Trillion Energy International Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(Stated in United States dollars)

TRILLION ENERGY INTERNATIONAL INC.

Index to Consolidated Financial Statements

HARBOURSIDE CPA

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Trillion Energy International Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Trillion Energy International Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph Regarding Going Concern

The accompanying financial statements have been prepared assuming that Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations, has working capital deficit, and expects continuing future losses and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the auditing standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matters

The critical audit matters communicated below are matters arising form the current year audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Depletion and depreciation of proved oil and natural gas properties

Description of the matter

At December 31, 2021, the net book value of the Company's proved oil and natural gas properties was $2,056,796, and depletion and depreciation expense was $265,566 for the year then ended. As described in Note 2, The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas reserves are capitalized and accumulated in cost centers on a country-by-country basis. Total proved reserves, also estimated by the Company's engineers, are used to calculate depletion on property acquisitions. Proved natural gas, natural gas liquids (NGLs) and oil reserve estimates are based on geological and engineering evaluations of in-place hydrocarbon volumes. Significant judgment is required by the Company's engineers in evaluating geological and engineering data when estimating proved natural gas, NGLs and oil reserves. Estimating reserves also requires the selection of inputs, including natural gas, NGLs and oil price assumptions, future operating and capital costs assumptions and tax rates by jurisdiction, among others.

Auditing the Company's depletion and depreciation calculation is especially complex because of the use of the work of the engineers and the evaluation of management's determination of the inputs described above used by the specialists in estimating proved natural gas, NGLs and oil reserves.

How we addressed the matter in our audit

Our audit procedures included, among others, evaluating the professional qualifications and objectivity of the specialists used for the preparation of the reserve estimates. In addition, we evaluated the completeness and accuracy of the financial data and inputs described above used by the specialists in estimating proved natural gas, NGLs and oil reserves by agreeing them to source documentation and we identified and evaluated corroborative and contrary evidence. For proved undeveloped reserves, we evaluated management's development plan for compliance with the SEC rule that undrilled locations are scheduled to be drilled within five years, unless specific circumstances justify a longer time, by assessing consistency of the development projections with the Company's drill plan and the availability of capital relative to the drill plan. We also tested the mathematical accuracy of the depletion and depreciation calculations, including comparing the proved natural gas, NGLs and oil reserves amounts used to the Company's reserve report.

/s/ Harbourside CPA LLP
Vancouver, Canada

April 29, 2022

We have served as the Company's auditor since March 2019.

TRILLION ENERGY INTERNATIONAL INC.
Consolidated Balance Sheets
(Expressed in U.S. dollars)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,026,990	$ 202,712
Accounts receivable	709,805	773,311
Prepaid expenses and deposits	95,503	24,302
Total current assets	1,832,298	1,000,325
Oil and gas properties, net	5,172,943	5,346,916
Property and equipment, net	147,134	128,257
Restricted cash	5,438	11,763
Total assets	$ 7,157,813	$ 6,487,261
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 852,481	$ 1,496,510
Loans payable	630,534	549,424
Lease liability	6,732	12,116
Total current liabilities	1,489,747	2,058,050
Asset retirement obligation	4,426,978	4,010,624
Loans payable	18,513	17,730
Convertible debt	-	11,027
Derivative liability	472,899	1,804,572
Lease liability	8,592	27,693
Total liabilities	6,416,729	7,929,696
Stockholders' equity:		
Common stock	1,828	1,253
Additional paid-in capital	33,295,413	27,508,468
Receivables for equity issued	(1,193,641)	-
Shares to be cancelled	5,323	-
Obligation to issue stock	7,450	15,342
Accumulated other comprehensive loss	(847,412)	(490,172)
Accumulated deficit	(30,527,877)	(28,477,326)
Total stockholders' equity	741,084	(1,442,435)
Total liabilities and stockholders' equity	$ 7,157,813	$ 6,487,261

See accompanying notes to consolidated financial statements

TRILLION ENERGY INTERNATIONAL INC.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. dollars)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenue		
Oil and gas revenue	$ 3,700,727	$ 2,584,266
Cost and expenses		
Production	2,617,118	2,378,626
Depletion	233,798	239,002
Depreciation	31,768	37,633
Accretion of asset retirement obligation	416,354	377,197
Investor relations	914,770	458,302
Stock-based compensation	336,366	410,555
General and administrative	2,248,164	1,894,081
Total expenses	6,798,338	5,795,396
Loss before other income (expense)	(3,097,611)	(3,211,130)
Other income (expense)		
Provision for loan receivable	-	(54,008)
Interest income	46,217	13,026
Interest expense	(126,027)	(85,100)
Finance cost	(176,386)	-
Accretion of convertible debt discount	-	(34,586)
Foreign exchange gain	25,668	58,196
Gain on disposal of equipment	40,074	-
Other income	2,600	2,513
Change in fair value of derivative liability	1,473,638	(199,789)
Loss on debt settlement	(238,724)	(22,406)
Total other income (expense)	1,047,060	(322,154)
Net loss	$ (2,050,551)	$ (3,533,284)
Other comprehensive loss		
Foreign currency translation adjustments	(357,240)	(179,068)
Comprehensive loss	$ (2,407,791)	$ (3,712,352)
Loss per share, basic and diluted	$ (0.01)	$ (0.04)
Weighted average number of shares outstanding basic and diluted	158,166,108	96,770,433

See accompanying notes to consolidated financial statements

TRILLION ENERGY INTERNATIONAL INC.
Consolidated Statements of Stockholders' Equity
(Expressed in U.S. dollars)

	Common stock								
	Shares	Amount	Additional paid-in Capital	Receivables for equity issued	Obligation to Issue shares	Shares to Be cancelled	Accumulated other Comprehensive income (loss)	Accumulated deficit	Total
Balance, December 31, 2019	87,628,823	$ 876	$ 27,031,125	$ -	$ 23,052	$ -	$ (311,104)	$ (24,944,042)	$ 1,799,907
Issuance of common stock	24,804,666	248	56,968		(7,710)	-	–	–	49,506
Stock issued for debt settlement	7,502,334	75	8,165		–	-	–	–	8,240
Stock issued for services	2,485,000	25	6,238		-	-	-	-	6,263
Restricted stock unit grants and vesting	2,425,000	24	164,276		–	-	–	–	164,300
Stock-based compensation expense	-	-	246,255		–	-	–	–	246,255
Options exercised	320,000	3	19,652		-	-	–	–	19,655
Broker's warrant	-	-	(25,404)		-	-	-	-	(25,404)
Conversion of debentures	173,333	2	1,193		–	-	–	–	1,195
Currency translation adjustment	–	–	–		–	-	(179,068)	–	(179,068)
Net loss	-	-	-		-	-	-	(3,533,284)	(3,533,284)
Balance, December 31, 2020	125,339,156	1,253	27,508,468	-	15,342	-	(490,172)	(28,477,326)	(1,442,435)
Issuance of common stock	12,831,992	128	262,599		(15,342)	-	–	–	247,384
Stock issued for debt settlement	5,252,740	52	198,730		–	-	–	–	198,782
Warrants exercised to settle debt	1,400,000	14	194,345		-	-	-	-	194,359
Stock issued for services	3,130,591	31	762,763		-	-	-	-	762,794
Restricted stock unit grants and vesting	1,275,000	13	204,512		7,450	-	–	–	211,975
Warrants and options exercised	33,780,314	315	3,285,017	(1,193,641)	-	5,323	-	–	2,097,014
Conversion of debentures	2,160,000	22	601,838		-	-	-	-	601,860
Stock-based compensation expense	-	-	124,391		-	-	-	-	124,391
Warrants issued for loan	-	-	152,750		-	-	-	-	152,750
Currency translation adjustment	–	–	–		–	-	(357,240)	–	(357,240)
Net loss	-	-	-		-	-	-	(2,050,551)	(2,050,551)
Balance, December 31, 2021	**185,169,793**	**1,828**	**33,295,413**	**(1,193,641)**	**7,450**	**5,323**	**(847,412)**	**(30,527,877)**	**741,084**

See accompanying notes to consolidated financial statements

TRILLION ENERGY INTERNATIONAL INC.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating activities:		
Net loss for the period	$ (2,050,551)	$ (3,533,284)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	336,366	410,555
Stock issued for services	762,794	114,491
Depletion	233,798	239,002
Depreciation	31,768	37,633
Accretion of asset retirement obligation	416,354	377,197
Accretion expense	146,329	34,586
Change in fair value of derivative liability	(1,473,638)	199,789
Unrealized foreign exchange loss	53,699	1,813
Accrued interest	49,409	80,278
Interest income	(17,733)	-
Loss on debt settlement	238,724	22,406
Provision for loan receivable	-	54,008
Gain on disposal of equipment	(40,074)	-
Changes in operating assets and liabilities:		
Accounts receivable	(469,752)	(234,969)
Prepaid expenses and deposits	(71,201)	5,733
Accounts payable and accrued liabilities	(18,680)	565,459
Lease payments	(11,114)	(25,369)
Net cash used in operating activities	(1,883,502)	(1,650,672)
Investing activities:		
Property and equipment expenditures	(180,739)	(73,725)
Disposal of equipment	65,016	-
Oil and gas properties expenditures	(66,122)	(5,084)
Net cash used in investing activities	(181,845)	(78,809)
Financing activities:		
Proceeds from stock subscriptions received	544,880	1,004,228
Proceeds from loans payable	525,642	83,651
Proceeds from exercise of options	191,032	-
Proceeds from exercise of warrants	1,772,884	-
Repayment of loans payable	(394,883)	(59,177)
Repayment of notes receivable	23,745	-
Proceeds from convertible debt	-	-
Net cash provided by financing activities	2,663,300	1,028,702
Effect of exchange rate changes on cash and cash equivalents	220,000	(44,669)
Net increase (decrease) in cash, cash equivalents, and restricted cash	817,953	(745,448)
Cash, cash equivalents and restricted cash, beginning of year	214,475	959,923
Cash, cash equivalents and restricted cash, end of year	$ 1,032,428	$ 214,475
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents, end of period	$ 1,026,990	$ 202,712
Restricted cash, end of period	5,438	11,763
Cash, cash equivalents and restricted cash, end of period	$ 1,032,428	$ 214,475

(Expressed in U.S. dollars)

	Year ended December 31,			
		2021		**2020**
Supplemental Cash Flow Information:				
Accounts payable and debt settled by issuance of shares	$	198,782	$	355,087
Warrants exercised to settle debt	$	194,359	$	-
Warrants issued to settle debt	$	152,750	$	-
Initial recognition of right-of-use asset	$	-	$	57,919
Stock issued for conversion of debentures	$	601,860	$	-
Cash interest paid	$	29,980	$	14,515

See accompanying notes to consolidated financial statements

1. Organization

Trillion Energy International Inc. and its consolidated subsidiaries, (collectively referred to as the "Company") is a Canadian based oil and gas exploration and production company. Effective April 10, 2020, the corporate headquarters moved from Suite 700, 838 West Hastings Street, Vancouver, B.C., Canada to Turan Gunes Bulvari, Park Oran Ofis Plaza, 180-y, Daire:54, Kat:14, 06450, Oran, Cankaya, Anakara, Turkey. The Company also has a registered office in Canada and Bulgaria. The Company was incorporated in Delaware in 2015.

On January 21, 2022, the Company redomiciled from Delaware to a British Columbia corporation by way of an amalgamation transaction with the Company's British Columbian subsidiary, Trillion Energy Inc. (the "Repatriation Transaction"). Pursuant to the Repatriation Transaction, for every one common stock of Trillion Energy International Inc., the shareholders will receive one common stock of Trillion Energy Inc.

As a result of the Repatriation Transaction, the Company meets the definition of a foreign private issuer, as defined under Rule 3b-4 of the Securities Exchange Act of 1934, as amended.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Going Concern

Consolidation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are expressed in U.S. dollars. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Park Place Energy Corp. ("PPE Corp."), Park Place Energy Bermuda ("PPE Bermuda"), BG Exploration EOOD ("BG Exploration"), and Park Place Energy Turkey ("PPE Turkey"). All intercompany balances and transactions are eliminated on consolidation. Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Going Concern

The Company has suffered recurring losses and negative cash flows from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company will need to raise funds through either the sale of its securities, issuance of corporate bonds, joint venture agreements and/or bank financing to accomplish its goals. If additional financing is not available when needed, the Company may need to cease operations. The Company may not be successful in raising the capital needed to drill and/or rework existing oil wells. Any additional wells that the Company may drill may be non-productive. Management believes that actions presently being taken to secure additional funding for the reworking of its existing infrastructure will provide the opportunity for the Company to continue as a going concern. Since the Company has an oil producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as "COVID-19". The pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures has had an adverse impact on global economic conditions as well as on the Company's business activities. The extent coronavirus has caused a modest drop in economic activity and oil and gas prices, due to reduced demand. The Company has implemented work from home measures for its employees in its offices in Canada and Turkey. The coronavirus has caused delay in realizing the Company's funding efforts. To which the coronavirus may impact the Company's business activities in the future will depend on future developments, such as the ultimate geographic spread of the disease, vaccine approvals and effectiveness, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time. While certain restrictions are presently in the process of being relaxed, it is unclear when the world will return to the previous normal, if ever. This may adversely impact the expected implementation of the Company's plans moving forward.

(b) Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates its estimates and assumptions related to the estimated useful lives and recoverability of long-lived assets, impairment of oil and gas properties, fair value of stock-based compensation, leases, convertible debt and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

(d) Revenue Recognition

Revenue from Contracts with Customers

The Company recognizes revenue when it satisfies its performance obligation(s) by transferring control over a product to a customer. Revenue is measured based on the consideration the Company expects to receive in exchange for those products.

Performance Obligations and Significant Judgments

The Company sells oil and natural gas products in Turkey. The Company enters into contracts that generally include one type of distinct product in variable quantities and priced based on a specific index related to the type of product.

The oil and natural gas are typically sold in an unprocessed state to processors and other third parties for processing and sale to customers. The Company recognizes revenue at a point in time when control of the oil is transferred. For oil sales, control is typically transferred to the customer upon receipt at the wellhead or a contractually agreed upon delivery point. Under the Company's natural gas contracts with processors, control transfers upon delivery at the wellhead or the inlet of the processing entity's system. For the Company's other natural gas contracts, control transfers upon delivery to the inlet or to a contractually agreed upon delivery point. In the cases where the Company sells to a processor, the Company has determined that the Company is the principal in the arrangement and the processors are the Company's customers. The Company recognizes the revenue in these contracts based on the net proceeds received from the processor.

Transfer of control drives the presentation of transportation and gathering costs within the accompanying consolidated statements of loss and comprehensive loss. Transportation and gathering costs incurred prior to transfer of control are recorded within the general and administrative expense line item on the accompanying consolidated statements of loss and comprehensive loss, while transportation and gathering costs incurred subsequent to control transfer are recorded as a reduction to the related revenue.

A portion of the Company's product sales are short-term in nature. For those contracts, the Company uses the practical expedient in Accounting Standards Codification ("ASC") 606-10-50-14 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

For the Company's product sales that have a contract term greater than one year, the Company uses the practical expedient in ASC 606-10-50-14(a) which states the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to an unsatisfied performance obligation. Under these sales contracts, each unit of product represents a separate performance obligation; therefore, future volumes are unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required. The Company has no unsatisfied performance obligations at the end of each reporting period.

The Company does not believe that significant judgments are required with respect to the determination of the transaction price, including any variable consideration identified. There is a low level of uncertainty due to the precision of measurement and use of index-based pricing with predictable differentials. Additionally, any variable consideration identified is not constrained.

(e) Accounts Receivable

Accounts receivable consist of oil and gas receivables. The Company has classified these as short-term assets in the balance sheet because the Company expects repayment or recovery within the next 12 months. The Company evaluates these accounts receivable for collectability and, when necessary, records allowances for expected unrecoverable amounts. The Company deems all accounts receivable to be collectable and has not recorded any allowance for doubtful accounts.

(f) Oil and Gas Properties

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas reserves are capitalized and accumulated in cost centers on a country-by-country basis. Costs include: license and land acquisition costs, geological, engineering, geophysical, seismic and other data, carrying charges on non-productive properties and costs of drilling and completing both productive and non-productive wells. General and administrative costs which are associated with acquisition, exploration and development activities are capitalized. General and administrative costs are capitalized other than to the extent of the Company's working interest in operated capital expenditure programs on which operator's fees have been charged equivalent to standard industry operating agreements.

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

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

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly decrease the Company's total proven reserves.

(g) Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives are: other assets are depreciated over 20 years; and leasehold improvements are depreciated over the term of the lease.

(h) Long-Lived Assets

The Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances that could trigger a review include, but are not limited to: significant decreases in the market price of the assets; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the assets; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the assets; and current expectation that the assets will more likely than not be sold or disposed significantly before the end of their estimated useful life. Recoverability is assessed based on the carrying amount of the assets and their fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the assets, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount of the assets is not recoverable and exceeds fair value.

(i) Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset that is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

(j) Financial Instruments and Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, account receivables, notes receivable, restricted cash and accounts payable and accrued liabilities approximate their fair values because of their immediate or short-term to maturity.

The carrying value of loans payable, operating lease liability and convertible debt, less any unamortized discounts, approximate their fair value due to minimal changes in interest rates and the Company's credit risk since initial recognition.

The Company's derivative liability is measured at its fair value at the end of each reporting period and is categorized as Level 2 in the fair value hierarchy.

(k) Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, "Accounting for Income Taxes". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

As of December 31, 2021, and 2020, the Company did not have any amounts recorded pertaining to uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. The Company did not incur any penalties or interest during the years ended December 31, 2021 and 2020. On December 22, 2017 the U.S. enacted the Tax Cuts and Jobs Act ("the Tax Act") which significantly changed U.S. tax law. The Tax Act lowered the Company's statutory federal income tax rate from a maximum of 39% to a rate of 21% effective January 1, 2018. The Company has deferred tax losses and assets and they were adjusted as a result of the change in tax law reducing the federal income tax rate. The Company's tax years 2014 and forward remain open.

(l) Foreign Currency Translation

Operations outside the United States prepare financial statements in currencies other than the United States dollar. The income statement amounts are translated at average exchange rates for the year, while the assets and liabilities are translated at year-end exchange rates. Translation adjustments are accumulated as a separate component of stockholders' equity and other comprehensive loss. The functional currency of the Company's Bulgarian operations is the Bulgarian Lev. The functional currency of the Company's Turkish operations is the Turkish Lira.

(m) Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC 718 ("Compensation – Stock Compensation") using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based awards. This model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These subjective variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected stock option exercise behaviors. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the statement of operations over the requisite service period.

(Expressed in U.S. dollars)

The Company records restricted stock units at the grant date fair value and recognizes the related expense evenly over the vesting period. In circumstances where the restricted stock units vest on the date of grant, the expense would be immediately recognized on grant.

(n) Unit offerings

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. The residual method first allocates fair value to the component with the best evidence of fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares, measured on date of issue, was determined to be the component with the best evidence of fair value. The balance, if any, was allocated to the attached warrants. Costs directly identifiable with share capital financing are charged against share capital.

If the subscription is not funded upon issuance, the Company records a receivable as a contra account to shareholders' equity.

(0) Loss per Share

The Company computes loss per share of Company stock in accordance with ASC 260 "Earnings per Share" which requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

(p) New Accounting Pronouncements

Adopted in the Current Year

Any recent accounting pronouncements issued by FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's audited consolidated financial statements for the year ended December 31, 2021 and 2020.

3. Restricted cash

The restricted cash relates to drilling bonds provided to GDPA (General Directorate of Petroleum Affairs) for the exploration licenses due to Turkish Petroleum Law. The amounts are for 2% of the annual work budget of the different Turkish licenses which is submitted to GDPA on an annual basis.

4. Oil and Gas Properties

	Unproven properties Bulgaria	Proven properties Turkey	Total
December 31, 2019	$ 3,115,904	$ 2,458,391	$ 5,574,295
Expenditures	-	5,084	5,084

(Expressed in U.S. dollars)

Depletion	-	(239,002)	(239,002)
Foreign currency translation change	6,539	-	6,539
December 31, 2020	3,122,443	2,224,473	5,346,916
Expenditures	-	66,122	66,122
Depletion	-	(233,798)	(233,798)
Foreign currency translation change	(6,297)	-	(6,297)
December 31, 2021	$ 3,116,146	$ 2,056,797	$ 5,172,943

Bulgaria

The Company holds a 98,205-acre oil and gas exploration claim in the Dobrudja Basin located in northeast Bulgaria. The Company intends to conduct exploration for natural gas and test production activities over a five-year period in accordance with or exceeding its minimum work program obligation. The Company's commitment is to perform geological and geophysical exploration activities in the first 3 years of the initial term (the "Exploration and Geophysical Work Stage"), followed by drilling activities in years 4 and 5 of the initial term (the "Data Evaluation and Drilling Stage"). The Company is required to drill 10,000 meters (approximately 32,800 feet) of new wellbore (which may be vertical, horizontal or diagonal) and conduct other exploration activities during the initial term. The Company intends to commence its work program efforts once it receives all regular regulatory approvals of its work programs.

Turkey

Cendere oil field

The primary asset of PPE Turkey is the Cendere onshore oil field, which is a profitable oil field located in South East Turkey having a total of 25 wells. The Cendere Field was first discovered in 1988. Oil production commenced during 1990. The operator of the Cendere Field is TPAO. The Company's interest is 19.6% for all wells except for wells C-13, C-15 and C-16, for which its interest is 9.8%. The produced oil has a gravity of 27.5o API.

The Cendere Field is a long-term low decline oil reserve. This mature oilfield consistently produces 124 barrels oil per day net to the Company.

At December 31, 2021, the Cendere field was producing 82 barrels of oil per day, net to the PPE Turkey Companies; and averaged 124 barrels of oil equivalent per day during the year ended December 31, 2021 net to the PPE Turkey Companies.

The South Akcakoca Sub-Basin ("SASB")

The Company owns offshore production licenses called the South Akcakoca Sub-Basin ("SASB"). The Company now owns a 49% working interest in SASB. SASB has four producing fields, each with a production platform plus subsea pipelines that connect the fields to an onshore gas plant. The four SASB fields are located off the north coast of Turkey towards the western end of the Black Sea in water depths ranging from 60 to100 meters. Gas is produced from Eocene age sandstone reservoirs at subsea depths ranging from 1,100 to1,800 meters.

Bakuk gas field

The Company also owns a 50% operated interest in the Bakuk gas field located near the Syrian border. The Bakuk field is shut-in with no plans to revive production in the near term.

5. Property and equipment

(Expressed in U.S. dollars)

	Right-of-use asset	Leasehold improvements	Other equipment	Total
January 1, 2020	$ 4,759	$ –	$ 40,357	$ 45,116
Additions	57,919	85,319	387	143,625
Depreciation	(11,999)	(17,064)	(8,570)	(37,633)
Disposals	–	–	(11,981)	(11,981)
Foreign currency translation change	(10,870)	–	–	(10,870)
December 31, 2020	39,809	68,255	20,193	128,257
Additions	-	-	180,739	180,739
Depreciation	(6,920)	(12,355)	(12,493)	(31,768)
Disposals	-	-	(65,016)	(65,016)
Foreign currency translation change	(15,504)	(32,559)	(17,015)	(65,078)
December 31, 2021	$ 17,385	$ 23,341	$ 106,408	$ 147,134

6. Loans Payable

As at	December 31, 2021	December 31, 2020
Unsecured, interest bearing loans at 10% per annum[1]	$ 107,167	$ 184,235
Unsecured, interest bearing loans at 12% per annum[1]	39,069	309,806
Unsecured, interest bearing loan at 19.4% per annum[2]	25,642	-
Unsecured, interest bearing loan at 20.5% per annum[3]	-	25,625
Unsecured, interest bearing loan at 13.25% per annum[4]	3,534	41,533
Unsecured, interest bearing loan at 15% per annum[5]	473,635	-
Non-interest bearing loans	-	5,955
Total loans payable	649,047	567,154
Current portion of loans payable	(630,534)	(549,424)
Long term portion of loans payable	$ 18,513	$ 17,730

(1) Loans bearing interest, accrue at 10% and 12% per annum are all unsecured.

(2) On November 15, 2021, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺350,000 (or approximately US$25,600). The loan matures on November 15, 2024 and bears interest at 19.44% per annum. Principal and accrued interest are paid monthly. During the year ended December 31, 2021, the Company made $547 in principal payments and $424 in interest payments.

(3) On August 2, 2019, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺300,000 (or approximately US$53,600). The loan matured on August 2, 2022 and bore interest at 20.5% per annum. Principal and accrued interest were paid monthly. On November 11, 2021, the loan was fully repaid. During the year ended December 31, 2021, the Company made $16,587 (2020 - $12,235) in principal payments and $7,921 (2020 - $7,141) in interest payments.

(4) On February 4, 2020, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺500,000 (or approximately US$83,500). The loan matures on February 4, 2022 and bears interest at 13.25% per annum. Principal and accrued interest are paid monthly. During the year ended December 31, 2021, the Company made $19,542 (2020 - $27,518) in principal payments and $1,822 (2020 - $6,305) in interest payments.

(5) On March 4, 2021, the Company received $500,000 from a third party (the "Lender") repayable in one year from the date of disbursement. The amount is subject to an interest at a rate of 15% per annum. The Company granted 1,000,000 common share purchase warrants to the lender in conjunction with the loan. The warrants expire in two years and have an exercise price of $0.16 per warrant. The fair value of the share purchase warrants has been accounted as a debt issuance cost and offset against the loan and will be recognized as financing cost

(Expressed in U.S. dollars)

over the term of the loan. The fair value of the warrants was determined to be $152,750 based on the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield - 0%, expected volatility - 229%, risk-free interest rate - 0.08% and an expected remaining life – 2.00 years. During the year ended December 31, 2021, the Company recognized $126,386 as financing cost and an accrued interest of $62,055.

7. Leases

The Company leases certain assets under lease agreements. On January 1, 2020, the Company entered into a one-year lease for office space, which the Company elected the short-term lease measurement and recognition exemption.

On January 3, 2020, the Company entered into a five-year lease for an office space that was classified as an operating lease on recognition.

During the year ended December 31, 2021, the Company recognized operating lease expense of $Nil (2020-$20,279), which is included in general and administrative expenses. As of December 31, 2021, the Company's leases had a weighted average remaining lease term of 3years. Operating right-of-use assets have been included within property and equipment as follows:

Right-of-use asset	December 31, 2021	December 31, 2020
Beginning balance	$ 39,809	$ 4,759
Additions, cost	-	57,919
Amortization	(6,920)	(11,999)
Foreign currency translation change	(15,504)	(10,870)
Net book value	$ 17,385	$ 39,809

Operating lease right-of-use assets include any prepaid lease payments and exclude any lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The lease terms may include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option.

Operating lease liabilities are measured at the commencement date based on the present value of future lease payments. As the Company's lease did not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The Company used a weighted average discount rate of 10% in determining its lease liabilities. The discount rate was derived from the Company's assessment of current borrowings.

As at December 31, 2021, the Company's lease liability is as follows:

Lease liability	December 31, 2021	December 31, 2020
Current portion of operating lease liabilities	$ 6,732	$ 12,116
Long-term portion of operating lease liabilities	8,592	27,693
	$ 15,324	$ 39,809

Future minimum lease payments to be paid by the Company as a lessee as of December 31, 2021 are as follows:

(Expressed in U.S. dollars)

Operating lease commitments and lease liability		
Remainder of 2021	$	-
2022		6,732
2023		6,732
2024		6,732
Total future minimum lease payments		20,196
Discount		(4,872)
Total	$	15,324

8. Receivables for Equity Issued

		December 31, 2021
Notes receivable	$	1,158,832
Amounts receivable		34,809*
	$	1,193,641

*Consists of receivables for the exercise of warrants and options at various exercise prices during the year ended December 31, 2021

During the year ended December 31, 2021, the Company entered into agreements with certain warrant and option holders for the following notes receivables as consideration for the exercise of warrants and options:

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $48,087 ($60,000 CAD) as consideration for the exercise of 500,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $48,087 ($60,000 CAD) as consideration for the exercise of 500,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $48,087 ($60,000 CAD) as consideration for the exercise of 500,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $24,044 ($30,000 CAD) as consideration for the exercise of 250,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $14,426 ($18,000 CAD) as consideration for the exercise of 150,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with the CFO of the Company with a principal sum of $48,088 ($60,000 CAD) as consideration for the exercise of 500,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $144,261 ($180,000 CAD) as consideration for the exercise of 1,500,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with a principal sum of $96,174 ($120,000 CAD) as consideration for the exercise of 1,000,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

(Expressed in U.S. dollars)

On July 31, 2021, the Company entered into a promissory note agreement with the CEO of the Company with a principal sum of $19,235 ($24,000 CAD) as consideration for the exercise of 200,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On July 31, 2021, the Company entered into a promissory note agreement with the CEO of the Company with a principal sum of $226,971($283,200 CAD) as consideration for the exercise of 2,360,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On November 10, 2021, the Company entered into a promissory note agreement with the CEO of the Company with a principal sum of $189,680 ($237,286 CAD) as consideration for the exercise of 1,416,667 warrants at approximately $0.10 ($0.12 CAD), 500,000 options at approximately $0.12 ($0.15 CAD), and 320,000 options at approximately $0.06 ($0.08 CAD) after first offsetting the consideration against amounts owed to the CEO. See summary table below for terms specific to the promissory note.

On November 10, 2021, the Company entered into a promissory note agreement with a principal sum of $95,924 ($120,000 CAD) as consideration for the exercise of 1,000,000 warrants at approximately $0.10 ($0.12 CAD). See summary table below for terms specific to the promissory note.

On November 10, 2021, the Company entered into a promissory note agreement with a principal sum of $146,639 ($193,443 CAD) as consideration for the exercise of 1,800,000 warrants at approximately $0.10 ($0.12 CAD), 500,000 warrants at approximately $0.08 ($0.10 CAD) and 320,000 options at approximately $0.08 ($0.10 CAD) after first offsetting the consideration against amounts owed to the note holder. See summary table below for terms specific to the promissory note.

On November 10, 2021, the Company entered into a promissory note agreement with a director of the Company with a principal sum of $34,846 ($43,592 CAD) as consideration for the exercise of 670,000 options at approximately $0.06 ($0.08 CAD) after first offsetting the consideration against amounts owed to the director. See summary table below for terms specific to the promissory note.

	# of Securities exercised		Principal	Maturity date	Interest rate
Current					
	500,000	$	48,087	September 30, 2021	5%
	500,000	$	48,087	December 31, 2021	5%
	500,000	$	48,087	November 30, 2021	5%
	250,000	$	24,044	November 30, 2021	5%
	150,000	$	14,426	December 31, 2021	5%
	2,236,667	$	189,680	November 10, 2022	5%
	1,000,000	$	95,924	November 10, 2022	5%
	2,620,000	$	146,639	November 10, 2022	5%
	670,000	$	34,846	November 10, 2022	5%
	500,000	$	48,088	July 31, 2023	5%
	1,500,000	$	144,261	July 31, 2023	5%
	1,000,000	$	96,174	July 31, 2023	5%
	200,000	$	19,235	July 28, 2023	5%
	2,360,000	$	226,971	July 28, 2023	5%
Total	13,986,667 *	$	1,184,549		

*Includes 12,176,667 warrants exercised and 1,810,000 options exercised

The following is a continuity of the Company's promissory note receivable:

Notes Receivable		December 31, 2021
Beginning balance	$	-
Additions		1,184,549
Repayments		(23,745)
Accrued interest		17,733
Foreign exchange loss on revaluation		(19,705)
Net book value	$	1,158,832

9. Asset Retirement Obligations

Asset retirement obligations ("AROs") associated with the retirement of tangible long-lived assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived assets in the period incurred. The fair value of AROs is recognized as of the acquisition date for business combinations. The cost of the tangible asset, including the asset retirement cost, is depleted over the life of the asset. AROs are recorded at estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligations discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liabilities are accreted to their expected settlement value. If estimated future costs of AROs change, an adjustment is recorded to both the ARO and the long-lived asset. Revisions to estimated AROs can result from changes in retirement cost estimates, revisions to estimated inflation rates and changes in the estimated timing of abandonment. The Company's 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.

The following is a continuity of the Company's asset retirement obligations:

		December 31, 2021		December 31, 2020
Asset retirement obligations at beginning of period	$	4,010,624	$	3,633,427
Accretion expense		416,354		377,197
Change in estimate		-		-
Asset retirement obligations at end of period	$	4,426,978	$	4,010,624

10. Convertible Debentures

On September 30, 2019, the Company closed an unbrokered private placement of convertible debt, issuing $123,095 ($163,000 CAD) in debentures to two investors. The convertible debentures bear interest at 10% per annum, payable annually in advance. They are convertible any time during the term of the debenture into units (each unit consists of one share and one warrant; each warrant can acquire one share at an exercise price of $0.20 USD or $0.25 CAD per share, based on the currency initially subscribed) at a conversion price of $0.12 USD or $0.15 CAD per unit, based on the currency initially subscribed. The convertible debt was set to mature on September 30, 2021 and was secured by a general security agreement over the assets of the Company. As noted below, the note was converted during the year ended December 31, 2021.

As the September 30, 2019 convertible debt included an embedded conversion feature denominated in Canadian dollars, the debt was determined to be a financial instrument comprising an embedded derivative representing the conversion feature with a residual host debt component. On initial recognition, the Company used the residual value method to allocate the principal amount of the debentures between the embedded derivative conversion feature and host debt components. The conversion feature was valued first with the residual allocated to the host debt component.

(Expressed in U.S. dollars)

On initial recognition the Company recognized a derivative liability of $81,956 and an offsetting convertible debt discount of $81,956.

The fair value of the conversion features was determined based on the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2020
Risk-free interest rate	0.13%
Expected life (years)	1.01
Expected volatility	228%
Dividend yield	0%

On July 1, 2020, the Company amended the conversion price of the convertible debentures. Under the amended terms, they are convertible any time during the term of the debenture into units (each unit consists of one share and one warrant; each warrant can acquire one share at an exercise price of $0.12 CAD per share, or approximately US$0.09 per share) at a conversion price of $0.075 CAD per unit (approximately US$0.06 per unit). In accordance with ASC 470-50-40-10, the carrying value of the debt of $90,264 was considered to be extinguished and a new issuance of $120,295 was recognized. A loss of $30,031 was recognized on the extinguishment.

On initial recognition of the convertible debt amended on July 1, 2020, the Company recognized a derivative liability of $132,184 and an offsetting convertible debt discount of $120,295. As the fair value of the derivative liability is higher than the carrying value of the debt of $120,095, the difference has been recognized as a loss on the extinguishment of the debt of $11,889.

On September 15, 2020, debt in the principal amount of $9,870 ($13,000 CAD) was converted by the holder to 173,333 units with a fair value of $8,840. The Company recognized a loss on the conversion of the debt of $1,030 and a derivative liability of $7,647 for the warrants attached to the units.

On March 8, 2021, the Company amended the terms of the convertible debentures such that any warrants issued with the units upon the conversion of the debentures is exercisable at US$0.10 per share.

On March 8, 2021, the debt in the principal amount of $89,198 ($112,500 CAD) was converted to 1,500,000 units with a fair value of $439,485. The Company recognized a loss on extinguishment of debt of $52,904.

On March 30, 2021, the debt in the principal amount of $29,528 ($37,500 CAD) and an accrued interest of $12,000 was converted to 660,000 units with a fair value of $162,360. The company recognized a loss on extinguishment of debt of $26,437.

A continuity of convertible debt and the embedded derivative conversion feature for the year ended December 31, 2021 is as follows:

	Host debt instrument	Embedded conversion feature	Total
Balance, January 1, 2020	$ 48,033	$ 79,458	$ 127,491
Extinguished during the period	(60,213)	(30,051)	(90,264)
Re-issued during the period	120,295	-	120,295
Allocated to derivative	(120,295)	120,295	-
Accretion	34,586	-	34,586
Change in fair value of derivative	-	(81,713)	(81,713)
Conversion	(9,870)	(7,647)	(17,517)

(Expressed in U.S. dollars)

Foreign currency translation change	(1,509)	-	(1,509)
Balance, December 31, 2020	11,027	80,342	91,369
Accretion	19,943	-	19,943
Conversion	(30,970)	(80,342)	(111,312)
Balance, December 31, 2021	$ -	$ -	$ -

11. Common Stock

The Company has an unlimited number of common shares authorized. As at December 31, 2021 185,169,792 common shares were issued and outstanding (125,339,156 – December 31, 2020).

For the year ended December 31, 2021

On March 8, 2021, the Company closed a non-brokered private placement financing for aggregate gross proceeds of $481,350 CAD (approximately US$400,792) (the "March Offering"). Under the March Offering, the Company issued an aggregate of 8,015,832 units, at a price of $0.06 CAD per unit (approximately US$0.05 per unit). Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.10 CAD (approximately $0.08) for a period of 30 months from the closing date.

On March 8, 2021, the Company settled a total of $265,000 CAD (US$220,833) in outstanding debt through the issuance to a creditor of 4,416,667 units, at a price of $0.06 CAD (US$0.05) per unit. Each unit issued in the Debt Settlement consists of one Common Share and one warrant under the same terms as the March Offering.

On March 8, 2021, the Company closed a private placement for aggregate proceeds of $235,808 (the "US Private Placement"). Under the US Private Placement, the corporation issued an aggregate of 4,716,160 units at a price of $0.05 per unit. Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.08 for a period of 30 months from the closing date.

On March 8, 2021, convertible debt in the principal amount of $112,500 CAD (US$89,198) was converted to 1,500,000 units at $0.075 CAD per unit (approximately US$0.06). Each unit issued consists of one Common Share and one warrant. Each warrant entitles the holder to purchase one Common Share at a price of US$0.10 for a period of 24 months from the closing date.

On March 30, 2021, convertible debt in the principal amount of $37,500 CAD (US$29,528) and accrued interest of $12,000 CAD (US$9,478) was converted to 660,000 units at $0.075 CAD per unit (approximately US$0.06). Each unit issued consists of one Common Share and one warrant. Each warrant entitles the holder to purchase one Common Share at a price of US$0.10 for a period of 24 months from the closing date.

On March 30, 2021, the Company granted 150,000 restricted share units which vested immediately. In connection with the grant, 150,000 Common Shares with a fair value of $36,900 were issued.

On March 30, 2021, the Company issued 3,304,600 Common Shares for the exercise of warrants at $0.10 for gross proceeds of $330,460.

On March 30, 2021, the Company issued 150,000 Common Shares for the exercise of options at $0.18 for gross proceeds of $27,358. In addition, the Company also issued 600,000 Common Shares for the exercise of options. In lieu of cash, the Company settled $109,427 of outstanding debt.

On March 30, 2021, the Company issued 400,000 Common Shares for the exercise of 400,000 warrants at $0.12 CAD (approximately US$0.10), with a fair value of $98,400 to settle long-term notes payable in the amount of $38,062. The Company recognized the loss on settlement of debt of $60,338.

On March 30, 2021, the Company issued 1,684,428 Common Shares with a fair value of $396,108 for services provided.

On March 30, 2021, the Company issued 190,000 Common Shares with a fair value of $41,608 to settle debt of $8,602. A loss of $33,006 was recognized pursuant to the issuance.

On April 16, 2021, the Company issued 1,000,000 Common Shares for the exercise of 1,000,000 warrants at $0.12 CAD (approximately US$0.10). In lieu of cash, debt in the amount of $120,000 CAD (US$95,959) was settled.

On April 16, 2021, the Company issued 600,000 Common Shares with a fair value of $188,729 for services provided.

On April 16, 2021, the Company issued 75,000 Common Shares with a fair value of $23,989 to settle accounts payable in the same amount.

On April 16, 2021, the Company issued 150,000 Common Shares with a fair value of $43,549 to settle debt in the amount of $7,908. A loss of $36,451 was recognized pursuant to the issuance.

On April 28, 2021, the Company issued 1,414,800 Common Shares at $0.12 CAD (approximately US$0.10) per share for gross proceeds of $169,776 CAD (US$135,670) relating to the exercise of 1,360,200 warrants. As at December 31, 2021, 54,600 shares issued in error were required to be cancelled.

On April 28, 2021, the Company issued 30,000 Common Shares at $0.10 CAD (approximately US$0.08) per share for gross proceeds of $3,000 CAD (US$2,403) relating to the exercise of 30,000 options.

On April 28, 2021, the Company issued 346,163 Common Shares with a fair value of $85,739 for services provided.

On June 28, 2021, the Company issued 135,000 Common Shares for the exercise of 145,000 warrants at prices ranging from $0.10 CAD - $0.12 CAD (approximately US$0.08 – US$0.10) for gross proceeds of $16,500 CAD (US$12,438). On September 8, 2021, the remaining 10,000 common shares were issued.

On June 28, 2021, the Company issued 150,000 Common Shares with a fair value of $36,939 to settle accounts payable in the same amount.

On June 28, 2021, the Company issued 25,000 Common Shares with a fair value of $5,210 to settle debt in the amount of $1,101. A loss of $4,107 was recognized pursuant to the issuance.

On June 28, 2021, the Company issued 50,000 Common Shares at $0.30 CAD (approximately US$0.24) per share for gross proceeds of $15,000 CAD (US$12,151).

On July 20, 2021, the Company issued 50,000 Common Shares at $0.30 CAD (approximately US$0.24) per share for gross proceeds of $15,000 CAD (US$11,905).

On August 9, 2021, the Company issued 16,134,000 shares, as a result of the exercise of 16,134,000 warrants with exercise prices varying from $0.10 - $0.20 CAD (US$0.08 - $0.16) for gross proceeds of $1,925,747 CAD (US$1,539,677). In the process, certain notes receivables were issued. See Note 8 for reference.

On August 20, 2021, the Company issued 3,605,247 shares, as a result of the exercise of 3,605,247 warrants with exercise prices varying from $0.12 - $0.41 CAD (US$0.10 - $0.32) for gross proceeds of $439,920 CAD (US$351,164).

On September 7, 2021, the Company issued 210,000 shares, as a result of the exercise of 200,000 warrants at $0.12 CAD (approximately US$0.10) for gross proceeds of $24,000 CAD (US$19,062). 10,000 shares were issued pursuant to the exercise of 10,000 warrants on June 28, 2021.

On September 7, 2021, the Company issued 500,000 Common Shares with a fair value of $95,000 for services provided.

On September 7, 2021, the Company issued 246,073 Common Shares with fair value of $47,445 to settle accounts payable of $38,729. A loss of $8,716 was recognized pursuant to the issuance.

On November 10, 2021, the Company granted 1,175,000 restricted share units which vested immediately. In connection with the grant, 1,125,000 Common Shares with a fair value of $167,625 were issued. As at December 31, 2021, 50,000 Common Shares with a fair value of $7,450 was required to be issued.

On November 10, 2021, the Company issued 4,966,667 shares as a result of the exercise of 4,966,667 warrants with exercise prices varying from $0.10 - $0.12 CAD (US$0.08 - $0.10) for gross proceeds of $581,000 CAD (US$464,064). In the process, certain notes receivables were issued. See Note 8 for reference.

On November 10, 2021, the Company issued 3,130,000 shares as a result of the exercise of 3,130,000 options with exercise prices varying from $0.08 - $0.15 CAD (US$0.06 - $0.12) for gross proceeds of $362,003 CAD (US$289,374). In the process, certain notes receivables were issued. See Note 8 for reference.

On December 2, 2021, the Company issued 100,000 shares pursuant to the exercise of 100,000 warrants on August 6, 2021 at $0.12 CAD (approximately US$0.10) for gross proceeds of $12,000 CAD (US$9,558).

For the year ended December 31, 2020

On June 19, 2020 the Company closed a non-brokered private placement financing for aggregate gross proceeds of $720,000 CAD (approximately US$529,968) (the “Offering”). Under the Offering, the Corporation issued an aggregate of 14,400,000 units (“Units”), at a price of $0.05 CAD per Unit (approximately US$0.04 per Unit). Each Unit was comprised of one common share in the capital of the Corporation (each a “Common Share”) and one Common Share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one Common Share at a price of $0.12 CAD (approximately US$0.09) for a period of 24 months from the closing date. In addition, with the Offering, the Corporation settled a total of $30,000 CAD (US$22,115) in outstanding debt through the issuance to certain creditors of 600,000 Units, at a price of $0.05 CAD per Unit (the “Debt Settlement”). Each Unit issued in the Debt Settlement consists of one Common Share and one Warrant under the same terms as the Offering.

On July 31, 2020 the Company closed a non-brokered private placement financing, by:

- issuing 933,333 units for cash at a price of $0.06 CAD per unit (approximately US$0.04 per unit), for proceeds of $56,000 CAD (US$41,298);
- issuing 2,050,000 Units for services, valued at US$91,779; and
- issuing 6,202,334 Units for debt settlement of US$277,289.

Each unit was comprised of one Common Share and one Warrant. Each Warrant entitles the holder to purchase one Common Share at a price of $0.12 CAD (approximately US$0.09) for a period of 24 months from the closing date.

On July 31, 2020, the Company granted 525,000 restricted share units which vested immediately. In connection with the grant, 525,000 Common Shares with a fair value of $29,400 were issued.

On September 4, 2020, the Company closed a private placement of 3,601,333 units at $0.06 CAD per unit, for gross proceeds of $216,080 CAD (approximately US$156,538). Each unit consists of one Common Share and one Warrant. Each Warrant entitles the holder to purchase one Common Share at a price of $0.12 CAD (or US$0.09) for a period of 24 months from the closing date. In connection with the private placement, the Company issued 149,800 broker warrants with a fair value of $7,117. The broker warrants have the same terms as the warrants attached to the units.

On September 15, 2020, the Company issued 173,333 units with a fair value of $11,644 in settlement of convertible debt of $9,870. Each unit consists of one share and one warrant; each warrant can acquire one share at an exercise price of $0.12 CAD per share, or approximately US$0.09 per share.

On November 17, 2020, the Company closed a non-brokered private placement financing for aggregate gross proceeds of $222,600 CAD (approximately US$170,875) (the "November Offering"). Under the November Offering, the Corporation issued an aggregate of 3,710,000 units, at a price of $0.06 CAD per unit (approximately US$0.04 per unit). Each unit was comprised of one Common Share and one warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.12 CAD (approximately US$0.09) for a period of 24 months from the closing date. In addition, the Company settled a total of $18,000 (US$14,140) in outstanding debt through the issuance to a creditor of 300,000 units, at a price of $0.06 per unit. Each unit issued in the Debt Settlement consists of one Common Share and one warrant under the same terms as the November Offering.

On November 17, 2020, the Company granted 1,900,000 restricted share units which vested immediately. In connection with the grant, 1,900,000 Common Shares with a fair value of $134,900 were issued.

On December 10, 2020, the Company closed a non-brokered private placement financing for aggregate gross proceeds of $30,000 CAD (approximately US$23,566) (the "December Offering"). Under the December Offering, the Corporation issued an aggregate of 500,000 units, at a price of $0.06 CAD per unit (approximately US$0.04 per unit). Each unit was comprised of one Common Share and one warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.12 CAD (approximately US$0.09) for a period of 30 months from the closing date. In addition, with the December Offering, the Corporation issued 35,000 units valued at $2,100 CAD (US$1,650), at a price of $0.06 CAD per unit, for services. Each unit issued for services consists of one Common Share and one warrant under the same terms as the December Offering.

On December 17, 2020, the Company closed a non-brokered private placement financing for aggregate gross proceeds of $116,200 CAD (US$89,217) (the "December 17 Offering"). Under the December 17 Offering, the Company issued an aggregate of 1,660,000 units, at a price of $0.07 CAD per unit (approximately US$0.05 per unit). Each unit was comprised of one Common Share and one-half warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.12 CAD (approximately US$0.09) for a period of 30 months from the closing date. In addition, with the December 17 Offering, the Company settled a total of $28,000 CAD (US$21,498) in outstanding debt through the issuance to a creditor of 400,000 units, at a price of $0.07 CAD per unit. In addition to this, the Company also issued 400,000 units at a price of $0.07 CAD per unit, for services valued at $28,000 CAD (US$21,498). Each unit issued in the Debt Settlement and issued for services consists of one Common Share and one-half of warrant under the same terms as the December 17 Offering. In connection with the December 17 Offering, the Company issued 245,000 broker warrants with a fair value of $18,287. The broker warrants have the same terms as the warrants attached to the units.

On December 17, 2020, the Company issued 320,000 for the exercise of stock options. In lieu of cash, the Company settled $19,655 of outstanding debt.

12. Stock Options

(Expressed in U.S. dollars)

The Board of Directors adopted the Park Place Energy Corp. 2013 Long-Term Incentive Equity Plan (the "Incentive Plan" or "2013 Plan") effective as of October 29, 2013. The Incentive Plan permits grants of stock options (including incentive stock options and nonqualified stock options), stock appreciation rights, restricted stock awards and other stock-based awards.

The Incentive Plan authorizes the following types of awards:

- incentive stock options and nonqualified stock options to purchase common stock at a set price per share;
- stock appreciation rights ("SARs") to receive upon exercise common stock or cash equal to the appreciation in value of a share of Common Stock;
- restricted stock, which are shares of common stock granted subject to a restriction period and/or a condition which, if not satisfied, may result in the complete or partial forfeiture of the shares;
- other stock-based awards, which provide for awards denominated in or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock of the Company, which may include performance shares or options and restricted stock units which provide for shares to be issued or cash to be paid upon the lapse of predetermined restrictions.

Under the 2013 Plan, the maximum number of shares of authorized stock that may be delivered is 10% of the total number of shares of common stock issued and outstanding of the Company as determined on the applicable date of grant of an award under the 2013 Plan. Under the 2013 Plan, the exercise price of each option (or other stock-based award) shall not be less than the market price of the Company's stock as calculated immediately preceding the day of the grant. The vesting schedule for each option or other stock-based award shall be specified by the Board of Directors at the time of grant. The maximum term of options or other stock-based award granted is ten years or such lesser time as determined by the Board of Directors at the time of grant.

A continuity of the Company's outstanding stock options for the years ended December 31, 2021 and 2020 is presented below:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2019	8,250,000	$ 0.13
Granted	4,070,000	0.07
Exercised	(320,000)	0.06
Expired	(100,000)	0.19
Outstanding, December 31, 2020	11,900,000	0.11
Granted	450,000	0.32
Exercised	(3,910,000)	0.11
Expired	(150,000)	0.18
Cancelled	(650,000)	0.16
Outstanding, December 31, 2021	7,640,000	$ 0.12

At December 31, 2021, the Company had the following outstanding stock options:

Outstanding	Exercise Price	Expiry Date	Vested
200,000	0.12	September 15, 2022	200,000
1,750,000	0.12	October 24, 2023	1,750,000
3,800,000	0.12	September 19, 2024	3,800,000
640,000	0.06	July 31, 2025	640,000
1,000,000	0.08	December 17, 2022	1,000,000

(Expressed in U.S. dollars)

250,000	0.31	June 6, 2026	250,000
7,640,000			7,640,000

As at December 31, 2021, the weighted average remaining contractual life of outstanding stock options is 2.35 years. The aggregate intrinsic value of the stock options at December 31, 2021 is $283,200 (2020 - $Nil).

For the year ended December 31, 2021, the Company recognized $108,775 (2020 - $246,255) in stock-based compensation expense for options granted and vested. At December 31, 2021 and 2020, the Company has no unrecognized compensation expense related to stock options.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2021	2020
Risk-free interest rate	33.00 – 79.00%	0.17%
Expected life (years)	3 - 5	3.5
Expected volatility	245 - 257%	255%
Dividend yield	0%	0%
Weighted average fair value per share	$ 0.24	$ 0.10

13. Warrants

A continuity of the Company's outstanding share purchase warrants for the years ended December 31, 2021 and 2020 is presented below:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2019	19,389,961	$ 0.26
Issued	34,130,133	0.09
Expired	(17,654,782)	0.25
Outstanding, December 31, 2020	35,865,312	0.10
Issued	14,017,663	0.10
Exercised	(31,270,314)	0.09
Expired	(10,768,332)	0.13
Outstanding, December 31, 2021	7,844,329	$ 0.10

At December 31, 2021, the Company had the following outstanding share purchase warrants:

Outstanding	Exercise Price	Expiry Date
1,000,000	0.16 USD	March 8, 2023
50,000	0.32 USD	June 6, 2023
2,576,249	0.08 USD	September 8, 2023
1,200,000	0.10 USD	September 8, 2023
2,358,080	0.08 USD	September 8, 2023
660,000	0.10 USD	September 30, 2023
7,844,329		

As at December 31, 2021, the weighted average remaining contractual life of outstanding warrants is 1.63 years.

On July 6, 2021, the Company elected to accelerate the exercise terms of warrants issued during the year ended December 31, 2020. As per the terms of the warrants, if the Company's shares price reached the threshold of $0.25 or $0.30 depending on the agreements for 10 consecutive trading days, the Company had the option to accelerate the exercise terms.

The Company's warrants which are exercisable in Canadian dollars are considered to be derivative financial instruments as they have an exercise price denominated in a currency other than the Company's functional currency of the US dollar. Under US GAAP, the Company is required to present these warrants as derivative liabilities on the balance sheet and to measure them at fair value at the end of each reporting period. As at December 31, 2021, the balance of the derivative liability associated with these warrants is $472,899.

On March 4, 2021, the Company issued 1,000,000 warrants to a lender in conjunction with a $500,000 loan. See Note 6.

On March 8, 2021, in connection with a private placement of units, the Company issued 4,007,916 warrants with an exercise price of $0.10 CAD (approximately US$0.08) per warrant and a contractual life of 30 months. As the warrants have an exercise price denominated in a currency other than the Company's functional currency, they are derivative financial instruments measured at fair value at the end of each reporting period. The fair value of the derivative warrants on issuance was determined to be $400,712 based on the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield - 0%, expected volatility - 234%, risk-free interest rate - 0.34% and an expected remaining life - 2.5 years.

On March 8, 2021, in connection with a debt settlement, the Company issued 4,416,667 warrants with an exercise price of $0.12 CAD (approximately US$0.10) per warrant and a contractual life of 30 months. As the warrants have an exercise price denominated in a currency other than the Company's functional currency, they are derivative financial instruments measured at fair value at the end of each reporting period. The fair value of the derivative warrants on issuance was determined to be $220,789 based on the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield - 0%, expected volatility - 234%, risk-free interest rate - 0.34% and an expected remaining life - 2.5 years.

On March 8, 2021, debt in the principal amount of $112,500 CAD (US$89,198) was converted to 1,500,000 units at $0.075 CAD per unit (approximately US$0.06). Each unit issued consists of one Common Share and one warrant. Each warrant entitles the holder to purchase one Common Share at a price of US$0.10 for a period of 24 months from the closing date.

On March 30, 2021, debt in the principal amount of $37,500 CAD (US$29,528) and accrued interest of $12,000 CAD (US$9,478) was converted to 660,000 units at $0.075 CAD per unit (approximately US$0.06). Each unit issued consists of one Common Share and one warrant. Each warrant entitles the holder to purchase one Common Share at a price of US$0.10 for a period of 24 months from the closing date.

On March 30, 2021, in connection with a private placement of units, the Company issued 2,358,080 warrants with an exercise price of $0.08 per warrant and a contractual life of 30 months.

On June 7, 2021, in connection to a prior private placement in which warrants were owed to certain subscribers, the Company issued 75,000 warrants with an exercise price of US$0.32 per warrant and a contractual life of 24 months. The fair value of the warrants on issuance was determined to be $15,616 based on the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield - 0%, expected volatility - 215%, risk-free interest rate - 0.16% and an expected remaining life - 2.0 years. At issuance, the fair value of these warrants was recognized in the consolidated statement of comprehensive loss as stock based compensation expense.

(Expressed in U.S. dollars)

The following is a continuity of the Company's derivative warrant liability:

		Total
Balance, January 1, 2020	$	79,458
Issued during the period		1,724,114
Change in fair value of derivative		199,789
Balance, December 31, 2020	$	1,804,572
Issued during the period		621,500
Extinguished during the period		(479,535)
Change in fair value of derivative		(1,473,638)
Balance, December 31, 2021	$	472,899

14. Restricted Stock Units

During the year ended December 31, 2021, the Company granted 1,325,000 (2020 – 2,425,000) restricted stock units ("RSUs") as consideration for management and consulting contracts. The RSUs were valued at $211,975 (2020 - $164,300) based on the fair market value of the closing price of the common stock of the Company at the grant date and are recognized evenly over the vesting period. Within 30 days of vesting, the RSUs are exchanged for shares of common stock of the Company. As at December 31, 2021, 50,000 common stock valued at $7,450 was obligated to be issued relating to the vesting of 50,000 RSUs.

For the year ended December 31, 2021, the Company recognized $211,975 (2020 - $164,300) in stock-based compensation expense for RSUs granted and vested. At December 31, 2021 and 2020, the Company has no unrecognized compensation expense related to RSUs.

	Number of restricted stock units		Weighted average fair value per award
Balance, December 31, 2019	–		–
Granted	2,425,000		0.10
Vested	(2,425,000)		0.10
Balance, December 31, 2020	–	$	–
Granted	1,325,000		0.16
Vested	(1,325,000)		0.16
Balance, December 31, 2021	–		–

15. Related Party Transactions

At December 31, 2021, accounts payable and accrued liabilities included $13,831 (2020 - $117,000) due to related parties. The amounts are unsecured, non-interest bearing and due on demand.

(Expressed in U.S. dollars)

During the year ended December 31, 2021, management fees of $438,000 (2020 - $502,452) and director fees of $72,000 (2020 - $12,769) were incurred to related parties.

During the year ended December 31, 2021, the Company issued 1,416,667 units for the settlement of accounts payable owed to related parties in the amount of $70,833, resulting in no gain or loss and issued 200,000 common shares pursuant to the options exercised by related parties to settle the accounts payable. Refer to Note 11.

During the year ended December 31, 2021, the Company issued 5,146,667 common shares relating to the exercise of 4,476,667 warrants and 670,000 options held by related parties. As consideration, the Company entered into promissory note agreements with the related parties for total principal receivable by the Company of $518,820 (CAD$648,078). The notes bear interest at 5% per annum and mature in July 2023. Refer to Note 11.

As at December 31, 2021, notes receivable included $517,985 (December 31, 2020 - $Nil) due from related parties. The amounts are unsecured, bear interest at 5% per annum and mature between one to two years from grant.

16. Segment Information

During the years ended December 31, 2021 and 2020, the Company's operations were in the resource industry in Bulgaria, and Turkey with head offices in the United States and a satellite office in Sofia, Bulgaria. The Company's operating segments included, a head office in Canada, oil and gas operations in Turkey and oil and gas properties located in Bulgaria.

For the year ended December 31, 2021

	Bulgaria	North America	Turkey	Total
Revenue				
Oil and natural gas sales	$ –	$ –	$ 3,700,727	$ 3,700,727
			3,700,727	3,700,727
Cost and expenses				
Production	–	–	2,617,118	2,617,118
Depletion	–	–	233,798	233,798
Depreciation	–	–	31,768	31,768
Accretion of asset retirement obligation	–	–	416,354	416,354
Investor relations	–	914,770	–	914,770
Stock-based compensation	–	336,366	–	336,366
General and administrative	14,468	1,253,770	979,926	2,248,164
Total (recovery) expenses	$ 14,468	$ 2,504,906	$ 4,278,964	$ 6,798,338
Income (loss) before other income (expenses)	$ (14,468)	$ (2,504,906)	$ (578,237)	$ (3,097,611)
Other income (expenses)				
Interest income	–	17,733	28,484	46,217
Interest expense	–	(126,027)	–	(126,027)
Finance cost	–	(176,386)	–	(176,386)
Other income (expense)	2,600	–	–	2,600
Foreign exchange gain (loss)	188	37,757	(12,277)	25,668
Loss on debt settlement	–	(238,724)	–	(238,724)
Gain on disposal of equipment	–	–	40,074	40,074
Change in fair value of derivative liability	–	1,473,638	–	1,473,638
Total other income (expense)	$ 2,788	$ 987,991	$ 56,281	$ 1,047,060
Net income (loss)	$ (11,680)	$ (1,516,915)	$ (521,956)	$ (2,050,551)

Long-lived assets	$ 3,116,146	$ -	$ 2,209,368	$ 5,325,515

For the year ended December 31, 2020

	Bulgaria	North America	Turkey	Total
Revenue				
Oil and natural gas sales	$ –	$ –	$ 2,584,266	$ 2,584,266
			2,584,266	2,584,266
Cost and expenses				
Production	–	–	2,378,626	2,378,626
Depletion	–	–	239,002	239,002
Depreciation	–	–	37,633	37,633
Accretion of asset retirement obligation	–	–	377,197	377,197
Investor relations	–	458,302	–	458,302
Stock-based compensation	–	410,555	–	410,555
General and administrative	6,791	910,108	977,182	1,894,081
Total (recovery) expenses	$ 6,791	$ 1,778,965	$ 4,009,640	$ 5,795,396
Income (loss) before other income (expenses)	$ (6,791)	$(1,778,965)	$(1,425,374)	$ (3,211,130)
Other income (expenses)				
Interest income	–	–	13,026	13,026
Interest expense	(172)	(70,075)	(14,853)	(85,100)
Accretion of convertible debt discount	–	(34,586)	–	(34,586)
Other income (expense)	2,513	–	–	2,513
Foreign exchange gain (loss)	(3,576)	(1,644)	63,416	58,196
Loss on debt settlement	–	(22,406)	–	(22,406)
Change in fair value of derivative liability	–	(199,789)	–	(199,789)
Provision for loan receivable	(54,008)	–	–	(54,008)
Total other income (expense)	$ (55,243)	$ (328,500)	$ 61,589	$ (322,154)
Net income (loss)	$ (62,034)	$(2,107,465)	$(1,363,785)	$ (3,533,284)
Long-lived assets	$ 3,122,443	$ –	$ 2,364,493	$ 5,486,936

17. Financial Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at December 31, 2021, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian dollars and Turkish Lira. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at December 31, 2021 and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar or Turkish Lira against the United States dollar would result in a gain or loss of approximately $91,000 or $9,000 in the Company's consolidated statements of loss and comprehensive loss, respectively.

(Expressed in U.S. dollars)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers. The Company has determined that no allowance is required as all amounts outstanding are considered collectible. During the year ended December 31, 2021, the Company incurred $nil in bad debt expense (2020 - $54,008).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's outstanding debt bears interest at fixed rates. As a result, at December 31, 2021, the Company is not exposed significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity by raising capital through the issuance of debt and equity. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

18. Income Taxes

The Company has net operating losses carried forward of $23,415,133 available to offset taxable income in future years which expire beginning in fiscal 2025.

The Company is subject to United States federal and state income taxes at a rate of 21% in 2021 (2020 - 21%). The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	2021	2020
Benefit at statutory rate	$ (430,616)	$ (741,990)
Permanent differences and other	(70,637)	(86,216)
Valuation allowance change	501,252	828,206
Income tax provision	$ –	$ –

The significant components of deferred income tax assets and liabilities as of December 31, 2021 and 2020 are as follows:

	2021	2020
Net operating losses carried forward	$ 4,917,178	$ 4,486,562
Oil and gas properties	77,556	77,556
Stock compensation expense	1,299,471	1,228,834
Other	233	233
Total deferred income tax assets	6,294,437	5,793,185
Valuation allowance	(6,294,437)	(5,793,185)

(Expressed in U.S. dollars)

Net deferred income tax asset	$ –	$ –

19. Subsequent Events

On January 21, 2022, the Company redomiciled from Delaware to a British Columbia corporation by way of an amalgamation transaction with the Company's British Columbian subsidiary (the "Repatriation Transaction"). Pursuant to the Repatriation Transaction, for every one common stock of Trillion Energy International Inc., the shareholders will receive one common stock of Trillion Energy Inc.

As a result of the Repatriation Transaction, the Company will meet the definition of a foreign private issuer, as defined under Rule 3b-4 of the Securities Exchange Act of 1934, as amended.

Subsequent to December 31, 2021, the Company issued 110,567,031 units at $0.165 CAD per unit for gross proceeds of $18,243,560 CAD pursuant to the closing of private placements. Each unit comprises one common shares and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share for $0.45 for two years from the date of the closing of the offering. Cash finder's fee of $1,338,604 CAD were paid and 5,688,556 broker warrants were issued pursuant to the private placements.

Subsequent to December 31, 2021, the Company issued 196,250 common shares related to the exercise of 195,250 warrants for proceeds of CAD $19,625.

Subsequent to December 31, 2021, the Company issued 50,000 common shares related to the exercise of 50,000 options for proceeds of CAD $5,000.

Subsequent to December 31, 2021, the Company issued 50,000 common shares related to the granting and vesting of 50,000 RSUs during the year ended December 31, 2021.

Subsequent to December 31, 2021, the Company issued 650,000 common shares related to the granting and vesting of 650,000 RSUs on February 1, 2022.