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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: **June 30, 2017**

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)

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

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

**75001**  
(Zip Code)

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

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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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post 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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	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

As of August 7, 2017, the registrant had 47,705,336 common shares outstanding.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 12,253	\$ 10,034
Restricted cash	5,219	2,555
Accounts receivable, net		
Oil and natural gas sales	10,935	17,885
Joint interest and other	2,388	3,230
Related party	790	762
Prepaid and other current assets	3,158	4,756
Derivative asset	794	-
Inventory	3,659	3,647
Assets held for sale	-	25,217
Total current assets	<u>39,196</u>	<u>68,086</u>
<b>Property and equipment:</b>		
Oil and natural gas properties (successful efforts method)		
Proved	200,686	197,214
Unproved	30,033	21,109
Equipment and other property	19,264	20,273
	<u>249,983</u>	<u>238,596</u>
Less accumulated depreciation, depletion and amortization	(130,231)	(120,638)
Property and equipment, net	119,752	117,958
<b>Other long-term assets:</b>		
Other assets	2,671	2,725
Note receivable - related party	7,185	7,624
Total other assets	<u>9,856</u>	<u>10,349</u>
<b>Total assets</b>	<u>\$ 168,804</u>	<u>\$ 196,393</u>
<b>LIABILITIES, SERIES A PREFERRED SHARES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 4,878	\$ 7,036
Accounts payable - related party	2,138	1,844
Accrued liabilities	8,359	12,492
Derivative liability	-	596
Loans payable	25,950	34,750
Loan payable - related party	525	3,444
Liabilities held for sale	-	15,938
Total current liabilities	<u>41,850</u>	<u>76,100</u>
<b>Long-term liabilities:</b>		
Asset retirement obligations	4,937	4,833
Accrued liabilities	8,860	8,126
Deferred income taxes	20,725	18,806
Loans payable	-	3,750
Derivative liability	-	242
Total long-term liabilities	<u>34,522</u>	<u>35,757</u>
<b>Total liabilities</b>	<u>76,372</u>	<u>111,857</u>
<b>Commitments and contingencies</b>		
Series A preferred shares, \$0.01 par value, 950,000 shares authorized; 426,000 shares issued and outstanding to third-parties with a liquidation preference of \$50 per share as of June 30, 2017 and December 31, 2016, respectively	21,300	21,300
Series A preferred shares-related party, \$0.01 par value, 495,000 shares issued to related-parties and outstanding with a liquidation preference of \$50 per share as of June 30, 2017 and December 31, 2016, respectively	24,750	24,750
<b>Shareholders' equity:</b>		
Common shares, \$0.10 par value, 200,000,000 shares authorized; 47,705,336 shares and 47,220,525 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	4,771	4,722
Treasury stock	(970)	(970)
Additional paid-in-capital	573,557	573,278
Accumulated other comprehensive loss	(117,265)	(140,316)
Accumulated deficit	(413,711)	(398,228)
Total shareholders' equity	<u>46,382</u>	<u>38,486</u>
<b>Total liabilities, Series A preferred shares and shareholders' equity</b>	<u>\$ 168,804</u>	<u>\$ 196,393</u>

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

**TRANSATLANTIC PETROLEUM LTD.**  
Consolidated Statements of Comprehensive (Loss) Income  
(Unaudited)  
(U.S. Dollars and shares in thousands, except per share amounts)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<b>Revenues:</b>				
Oil and natural gas sales	\$ 12,283	\$ 16,162	\$ 28,051	\$ 30,688
Sales of purchased natural gas	-	1,520	654	2,546
Other	58	16	72	30
<b>Total revenues</b>	<b>12,341</b>	<b>17,698</b>	<b>28,777</b>	<b>33,264</b>
<b>Costs and expenses:</b>				
Production	2,714	3,069	5,801	5,955
Exploration, abandonment and impairment	2	128	108	1,433
Cost of purchased natural gas	-	1,341	568	2,237
Seismic and other exploration	65	15	80	81
General and administrative	3,181	3,899	6,771	8,742
Depreciation, depletion and amortization	4,255	7,807	8,752	15,773
Accretion of asset retirement obligations	47	96	95	188
<b>Total costs and expenses</b>	<b>10,264</b>	<b>16,355</b>	<b>22,175</b>	<b>34,409</b>
<b>Operating income (loss)</b>	<b>2,077</b>	<b>1,343</b>	<b>6,602</b>	<b>(1,145)</b>
<b>Other income (expense):</b>				
Loss on sale of TBNG	-	-	(15,226)	-
Interest and other expense	(2,288)	(2,614)	(4,659)	(5,270)
Interest and other income	188	190	481	402
Gain (loss) on commodity derivative contracts	676	(3,003)	1,664	(2,232)
Foreign exchange gain (loss)	1,116	(611)	(1,007)	(269)
<b>Total other expense</b>	<b>(308)</b>	<b>(6,038)</b>	<b>(18,747)</b>	<b>(7,369)</b>
<b>Income (loss) from continuing operations before income taxes</b>	<b>1,769</b>	<b>(4,695)</b>	<b>(12,145)</b>	<b>(8,514)</b>
Income tax expense	(1,203)	(1,849)	(3,338)	(3,596)
<b>Net income (loss) from continuing operations</b>	<b>566</b>	<b>(6,544)</b>	<b>(15,483)</b>	<b>(12,110)</b>
<b>Loss from discontinued operations before income taxes</b>				
Gain on disposal of discontinued operations	-	(118)	-	(1,056)
Income tax benefit	-	-	-	749
<b>Net loss from discontinued operations</b>	<b>-</b>	<b>(118)</b>	<b>-</b>	<b>(103)</b>
<b>Net income (loss)</b>	<b>\$ 566</b>	<b>\$ (6,662)</b>	<b>\$ (15,483)</b>	<b>\$ (12,213)</b>
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustment	2,132	(2,265)	23,051	709
<b>Comprehensive income (loss)</b>	<b>\$ 2,698</b>	<b>\$ (8,927)</b>	<b>\$ 7,568</b>	<b>\$ (11,504)</b>
<b>Net income (loss) per common share</b>				
Basic net income (loss) per common share				
Continuing operations	\$ 0.01	\$ (0.16)	\$ (0.33)	\$ (0.30)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding	47,412	41,001	47,355	40,870
Diluted net income (loss) per common share				
Continuing operations	\$ 0.01	\$ (0.16)	\$ (0.33)	\$ (0.30)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average common and common equivalent shares outstanding	47,826	41,001	47,355	40,870

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

**TRANSATLANTIC PETROLEUM LTD.**  
Consolidated Statement of Equity  
(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, 2016</b>	47,220	333	699	\$ 4,722	\$ (970)	\$ 573,278	\$ (140,316)	\$ (398,228)	\$ 38,486
Issuance of restricted stock units	485	-	-	49	-	(49)	-	-	-
Tax withholding on restricted stock units	-	-	-	-	-	(86)	-	-	(86)
Share-based compensation	-	-	-	-	-	414	-	-	414
Foreign currency translation adjustment	-	-	-	-	-	-	23,051	-	23,051
Net loss	-	-	-	-	-	-	-	(15,483)	(15,483)
<b>Balance at June 30, 2017</b>	<u>47,705</u>	<u>333</u>	<u>699</u>	<u>\$ 4,771</u>	<u>\$ (970)</u>	<u>\$ 573,557</u>	<u>\$ (117,265)</u>	<u>\$ (413,711)</u>	<u>\$ 46,382</u>

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

**TRANSATLANTIC PETROLEUM LTD.**  
Consolidated Statements of Cash Flows  
(Unaudited)  
(in thousands of U.S. Dollars)

	For the Six Months Ended	
	June 30,	
	2017	2016
<b>Operating activities:</b>		
Net loss	\$ (15,483)	\$ (12,213)
Adjustment for net loss from discontinued operations	-	103
Net loss from continuing operations	(15,483)	(12,110)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation	414	354
Foreign currency loss	143	357
(Gain) loss on commodity derivative contracts	(1,664)	2,232
Cash settlement on commodity derivative contracts	32	1,459
Loss on sale of TBNG	15,226	-
Amortization on loan financing costs	61	331
Deferred income tax expense	2,479	684
Exploration, abandonment and impairment	108	1,433
Depreciation, depletion and amortization	8,752	15,773
Accretion of asset retirement obligations	95	188
Changes in operating assets and liabilities:		
Accounts receivable	7,188	(4,514)
Prepaid expenses and other assets	1,340	(283)
Accounts payable and accrued liabilities	(5,114)	5,692
Net cash provided by operating activities from continuing operations	13,577	11,596
Net cash used in operating activities from discontinued operations	-	(202)
Net cash provided by operating activities	13,577	11,394
<b>Investing activities:</b>		
Additions to oil and natural gas properties	(11,331)	(3,182)
Additions to equipment and other properties	(356)	(3,399)
Restricted cash	(3,453)	(139)
Proceeds from the sale of TBNG	17,779	-
Net cash provided by (used in) investing activities	2,639	(6,720)
<b>Financing activities:</b>		
Issuance of common shares	-	1,658
Tax withholding on restricted share units	(86)	(41)
Loan proceeds	-	-
Loan repayment	(12,775)	(12,152)
Loan repayment - related party	(2,694)	-
Net cash used in financing activities	(15,555)	(10,535)
Effect of exchange rate on cash flows and cash equivalents	7	(19)
Net increase (decrease) in cash and cash equivalents	668	(5,880)
Cash and cash equivalents, beginning of period (1)	11,585	7,480
Cash and cash equivalents, end of period	\$ 12,253	\$ 1,600
<b>Supplemental disclosures:</b>		
Cash paid for interest	\$ 4,400	\$ 3,216
Cash paid for taxes	\$ 1,460	\$ 263
<b>Supplemental non-cash financing activities:</b>		
Issuance of common shares	\$ -	\$ 2,312

(1) Includes TBNG cash held for sale of \$1.6 million at December 31, 2016.

The accompanying notes are an integral part of these 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 August 7, 2017, approximately 47.9% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors.

TransAtlantic is a holding company with two operating segments – Turkey and Bulgaria. Its assets consist of its ownership interests in subsidiaries that primarily own assets in Turkey and Bulgaria.

***Basis of presentation***

Our consolidated financial statements are expressed in U.S. Dollars 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 U.S. Dollars unless otherwise indicated. 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. During the six months ended June 30, 2017, we reclassified certain balance sheet amounts previously reported on our consolidated balance sheet at December 31, 2016 to conform to current year presentation.

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 Securities and Exchange Commission (“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, 2016.

On February 24, 2017, we closed the sale of our ownership interests in our subsidiary Thrace Basin Natural Gas (Turkiye) Corporation (“TBNG”) for gross proceeds of \$20.7 million, and approximate net cash proceeds of \$16.1 million, effective as of March 31, 2016.

We classified the assets and liabilities of TBNG within the captions “Assets held for sale” and “Liabilities held for sale” on our consolidated balance sheets as of December 31, 2016. Although the sale of TBNG met the threshold to classify its assets and liabilities as held for sale, it did not meet the requirements to classify its operations as discontinued as the sale was not considered a strategic shift in the Company’s operations. As such, TBNG’s results of operations are classified as continuing operations for all periods presented (See Note 13, “Assets and liabilities held for sale and discontinued operations”).

## 2. Recent accounting pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-08, Revenue from Contracts with Customers (Topic 606): *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”). ASU 2016-08 does not change the core principle of Topic 606, but clarifies the implementation guidance on principal versus agent considerations. ASU 2016-08 is effective for annual and interim periods beginning after December 15, 2017. We are currently assessing the potential impact of ASU 2016-08 on our consolidated financial statements and results of operations.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): *Identifying Performance Obligations and Licensing* (“ASU 2016-10”). ASU 2016-10 does not change the core principle of Topic 606, but clarifies the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. ASU 2016-10 is effective for annual and interim periods beginning after December 15, 2017. We are currently assessing the potential impact of ASU 2016-10 on our consolidated financial statements and results of operations.

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 August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 reduces diversity in practice in how certain transactions are classified in the statement of cash flows. The amendments in ASU 2016-15 provide guidance on specific cash flow issues including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, and distributions received from equity method investees. ASU 2016-15 is effective for annual and interim periods beginning after December 15, 2017. We are currently assessing the potential impact of ASU 2016-15 on our consolidated financial statements and results of operations.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash* (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The amended guidance will be effective for annual periods beginning after December 15, 2017. The amendments should be applied using a retrospective transition method to each period presented. Early adoption is permitted for any entity in any interim or annual period. We are currently evaluating the potential impact of ASU 2016-18 on our consolidated financial statements and results of operations.

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

## 3. Series A Preferred Shares

### *Series A Preferred Shares*

On November 4, 2016, we issued 921,000 shares of our 12.0% Series A Convertible Redeemable Preferred Shares (“Series A Preferred Shares”). Of the 921,000 Series A Preferred Shares, (i) 815,000 shares were issued in exchange for \$40.75 million of our 13.0% Convertible Notes due 2017 (“2017 Notes”), at an exchange rate of 20 Series A Preferred Shares for each \$1,000 principal amount of 2017 Notes, and (ii) 106,000 shares were issued and sold for \$5.3 million of cash to certain holders of the 2017 Notes. All of the Series A Preferred Shares were issued at a value of \$50.00 per share. We used \$4.3 million of the gross proceeds to redeem a portion of the remaining 2017 Notes on January 1, 2017. The remaining proceeds were used for general corporate purposes. The Series A Preferred Shares contain a substantive conversion option, are mandatorily redeemable and convert into a fixed number of common shares. As a result, under U.S GAAP, we have classified the Series A Preferred Shares within mezzanine equity in our consolidated balance sheets. As of June 30, 2017, there were \$21.3 million of Series A Preferred Shares and \$24.8 million of Series A Preferred Shares – related party outstanding.

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 of the Company (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). During the period ending on November 4, 2017, the conversion rate will be adjusted on an economic weighted average anti-dilution basis for the issuance of common shares for cash at a price below the conversion price then in effect. Such anti-dilution protection excludes (i) dividends paid on the Series A Preferred Shares in common shares, (ii) issuances of common shares in connection with acquisitions, (iii) issuances of common shares under currently outstanding convertible notes and warrants and (iv) issuances of common shares in connection with employee compensation arrangements and employee benefit plans. This non-standard dilution adjustment clause results in a contingent beneficial conversion feature.

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 date 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 and six months ended June 30, 2017, we paid \$1.4 million and \$2.8 million, respectively, 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.

We have agreed to use commercially reasonable efforts to file a shelf registration statement for the resale of the Series A Preferred Shares and the common shares issuable upon conversion of the Series A Preferred Shares prior to November 5, 2017 and have such shelf registration statement declared effective by the SEC as soon as practicable after filing.

#### 4. Property and equipment

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

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

	June 30, 2017	December 31, 2016
	(in thousands)	
Oil and natural gas properties, proved:		
Turkey	\$ 200,176	\$ 196,743
Bulgaria	510	471
Total oil and natural gas properties, proved	200,686	197,214
Oil and natural gas properties, unproved:		
Turkey	30,033	21,109
Total oil and natural gas properties, unproved	30,033	21,109
Gross oil and natural gas properties	230,719	218,323
Accumulated depletion	(124,460)	(115,401)
Net oil and natural gas properties	<u>\$ 106,259</u>	<u>\$ 102,922</u>

For the six months ended June 30, 2017, we recorded foreign currency translation adjustments, which increased proved properties and decreased accumulated other comprehensive loss within shareholders' equity on our consolidated balance sheet.

At June 30, 2017 and December 31, 2016, we excluded \$0.2 million and \$1.9 million, respectively, from the depletion calculation for proved development wells currently in progress and for costs associated with fields currently not in production.

At June 30, 2017, the capitalized costs of our oil and natural gas properties, net of accumulated depletion, included \$12.7 million relating to acquisition costs of proved properties, which are being depleted by the unit-of-production method using total proved reserves, and \$63.3 million relating to well costs and additional development costs, which are being depleted by the unit-of-production method using proved developed reserves.

At December 31, 2016, the capitalized costs of our oil and natural gas properties included \$13.2 million relating to acquisition costs of proved properties, which are being amortized by the unit-of-production method using total proved reserves, and \$66.7 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 are not limited to, estimates of proved reserves, future commodity prices, the timing and amount of future production and capital expenditures and discount rates commensurate with the risk reflective of the lives remaining for the respective oil and natural gas properties.

During the six months ended June 30, 2017, we recorded \$0.1 million of impairment of proved properties and exploratory well costs which are primarily measured using Level 3 inputs.

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

As of June 30, 2017, we had \$3.9 million of exploratory well costs capitalized for the Pinar-1 well in Turkey, which we spud in March 2014. We are currently sidetracking the Pinar-1 well.

## Equipment and other property

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

	June 30, 2017	December 31, 2016
	(in thousands)	
Inventory	\$ 9,270	\$ 10,704
Leasehold improvements, office equipment and software	7,603	7,280
Vehicles	365	364
Other equipment	2,026	1,925
Gross equipment and other property	19,264	20,273
Accumulated depreciation	(5,771)	(5,237)
Net equipment and other property	\$ 13,493	\$ 15,036

At June 30, 2017, we classified \$3.7 million of inventory as a current asset, which represents our expected inventory consumption in the next twelve months. We classify our materials and supply inventory as long-term assets because such materials will ultimately be classified as long-term assets when the material is used in the drilling of a well.

At June 30, 2017 and December 31, 2016, we excluded \$12.9 million and \$14.4 million of inventory, respectively, from depreciation as the inventory had not been placed into service.

## 5. Asset retirement obligations

The following table summarizes the changes in our asset retirement obligations (“ARO”) for the six months ended June 30, 2017 and for the year ended December 31, 2016:

	June 30, 2017	December 31, 2016
	(in thousands)	
Asset retirement obligations at beginning of period	\$ 4,833	\$ 9,237
Change in estimates	-	(7)
Liabilities settled	(37)	-
Foreign exchange change effect	46	(1,604)
Additions	-	16
Accretion expense	95	373
Asset retirement obligations at end of period	4,937	8,015
Less: TBNG	-	3,182
Long-term portion	\$ 4,937	\$ 4,833

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

## 6. Commodity derivative instruments

We use collar derivative contracts to economically hedge against the variability in cash flows associated with the forecasted sale of a portion of our future oil production. We have not designated the derivative contracts as hedges for accounting purposes, and accordingly, we record the derivative contracts at fair value and recognize changes in fair value in earnings as they occur.

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

During the three months ended June 30, 2017 and 2016, we recorded a net gain on commodity derivative contracts of \$0.7 million and a net loss of \$3.0 million, respectively. During the six months ended June 30, 2017 and 2016, we recorded a net gain on commodity derivative contracts of \$1.7 million and a net loss of \$2.2 million, respectively.

At June 30, 2017 and December 31, 2016, we had outstanding derivative contracts with respect to our future crude oil production as set forth in the tables below:

**Fair Value of Derivative Instruments as of June 30, 2017**

Type	Period	Quantity (Bbl/day)	Average Minimum Price (per Bbl)	Average Maximum Price (per Bbl)	Estimated Fair Value of Asset (in thousands)
Collar	July 1, 2017 — December 31, 2017	293	\$ 47.50	\$ 61.00	\$ 116
Collar	July 1, 2017 — December 31, 2017	440	\$ 50.00	\$ 61.50	288
Collar	July 1, 2017 — December 31, 2017	489	\$ 47.00	\$ 59.65	161
Collar	January 1, 2018 — February 28, 2018	458	\$ 50.00	\$ 61.50	82
Collar	January 1, 2018 — March 31, 2018	500	\$ 47.00	\$ 59.65	60
Collar	January 1, 2018 — May 31, 2018	298	\$ 47.50	\$ 61.00	87
Total estimated fair value of asset					\$ 794

**Fair Value of Derivative Instruments as of December 31, 2016**

Type	Period	Quantity (Bbl/day)	Weighted Average Minimum Price (per Bbl)	Weighted Average Maximum Price (per Bbl)	Estimated Fair Value of Liability (in thousands)
Collar	January 1, 2017 — December 31, 2017	296	\$ 47.50	\$ 61.00	\$ (289)
Collar	January 2, 2017 — December 31, 2017	445	\$ 50.00	\$ 61.50	(307)
Collar	January 1, 2018 — February 28, 2018	458	\$ 50.00	\$ 61.50	(74)
Collar	January 1, 2018 — May 31, 2018	298	\$ 47.50	\$ 61.00	(168)
Total estimated fair value of liability					\$ (838)

**Balance sheet presentation**

The following table summarizes both: (i) the gross fair value of our commodity derivative instruments by the appropriate balance sheet classification even when the commodity derivative instruments are subject to netting arrangements and qualify for net presentation in our consolidated balance sheets at June 30, 2017 and December 31, 2016, and (ii) the net recorded fair value as reflected on our consolidated balance sheets at June 30, 2017 and December 31, 2016.

Underlying Commodity	Location on Consolidated Balance Sheets	As of June 30, 2017		
		Gross Amount of Recognized Assets	Gross Amount Offset in the Consolidated Balance Sheets (in thousands)	Net Amount of Assets Presented in the Consolidated Balance Sheets
Crude oil	Current assets	\$ 794	\$ -	\$ 794

		As of December 31, 2016		
Underlying Commodity	Location on Consolidated Balance Sheets	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Consolidated Balance Sheets	Net Amount of Liabilities Presented in the Consolidated Balance Sheets
(in thousands)				
Crude oil	Current liabilities	\$ 596	\$ -	\$ 596
Crude oil	Long-term liabilities	\$ 242	\$ -	\$ 242

## 7. Loans payable

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

	June 30, 2017	December 31, 2016
(in thousands)		
<b>Fixed and floating rate loans</b>		
Term Loan	\$ 16,500	\$ 25,000
2017 Notes (1)	9,450	13,500
2017 Notes - Related Party (1)	525	750
ANBE Note	-	2,694
Loans payable	26,475	41,944
Less: current portion	26,475	38,194
Long-term portion	\$ -	\$ 3,750

(1) The 2017 Notes matured on July 1, 2017, and on July 3, 2017, we paid off and retired all remaining outstanding 2017 Notes.

### Term Loan

On August 23, 2016, the Turkish branch of TransAtlantic Exploration Mediterranean International Pty Ltd (“TEMI”) entered into a Credit Agreement with DenizBank, A.S. (“DenizBank”).

On August 31, 2016, DenizBank entered into a \$30.0 million term loan with TEMI under the Credit Agreement (the “Term Loan”). 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.

On September 7, 2016, TEMI used approximately \$22.9 million of the proceeds from the Term Loan to repay our prior senior credit facility in full.

The Term Loan bears interest at a fixed rate of 5.25% (plus 0.2625% for Banking and Insurance Transactions Tax per the Turkish government) per annum. Amounts repaid under the Term Loan may not be re-borrowed, and early repayments under the Term Loan are subject to early repayment fees.

On April 27, 2017, TEMI and DenizBank approved a revised amortization schedule for the Term Loan. Pursuant to the revised amortization schedule, the maturity date of the 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 Term Loan remain unchanged.

At June 30, 2017, we had \$16.5 million outstanding under the Term Loan and no availability, and were in compliance with the covenants in the Term Loan.

## **2017 Notes**

As of June 30, 2017, we had \$10.0 million aggregate principal amount of outstanding 2017 Notes. The 2017 Notes were issued pursuant to an indenture, dated as of February 20, 2015 (the "Indenture"), between us and U.S. Bank National Association, as trustee (the "Trustee"). The 2017 Notes bore interest at an annual rate of 13.0%, payable semi-annually, in arrears, on January 1 and July 1 of each year. The 2017 Notes matured on July 1, 2017, and on July 3, 2017, we paid off and retired all remaining outstanding 2017 Notes.

### ***ANBE Note***

On December 30, 2015, TransAtlantic Petroleum (USA) Corp ("TransAtlantic USA") entered into a \$5.0 million draw down convertible promissory note (the "Note") with ANBE Holdings, L.P. ("ANBE"), an entity owned by the adult children of the Company's chairman and chief executive officer, N. Malone Mitchell 3rd, and controlled by an entity managed by Mr. Mitchell and his wife. The ANBE Note bore interest at a rate of 13.0% per annum. On December 30, 2015, the Company borrowed \$3.6 million under the ANBE Note (the "Initial Advance"). The Initial Advance was used for general corporate purposes. On February 27, 2017, we repaid the ANBE Note in full with proceeds from the sale of TBNG and terminated it.

### ***Unsecured lines of credit***

Our wholly-owned subsidiaries operating in Turkey are party to unsecured, non-interest bearing lines of credit with a Turkish bank. At June 30, 2017, we had no outstanding borrowings under these lines of credit.

## **8. 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.

### ***Morocco***

During 2012, we were notified that the Moroccan government may seek to recover approximately \$5.5 million in contractual obligations under our Tselfat exploration permit work program. In February 2013, the Moroccan government drew down our \$1.0 million bank guarantee that was put in place to ensure our performance of the Tselfat exploration permit work program. Although we believe that the bank guarantee satisfies our contractual obligations, during 2012, we recorded \$5.0 million in accrued liabilities relating to our Tselfat exploration permit for this contingency. In September 2016, management determined that, because it had received no communication from the Moroccan government since early 2013, the probability of payment of this contingency is remote. Therefore, the Company reversed the \$6.0 million in contingent liabilities previously classified as liabilities held for sale.

### ***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 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 Ministry of Energy and Economy filed a suit against our subsidiary, Direct Petroleum Bulgaria EOOD ("Direct Bulgaria"), claiming a \$200,000 penalty for Direct Bulgaria's alleged failure to fulfill the work program associated with the Aglen exploration permit. Direct Bulgaria received a force majeure recognition in 2012 from the Bulgarian Ministry of Energy and Economy, and the force majeure event has not been rectified. We believe that Direct Bulgaria is not under any obligation to fulfill the work program until the force majeure event is rectified, and continue to vigorously defend this claim.

## 9. Shareholders' equity

### Restricted stock units

We recorded share-based compensation expense of \$0.3 million and \$0.2 million for awards of restricted stock units ("RSUs") for the three months ended June 30, 2017 and 2016, respectively. We recorded share-based compensation expense \$0.4 million for awards of RSUs for each of the six months ended June 30, 2017 and 2016.

As of June 30, 2017, we had approximately \$0.6 million of unrecognized compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 1 year.

### Earnings per share

We account for earnings per share in accordance with ASC Subtopic 260-10, *Earnings Per Share* ("ASC 260-10"). ASC 260-10 requires companies to present two calculations of earnings per share: basic and diluted. Basic earnings per common share for the three and six months ended June 30, 2017 and 2016 equals net income (loss) divided by the weighted average shares outstanding during the periods. Weighted average shares outstanding are equal to the weighted average of all shares outstanding for the period, excluding unvested RSUs. Diluted earnings per common share for the three and six months ended June 30, 2017 and 2016 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, preferred shares and warrants, whether exercisable or not. For the three months ended June 30, 2017, there were 413,997 dilutive securities included in the calculation of diluted earnings per share.

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

(in thousands, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Net income (loss) from continuing operations	\$ 566	\$ (6,544)	\$ (15,483)	\$ (12,110)
Net loss from discontinued operations	\$ -	\$ (118)	\$ -	\$ (103)
Basic net income (loss) per common share:				
Shares:				
Weighted average common shares outstanding	47,412	41,001	47,355	40,870
Basic net income (loss) per common share:				
Continuing operations	\$ 0.01	\$ (0.16)	\$ (0.33)	\$ (0.30)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted net income (loss) per common share:				
Shares:				
Weighted average common shares outstanding	47,412	41,001	47,355	40,870
Dilutive effect of:				
Restricted stock units	414	-	-	-
Weighted average common shares outstanding	47,826	41,001	47,355	40,870
Diluted net (income) loss per common share:				
Continuing operations	\$ 0.01	\$ (0.16)	\$ (0.33)	\$ (0.30)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

## 10. Segment information

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

	Corporate	Turkey	Bulgaria	Total
	(in thousands)			
<i>For the three months ended June 30, 2017</i>				
Total revenues	\$ -	\$ 12,341	\$ -	\$ 12,341
(Loss) income from continuing operations before income taxes	(4,315)	6,163	(79)	1,769
Capital expenditures	\$ -	\$ 4,893	\$ -	\$ 4,893
<i>For the three months ended June 30, 2016</i>				
Total revenues	\$ -	\$ 17,698	\$ -	\$ 17,698
Loss from continuing operations before income taxes	(3,990)	(567)	(138)	(4,695)
Capital expenditures	\$ -	\$ 911	\$ -	\$ 911
<i>For the six months ended June 30, 2017</i>				
Total revenues	\$ -	\$ 28,777	\$ -	\$ 28,777
(Loss) income from continuing operations before income taxes	(23,236)	11,240	(149)	(12,145)
Capital expenditures	\$ -	\$ 11,331	\$ -	\$ 11,331
<i>For the six months ended June 30, 2016</i>				
Total revenues		\$ 33,264		\$ 33,264
(Loss) income from continuing operations before income taxes	(8,990)	679	(203)	(8,514)
Capital expenditures	\$ -	\$ 3,191	\$ -	\$ 3,191
<i>Segment assets</i>				
June 30, 2017	\$ 21,837	\$ 146,372	\$ 595	\$ 168,804
December 31, 2016 (1)	\$ 17,007	\$ 153,560	\$ 609	\$ 171,176

(1) Excludes assets of TBNG of \$25.2 million at December 31, 2016.

## 11. Financial instruments

Cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and our loans payable were each estimated to have a fair value approximating the carrying amount at June 30, 2017 and December 31, 2016, due to the short maturity of those 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 relate to transactions denominated in the Bulgarian Lev, European Union Euro, and Turkish Lira (“TRY”). We are also subject to foreign currency exposures resulting from translating the functional currency of our foreign subsidiary financial statements into the U.S. Dollar reporting currency. We have not used foreign currency forward contracts to manage exchange rate fluctuations. At June 30, 2017, we had 9.9 million TRY (approximately \$2.8 million) in cash and cash equivalents, which exposes us to exchange rate risk based on fluctuations in the value of the TRY.

### *Commodity price risk*

We are exposed to fluctuations in commodity prices for oil and natural gas. Commodity prices are affected by many factors, including, but not limited to, supply and demand. At June 30, 2017 and December 31, 2016, we were a party to commodity derivative contracts (See Note 6, “Commodity derivative instruments”).

### Concentration of credit risk

The majority of our receivables are within the oil and natural gas industry, primarily from our industry partners and from government agencies. Included in receivables are amounts due from Turkiye Petrolleri Anonim Ortakligi, the national oil company of Turkey, and Turkiye Petrol Rafinerileri A.S., a privately owned oil refinery in Turkey, which purchases all of our oil production. The receivables are not collateralized. To date, we have experienced minimal bad debts from customers in Turkey. The majority of our cash and cash equivalents are held by three financial institutions in the United States and Turkey.

### Fair value measurements

The following table summarizes the valuation of our financial assets and liabilities as of June 30, 2017:

	Fair Value Measurement Classification			Total
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(in thousands)				
<i>Measured on a recurring basis</i>				
Assets:				
Commodity derivative contracts	\$ -	\$ 794	\$ -	\$ 794
<i>Disclosed but not carried at fair value</i>				
Liabilities:				
Term Loan	-	-	(16,500)	(16,500)
2017 Notes	-	-	(9,975)	(9,975)
Total	<u>\$ -</u>	<u>\$ 794</u>	<u>\$ (26,475)</u>	<u>\$ (25,681)</u>

The following table summarizes the valuation of our financial assets and liabilities as of December 31, 2016:

	Fair Value Measurement Classification			Total
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(in thousands)				
<i>Measured on a recurring basis</i>				
Liabilities:				
Commodity derivative contracts	\$ -	\$ (838)	\$ -	\$ (838)
<i>Disclosed but not carried at fair value</i>				
Liabilities:				
Term Loan	-	-	(22,500)	(22,500)
2017 Notes	-	-	(13,554)	(13,554)
Total	<u>\$ -</u>	<u>\$ (838)</u>	<u>\$ (36,054)</u>	<u>\$ (36,892)</u>

We remeasure our derivative contracts on a recurring basis, with changes flowing through earnings. At June 30, 2017 and December 31, 2016, the fair values of our Term Loan and the 2017 Notes were estimated using a discounted cash flow analysis based on unobservable Level 3 inputs, including our own credit risk associated with the loans payable.

## 12. Related party transactions

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

	June 30, 2017	December 31, 2016
	(in thousands)	
<i>Related party accounts receivable:</i>		
Riata Management Service Agreement	\$ 456	\$ 528
PSIL MSA	334	234
Total related party accounts receivable	<u>790</u>	<u>762</u>
<i>Related party accounts payable:</i>		
Riata Management Service Agreement	\$ 433	\$ 346
PSIL MSA	1,671	1,315
Interest payable on 2017 Notes	34	183
Total related party accounts payable	<u>\$ 2,138</u>	<u>\$ 1,844</u>

### *Services transactions*

On March 20, 2017, the Company entered into a second amendment to the Service Agreement among the Company and Longfellow Energy, LP, a Texas limited partnership ("Longfellow"), Viking Drilling, LLC, a Nevada limited liability company, RIATA Management LLC, an Oklahoma limited liability company, Longfellow Nemaha, LLC, a Texas limited liability company, Red Rock Minerals, LP, a Delaware limited partnership, Red Rock Advisors, LLC, a Texas limited liability company, Production Solutions International Limited, a Bermuda exempted company, and Nexlube Operating, LLC, a Delaware limited liability company, and their subsidiaries (collectively, the "Riata Entities"), adding and removing certain of the Riata Entities and expanding the scope of services. Because this agreement is a related party transaction, the independent members of the Board of Directors reviewed and approved this amendment. As of June 30, 2017, the Company had \$0.5 million of outstanding receivables and \$0.4 million of outstanding payables pursuant to this Service Agreement.

On March 3, 2016, Mr. Mitchell 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 (the "Services"), which equipment is owned and operated by Production Solutions International Petrol Arama Hizmetleri Anonim Sirketi ("PSIL"). PSIL 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 "PSIL MSA") with PSIL on substantially similar terms to our current master services agreements with Viking International, VOS and Viking Geophysical. Pursuant to the PSIL MSA, PSIL performs the Services on behalf of TEMI and its affiliates. The master services agreements with each of Viking International, VOS and Viking Geophysical remain in effect in accordance with the terms of the agreements. As of June 30, 2017, the Company had \$0.3 million of outstanding receivables and \$1.7 million of outstanding payables pursuant to the PSIL MSA.

### *Debt transactions*

On February 27, 2017, we repaid the ANBE Note in full with proceeds from the sale of TBNG and terminated it.

### *Dalea Amended Note and Pledge Agreement*

On April 19, 2016, we entered into a note amendment agreement (the "Note Amendment Agreement") with Mr. Mitchell and Dalea Partners, LP ("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 \$11,500,000 (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"), a former subsidiary of the Company, to Viking International Limited. 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 its 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 PSIL MSA. PSIL 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 PSIL to less than 50%; (ii) the sale or transfer by Dalea or PSIL of all or substantially all of its assets to any person (a "Transferee") that does not own a controlling interest in Dalea or PSIL 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 PSIL; (iv) termination of the PSIL MSA other than as a result of an uncured default thereunder by TEMI; (v) default by PSIL under the PSIL MSA, which default is not remedied within a period of 30 days after notice thereof to PSIL; and (vi) insolvency or bankruptcy of PSIL. 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 \$2.1 million principal amount of the 2017 Notes issued by us and 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, which were pledged as security for the performance of Dalea's obligations under the Amended Note pursuant to the terms of the Pledge Agreement. During the three and six months ended June 30, 2017, we reduced the principal amount of the Amended Note by \$0.1 million and \$0.2 million, respectively, for cash dividends on the Series A Preferred Shares.

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

In connection with the pledge of the Gundem real estate and Muratli real estate to DenizBank as collateral for the Term Loan, on August 31, 2016, the Company entered into a pledge fee agreement with Gundem (the "Gundem Fee Agreement") pursuant to which the Company pays Gundem a fee equal to 5% per annum of the collateral value of the Gundem real estate and Muratli real estate. 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 Term Loan, on August 31, 2016, the Company entered into a pledge fee agreement with Messrs. Mitchell and Uras (the "Diyarbakir Fee Agreement") pursuant to which the Company pays Mr. Mitchell and Selami Erdem Uras a fee of 5% per annum of the collateral value of the Diyarbakir real estate. Mr. Uras is our vice president, Turkey. 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 and six months ended June 30, 2017, we reduced the principal amount of the Amended Note by \$0.2 million and \$0.3 million, respectively, for amounts payable under the pledge fee agreements.

#### ***Office lease***

On June 26, 2017, and effective as of January 1, 2017, the Company's wholly owned subsidiary, TransAtlantic USA entered into an Amended and Restated Office Lease (the "Office Lease") with Longfellow to lease approximately 10,000 square feet of corporate office space in Addison, Texas. The initial lease term under the Office Lease commenced on January 1, 2017 (the "Commencement Date"), and expires five years after the Commencement Date, unless earlier terminated in accordance with the Office Lease. TransAtlantic USA has the option to extend the lease term for two additional periods of five years each. If TransAtlantic USA exercises its option to extend the lease term, the monthly rent payable during such extended term shall be at a mutually agreed upon amount for monthly rent during the renewal term. During the first five months of the initial lease term, TransAtlantic USA is required to pay monthly rent of \$14,745.16 to Longfellow, plus utilities, real property taxes, and liability insurance (to the extent that TransAtlantic does not obtain its own liability insurance). Monthly rent increases by \$2,754.84 the sixth month of the initial lease term, by \$833.33 the second year of the initial lease term, and by approximately \$417 each year thereafter during the initial lease term.

### 13. Assets and liabilities held for sale and discontinued operations

#### *TBNG assets and liabilities held for sale*

On October 13, 2016, we entered into a share purchase agreement (the “Purchase Agreement”) with Valeura Energy Netherlands B.V. (“Valeura”) for the sale of all of the equity interests in TBNG, our wholly-owned subsidiary. TBNG owns a portion of the Company’s interests in the Thrace Basin area in Turkey.

We classified the assets and liabilities of TBNG within the captions “Assets held for sale” and “Liabilities held for sale” on our consolidated balance sheets as of December 31, 2016. Although the sale of TBNG met the threshold to classify its assets and liabilities as held for sale, it did not meet the requirements to classify its operations as discontinued as the sale was not considered a strategic shift in the Company’s operations. As such, TBNG’s results of operations are classified as continuing operations for all periods presented.

On February 24, 2017, we closed on the sale of TBNG for gross proceeds of \$20.7 million, and approximate net cash proceeds of \$16.1 million, effective as of March 31, 2016. The purchase price was subject to post-closing adjustments, and we agreed to escrow \$3.1 million of the purchase price for 30 days to satisfy any agreed upon purchase price adjustments. We agreed to a \$0.2 million reduction to the purchase price and, on April 10, 2017, we collected the \$2.9 million of escrowed funds.

For the six months ended June 30, 2017, we recorded a net loss of \$15.2 million on the sale of TBNG. The loss related to the reclassification of the TBNG accumulated foreign currency translation adjustment that was realized into earnings from accumulated other comprehensive loss within shareholders’ equity. The calculation of the loss on sale is presented below:

	<u>Loss on Sale</u> (in thousands)
Total cash proceeds for TBNG	\$ 20,707
Less: TBNG net assets	<u>12,869</u>
Gain on sale before accumulated foreign currency translation adjustment	7,838
Less: TBNG accumulated foreign currency translation adjustment	<u>(23,064)</u>
Net loss on sale of TBNG	<u>\$ (15,226)</u>

Our assets and liabilities held for sale at December 31, 2016 were as follows:

	<u>Held for Sale</u> (in thousands)
<i>For the year ended December 31, 2016</i>	
<b>Assets</b>	
Cash	\$ 1,551
Other current assets	7,511
Property and equipment, net	<u>16,155</u>
Total current assets held for sale	<u>\$ 25,217</u>
<b>Liabilities</b>	
Accounts payable and other accrued liabilities	\$ 11,240
Deferred tax liability	4,698
Total current liabilities held for sale	<u>\$ 15,938</u>

We had no assets or liabilities held for sale at June 30, 2017.

#### *Discontinued operations in Albania*

In February 2016, we sold all of the outstanding equity in our wholly-owned subsidiary, Stream Oil & Gas Ltd. (“Stream”), to GBC Oil Company (“GBC Oil”). We have presented the Albanian segment operating results as discontinued operations for the three and six months ended June 30, 2016.

On September 1, 2016, we completed a joint venture transaction with respect to the assets in the Delvina gas field in Albania (the “Delvina Assets”). We transferred (the “Transfer”) 75% of the outstanding shares of Delvina Gas Company Ltd. (“DelvinaCo”), which owns the Delvina Assets, to Ionian Gas Company Ltd. (“Ionian”) in exchange for Ionian’s agreement to pay \$12.0 million to

DelvinaCo, which will be used primarily to repay debt and for general corporate purposes with respect to the Delvina Assets. After the Transfer, we retained a 25% equity interest in DelvinaCo and agreed to pay 25% of the operating costs of DelvinaCo, subject to a three-year deferral of capital expenditures. As of June 30, 2017, we no longer hold our 25% interest in DelvinaCo as assets held for sale, and have consolidated our interest using proportionate consolidation.

On August 9, 2017, due to continued failures by our joint venture partners to timely meet their obligations, uncompleted local governmental ratifications, and our prioritization of funds, we transferred our 25% equity interest in DelvinaCo to Delvina Investment Partners Ltd. in exchange for a release of all claims with respect to DelvinaCo and a cash payment of \$300,000 for amounts owed to us under agreements entered into in connection with the DelvinaCo joint venture transaction. Additionally, we terminated all of our responsibilities as operator and our obligations to pay any operating costs or any other expenditures with respect to DelvinaCo. This divestiture completes our departure from all Albanian operations and assets.

Our operating results from discontinued operations for the three and six months ended June 30, 2016 are summarized as follows:

	<u>Discontinued Operations</u> <u>(in thousands)</u>
<i>For the three months ended June, 2016</i>	
Total revenues	\$ -
Production and transportation expense	-
Total other costs and expenses	118
Loss before income taxes	\$ (118)
Gain on disposal of discontinued operations	-
Income tax benefit	-
Loss from discontinued operations	\$ (118)
<i>For the six months ended June, 2016</i>	
Total revenues	\$ 626
Production and transportation expense	1,155
Total other costs and expenses	527
Loss before income taxes	\$ (1,056)
Gain on disposal of discontinued operations	749
Income tax benefit	204
Loss from discontinued operations	\$ (103)

For the three and six months ended June 30, 2017, we did not have any discontinued operations.

#### **14. Subsequent Events**

On July 3, 2017, we paid off and retired all remaining 2017 Notes.

On August 9, 2017, due to continued failures by our joint venture partners to timely meet their obligations, uncompleted local governmental ratifications, and our prioritization of funds, we transferred our 25% equity interest in DelvinaCo to Delvina Investment Partners Ltd. in exchange for a release of all claims with respect to DelvinaCo and a cash payment of \$300,000 for amounts owed to us under agreements entered into in connection with the DelvinaCo joint venture transaction. Additionally, we terminated all of our responsibilities as operator and our obligations to pay any operating costs or any other expenditures with respect to DelvinaCo. This divestiture completes our departure from all Albanian operations and assets.

## 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 U.S. Dollars.

### Executive Overview

We are an international oil and natural gas company engaged in acquisition, exploration, development and production. We have focused our operations in countries that have established, yet underexplored petroleum systems, are net importers of petroleum, have an existing petroleum transportation infrastructure and provide favorable commodity pricing, royalty rates and tax rates to exploration and production companies. As of June 30, 2017, we held interests in approximately 0.5 million net acres of developed and undeveloped oil and natural gas properties in Turkey and Bulgaria. As of August 7, 2017, approximately 47.9% of our outstanding common shares were beneficially owned by N. Malone Mitchell 3rd, our chief executive officer and chairman of our board of directors.

TransAtlantic is a holding company with two operating segments – Turkey and Bulgaria. Its assets consist of its ownership interests in subsidiaries that primarily own assets in Turkey and Bulgaria.

### Financial and Operational Performance Summary

A summary of our financial and operational performance for the second quarter of 2017 include:

- We reported \$0.6 million of net income from continuing operations for the three months ended June 30, 2017, of which \$0.7 million was due to gain on commodity derivative contracts.
- We derived 97.4% of our oil and natural gas revenues from the production of oil and 2.6% from the production of natural gas during the three months ended June 30, 2017.
- Total oil and natural gas sales revenues decreased 24.0% to \$12.3 million for the quarter ended June 30, 2017 from \$16.2 million in the same period in 2016. The decrease was primarily the result of a decrease in sales volumes of 94 Mboe, of which 43 Mboe was attributable to the divestiture of TBNG in February 2017. Also contributing to the decrease was a decrease of \$0.17 in the average price received per barrel of oil equivalent ("Boe").
- For the quarter ended June 30, 2017, we incurred \$4.9 million in capital expenditures, including seismic and corporate expenditures, as compared to \$0.9 million for the quarter ended June 30, 2016.
- As of June 30, 2017, we had no long-term debt and \$26.5 million in short-term debt, as compared to \$3.8 million in long-term debt and \$38.2 million in short-term debt as of December 31, 2016. During the quarter ended June 30, 2017, we repaid \$4.1 million in debt as we continue to focus on deleveraging our balance sheet. Additionally, on July 3, 2017, we retired the remaining \$10.0 million of our 13.0% Convertible Notes due 2017 (the "2017 Notes"), reducing our debt to \$16.5 million.

### Second Quarter 2017 Operational Update

During the second quarter of 2017, we further developed our oil fields in Southeastern Turkey, where we drilled three wells and executed several recompletions. The following summarizes our operations by location during the second quarter of 2017:

#### Southeastern Turkey

*Exploration.* We drilled the Cavuslu-1 well to a total depth of 11,350 feet for a drilling cost of approximately \$1.7 million. We encountered two benches of Bedinan, as well as Hazro and Mardin. The lower Bedinan began flowing high gravity oil and gas upon perforating. We are currently conducting tests to determine appropriate stimulation design.

We drilled the Bahar-11 well, which was initially planned as a horizontal well but ultimately completed as a vertical well, to a total depth of 10,750 feet for a drilling cost of approximately \$4.8 million. We encountered good quality sand with hydrocarbon shows in the primary target of the Bedinan, which tested at a rate of 120 barrels of oil per day ("Bopd"). We also encountered Dadas sand, which tested at a rate of 30 Bopd. We are currently conducting completion and testing of the Hazro zone. We expect to comingle

these completions and commence long-term production this month. We expect that additional Hazro and Mardin zones will be completed at a later date.

We drilled the Pinar-1ST well to a total depth of 11,650 feet for a drilling cost of approximately \$2.0 million. We encountered two benches of Bedinan, the lower of which tested non-commercial amounts of hydrocarbons and the upper of which we expect to test in the third quarter of 2017. We also encountered Mardin and Hazro zones, which we expect to test at a later date.

*Recompletions.* In the Selmo and Arpatepe fields, several recompletions were executed, which resulted in incremental production of 275 barrels of oil per day for an estimated capital expenditure of \$0.2 million. Additional recompletions are planned for the second half of 2017.

*Facilities.* We have also continued construction of an enhanced production facility in the Bahar field and the electrification of the field via natural gas-powered generation. The facility began operation in early August. Once fully commissioned, we expect an estimated 25% to 30% decrease in production expenses in the Bahar field.

#### *Northwestern Turkey*

We did not engage in any new drilling activities during the second quarter of 2017.

#### *Bulgaria*

We continue to evaluate our position in Bulgaria with updated geologic models and continue to market a joint venture exploration program for our assets in Bulgaria.

#### ***Planned Operations***

We currently plan to execute the following activities under our development plan during the remainder of 2017:

*Turkey.* We expect our net field capital expenditures for the remainder of 2017 to range between \$6.0 million and \$12.5 million. We expect net field capital expenditures during the remainder 2017 to include between \$1.0 million \$3.0 million of completion expense for three gross wells, between \$2.0 million and \$5.0 million in capital recompletions and between \$3.0 million and \$4.5 million for 3D seismic.

*Bulgaria.* We intend to drill on our Koynare license during 2017 or 2018 and plan to continue working on our geologic model for additional prospects. In addition, we continue to market a joint venture exploration program for our assets in Bulgaria.

#### ***Discontinued Operations in Albania***

In February 2016, we sold all of the outstanding equity in our wholly-owned subsidiary, Stream Oil & Gas Ltd., to GBC Oil Company. We have presented the Albanian segment operating results as discontinued operations for the three and six months ended June 30, 2016.

On August 9, 2017, due to continued failures by our joint venture partners to timely meet their obligations, uncompleted local governmental ratifications, and our prioritization of funds, we transferred our 25% equity interest in DelvinaCo to Delvina Investment Partners Ltd. in exchange for a release of all claims with respect to DelvinaCo and a cash payment of \$300,000 for amounts owed to us under agreements entered into in connection with the DelvinaCo joint venture transaction. Additionally, we terminated all of our responsibilities as operator and our obligations to pay any operating costs or any other expenditures with respect to DelvinaCo. This divestiture completes our departure from all Albanian operations and assets.

#### ***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 generally accepted accounting principles in the United States ("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, 2016 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.

There have been no changes to the significant accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Continuing Operations—Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016**

Our results of continuing operations for the three months ended June 30, 2017 and 2016 were as follows:

	<b>Three Months Ended June 30,</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017-2016</b>
<b>(in thousands of U.S. Dollars, except per unit amounts and production volumes)</b>			
<b>Sales volumes:</b>			
Oil (Mbbl)	290	329	(39)
Natural gas (Mmcf)	66	391	(325)
Total production (Mboe)	301	395	(94)
Average daily sales volumes (Boepd)	3,308	4,335	(1,027)
<b>Average prices:</b>			
Oil (per Bbl)	\$ 41.27	\$ 40.67	\$ 0.60
Natural gas (per Mcf)	\$ 4.77	\$ 7.08	\$ (2.31)
Oil equivalent (per Boe)	\$ 40.80	\$ 40.97	\$ (0.17)
<b>Revenues:</b>			
Oil and natural gas sales	\$ 12,283	\$ 16,162	\$ (3,879)
Sales of purchased natural gas	-	1,520	(1,520)
Other	58	16	42
Total revenues	12,341	17,698	(5,357)
<b>Costs and expenses (income):</b>			
Production	2,714	3,069	(355)
Exploration, abandonment and impairment	2	128	(126)
Cost of purchased natural gas	-	1,341	(1,341)
General and administrative	3,181	3,899	(718)
Depletion	4,004	7,233	(3,229)
Depreciation and amortization	251	574	(323)
Interest and other expense	2,288	2,614	(326)
Interest and other income	(188)	(190)	2
Foreign exchange (gain) loss	(1,116)	611	(1,727)
<b>Gain (loss) on commodity derivative contracts:</b>			
Cash settlements on commodity derivative contracts	32	231	(199)
Change in fair value on commodity derivative contracts	644	(3,234)	3,878
Total gain (loss) on commodity derivative contracts	676	(3,003)	3,679
<b>Oil and natural gas costs per Boe:</b>			
Production	\$ 7.89	\$ 6.81	\$ 1.08
Depletion	\$ 11.64	\$ 16.04	\$ (4.40)

**Oil and Natural Gas Sales.** Total oil and natural gas sales revenues decreased \$3.9 million to \$12.3 million for the three months ended June 30, 2017, from \$16.2 million realized in the same period in 2016. The decrease was primarily due to a decrease in our sales volumes of 94 Mboe for the three months ended June 30, 2017 compared to the same period in 2016, primarily due to a 41 Mboe decrease in oil production in the Selmo oil field and a 43 Mboe decrease from the divestiture of TBNG in February 2017.

**Sales of Purchased Natural Gas.** Sales of purchased natural gas for the three months ended June 30, 2017 decreased to zero from \$1.5 million for the same period in 2016. The decrease was due to the divestiture of TBNG in February 2017.

**Production.** Production expenses for the three months ended June 30, 2017 decreased to \$2.7 million, or \$7.89 per Boe, from \$3.1 million, or \$6.81 per Boe, for the same period in 2016. The decrease was primarily due to the divestiture of TBNG.

**Exploration, Abandonment and Impairment.** Exploration, abandonment and impairment costs for the three months ended June 30, 2017 decreased \$0.1 million to \$2,000, from \$0.1 million for the same period in 2016. During the three months ended June 30, 2017, we incurred no proved or unproved property impairment and minimal exploratory dry hole costs.

**Cost of Purchased Natural Gas.** Cost of purchased natural gas for the three months ended June 30, 2017 decreased to zero from \$1.3 million for the same period in 2016. The decrease was due to the divestiture of TBNG in February 2017.

**General and Administrative.** General and administrative expense was \$3.2 million for the three months ended June 30, 2017, compared to \$3.9 million for the same period in 2016. Our general and administrative expenses decreased \$0.7 million due to a \$0.6 million decrease in legal, accounting and other services and a \$0.2 million decrease in personnel expenses, which was partially offset by an increase in office expenses of \$0.1 million.

**Depletion.** Depletion decreased to \$4.0 million, or \$11.64 per Boe, for the three months ended June 30, 2017, compared to \$7.2 million, or \$16.04 per Boe, for the same period of 2016. The decrease was primarily due to a reduction in production volumes as well as no depletion expense recorded for TBNG as a result of the divestiture in February 2017.

**Interest and Other Expense.** Interest and other expense decreased to \$2.3 million for the three months ended June 30, 2017, compared to \$2.6 million for the same period in 2016. The decrease was primarily due to our lower average debt balances during the three months ended June 30, 2017 versus the same period in 2016.

**Foreign Exchange (Gain) Loss.** We recorded a foreign exchange gain of \$1.1 million during the three months ended June 30, 2017, as compared to a loss of \$0.6 million in the same period in 2016. 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 U.S. Dollar transaction which occurs in Turkey is re-measured at the period-end to the New Turkish Lira (“TRY”) amount if it has not been settled previously. The foreign exchange gain for the three months ended June 30, 2017 was due to an increase in the value of the TRY compared to the U.S. Dollar.

**Gain on Commodity Derivative Contracts.** During the three months ended June 30, 2017, we recorded a net gain on commodity derivative contracts of \$0.7 million, as compared to a net loss of \$3.0 million for the same period in 2016. During the three months ended June 30, 2017, we recorded a \$0.6 million gain to mark our commodity derivative contracts to their fair value and \$32,000 gain on settled contracts. During the same period in 2016, we recorded a \$3.2 million loss to mark our derivative contracts to their fair value and a \$0.2 million gain on settled contracts.

**Other Comprehensive Income (Loss).** We record foreign currency translation adjustments from the process of translating the functional currency of the financial statements of our foreign subsidiaries into the U.S. Dollar reporting currency. Foreign currency translation adjustment for the three months ended June 30, 2017 increased to a gain of \$2.1 million from a loss of \$2.3 million for the same period in 2016. The change was due to a 3.6% increase in the value of the TRY as compared to the U.S. Dollar, versus a 2.1% decrease in the value of the TRY for the three months ended June 30, 2016.

**Discontinued Operations.** All revenues and expenses associated with our Albanian operations have been classified as discontinued operations. Our operating results from discontinued operations in Albania are summarized as follows:

	<u>Discontinued Operations</u>	
	<u>(in thousands)</u>	
<i>For the three months ended June, 2016</i>		
Total revenues	\$	-
Production and transportation expense		-
Total other costs and expenses		118
Loss before income taxes	\$	(118)
Gain on disposal of discontinued operations		-
Income tax benefit		-
Loss from discontinued operations	\$	(118)

**Results of Continuing Operations—Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016**

Our results of continuing operations for the six months ended June 30, 2017 and 2016 were as follows:

	Six Months Ended June 30,		Change
	2017	2016	2017-2016
(in thousands of U.S. Dollars, except per unit amounts and volumes)			
<b>Sales volumes:</b>			
Oil (Mbbbl)	604	685	(81)
Natural gas (Mmcf)	251	869	(618)
Total production (Mboe)	646	830	(184)
Average daily sales volumes (Boepd)	3,550	4,561	(1,011)
<b>Average prices:</b>			
Oil (per Bbl)	\$ 44.39	\$ 35.82	\$ 8.57
Natural gas (per Mcf)	\$ 4.91	\$ 7.07	\$ (2.16)
Oil equivalent (per Boe)	\$ 43.42	\$ 36.97	\$ 6.45
<b>Revenues:</b>			
Oil and natural gas sales	\$ 28,051	\$ 30,688	\$ (2,637)
Sales of purchased natural gas	654	2,546	(1,892)
Other	72	30	42
Total revenues	28,777	33,264	(4,487)
<b>Costs and expenses (income):</b>			
Production	5,801	5,955	(154)
Exploration, abandonment and impairment	108	1,433	(1,325)
Cost of purchased natural gas	568	2,237	(1,669)
General and administrative	6,771	8,742	(1,971)
Depletion	8,315	14,827	(6,512)
Depreciation and amortization	437	946	(509)
Interest and other expense	4,659	5,270	(611)
Interest and other income	(481)	(402)	(79)
Foreign exchange loss	1,007	269	738
<b>Gain (loss) on commodity derivative contracts:</b>			
Cash settlements on commodity derivative contracts	32	1,459	(1,427)
Change in fair value on commodity derivative contracts	1,632	(3,691)	5,323
Total gain (loss) on commodity derivative contracts	1,664	(2,232)	3,896
<b>Oil and natural gas costs per Boe:</b>			
Production	\$ 7.81	\$ 6.28	\$ 1.53
Depletion	\$ 11.26	\$ 15.63	\$ (4.37)

**Oil and Natural Gas Sales.** Total oil and natural gas sales revenues decreased \$2.6 million to \$28.1 million for the six months ended June 30, 2017, from \$30.7 million realized in the same period in 2016. The decrease was primarily due to a decrease in our sales volumes of 184 Mboe for the six months ended June 30, 2017 compared to the same period in 2016, primarily due to a decrease of 80 Mboe in oil production in the Selmo oil field and an 89 Mboe decrease from the divestiture of TBNG in February 2017. This was partially offset by an increase in the average realized price per Boe. Our average price received increased \$6.45 per Boe to \$43.42 per Boe for the six months ended June 30, 2017, from \$36.97 per Boe for the same period in 2016.

**Sales of Purchased Natural Gas.** Sales of purchased natural gas for the six months ended June 30, 2017 decreased to \$0.7 million from \$2.5 million for the same period in 2016. The decrease was due to the divestiture of TBNG in February 2017.

**Production.** Production expenses for the six months ended June 30, 2017 decreased to \$5.8 million, or \$7.81 per Boe, from \$6.0 million, or \$6.28 per Boe, for the same period in 2016. The decrease was primarily due to the divestiture of TBNG in February 2017.

**Exploration, Abandonment and Impairment.** Exploration, abandonment and impairment costs for the six months ended June 30, 2017 decreased \$1.3 million to \$0.1 million, from \$1.4 million for the same period in 2016. During the six months ended June 30, 2016, we incurred proved property impairment of \$1.4 million.

**Cost of Purchased Natural Gas.** Cost of purchased natural gas for the six months ended June 30, 2017 decreased to \$0.6 million from \$2.2 million for the same period in 2016. The decrease was due to the divestiture of TBNG in February 2017.

**General and Administrative.** General and administrative expense was \$6.8 million for the six months ended June 30, 2017, compared to \$8.7 million for the same period in 2016. Our general and administrative expenses decreased \$2.0 million due to a \$1.5 million decrease in legal, accounting and other services and a \$0.8 million decrease in personnel expenses, which was partially offset by an increase in office expenses of \$0.3 million and an increase in insurance expenses of \$0.2 million.

**Depletion.** Depletion decreased to \$8.3 million, or \$11.26 per Boe, for the six months ended June 30, 2017, compared to \$14.8 million, or \$15.63 per Boe, for the same period of 2016. The decrease was primarily due to a reduction in production volumes as well as no depletion expense recorded for TBNG after the divestiture in February 2017.

**Interest and Other Expense.** Interest and other expense decreased to \$4.7 million for the six months ended June 30, 2017, compared to \$5.3 million for the same period in 2016. The decrease was primarily due to our lower average debt balances during the six months ended June 30, 2017 versus the same period in 2016.

**Interest and Other Income.** Interest and other income increased slightly to \$0.5 million for the six months ended June 30, 2017, as compared to \$0.4 million for the same period in 2016, primarily due to higher average cash balances during the six months ended June 30, 2017 versus the same period in 2016.

**Foreign Exchange Loss.** We recorded a foreign exchange loss of \$1.0 million during the six months ended June 30, 2017, as compared to a loss of \$0.3 million in the same period in 2016. 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 U.S. Dollar transaction which occurs in Turkey is re-measured at the period-end to the TRY amount if it has not been settled previously. The foreign exchange loss for the six months ended June 30, 2017 was due to a decrease in the value of the TRY compared to the U.S. Dollar

**Gain on Commodity Derivative Contracts.** During the six months ended June 30, 2017, we recorded a net gain on commodity derivative contracts of \$1.7 million, as compared to a net loss of \$2.2 million for the same period in 2016. During the six months ended June 30, 2017, we recorded a \$1.6 million gain to mark our commodity derivative contracts to their fair value and a \$32,000 gain on settled contracts. During the same period in 2016, we recorded a \$3.7 million loss to mark our derivative contracts to their fair value and a \$1.5 million gain on settled contracts.

**Other Comprehensive Income (Loss).** We record foreign currency translation adjustments from the process of translating the functional currency of the financial statements of our foreign subsidiaries into the U.S. Dollar reporting currency. Foreign currency translation adjustment for the six months ended June 30, 2017 increased to a gain of \$23.1 million from a gain of \$0.7 million for the same period in 2016. Of the \$23.2 million gain, \$23.1 million was due to the loss related to the TBNG accumulated foreign currency translation adjustment that was realized into earnings from accumulated other comprehensive loss within shareholders' equity. The remaining change was due to a decrease in the value of the TRY as compared to the U.S. Dollar.

**Discontinued Operations.** All revenues and expenses associated with our Albanian operations have been classified as discontinued operations. Our operating results from discontinued operations in Albania are summarized as follows:

	<u>Discontinued Operations</u>	
	(in thousands)	
<i>For the six months ended June, 2016</i>		
Total revenues	\$	626
Production and transportation expense		1,155
Total other costs and expenses		<u>527</u>
Loss before income taxes	\$	(1,056)
Gain on disposal of discontinued operations		749
Income tax benefit		<u>204</u>
Loss from discontinued operations	\$	(103)

### ***Capital Expenditures***

For the quarter ended June 30, 2017, we incurred \$4.9 million in capital expenditures, including seismic and corporate expenditures, as compared to \$0.9 million for the quarter ended June 30, 2016. The increase was due to our planned increase in capital expenditures during the quarter ended June 30, 2017 compared to the same period in 2016.

We expect our net field capital expenditures for the remainder of 2017 to range between \$6.0 million and \$12.5 million. We expect net field capital expenditures during the remainder 2017 to include between \$1.0 million \$3.0 million of completion expense for three gross wells, between \$2.0 million and \$5.0 million in capital recompletions and between \$3.0 million and \$4.5 million for 3D seismic. We expect cash on hand and cash flow from operations will be sufficient to fund our 2017 net field capital expenditures. If not, we will either curtail our discretionary capital expenditures or seek other funding sources. Our projected 2017 capital expenditure budget is subject to change.

### ***Cashflows***

Net cash provided by operating activities from continuing operations during the six months ended June 30, 2017 was \$13.6 million, an increase from net cash provided by operating activities from continuing operations of \$11.6 million for the same period in 2016. The increase was primarily due to the timing of collecting our receivables and paying our accounts payable.

Net cash provided by investing activities from continuing operations during the six months ended June 30, 2017 was \$2.6 million, an increase from net cash used in investing activities from continuing operations of \$6.7 million for the same period in 2016. The increase was primarily due to the proceeds received from the sale of TBNG partially offset by an increase in capital expenditures.

Net cash used in financing activities from continuing operations during the six months ended June 30, 2017 was \$15.6 million, an increase from net cash used in financing activities from continuing operations of \$10.5 million for the same period in 2016. The increase was primarily due to an increase in debt principal payments.

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

As of June 30, 2017, we had \$26.5 million of indebtedness, not including \$7.0 million of trade payables, as further described below. On July 3, 2017, we repaid our 2017 Notes, reducing our outstanding indebtedness to \$16.5 million. 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.

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

*Term Loan.* On August 23, 2016, the Turkish branch of TransAtlantic Exploration Mediterranean International Pty Ltd (“TEMI”) entered into a Credit Agreement with DenizBank S.A. (“DenizBank”).

On August 31, 2016, DenizBank entered into a \$30.0 million term loan with TEMI under the Credit Agreement (the “Term Loan”). 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.

On September 7, 2016, TEMI used approximately \$22.9 million of the proceeds from the Term Loan to repay our former senior credit facility in full.

The Term Loan bears interest at a fixed rate of 5.25% (plus 0.2625% for Banking and Insurance Transactions Tax per the Turkish government) per annum. Amounts repaid under the Term Loan may not be re-borrowed, and early repayments under the Term Loan are subject to early repayment fees.

On April 27, 2017, TEMI and DenizBank approved a revised amortization schedule for the Term Loan. Pursuant to the revised amortization schedule, the maturity date of the 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 Term Loan remain unchanged.

At June 30, 2017, we had \$16.5 million outstanding under the Term Loan and no availability, and were in compliance with the covenants in the Term Loan.

*2017 Notes.* As of June 30, 2017, we had \$10.0 million aggregate principal amount of outstanding 2017 Notes. The 2017 Notes bore interest at an annual rate of 13.0% per annum. Interest was payable semi-annually, in arrears, on January 1 and July 1 of each year. The 2017 Notes matured on July 1, 2017, and we paid off and retired all remaining outstanding 2017 Notes on July 3, 2017.

*Series A Preferred Shares.* On November 4, 2016, we issued 921,000 shares of our 12% Series A Convertible Redeemable Preferred Shares (“Series A Preferred Shares”). Of the 921,000 Series A Preferred Shares, (i) 815,000 shares were issued in exchange for \$40.75 million of our 2017 Notes, at an exchange rate of 20 Series A Preferred Shares for each \$1,000 principal amount of 2017 Notes, and (ii) 106,000 shares were issued and sold for \$5.3 million of cash to certain holders of the 2017 Notes. All of the Series A Preferred Shares were issued at a value of \$50.00 per share. We used \$4.3 million of the gross proceeds to redeem a portion of the remaining 2017 Notes on January 1, 2017. The remaining proceeds were used for general corporate purposes. The Series A Preferred Shares contain a substantive conversion option, are mandatorily redeemable and convert into a fixed number of common shares. As a result, under U.S. GAAP, we have classified the Series A Preferred Shares within mezzanine equity in our consolidated balance sheets. As of June 30, 2017, there were \$21.3 million of Series A Preferred Shares and \$24.8 million of Series A Preferred Shares – related party outstanding. For the six months ended June 30, 2017, we paid \$2.8 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.” For information on the terms of the Series A Preferred Shares, see “Note 3, Series A Preferred Shares” to our consolidated financial statements.

### ***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. 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; 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; 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.

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

Our derivative contracts may expose us to credit risk in the event of nonperformance by our counterparty. The lender under our Term Loan is a counterparty to our derivative contracts. While collateral is generally not required to be posted by counterparties, credit risk associated with derivative instruments is minimized by entering into derivative instruments only with creditworthy counterparties that are generally large financial institutions. Additionally, master netting agreements are used to mitigate risk of loss due to default with counterparties on derivative instruments. These agreements allow us to offset our asset position with our liability position in the event of default by the counterparty.

During the second quarter of 2017, there were no material changes in market risk exposures or their management that would affect the Quantitative or Qualitative Disclosures About Market Risk disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016. The following table sets forth our derivatives contracts, which are settled based on Brent oil pricing, with respect to future crude oil production as of June 30, 2017:

#### Fair Value of Derivative Instruments as of June 30, 2017

Type	Period	Quantity (Bbl/day)	Average Minimum Price (per Bbl)	Average Maximum Price (per Bbl)	Estimated Fair Value of Asset (in thousands)
Collar	July 1, 2017 — December 31, 2017	293	\$ 47.50	\$ 61.00	\$ 116
Collar	July 1, 2017 — December 31, 2017	440	\$ 50.00	\$ 61.50	288
Collar	July 1, 2017 — December 31, 2017	489	\$ 47.00	\$ 59.65	161
Collar	January 1, 2018 — February 28, 2018	458	\$ 50.00	\$ 61.50	82
Collar	January 1, 2018 — March 31, 2018	500	\$ 47.00	\$ 59.65	60
Collar	January 1, 2018 — May 31, 2018	298	\$ 47.50	\$ 61.00	87
Total estimated fair value of asset					<u>\$ 794</u>

### Item 4. Controls and Procedures

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

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

As of June 30, 2017, management carried out an evaluation, under the supervision and with the participation of our chief executive officer and principal accounting and financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon the evaluation, our chief executive officer and principal accounting and financial officer concluded that, as of June 30, 2017, our disclosure controls and procedures were effective at the reasonable assurance level.

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

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

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings**

During the second quarter of 2017, 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, 2016.

### **Item 1A. Risk Factors**

During the second quarter of 2017, there were no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

### **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**

Not applicable.

**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).
- 101.1\* Amended and Restated Office Lease, dated June 26, 2017, by and between TransAtlantic Petroleum (USA) Corp. and Longfellow Energy, LP
- 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.

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\* Filed herewith.

\*\* Furnished herewith.

### Signatures

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

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

By: \_\_\_\_\_ /s/ G. FABIAN ANDA  
**G. Fabian Anda**  
**Principal Accounting and Financial Officer**

Date: August 9, 2017

## INDEX TO EXHIBITS

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\*\* Furnished herewith.

**AMENDED AND RESTATED  
16803 Dallas Parkway  
OFFICE LEASE**

This Amended and Restated Office Lease (the "Lease"), executed on the 26th day of June, 2017 (the "Execution Date"), and dated effective as of the 1st day of January, 2017 (the "Effective Date"), is made and entered into by **Longfellow Energy, LP**, a Texas limited partnership ("Landlord") and **TransAtlantic Petroleum (USA) Corp.**, previously a Colorado company, now a Delaware company ("Tenant"). For purposes of this Lease, the Landlord and Tenant may also be referred to as "Party" or "Parties."

WHEREAS, Landlord and Tenant entered into that certain Office Lease, dated August 22, 2011 ("2011 Lease") wherein Tenant leased approximately 5,300 square feet of office space from Landlord located on the second floor of the Office Complex (as defined below);

WHEREAS, the 2011 Lease terminated on its own accord on August 22, 2016, and Tenant's obligation under the 2011 Lease is currently month-to-month;

WHEREAS, Landlord and Tenant entered into that certain Office Lease, dated April 5, 2013 ("2013 Lease") wherein Tenant leased approximately 4,696 square feet of office space from Landlord located on the first floor of the Office Complex;

WHEREAS, Tenant no longer uses space on the first floor of the Office Complex and has changed the amount of space it uses on the second floor of the Office Complex;

WHEREAS, Landlord and Tenant desire to cancel the 2011 Lease by executing the Notice of Cancellation attached hereto as Exhibit "D"; and

WHEREAS, Landlord and Tenant desire to amend and restate the 2013 Lease to reflect, among other things, current market rental rates and a new description of the leased Premises.

THEREFORE, for valuable consideration, the receipt and sufficiency of which is acknowledged, Landlord and Tenant agree to the following terms and conditions herein:

1. **PREMISES.** Landlord does hereby lease to Tenant, and Tenant hereby leases from Landlord, that certain commercial office space containing approximately 10,000 square feet of leasable floor area (the "Premises"), located on the second floor of the building located on certain real property known as **16803 Dallas Parkway, Addison, Texas** (the "Office Complex"). The location and dimensions of the Premises are more particularly described on Exhibit "A," which is attached hereto and made a part hereof. The Office Complex is located in the Triangle Pacific Survey, Block 1, Lot 1, ACS 3.870, City of Addison, County of Dallas, State of Texas.

2. **USE.** Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

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3. **RENT.** Beginning on the Effective Date, and except as provided for below, Tenant agrees to pay the following to Landlord as monthly rent, without notice or demand:

- a. Year 1: Beginning on January 1, 2017 and ending on December 31, 2017, the following sums:
  - i. Rent payments due on January 1, 2017 through May 1, 2017: Fourteen Thousand, Seven Hundred Forty-Five and No/100 Dollars (\$14,745.16) per month.
  - ii. Rent payment due on June 1, 2017 through December 1, 2017: Seventeen Thousand, Five Hundred and No/100 Dollars (\$17,500.00) per month.
- b. Year 2: Beginning on January 1, 2018 and ending on December 31, 2018, the sum of Eighteen Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$18,333.33) per month.
- c. Year 3: Beginning on January 1, 2019 and ending on December 31, 2019, the sum of Eighteen Thousand, Seven Hundred Fifty and No/100 Dollars (\$18,750.00) per month.
- d. Year 4: Beginning on January 1, 2020 and ending on December 31, 2020, the sum of Nineteen Thousand, One Hundred Sixty-Six and 67/100 Dollars (\$19,166.67) per month.
- e. Year 5: Beginning on January 1, 2021 and ending on December 31, 2021, the sum of Nineteen Thousand, Five Hundred Eighty Three and 33/100 Dollars (\$19,583.33) per month.

For purposes of this Lease, the term "Rent" shall mean the monthly amount due in the applicable lease year described in Section 3 above. Rent shall be due and payable, in advance, on or before the first day of each calendar month during the Term, beginning on the Effective Date. In addition to the Rent described in Section 3 above, Tenant shall pay Landlord a catch-up payment of Thirteen Thousand, Five Hundred Seventy-Eight and 53/100 Dollars (\$13,578.53) on the Execution Date.

4. **AS-IS.** Landlord delivers to Tenant the Premises AS-IS. Tenant shall not make any alterations, additions or improvements to the Premises without the prior written consent of Landlord as provided in Section 11 below.

5. **TERM.** The Lease term shall commence on the Effective Date and shall end on the last day of the Sixtieth (60<sup>th</sup>) month thereafter ("Term"). The Term may be extended pursuant to the Option granted to Tenant herein.

6. **OPTION.** Landlord grants to Tenant the option to renew this Lease for two (2) additional term periods of sixty (60) months each. Tenant may exercise each option to renew by giving written notice of Tenant's exercise of such option to Landlord at least sixty (60) days before the end of the then current Term. Except as provided below, if Tenant exercises such option to renew, unless agreed by the Parties in writing, the lease of the Premises shall be upon the same terms,

provisions, and conditions contained in this Lease, except that (i) the Term of this Lease shall be extended for sixty (60) months; and (ii) the amount of the monthly Rent payable during such renewal term shall be at a mutually agreed upon market rate.

7. **SECURITY DEPOSIT.** Tenant is not required to deliver a security deposit.

8. **UTILITIES.** Landlord shall provide all utilities, including but not limited to gas, water, wastewater, electricity, trash, telephone, cable and internet, to Tenant on a monthly basis. Landlord shall bill Tenant on a monthly basis for all utilities according to actual, direct expenses, and Tenant shall pay such bill within thirty (30) days of receipt.

9. **USES PROHIBITED.** Tenant shall not do or permit anything to be done in or about the Premises, nor bring or keep anything therein which is not within the permitted use of the Premises, which will in any way increase the existing rate of or affect any fire or other insurance upon the Office Complex or any of its contents, or cause a cancellation of any insurance policy covering the Office Complex or any part thereof or any of its contents. Tenant shall not allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose; nor shall Tenant cause, maintain or permit any nuisance in, or about the Premises. Tenant shall not commit or allow to be committed any waste in or upon the Premises.

10. **COMPLIANCE WITH LAW.** Tenant shall not use the Premises, or permit anything to be done in or about the Premises, which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar bodies now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. To the extent applicable, Landlord shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar bodies now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises.

11. **LEASEHOLD IMPROVEMENTS, ALTERATIONS AND OR ADDITIONS.** Tenant shall not make or allow to be made any leasehold improvements, alterations or additions to or of the Premises or any part thereof without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld. In the event Landlord consents to the making of any leasehold improvements, alterations or additions to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense and those items shall at once become a part of the realty and belong to the Landlord and shall be surrendered with the Premises upon the expiration or sooner termination of the Term hereof.

12. **REPAIRS.**

12A. By execution of this Lease, Tenant shall be deemed to have accepted the Premises as being in good working order. Tenant shall, upon the expiration or sooner termination of this Lease hereof, surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted.

12B. Notwithstanding the provisions of Section 12A. above, Landlord shall repair and maintain the structural portions of the Premises, including the exterior and interior demising walls and roof, unless, and to the extent that, such maintenance and repairs are caused by the act, neglect, fault or omission of any duty by Tenant, in which case Tenant shall pay to Landlord the actual cost of such maintenance and repairs. Except as provided in Section 25 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Premises so long as these repairs do not cause an unreasonable burden on Tenant.

13. **LIENS.** Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by or on behalf of Tenant.

14. **ASSIGNMENT AND SUBLETTING.** Tenant shall not voluntarily, or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or allow any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Premises, or any portion thereof, all without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be consent to any subsequent assignment, subletting, occupation or use by another person. Any assignment or subletting without consent shall be void, and shall, at the option of the Landlord, constitute a default under the terms of this Lease. In the event that Landlord shall consent to a sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed One Hundred and No/100 Dollars (\$100.00), incurred in connection with the processing of documents necessary to giving of such consent.

15. **INDEMNIFICATION.**

**15A. TENANT SHALL FOREVER DEFEND, INDEMNIFY AND HOLD HARMLESS LANDLORD, ANY AND ALL PERSONS OWNED OR CONTROLLED BY OR AFFILIATED WITH LANDLORD AND THEIR RESPECTIVE MEMBERS, MANAGERS, PARTNERS, EQUITY HOLDERS, OFFICIERS, DIRECTORS, EMPLOYEES, AGENTS, MORTGAGEES, INSURERS, SUCCESSIONS AND ASSIGNS (EACH, AN "INDEMNIFIED PERSON") FROM AND AGAINST ANY AND ALL LIABILITIES (INCLUDING STRICT LIABILITY), ACTIONS, DEMANDS, PENALTIES, LOSSES, COSTS OR EXPENSES (INCLUDING, WITHOUT LIMITATION, CONSULTANT FEES EXPERT WITNESS FEES, ACCOUNTING FEES,**

ATTORNEYS' FEES, EXPENSES AND REMDIAL COSTS), LAWSUITS, COSTS OF ANY SETTLEMENT OR JUDGMENT, AND DAMAGES OF ANY AND EVERY KIND WHATSOEVER WHICH MAY NOW OR IN THE FUTURE (WHETHER BEFORE OR AFTER THE EXPIRATION AND TERMINATION OF THIS LEASE), INCLUDING, WITHOUT LIMITATION, THE DEFAULT DAMAGES AND/OR LOSSES OF RENTS (COLLECTIVELY, THE "LOSSES"), PAID, INCURRED OR SUFFERED BY OR ASSERTED AGAINST THE INDEMNIFIED PARTIES OR ANY ONE OF THEM BY ANY GOVERNMENTAL AUTHORITY OR OTHER PERSON TO THE EXTENT RESULTING FROM, ATTRIBUTABLE TO OR OTHERWISE ARISING PURSUANT TO: (A) ANY CONTAMINATION CAUSED OR SUFFERED BY THE TENANT PARTIES ; (B) ANY BREACH OR VIOLATION OF THIS LEASE BY TENANT; (C) ANY BREACH OR VIOLATION OF ANY APPLICABLE LAWS BY THE TENANT PARTIES; (D) THE USE OR MISUSE OF THE PREMISES BY THE TENANT PARTIES; (E) ANY EVENT OR OCCURRENCE AT OR ON THE PREMISES DURING THE TERM OF THIS LEASE OR THEREAFTER WHILE IN THE POSSESSION OF TENANT, WHATEVER THE CAUSE; (F) ANY CHANGE IN THE CONDITION OF THE PREMISES, EXCEPT FOR CHANGES EXPRESSLY PERMITTED UNDER THIS LEASE; (G) ANY CLAIM, DEMAND, PROCEEDING, ACTION, INVESTIGATION OR LAWSUIT (EACH A "PROCEEDING") BROUGHT, PROSECUTED OR INSTITUTED TO FORECLOSE UPON ANY LIEN FOR LABOR OR MATERIALS FURNISHED TO OR AT THE REQUEST OF TENANT, AND/OR ANY BANKRUPTCY, INSOLVENCY, OR CREDITORS RIGHTS PROCEEDING INVOLVING TENANT; AND/OR (H) ANY PROCEEDING AGAINST ANY TENANT PARTIES OR BY REASON OF ANY ACTS OR OMISSIONS OF ANY TENANT PARTIES IN WHICH LANDLORD IS NAMED OR MADE A PARTY TO SUCH PROCEEDING (INCLUDING, WITHOUT LIMITATION, A CLAIM BY ANY TENANT PARTIES FOR CONTRIBUTION BY LANDLORD). NOTWITHSTANDING THE FOREGOING, TENANT SHALL HAVE NO LIABILITY UNDER THIS SECTION 15A FOR LOSSES SOLELY ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LANDLORD OR (IN THE CASE OF ACTIVITIES UNDERTAKEN UNDER THE EXPRESS AUTHORITY OF LANDLORD FOR THE PERFORMANCE OF LANDLORD'S CONSRUCTION, REPAIR, MAINTENANCE AND/OR REPLACEMENT OBLIGATIONS HEREUNDER, LANDLORD'S CONTRACTORS)

15B. TENANT SHALL REIMBURSE LANDLORD, UPON DEMAND, FOR ALL LOSSES INCURRED, PAID OR PAYABLE BY LANDLORD, WHETHER OR NOT A PROCEEDING IS COMMENCED OR JUDGMENT ENTERED. IN ADDITION, IF ANY ACTION FOR BREACH OF OR TO ENFORCE THE PROVISIONS OF THIS LEASE IS COMMENCED, LANDLORD SHALL BE ENTITLED TO RECEIVE FROM TENANT ALL AMOUNTS INCURRED BY LANDLORD FOR ITS ACTUAL ATTORNEYS' FEES AND COSTS.

15C. LANDLORD SHALL INDEMNIFY, DEFEND AND HOLD TENANT HARMLESS FROM ANY LOSSES SUFFERED OR INCURRED BY TENANT THAT IS

**DIRECTLY AND PROXIMATELY CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LANDLORD OR (IN THE CASE OF ACTIVITIES UNDERTAKEN UNDER THE EXPRESS AUTHORITY OF LANDLORD FOR THE PERFORMANCE OF LANDLORD'S CONSTRUCTION, REPAIR, MAINTENANCE AND/OR REPLACEMENT OBLIGATIONS HEREUNDER, LANDLORD'S CONTRACTORS); PROVIDED, UNDER NO CIRCUMSTANCES WILL LANDLORD BE LIABLE TO TENANT FOR ANY CONSEQUENTIAL, PUNITIVE OR INDIRECT DAMAGES, INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS, LOSS OF ENTERPRISE VALUE, OR LOSS OF GOODWILL. NOTWITHSTANDING THE FOREGOING, OR ANYTHING TO THE CONTRARY SET FORTH IN THIS LEASE, IN ALL EVENTS AND UNDER ALL CIRCUMSTANCES, THE LIABILITY OF LANDLORD TO TENANT, WHETHER UNDER THIS SECTION 15C, ANY OTHER PROVISION OF THIS LEASE, OR BY OPERATION OF APPLICABLE LAW, SHALL BE LIMITED IN RECOURSE TO THE INTEREST OF LANDLORD IN THE PREMISES (INCLUDING ALL PROCEEDS OF SALE, RENT OR OTHER INCOME DERIVED FROM THE PREMISES), TENANT AGREES TO LOOK SOLELY TO SUCH INTEREST OF LANDLORD IN THE PREMISES FOR THE RECOVERY OF ANY JUDGMENT OR AWARD AGAINST LANDLORD WITHOUT PERSONAL RECOURSE TO LANDLORD.**

15D. This Section 15 shall survive the expiration or termination of the Lease.

15E. In the event of any transfer or transfer of the title of the fee interest of Landlord in the Premises (and in case of any subsequent transfers or conveyances, the then-grantor) will automatically be freed and relieved from and after the date of such transfer or conveyance of all personal liability for the performance of any covenants or obligations on the part of the Landlord contained in this Lease thereafter to be performed, including but not limited to, any obligation to Tenant with respect to the Security Deposit (if any), upon assignment of same to the transferee, provided that (a) the interest of the transferor, as the lessor, in any funds then in the hands of Landlord in which Tenant has an interest shall be turned over to such transferee subject to such interest of the Tenant; and (b) the transferee expressly agrees in writing to be bound by the terms of this Lease.

16. **SUBROGATION.** As long as their respective insurers so permit, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall apply to their insurers to obtain said waivers. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

17. **LIABILITY INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the Term of this Lease a policy of comprehensive public liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be in the

amount of not less than \$500,000.00 for injury or death of one person in any one accident or occurrence and in the amount of not less than \$1,000,000.00 for injury or death of more than one person in any one accident or occurrence. Such insurance shall further insure Landlord and Tenant against liability for property damage of at least \$500,000.00. Tenant may provide this insurance under a blanket policy, provided that said insurance shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant and the cost of which insurance shall be reimbursed or paid to Landlord by Tenant upon Landlord's demand for the same. Insurance required hereunder shall be in companies rated A: XII or better in "Best's Key Rating Guide." Tenant shall deliver to Landlord, prior to right of entry, copies of policies of liability insurance required herein or certificates evidencing the existence and amounts of such insurance with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage. All such policies shall be written as primary policies not contributing with and not in excess of coverage which Landlord may carry.

18. **PERSONAL PROPERTY TAXES.** Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the Term hereof upon all Tenant's leasehold improvements, alterations, additions, equipment, furniture, fixtures, and any other personal property located in the Premises. In the event any or all of the Tenant's leasehold improvements, alterations, additions, equipment, furniture, fixtures and other personal property shall be assessed and taxed with the real property, Tenant shall pay to Landlord its share of such taxes within thirty (30) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

19. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate and/or modify so long as such rules and regulations do not cause an unreasonable burden on Tenant. The rules and regulations are attached hereto and made a part hereof as Exhibit "B."

20. **HOLDING OVER.** If Tenant remains in possession of the Premises or any part thereof after the expiration of the Term hereof without the express written consent of Landlord, such occupancy shall be deemed to be a tenancy from month to month at a monthly rental in the amount of 150% of the last monthly Rent, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month to month tenancy.

21. **ENTRY BY LANDLORD.** Landlord reserves, and shall at all times have, the right to enter the Premises at reasonable times and upon reasonable notice to inspect the same and to repair the Premises and any portion of the Premises that Landlord may deem necessary, without abatement of rent, and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always ensuring that the entrance to the Premises shall not be unreasonably blocked thereby, and further providing that the business of the Tenant shall not unreasonably be interfered with and such repairs shall not cause an unreasonable burden on Tenant. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's

vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Tenant, except for gross negligence or willful misconduct of Landlord or its agents.

22. **TENANT'S DEFAULT.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

22A. Notwithstanding any payment of current Rent, Tenant shall not desert, abandon or vacate the Premises or a substantial portion thereof, nor shall Tenant fail to operate its business in the Premises for more than thirty (30) days for any reason other than the destruction or condemnation of the Premises.

22B. The failure by Tenant to make any payment of rent or any other mutually agreed upon payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of seven (7) business days after written notice thereof by Landlord to Tenant.

22C. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Section 22B, above, if such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

22D. The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

23. **REMEDIES IN DEFAULT.**

23A. Termination of the Lease. Upon the occurrence of a default by Tenant hereunder, Landlord may, upon any applicable notice and opportunity to cure, terminate this Lease by giving written notice thereof to Tenant, and, without further notice and without liability, repossess the Premises. Landlord shall be entitled to recover all direct and actual but not consequential or punitive loss and damage Landlord may suffer by reason of such termination, whether through inability to relet the Premises on reasonable terms or otherwise.

23B. Repossession and Re-Entry. Upon the occurrence of a default by Tenant hereunder, Landlord may, upon any applicable notice and opportunity to cure, immediately terminate Tenant's right of possession of the Premises (whereupon all obligations and liability of Landlord hereunder shall terminate), but not terminate this Lease, and, without notice, demand or liability, enter upon the Premises or any part thereof, take absolute possession of the same, expel or remove Tenant and any other person or entity who may be occupying the Premises and change the locks. If Landlord terminates Tenant's possession of the Premises under this Section 23B, (i) Landlord shall have no obligation whatsoever to tender to Tenant a key for new locks installed in the Premises, (ii) Tenant shall have no further right to possession of the Premises, and (iii) Landlord shall use reasonable effort to relet or attempt to relet the Premises. Landlord may, however, at its sole option, relet the Premises or any part thereof on such terms and conditions as are reasonable for the geographic area in which the Premises is located. If Landlord elects to relet the Premises, rent received by Landlord from such reletting shall be applied first to the payment of any indebtedness other than Rent and additional charges due hereunder from Tenant to Landlord (in such order as Landlord shall designate), second, to the payment of any cost of such reletting, including, without limitation, advertising costs, brokerage fees and leasing commissions, and third, to the payment of Rent due and unpaid hereunder (in such order as Landlord shall designate), and Tenant shall satisfy and pay to Landlord any deficiency upon demand therefor from time to time. Except as otherwise provided herein, Landlord shall not be responsible or liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon any such reletting. No such re-entry or taking of possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such termination is given to Tenant pursuant to Section 23A above. In the event of the reletting by Landlord of the Premises to a person expressly assuming Tenant's obligations under this Lease, Tenant shall thereby be released from any further obligations hereunder, and Landlord agrees to look solely to such successor in interest of the Tenant for performance of such obligations. Upon such reletting, Tenant shall be relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the reletting.

23C. Cure of Default. Upon the occurrence of a default hereunder by Tenant, Landlord may, upon any applicable notice and opportunity to cure, enter upon the Premises and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord on demand for any direct and actual expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, except for such damages caused by the gross negligence or willful misconduct of Landlord or its agents.

23D. Cumulative Remedies. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy set forth herein or otherwise available to Landlord at law or in equity, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute.

In any of the above situations, Landlord shall have the duty to take reasonable action to mitigate Tenant's damages.

24. **DEFAULT BY LANDLORD.** Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. Any failure by Landlord to so timely commence the cure will result in a default hereunder.

25. **RECONSTRUCTION.** In the event the Premises are damaged by fire or other perils covered by extended coverage insurance, Landlord agrees to forthwith repair same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the Rent from the date of damage while such repairs are being made, such proportionate reduction to be based upon the extent to which the damage and making of such repairs shall reasonably interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of Rent.

In the event the Premises are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, then Landlord shall forthwith repair the same, provided the extent of the destruction be less than fifty percent (50%) of the then full replacement cost of the Premises. In the event the destruction of the Premises is to fifty percent (50%) or more of the full replacement cost, then Landlord shall have the option; (1) to repair or restore such damage, this Lease continuing in full force and effect, but the Rent to be proportionately reduced as herein above in this Section provided; or (2) give notice to Tenant at any time within sixty (60) days after such damage, terminating this Lease as of the date specified in such notice, which date shall be no more than thirty (30) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate reduction, based upon the extent, if any, to which such damage interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

Notwithstanding anything to the contrary contained in this Section, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Section occurs during the last six (6) months of the Term of this Lease or any extension thereof.

26. **EMINENT DOMAIN.** If more than twenty-five percent (25%) of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, within sixty (60) days after said taking, to terminate this Lease upon thirty (30) days written notice. If either less than or more than twenty-five percent (25%) of the Premises are taken (and neither party elects to terminate as herein

provided), the Rent thereafter to be paid shall be equitably reduced. In the event of any taking or appropriation whatsoever, Landlord shall be entitled to any and all awards and/or settlements which may be given.

27. **PARKING AND COMMON AREAS.** Landlord covenants that an area approximately equal to the parking areas as shown on the attached Exhibit "C" shall be at all times available for the non-exclusive use of Tenant during the Term of this Lease or any extension of the Term hereof, provided that the condemnation or other taking by any public authority, or sale in lieu of condemnation, of any or all of such parking areas shall not constitute a violation of this covenant. Landlord reserves the right to change the entrances, exits, traffic lanes and the boundaries and locations of such parking area or areas.

27A. The Landlord shall keep the automobile parking areas in a neat, clean and orderly condition and shall repair any damage to the facilities thereof.

27B. Tenant, for the use and benefit of Tenant, its agents, employees, customers, licensees and sub-tenants, shall have the non-exclusive right in common with Landlord, and other present and future owners, tenants and their agents, employees, customers, licensees and sub-tenants, to use said parking areas during the entire Term of this Lease, or any extension thereof, for ingress and egress, and automobile parking.

27C. Tenant, in the use of said parking areas, agrees to comply with such reasonable rules, regulations and charges for parking as the Landlord may adopt from time to time for the orderly and proper operation of said parking areas. Such rules may include but shall not be limited to the following: (1) the restriction of employee parking to a reasonably limited, designated area or areas; and (2) the regulation of the removal, storage and disposal of Tenant's refuse and other rubbish at the sole cost and expense of Tenant.

28. **SIGNS.** Tenant may install and maintain such sign or signs as have first received the written approval of the Landlord as to type, size, color, location, copy nature and display qualities, which approval shall not be unreasonably withheld. Tenant is responsible for full payment for the sign to sign company.

29. **AUCTIONS.** Tenant shall not conduct or permit to be conducted any sale by auction in, upon or from the Premises, whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of creditors, or pursuant to any bankruptcy or other insolvency proceeding.

30. **HOURS OF BUSINESS.** Subject to the provisions of Section 25 hereof, and to reasonable periods of closing, not to exceed ten (10) consecutive days in any one calendar year, Tenant shall continuously during the Term hereof conduct and carry on Tenant's business in the Premises and shall keep the Premises open for business and cause Tenant's business to be conducted therein during the usual business hours of each and every business day as is customary for businesses of like character in Addison, Texas; provided, however, that this provision shall not apply if the

Premises should be closed and the business of Tenant temporarily discontinued therein due to strikes, lockouts or similar causes beyond the reasonable control of Tenant.

31. **GENERAL PROVISIONS.**

(a) **Waiver.** The waiver by either party of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding default by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding default at the time of the acceptance of such Rent.

(b) **Marginal Headings.** The marginal headings and section titles of this Lease are not a part of the Lease and shall have no effect upon the construction or interpretation of any part hereof.

(c) **Time.** Time is of the essence of this Lease and each and all of its provisions in where performance is a factor.

(d) **Successors and Assigns.** The covenants and conditions herein contained, subject to the provisions as to assignment in this Lease, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

(e) **Recordation.** Neither Landlord nor Tenant shall record this Lease, but a short form memorandum hereof may be recorded at the request of Landlord.

(f) **Quiet Possession.** Upon Tenant paying the Rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the Term hereof, subject to all the provisions of this Lease.

(g) **Late Charges.** Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges. Rent is due on the first of each month and late after the 10<sup>th</sup> day of each month. Accordingly, if any installment of Rent or any sum due from Tenant shall not be received by Landlord in accordance with these terms, then Tenant shall pay to Landlord a late charge of \$25.00 per day, or an amount equal to the maximum amount permitted by law, plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay rent and/or other charges when due hereunder. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant.

Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

(h) **Prior Agreements.** This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. Except as specifically provided herein in Section 6, no provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

(i) **Inability to Perform.** This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.

(j) **Partial Invalidity.** Any provision of this Lease which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

(k) **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

(l) **Choice of Law.** This Lease shall be governed by the laws of the State of Texas.

(m) **Sale of Premises by Landlord.** Landlord may sell the Premises or the Office Complex at any time, with or without notice to Tenant. In the event of any sale of the Premises or Office Complex by Landlord during the Term (or any subsequent Term) of this Lease, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale, and the Lease shall automatically terminate on the date of the consummation of such sale.

(n) **Subordination, Attornment.** Upon request of the Landlord, Tenant will, in writing, subordinate its rights hereunder to the lien of any mortgage or deed of trust, to any bank, insurance company or other lending institution, now or hereafter in force against the Premises, and to all advances made or hereafter to be made upon the security thereof.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

The provisions of this Section to the contrary notwithstanding, and so long as Tenant is not in default hereunder, this Lease shall remain in full force and effect for the Term hereof.

(o) **Notices.** All notices and demands which may or are to be required or permitted to be given by either party on the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be either hand delivered or sent by United States Mail with return receipt requested, postage prepaid, addressed to the Tenant at the Premises, and to the address herein below, or to such other place as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be either hand delivered or sent by United States Mail with return receipt requested, postage prepaid, addressed to the Landlord at the address set forth herein, and to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.

To Landlord at: Longfellow Energy, LP  
Attn: Michael S. Haynes  
16803 Dallas Parkway  
Addison, Texas 75001

To Tenant at: TransAtlantic Petroleum (USA) Corp.  
Attn: Chad Burkhardt  
16803 Dallas Parkway  
Addison, Texas 75001  
*With a copy to N. Malone Mitchell, 3rd  
at the same address.*

(p) **Authority of Tenant.** The individual executing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant and that this Lease is binding upon Tenant.

(q) **Arbitration.** Landlord and Tenant agree that any claim, controversy, or dispute arising out of or relating to this Lease shall, except as set forth herein, be settled by arbitration in Dallas, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association. This agreement to arbitrate shall survive the termination of this Lease. Any arbitration shall be undertaken pursuant to the Federal Arbitration Act, where applicable, and the decision of the arbitrators shall be final, binding, and enforceable in any court of competent jurisdiction. In any dispute in which a party seeks in excess of \$1,000,000 in damages, three (3) arbitrators shall be employed. Otherwise, a single arbitrator shall be employed. All costs relating to the arbitration shall be borne equally by the parties, other than their own attorney's fees. The arbitrators shall not award punitive damages.

32. **EXCULPATORY LANGUAGE.** If Landlord fails to perform its obligations in accordance with any of the provisions of this Lease, Landlord agrees that it shall, to the extent and under the conditions provided for in this Lease, be liable to Tenant on account of any damages

caused thereby, but Tenant agrees that any money judgment resulting from such failure shall be satisfied only out of Landlord's interest in the building of which the Premises are a part, and no other real, personal, or other property of Landlord or of the partners comprising Landlord, or of the officers, shareholders, directors, partners, or principals of such partners comprising the Landlord, shall be subject to levy, attachment, or execution, or otherwise sued to satisfy any such judgment, ground lease of the Premises, and in the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers, the then-grantor) shall be relieved from and after the date of such transfer of all liability as respects Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Landlord shall, subject as aforesaid, be binding on Landlord's successors and assigns, only during their respective periods of ownership.

33. **HAZARDOUS MATERIALS.** During the term of this Lease, Tenant shall comply with statutes, ordinances, rules, orders, regulations and requirements of the federal, state, county and city governments and all departments thereof applicable to the presence, storage, use, maintenance and removal of asbestos, PCB transformers, other toxic, hazardous or contaminated substances and underground storage tanks (collectively, "Hazardous Materials") in, on or about the Premises, which presence, storage, use, maintenance or removal is caused or permitted by Tenant. In no event shall the aforesaid be construed to mean that Landlord has given or will give its consent or that Tenant need not obtain Landlord's consent prior to Tenant's storing, using, maintaining or removing hazardous materials in, on or about the Premises.

*[The Remainder of this Page is Intentionally Left Blank - Signature Page Follows]*

*Signature Page to Amended and Restated Office Lease*

**LANDLORD:**

**Longfellow Energy, LP**

By: /s/ Todd Dutton  
Todd Dutton, President

**TENANT:**

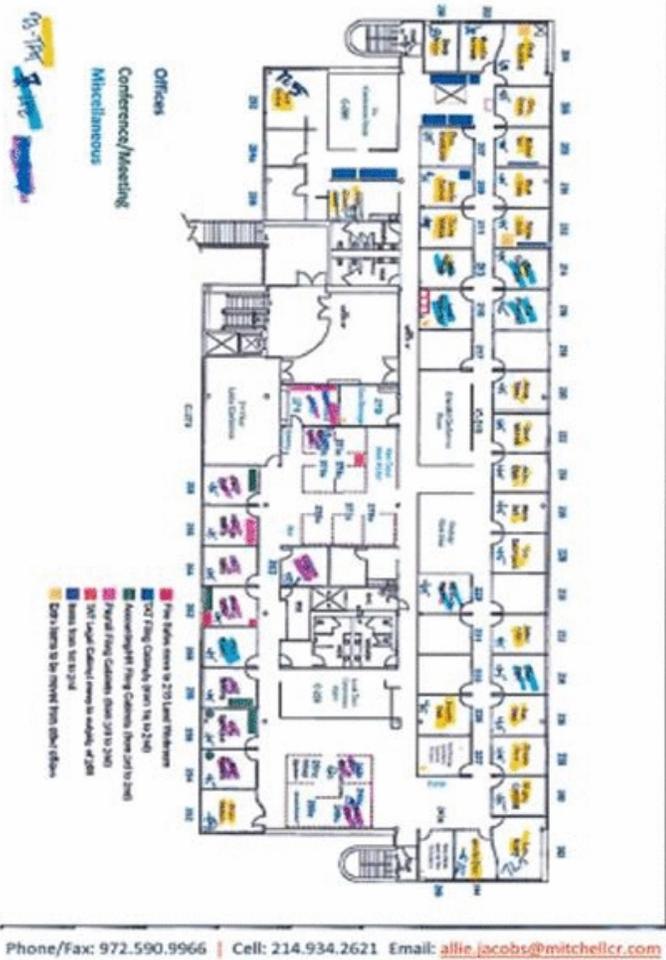
**TransAtlantic Petroleum (USA) Corp.**

By: /s/ Chad Burkhardt  
Chad Burkhardt, Vice President  
General Counsel, Corporate Secretary

**Exhibit "A"**  
 Location and Dimensions of the Premises  
 See Attached



Exhibit A



Amended and Restated Office Lease – Exhibit "A"

**Exhibit "B"**  
**Rules and Regulations**

1. In the event of any conflict between the terms of these rules and regulations and the express provisions of the Lease, the express, applicable provisions of the Lease shall control. Landlord reserves the right, without the approval of Tenant, to rescind, add to and amend any rules or regulations, to add new reasonable rules or regulations and to waive any rules or regulations. Tenant shall provide a copy of these rules and regulations to each of its employees to facilitate compliance with these standards.
2. Tenant shall not place, or cause or allow to be placed, any sign, notice or lettering whatsoever, in about or on the exterior of the Premises, except in and at such places as may be designated by Landlord and consented to by Landlord in writing, which consent shall not be unreasonably withheld or delayed. Any such sign, notice or lettering so placed without such consent may be removed by Landlord without notice and at the expense of Tenant.
3. All waste, paper, refuse and garbage shall be deposited by Tenant only in those containers provided by Tenant, or, if applicable, by Landlord, to be located in areas designated by Landlord.
4. Tenant shall not place, or cause to be placed, any satellite dish, communications equipment, computer or microwave receiving equipment, antennae or other similar equipment about or on the exterior of the Premises. Any such equipment so placed may be removed by Landlord without notice to and at the expense of Tenant.
5. Canvassing, soliciting or peddling on the Premises is prohibited and Tenant shall cooperate reasonably to prevent same.
6. Landlord shall the right to exclude any person from the Premises, and any person on the Premises will be subject to identification by employees and agents of Landlord. If Tenant desires additional security service for the Premises, Tenant shall have the right to obtain such additional service at Tenant's sole cost and expense. Tenant shall keep the doors to unattended areas locked and shall otherwise exercise reasonable precautions to protect property from theft, loss or damage. Landlord shall not be responsible for the theft, loss or damage of any property. In case of invasion, mob, riot or public incitement, the Landlord reserves the right to prevent access to the Premises during the continuance of same by taking measures for the safety of Tenant and property or persons in or on the Premises.
7. Only workmen employed, designated, or approved by Landlord, which approval shall not be unreasonably withheld, may be employed for repairs, installations, alterations, painting, material moving or other similar work that may be done in or on the Premises.

8. Tenant shall not bring or permit to be brought or kept in or on the Premises any flammable, combustible, corrosive, caustic, or explosive substance, or firearms, except for those required for Tenant's primary business and approved in writing by the Landlord.
9. Tenant shall not mark, paint, drill into, or in any way deface any part of the Premise. No boring, driving of nails or screws, cutting or stringing of wires shall be permitted, except with the prior written consent of Landlord, which consent shall not be unreasonably withheld.
10. No additional bolts or locks of any kind shall be placed on any door in the Premises and no lock on any door therein shall be changed or altered in any respect. Tenant shall not make duplicate keys. All keys shall be returned to Landlord upon termination of this Lease. Landlord may at all times keep a pass key to the Premises. All entrance doors to the Premises shall be left closed at all times and left locked when Premises are not in use.
11. Tenant shall give immediate notice to Landlord in the case of known theft, unauthorized solicitation or accident on the Premises, of known defects therein or in any fixtures, and of any known emergency on the Premises.
12. No animals shall be brought or kept in or on the Premises, with the exception of guide dogs accompanying handicapped persons.
13. No portion of the Premises shall at any time be used or occupied as sleeping or lodging quarters.
14. Tenant shall at all times use, maintain and occupy the Premises in a careful, safe, property and lawful manner, and keep the Premises and its appurtenances in a clean and safe condition.
15. Tenant shall keep all glass in the doors and windows of the Premises clean and in good repair. Glass breakage shall be repaired at Tenant's expense.
16. Tenant shall not hold any auction, fire, bankruptcy, or other type of sale in or on the Premises.
17. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expenses of breakage, stoppage or damage resulting from violation of this rule shall be borne by Tenant.
18. All Tenant modifications resulting from alterations or physical additions in or to the Premises must conform to all applicable building and fire codes. Tenant shall obtain written approval from the Landlord prior to commencement of any such modifications and shall deliver as-built plans to Landlord upon completion.

19. Any vehicle improperly parked or parked in any unauthorized parking area on the Premises shall be towed at the vehicle owner's expense and without further or additional notice.
20. Persons using the parking areas on the Premises do so at their own risk. Landlord specifically disclaims all liability for any personal injury incurred by users of the parking areas on the Premises, including users' agents, employees, family, friends, guests or invitees, or as a result of damage to, theft of, or destruction of any vehicle or contents thereof, as a result of the operation or parking of vehicles in the parking areas.

\* \* \* \* \*

Amended and Restated **Office Lease – Exhibit “B”**

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**Exhibit "D"**

**NOTICE OF CANCELLATION OF  
16803 North Dallas Parkway  
OFFICE LEASE**

This NOTICE OF CANCELLATION OF OFFICE LEASE is entered into as of the 1<sup>st</sup> day of January, 2017 (the "Effective Date"), between **Longfellow Energy, LP**, a Texas limited partnership ("Landlord") and **TransAtlantic Petroleum (USA) Corp.**, previously a Colorado company, now a Delaware corporation ("Tenant").

WHEREAS, Landlord and Tenant entered into that certain Office Lease dated effective August 23, 2011 ("2011 Lease");

WHEREAS, Landlord and Tenant entered into that certain Office Lease dated effective April 5, 2013 ("2013 Lease"); and

WHEREAS, Landlord and Tenant desire to cancel only the 2011 Lease, as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, Landlord and Tenant hereby agree that the 2011 Lease is cancelled and is of no further force or effect as of the Effective Date. Neither Landlord nor Tenant shall have any obligations to the other with respect to such 2011 Lease as of the Effective Date.

Executed this \_\_\_ day of \_\_\_\_\_, 2017.

**LANDLORD:**

**Longfellow Energy, LP,  
A Texas limited partnership**

By: \_\_\_\_\_  
Todd Dutton, President

**TENANT:**

**Transatlantic Petroleum (USA) Corp.,  
A Delaware corporation**

By: \_\_\_\_\_  
Chad Burkhardt, General Counsel

## CERTIFICATION

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

1. I have reviewed this Quarterly Report on Form 10-Q of TransAtlantic Petroleum Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2017

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

## CERTIFICATION

I, G. Fabian Anda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TransAtlantic Petroleum Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 9, 2017

/s/ G. Fabian Anda  
G. Fabian Anda  
Principal Accounting and  
Financial 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 June 30, 2017 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly represents, in all material respects, the financial condition and results of operation of the Company as of, and for, the periods presented in the Form 10-Q.

Date: August 9, 2017

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

/s/ G. Fabian Anda  
G. Fabian Anda  
Principal Accounting and Financial  
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.

