for recovery in such prices and also with the uncertainty in the country and world economy related to Corvid-19 management’s ability to prepare financial forecasts is challenging. The economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company’s liquidity and ability to generate profits in the future.

Market Risk

Market risk is the risk that changes in market prices, such as, foreign exchange rates, commodity prices, and interest rates will affect the value of the financial instruments. Market risk is comprised of interest rate risk, foreign currency risk, commodity price risk, and other price risk.

Foreign Currency Risk

Oil and gas operations in Turkey will generate revenues in Turkish Lira, while expenses will be incurred in Turkish Lira or U.S. dollars. Gas production in Turkey will generate Turkish Lira. Oil and gas operations in Bulgaria will generate revenues in Bulgarian Leva, while expenses will be incurred in Bulgarian Leva, U.S. dollars or Euros. Gas production in Bulgaria will generate Bulgarian Leva. As a result, any fluctuations of these currencies may result in a change in reported revenues, if any, that our projects could generate if they commence production. Accordingly, our future financial results are subject to risk based on changes to foreign currency rates.

Commodity Price Risk

Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand. Significant changes in commodity prices may materailly impact the Company’s funds flow from operations, and ability to raise capital.

Boe Conversion

Within this document, petroleum and natural gas volumes and reserves are converted to a common unit of measure,referred to as a barrel of oil equivalent (“boe”), using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. Use of the term boe may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalent method and does not necessarily represent a value equivalency at the wellhead.

Forward-Looking Statements

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

By their very nature, forward-looking statements require us to make assumptions that may not materialize or that may not be accurate. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements, including the factors discussed under Item 1A. Risk Factors in this Annual Report on Form 10-K. Such factors include, but are not limited to, the following: 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; future capital requirements and the availability of financing; estimates and economic assumptions used in connection with our acquisitions; 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; our ability to effectively integrate companies and properties that we acquire; our limited operating history; our history of operating losses; our lack of insurance coverage; and the other factors discussed in other documents that we file with or furnish to the U.S. Securities and Exchange Commission (the “SEC” or the “Commission”). 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; the allocation of capital expenditures to exploration and development activities; sources of funding for our capital expenditure programs; 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 that 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.

**Reserve Advisories**

It should not be assumed that the net present value of the estimate net revenues of the reserve presented in herein represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions upon which such estimates are made will be attained and variances could be material. The reserve estimates of Trillions crude oil, natural gas reserves and any estimated recovery factors provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.