Trillion Energy International Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 2023 AND 2022

(Stated in United States dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Trillion Energy International Inc. (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income (loss) and comprehensive income (loss), stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The consolidated financial statements for the year ended December 31, 2021 were previously prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These consolidated statements prepared under US GAAP were audited by another auditor whose report dated April 29, 2022 expressed an unmodified opinion on those consolidated financial statements, prior to any adjustments applied to restate certain comparative information to comply with IFRS.

We have audited the adjustments that were applied to restate certain comparative information to comply with IFRS in the year ended December 31, 2021. In our opinion, such adjustments are appropriate and have been properly applied.

We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of the Company for the year ended December 31, 2021, other than with respect to the adjustments. Accordingly, we do not express an opinion or any other form of assurance on the 2021 consolidated financial statements taken as a whole.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a negative working capital position, has accumulated deficits, and negative cash flows from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. 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 the Company's 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 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated 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 consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated 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.

Assessment of impairment indicators and the impact of estimated oil and gas reserves on oil and gas assets

Critical Audit Matter Description

Refer to Note 2 (h) Material Accounting Policies and Note 6 Oil and Gas Properties.

The total book value of oil and gas properties amounted to $52.5 million as at December 31, 2023. The Company uses estimated total proved oil and gas reserves to deplete its oil and gas assets, to assess for indicators of impairment or impairment reversal on each of the Company's cash generating units ("CGU") and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of a CGU.

Information considered by management in assessing indicators of impairment may include: (i) Plans to discontinue or dispose of the asset before the previously expected date; (ii) Significant reductions in estimates or reserves; (iii) Significant cost overrun on a capital project; (iv) Significant increases in the expected cost of dismantling assets and restoring the site; and (v) Production difficulties.

The Company depletes its net carrying value of oil and gas properties using the unit-of-production method by reference to the ratio of production in the period to the related total proved oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production.

The estimated proved oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices;
- Forecasted production volumes;
- Forecasted operating costs;
- Forecasted royalty costs; and,
- Forecasted future development costs.

The Company engages independent third-party reserve evaluators to estimate proved oil and gas reserves.

We considered this a critcal audit matter due to the significance of the oil and gas properties, the significant judgment required to evaluate the results of our audit procedures regarding the estimate of oil and gas reserves and the judgments made by management in its assessment of indicators of impairment related to oil and gas properties, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

Audit Response

We responded to this matter by performing procedures in relation to the estimate of oil and gas reserves as at December 31, 2023 and the assessment of impairment indicators of oil and gas properties. Our audit work in relation to this included, but was not restricted to, the following:

- We assessed the period for which the Company has the right to explore and produce by comparing the remaining production life of the properties to the Company's license and evaluated whether the oil and gas titles are in good standing by agreeing the rights to produce and explore to government agency websites, and other regulatory bodies, as applicable.
- Read the Board of Directors' minutes and obtained budget approvals to evidence continued and planned exploration expenditure for 2024, which included evaluating results of current year work programs and management's longer-term plans.
- Evaluated the reasonableness of management's assessment of impairment indicators which included the assessment of external and internal factors that could be considered indicators of impairment on the Company's oil and gas properties by considering evidence obtained in other areas of the audit.
- With respect to the estimate of proved oil and gas reserves as at December 31, 2023:
  - We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company.
  - We compared forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators.
  - We compared the actual production, operating costs, royalty costs and development costs of the Company to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Company's ability to accurately forecast.
  - We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to historical results.
  - We consulted with local specialists in Turkey to assess compliance with laws and regulations.
  - We examined management's calculation of depletion by comparing amounts to the underlying source data and performing recalculations.

Going Concern

Critical Audit Matter Description

As described in Note 1 to the consolidated financial statements, there are material uncertainties regarding the Company's ability to execute its business plan and continue in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing.

We identified the going concern assessment of the Company as a critical audit matter due to the significant assumptions and judgments made by management in estimating future cash flows, which are subject to high degree of uncertainty.

This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report.

Audit response

We responded to this matter by performing audit procedures relating to going concern. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained management's position paper which included management's plans to mitigate the uncertainty and supporting calculations (including the 12-month cash-flow forecast) to determine whether use of the going concern assumption is appropriate.

- We tested significant assumptions and judgments made by management in their supporting calculations (including the 12-month cash-flow forecast).
- We assessed the adequacy of the going concern disclosure included in Note 1 to the consolidated financial statements and considered whether these appropriately reflected the assessments that management performed.

MNP LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2022.

Calgary, Canada

April 29, 2024

TRILLION ENERGY INTERNATIONAL INC.

Index to Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022

TRILLION ENERGY INTERNATIONAL INC.
Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		**$ 1,188,445**	$ 926,061
Amounts receivable	3	**1,593,345**	4,337,825
Prepaid expenses and deposits	4	**603,435**	962,812
Assets held for sale	5	**1,479,429**	-
Total current assets		**4,864,654**	6,226,698
Oil and gas properties, net	6	**52,654,100**	30,049,794
Property and equipment, net	8	**720,550**	741,727
Long-term deposits	4	**371,124**	-
Total assets		**$ 58,610,428**	$ 37,018,219
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	9,19	**$ 14,065,019**	$ 10,600,080
RSU obligation	18	**18,398**	295,747
Loans payable	10	**3,464,450**	145,866
Convertible debt – accrued interest	12	**227,092**	-
Lease liability	11	**19,637**	4,057
Total current liabilities		**17,794,596**	11,045,750
Asset retirement obligation	13	**6,247,027**	5,316,470
Loans payable	10,19	**-**	20,689
Convertible debt	12	**10,102,627**	-
Lease liabilities	11	**122,058**	4,552
Derivative liability	17	**-**	4,827
Deferred tax liability	24	**2,131,548**	-
Total liabilities		**36,397,856**	16,392,288
Stockholders' equity:			
Share capital		**74,586,724**	64,750,270
Notes and amounts receivable for equity issued	14,19	**(113,309)**	(1,062,062)
Warrant and option reserve		**6,239,370**	5,682,869
Shares to be cancelled		**7,645**	7,645
Obligation to issue shares		**396,177**	94,210
Accumulated other comprehensive loss		**(12,964,837)**	(4,009,997)
Accumulated deficit		**(45,939,198)**	(44,837,004)
Total stockholders' equity		**22,212,572**	20,625,931
Total liabilities and stockholders' equity		**$ 58,610,428**	$ 37,018,219

Nature of operations (Note 1)
Subsequent events (Note 26)

APPROVED BY THE BOARD OF DIRECTORS ON APRIL 29, 2024:

"Arthur Halleran" — Director

"David Thompson" — Director

See accompanying notes to consolidated financial statements.

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

	Notes	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021 (Unaudited)
Revenue				
Oil and gas revenue, net	21	$ **16,797,366**	$ 9,375,029	$ 3,700,727
Cost and expenses				
Production		**4,365,710**	3,567,875	2,617,118
Depletion	6	**5,119,174**	1,451,032	415,686
Depreciation	8	**175,764**	145,035	31,768
Accretion of asset retirement obligation	13	**219,536**	264,075	91,983
Stock-based compensation	16,18	**2,397,261**	2,118,917	336,366
General and administrative	20	**7,294,972**	6,397,500	3,162,934
Geological and geophysical expenses		**706,410**	636,248	-
Impairment of exploration and evaluation assets	7	**-**	3,101,343	-
Total expenses		**20,278,827**	17,682,025	6,655,855
Loss before other income (expenses)		**(3,481,461)**	(8,306,996)	(2,955,128)
Other income (expense)				
Interest income		**19,179**	86,739	46,217
Finance cost	10,12	**(2,249,055)**	(79,693)	(302,413)
Foreign exchange gain (loss)		**(10,990,604)**	1,272,450	25,669
Gain (loss) on extinguishment accounts payable		**(8,500)**	97,051	(159,383)
Change in fair value of derivative liability	17	**4,827**	(686,504)	(1,590,762)
Loss on settlement agreement	19	**-**	(285,120)	-
Loss on write-off of notes and other receivables	12	**-**	(46,176)	-
Loss on impairment of assets held for sale	5	**(1,556,787)**	-	-
Loss on issuance of shares	15	**(17,342)**	-	-
Gain on net monetary position	2	**18,984,099**	1,826,495	-
Gain on sale of equipment	8	**19,535**	-	40,074
Gain on termination of lease	8,11	**31,864**	-	-
Other income		**2,377**	-	2,600
Total other income (expense)		**4,239,593**	2,185,242	(1,937,998)
Net income (loss) before taxes		**758,132**	(6,121,754)	(4,893,126)
Deferred tax expense	24	**(1,860,326)**	-	-
Net loss		**(1,102,194)**	(6,121,754)	(4,893,126)
Other comprehensive loss				
Foreign currency translation		**(8,954,840)**	(3,636,492)	(357,240)
Comprehensive loss		$ **(10,057,034)**	$ (9,758,246)	$ (5,250,366)
Net income (loss) per share – Basic and diluted		$ **(0.01)**	$ (0.10)	$ (0.15)
Weighted average shares outstanding – Basic and diluted		**81,084,843**	62,491,482	31,633,222

See accompanying notes to consolidated financial statements.

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

	Shares	Share capital	Warrant and option reserve	Receivables for equity issued	Obligation to issue shares	Shares to be cancelled	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
Balance, December 31, 2020 (Unaudited)	**25,067,831**	**$ 26,332,622**	**$ 1,177,099**	**$ -**	**$ 15,342**	**$ -**	**$ (490,172)**	**$ (33,822,124)**	**$ (6,787,233)**
Issuance of common stock	2,566,398	268,545	-	-	(15,342)	-	-	-	253,203
Stock issued for debt settlement	1,050,548	157,178	-	-	-	-	-	-	157,178
Warrants exercised to settle debt	280,000	194,359	-	-	-	-	-	-	194,359
Stock issued for services	626,118	765,576	-	-	-	-	-	-	765,576
RSU grants and vesting	255,000	204,525	-	-	7,450	-	-	-	211,975
Warrants exercised (Restated)	5,974,024	5,928,944	-	-	-	5,323	-	-	5,934,267
Options exercised	782,000	590,111	(136,320)	(1,193,641)	-	-	-	-	(739,850)
Conversion of debentures	432,000	522,519	-	-	-	-	-	-	522,519
Warrants issued for loan	-	152,751	-	-	-	-	-	-	152,751
Options issued	-	-	108,775	-	-	-	-	-	108,775
Warrants issued	-	-	15,616	-	-	-	-	-	15,616
Net loss and comprehensive loss	-	-	-	-	-	-	(357,240)	(4,893,126)	(5,250,366)
Balance, December 31, 2021 (Unaudited)	**37,033,919**	**$ 35,117,130**	**$ 1,165,170**	**$ (1,193,641)**	**$ 7,450**	**$ 5,323**	**$ (847,412)**	**$ (38,715,250)**	**$ (4,461,230)**
Impact of change in functional currency	-	-	309,737	-	-	-	-	-	309,737
Issuance of common stock	35,838,968	29,097,587	2,253,535	-	-	-	-	-	31,351,122
Stock issuance costs	-	(2,649,823)	-	-	-	-	-	-	(2,649,823)
Stock issued for debt settlement	600,000	391,021	-	-	-	-	-	-	391,021
Stock issued for prepaid services	221,818	169,396	-	-	-	-	-	-	169,396
Shares issued for RSUs	220,000	111,122	-	-	(7,540)	-	-	-	103,582
Warrants exercised	2,185,366	3,144,128	(935,888)	(10,310)	-	-	-	-	2,197,930
Options exercised	675,000	1,152,269	(474,906)	(41,349)	-	2,322	-	-	638,336
Finder's warrants issued	-	(1,782,560)	1,782,560	-	-	-	-	-	-
Repayment or write-offs of notes receivables	-	-	-	183,238	-	-	-	-	183,238
Options issued	-	-	1,421,267	-	-	-	-	-	1,421,267
Equity to be issued for settlement agreement	-	-	-	-	94,300	-	-	-	94,300
RSUs to be issued	-	-	298,322	-	-	-	-	-	298,322
RSU repurchase	-	-	(136,928)	-	-	-	-	-	(136,928)
Impact of hyperinflation	-	-	-	-	-	-	473,907	-	473,907
Net loss and comprehensive loss	-	-	-	-	-	-	(3,636,492)	(6,121,754)	(9,758,246)
Balance, December 31, 2022	**76,775,071**	**$ 64,750,270**	**$ 5,682,869**	**$ (1,062,062)**	**$ 94,210**	**$ 7,645**	**$ (4,009,997)**	**$ (44,837,004)**	**$ 20,625,931**

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

Balance, December 31, 2022	**76,775,071**	**$ 64,750,270**	**$ 5,682,869**	**$ (1,062,062)**	**$ 94,210**	**$ 7,645**	**$ (4,009,997)**	**$ (44,837,004)**	**$ 20,625,931**
Issuance of common stock	5,000	2,215	-	-	-	-	-	-	2,215
Options exercised	440,000	972,085	(429,221)	-	-	-	-	-	542,864
Stock issued for RSUs	1,762,805	1,462,778	(1,146,982)	-	-	-	-	-	315,796
Stock issued for debt settlement	150,000	212,402	-	-	-	-	-	-	212,402
Stock issued in market offering	36,057,934	7,960,687	-	-	-	-	-	-	7,960,687
Stock issuance costs	-	(803,012)	259,955	-	-	-	-	-	(543,057)
Stock issued for services	60,000	29,299	58,881	-	18,873	-	-	-	107,053
Stock-based compensation – options	-	-	118,202	-	-	-	-	-	118,202
Stock-based compensation – RSU's	-	-	1,879,832	-	-	-	-	-	1,879,832
RSU's repurchased	-	-	(919,790)	604,537	-	-	-	-	(315,253)
Convertible debt – Equity component	-	-	1,004,524	-	-	-	-	-	1,004,524
Deferred tax on equity component of convertible debt			(271,222)						(271,222)
Reduction of notes receivables	-	-	-	344,216	-	-	-	-	344,216
RSU grant accrual	-	-	2,322	-	283,094	-	-	-	285,416
Net loss and comprehensive loss	-	-	-	-	-	-	(8,954,840)	(1,102,194)	(10,057,034)
Balance, December 31, 2023	**115,250,810**	**$ 74,586,724**	**$ 6,239,370**	**$ (113,309)**	**$ 396,177**	**$ 7,645**	**$ (12,964,837)**	**$ (45,939,198)**	**$ 22,212,572**

See accompanying notes to consolidated financial statements

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

	Years ended December 31,		
	2023	**2022**	**2021 (Unaudited)**
Operating activities:			
Net loss for the year	$ **(1,102,194)**	$ (6,121,754)	$ (4,893,126)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	**2,397,261**	2,118,917	336,366
Stock issued for services	**89,711**	169,396	765,576
Depletion	**5,119,174**	1,451,032	415,686
Depreciation	**175,764**	145,035	31,768
Accretion of asset retirement obligation	**219,536**	264,075	91,983
Accretion and accrued interest expense	**1,393,604**	26,365	192,258
Interest income	**(19,179)**	(54,623)	(17,733)
Change in fair value of derivative liability	**(4,827)**	686,504	1,590,762
Unrealized foreign exchange (gain) loss	**5,371,835**	(32,899)	50,916
Provision for settlement	**-**	285,120	-
(Gain) loss on debt settlement	**8,500**	(97,051)	159,383
Loss on issuance of shares	**17,342**	-	-
Loss on impairment of assets held for sale	**1,556,787**	-	-
Loss on impairment of exploration and evaluation assets	**-**	3,101,343	-
Loss on write-off of notes and other receivables	**-**	46,176	-
Gain on net monetary position	**(18,984,099)**	(1,826,495)	-
Gain on disposal of equipment	**(19,535)**	-	(40,074)
Gain on termination of lease	**(31,864)**	-	-
Deferred tax expense	**1,860,326**	-	-
Changes in non-cash working capital items:			
Restricted cash	**-**	5,438	6,325
Amounts receivable	**1,448,844**	(3,959,821)	(469,752)
Prepaid expenses and deposits	**(677,165)**	(883,254)	(71,201)
Accounts payable and accrued liabilities	**(346,398)**	11,708,461	(18,680)
Net cash (used in) provided by operating activities	**(1,526,577)**	7,031,965	(1,869,543)
Investing activities:			
Property and equipment expenditures	**(60,176)**	(696,929)	(180,739)
Oil and gas properties expenditures	**(56,381,768)**	(44,369,191)	(66,122)
Disposal of equipment	**-**	64,588	65,016
Advances from JV Partners	**29,623,835**	6,656,785	-
Changes in non-cash working capital items:			
Prepaid expenses and deposits	**178,536**	-	-
Accounts payable and accrued liabilities	**7,856,541**	917,064	-
Net cash used in investing activities	**(18,783,032)**	(37,427,683)	(181,845)
Financing activities:			
Proceeds from stock subscriptions received, net	**7,417,630**	28,701,299	544,880
Proceeds from exercise of options	**542,864**	571,066	191,032
Proceeds from exercise of warrants	**2,215**	1,208,249	1,772,884
Proceeds from loans payable	**4,988,296**	199,007	525,642
Repayments of loans payable	**(2,719,721)**	(696,853)	(394,883)
Repayment of notes receivable	**80,991**	136,611	23,745
Proceeds from convertible debt	**10,359,398**	-	-
Lease payments	**(85,271)**	(4,121)	(7,634)
Net cash provided by financing activities	**20,586,402**	30,115,258	2,655,666
Effect of exchange rate changes on cash and cash equivalents	**(14,409)**	179,531	220,000

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

	2023	2022	2021
Net increase (decrease) in cash and cash equivalents	**262,384**	(100,929)	824,278
Cash and cash equivalents, beginning of year	**926,061**	1,026,990	202,712
Cash and cash equivalents, end of year	$ **1,188,445**	$ 926,061	$ 1,026,990

	Years ended December 31, 2023	2022	2021
Supplemental information:			
Interest paid on credit facilities	$ **795,451**	$ 105,805	$ 29,980
Non-cash investing and financing activities:			
Stock issued for debt settlement	$ **212,402**	$ 391,021	$ 351,537
Stock issued for prepaid expenses	$ **-**	$ 158,698	$ -
Stock issued for services	$ **89,711**	$ 169,396	$ 765,576
Stock issued for debt conversion	$ **-**	$ -	$ 522,519
Right-of-use asset additions	$ **236,201**	$ -	$ -

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 January 2022, the corporate headquarters moved to Suite 700, 838 West Hastings Street, Vancouver, B.C., Canada from 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. The Company's shares trade on the OTCQB under the symbol "TRLEF" and trade on the Canadian Securities Exchange (the "Exchange") under the symbol "TCF".

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. The Company will continue to operate and report under the name of Trillion Energy International 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.

On September 18, 2023, the Company consolidated its issued share capital on a ratio of five old common shares for every one new post-consolidated common share. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation (the "Share Consolidation").

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At December 31, 2023, the Company's current liabilities exceeded its current assets by $12,929,942 (2022 - $4,819,052) and its accumulated deficit amounts to $45,939,198 (2022 - $44,837,004). In addition, for the year ended December 31, 2023, the Company used cash of $1,526,577 (2022 – provided cash of $7,031,965) in operating activities. The Company's continuation as a going concern is dependent upon its ability to complete financings sufficient to meet current and future obligations, the successful results from its business activities, and its ability to operate profitably and generate funds. Although the Company raised capital in current and previous reporting periods, additional funding will be required to continue current operations and further advance its existing oil and gas assets in the upcoming 12 months. These factors indicate the existence of material uncertainty which raises substantial doubt about the Company's ability to continue as a going concern.

2. Material Accounting Policies

(a) Basis of Presentation

The audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective as at January 1, 2023. The consolidated financial statements 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"). The Company's oil and gas operations are conducted jointly with its joint venture partner (Note 6). The joint arrangement meets the definition of a joint operation under IFRS 11, "Joint Arrangements" ("IFRS 11"); therefore, the Company's share of the assets, liabilities, revenues and expenses are recorded in the consolidated financial statements. All intercompany balances and transactions are eliminated on consolidation.

2. Material Accounting Policies (continued)

The functional currency of BG Exploration is the Bulgarian Lev. The functional currency of the Company's Turkish operations is the Turkish Lira ("₺"). The functional currency of the Company's Bermuda subsidiary is the United States dollar ("USD"), and the function currency of PPE Corp is the USD. Prior to January 1, 2022, the functional currency of Trillion Energy International Inc. was USD. The Company redomiciled from United States to Canada and became a Canadian Company in January 2022, resulting in the parent's expenditures being denominated primarily in Canadian dollar ("CAD") and the Company being funded primarily from issuance of equity instruments which proceeds are in CAD. As a result, the Company determined that the functional currency of the parent was changed to CAD effective January 1, 2022.

The Company has accounted for the change in functional currency prospectively with no impact of this change on prior period comparative information. The Company has made an accounting policy choice to reassess the classification of financial instruments as liabilities or equity or vice versa as applicable when the functional currency of the Company or its subsidiaries changes. The policy will be applied consistently in the future.

As a result, certain of the Company's CAD denominated warrants with a carrying value of $472,899, which previously were classified as a derivative liability as their exercise prices were denominated in a currency other the Company's previous functional currency, were reclassified to equity effective January 1, 2022. Further, effective January 1, 2022, certain of the Company's USD denominated warrants with a carrying value of $163,162, which previously were classified as equity instruments, were reclassified to derivative liability as their exercise prices are denominated in a currency other than the Company's new functional currency.

A portion of the Company's exploration and development activities are conducted jointly with others. The joint interests are accounted for on a proportionate consolidation basis and as a result the financial statements reflect only the Company's proportionate share of the assets, liabilities, revenues, expenses and cash flows from these activities.

Name of the joint arrangement	Nature of the relationship with the joint arrangement	Principal place of operation of joint arrangement	Proportion of participating share
South Akcakoca Sub-Basin ("SASB")	Operator	Turkey	49%
Cendere	Participant	Turkey	19.6%

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 29, 2024.

<u>Basis of Measurement</u>
These consolidated financial statements have been prepared on a historical cost basis except for certain derivative liabilities, which are measured at fair value.

<u>Hyperinflation</u>
Due to various qualitative factors and developments with respect to the economic environment in Turkey, including but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the local Turkish wholesale price index exceeding 100% at the end of February 2022 and the significant devaluation of the Turkish Lira, Turkey has been designated a hyper-inflationary economy as of April 1, 2022 for accounting purposes.

Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies was adopted by the Company in its consolidated financial statements and applied to these consolidated financial statements in relation to PPE Turkey. The consolidated financial statements are based on the historical cost approach in IAS 29.

2. Material Accounting Policies (continued)

The application of hyperinflation accounting requires restatement of PPE Turkey's non-monetary assets and liabilities, equity and comprehensive income (loss) items from the original transaction date when they were first recognized into the current purchasing power which reflects a general price index current at the end of the reporting period. To measure the impact of inflation on its financial statements and results, the Company has elected to use the consumer price index ("CPI") as published by the Turkish Statistical Institute "TURKSTAT".

IAS 29 also requires the restatement of comparative periods for the effects of hyperinflation unless the comparatives were previously presented in a different presentation currency of a non-hyperinflationary economy. The consolidated financial statements of the Company are presented in US dollars, a stable currency, and as a result the comparative amounts do not require restatement.

On April 1, 2022, the Company recognized an adjustment of $473,907 for the impact of hyperinflation within accumulated other comprehensive loss related to the non-monetary assets held by PPE Turkey, which have been restated from the historic date when they were first recognized to the beginning of the reporting period (the "Opening Hyperinflation Adjustment"). On initial adoption of IAS 29, there is an accounting policy choice to recognize the Opening Hyperinflation Adjustment directly to opening equity or to other comprehensive income and the Company has elected to recognize this amount directly to opening equity.

The value of the CPI at December 31, 2023, was 1,859 (2022 – 1,128) and the movement in the CPI for the year ended December 31, 2023 was 731 (December 31, 2022 – 442), an increase of approximately 65% (2022 – 64%). As a result, the Company recognized a net monetary gain of $18,984,099 for the year ended December 31, 2023 (2022 - $1,826,495) to restate transactions into a measuring unit current as of each year end.

(b) Use of Estimates and Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional Currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Determination of Cash Generating Units ("CGUs")

A CGU is the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructure, and the way in which management monitors the operations.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

2. Material Accounting Policies (continued)

Asset Retirement Obligation

The Company recognizes obligation for the future decommissioning and restoration of the Company's exploration and evaluation assets and oil and gas properties based on estimated future decommissioning and restoration costs. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the Company's decommissioning and restoration obligations at the end of each reporting period. Management also uses judgment to determine whether the nature of the activities performed is related to decommissioning and restoration activities or normal operating activities.

In the process of applying the Company's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Convertible debt

During the year ended December 31, 2023, the Company completed a convertible debenture financing. The convertible debentures include certain conversion features and associated warrants which were valued using the option pricing model and required significant assumptions to be made by management to value.

Oil and Gas Reserves

The Company's estimate of oil and gas reserves is considered in the measurement of depletion, depreciation, impairment, and decommissioning and restoration obligations. The estimation of reserves is an inherently complex process and involves the exercise of professional judgment. All reserves are evaluated annually by independent qualified reserves evaluators. Oil and gas reserves estimates are based on a range of geological, technical and economic factors, including projected future rates of production, projected future commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Estimates reflect market and regulatory conditions existing at the evaluation date, which could differ significantly from other points in time throughout the period, or future periods. Changes in market and regulatory conditions and assumptions, as well as climate change, and the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels can materially impact the estimation of net reserves.

Allowance for doubtful accounts

Estimates are inherent in the on-going assessment of the recoverability of amounts receivable. The Company maintains an allowance for doubtful accounts to reflect the expected credit losses. Uncertainty relates to the actual collectability of customer balances that can vary from the Company's estimation.

Asset Retirement Obligation

The Company recognizes obligation for the future decommissioning and restoration of the Company's exploration and evaluation assets and oil and gas properties based on estimated future decommissioning and restoration costs. Actual costs are uncertain, and estimates may vary as a result of changes to relevant laws and regulations related to the use of certain technologies, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and restoration may change due to certain factors, including reserves life. Changes to estimates related to future expected costs, discount rates, inflation assumptions, and timing may have a material impact on the amounts presented.

Estimated useful lives and depreciation of equipment

Depreciation of equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. Changes to the estimated useful life of equipment could result in differences in their carrying amounts.

2. Material Accounting Policies (continued)

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in leases where it is the lessee. As such, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of comparable value to the right-of-use asset in a similar economic environment. IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and makes certain entity-specific estimates.

Leases – Estimating the lease term

The Company includes renewal options in the term of the lease when management deems that it is reasonably certain that the option will be exercised.

Impairment of Non-current Assets

Management applies judgment in assessing the existence of impairment indicators based on various internal and external factors. The recoverable amount of assets is determined based on the higher of fair value less costs of disposal or value-in-use calculations. The key estimates the Company applies in determining the recoverable amount normally include estimated future commodity prices, discount rates, expected production volumes, future operating and development costs, income taxes, and operating margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of assets and may then require a material adjustment to their related carrying value.

Stock-based Compensation

The cost of equity-settled stock-based transactions (options, warrants, and equity-settled RSUs) with directors, officers and employees are measured by reference to the fair value of the equity instruments. Estimating fair value for equity-settled stock-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield of the stock option. Changes to these estimates and judgments will affect the operating result and may then require a material adjustment.

Cash-settled RSUs are accounted for as liability instruments and are measured at fair value based on the market value of the Company's common shares at each reporting period. The fair value is recognized as stock-based compensation over the vesting period. Fluctuations in the fair values are recognized as stock-based compensation over the vesting period.

Fair Value of Derivative Liability

The Company's warrants and conversion features with exercise prices denominated in a currency other the Company's functional currency are recognized as derivatives measured at fair value through the consolidated statements of income (loss) and comprehensive income (loss). Estimating fair value for derivative liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the issuance. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield of the derivatives. Changes to these estimates and judgments will affect the operating result and may then require a material adjustment.

2. Material Accounting Policies (continued)

Deferred Tax

Judgments are made by management at the end of the reporting period to determine the probability that deferred tax assets will be realized from future taxable earnings. Assessing the recoverability of deferred tax assets requires the Company to make judgments related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in consolidated statements of income (loss) and comprehensive income (loss) in the period in which the change occurs.

(c) Cash and Cash Equivalents

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

(d) Amounts Receivable

Amounts receivable consist primarily of oil and gas receivables. The Company has classified these as current assets in the consolidated statements of financial position because the Company expects repayment or recovery within the next 12 months. The Company evaluates these accounts receivable for collectability and, when necessary, records allowance for doubtful accounts. The Company deems all accounts receivable to be collectable and has not recorded any expected credit losses.

(e) Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful life of the asset. The estimate useful lives are as follows: Motor vehicles – 3 years; furniture – 3 to 5 years; leasehold improvements – over the term of the lease and other equipment - 3 years.

(f) 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 at 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.

2. Material Accounting Policies (continued)

For the Company's product sales that have a contract term greater than one year, the Company uses the practical expedient in IFRS 15 Paragraph 121(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.

(g) Evaluation and Exploration Assets

Pre-license exploration costs are recognized in the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

The costs to acquire non-producing oil and gas properties or licenses to explore, drill exploratory wells and the costs to evaluate the commercial potential of underlying resources, including related borrowing costs, are initially capitalized as exploration and evaluation assets.

Exploration and evaluation assets are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. If an area or exploration well is no longer considered commercially viable, the related capitalized costs are charged to exploration expense.

Exploration and evaluation assets are not subject to depreciation, depletion, and amortization. When management determines with reasonable certainty that an exploration and evaluation asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals, the asset is transferred to oil and gas properties. The Company records geological and geophysical expenses to the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

(h) Oil and Gas Properties

Oil and gas properties ("O&G") include development and productions costs, less accumulated depletion and depreciation and accumulated impairment loss. O&G are grouped into CGUs for impairment testing. The Company has grouped its O&G into two CGUs: the Cendere Oil Field and SASB Gas Field.

When significant parts of an item of O&G have different useful lives, they are accounted for as separate items (major components). Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of O&G are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

Such capitalized items generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of oil and gas properties are recognized in the consolidated statements of income (loss) and comprehensive income (loss) as incurred.

2. Material Accounting Policies (continued)

(h) Oil and Gas Properties (continued)

The net carrying value of O&G is depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved reserves, considering estimated future development costs necessary to bring those reserves into production. The estimated future development costs is added to the carrying value of O&G to calculate depletion. These estimates are reviewed by independent reservoir engineers at least annually.

(i) Impairment of Non-financial Assets

Exploration and evaluation assets, O&G, and property and equipment are reviewed when events or changes in circumstances indicate the assets may not be recoverable. Exploration and evaluation assets are also tested for impairment immediately prior to being transferred to O&G. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of income (loss) and comprehensive income (loss). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

These calculations are based on available data, other observable inputs, and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights.

(j) Provisions

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized for the asset retirement obligation associated with the Company’s exploration and evaluation assets and O&G. Provisions for the asset retirement obligation are measured at the present value of management’s best estimate of the future cash flows required to settle the present obligation, using the risk-free interest rate. The value of the obligation is added to the carrying amount of the associated asset and amortized over the useful life of the asset. The provision is accreted over time with actual expenditures charged against the accumulated obligation. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and related assets.

2. Material Accounting Policies (continued)

(k) Financial Instruments

Classification

The Company classifies its financial instruments into one of the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or at amortized cost. This determination is made at initial recognition. All financial instruments are initially recognized at fair value on the consolidated statements of financial position, net of any transaction costs except for financial instruments classified as FVTPL, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification. The Company classifies its derivative liability and cash and cash equivalents as FVTPL, amounts receivable and notes and amounts receivable for equity issued as financial assets at amortized cost, and accounts payable and accrued liabilities, loans payable, and convertible debt as financial liabilities at amortized cost. Embedded derivatives in other financial instruments or other host contracts are recorded as separate derivatives when their risks and characteristics are not closely related to those of the host contract.

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost sing the effective interest rate ("EIR"), less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of income (loss) and comprehensive income (loss).

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income (loss) and comprehensive income (loss). Realized and unrealized gains and losses arising from subsequent changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of income (loss) and comprehensive income (loss) in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairment are recognized in the consolidated statements of income (loss) and comprehensive income (loss). Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, net gains and losses accumulated in OCI are reclassified to the consolidated statements of income (loss) and comprehensive income (loss).

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statements of income (loss) and comprehensive income (loss) unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to consolidated statements of income (loss) and comprehensive income (loss).

2. Material Accounting Policies (continued)

Impairment of Financial Assets at Amortized Cost

The Company recognizes an allowance for doubtful accounts on financial assets that are measured at amortized cost. At each reporting date, the Company measures the allowance for doubtful accounts for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date the credit risk has not increased significantly since initial recognition, the Company measures the allowance for doubtful accounts for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of income (loss) and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the allowance for doubtful accounts at the reporting date to the amount that is required to be recognized.

Fair value

Fair value estimates are made at the consolidated statements of financial position date based on relevant market information and other information about financial instruments. Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into a fair value evaluation hierarchy.

This hierarchy groups financial assets and financial liabilities into three levels according to the significance of the inputs used in the fair value evaluation of the financial assets and financial liabilities. The fair value levels of the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities at the financial reporting date;
Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company’s cash and cash equivalents is categorized as Level 1 and its derivative liability is categorized as Level 3.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flow from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is initially recognized at fair value. Gains and losses on derecognition are recognized in consolidated statements of income (loss) and comprehensive income (loss).

2. Material Accounting Policies (continued)

(l) Income Taxes

Current Tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax relating to items recognized directly in OCI or equity is recognized in OCI or equity and not in profit or loss

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Stock-Based Compensation

Under the Company's equity-based compensation plans, stock-based awards may be granted to executives, employees, and non-employee directors. The Company grants restricted share units ("RSUs") and stock options to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services like those performed by an employee.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted, using the Black Scholes valuation model. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). For cash settled stock-based compensation, the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at fair value of the stock-based payment.

2. Material Accounting Policies (continued)

(l) Stock-Based Compensation (continued)

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period, and the corresponding amount is represented in the warrant and option reserve. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statements of income (loss) and comprehensive income (loss).

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense or its reduction is recognized for any modification which increases or decreases the total fair value of the stock-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Company or the counterparty, any remaining element of the fair value of the award is expensed immediately or reversed through profit or loss, depending on the type of cancellation. The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share whereas anti-dilutive options are ignored.

Consideration paid to the Company on exercise of stock-based awards is credited to share capital and the associated amount in warrant and option reserve is reclassified to share capital.

(m) 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. If the attached warrants do not meet the definition of a derivative liability, the fair value of the common shares, measured on date of issue, are determined to be the component with the best evidence of fair value. The balance, if any, is allocated to the attached warrants. If the attached warrants meet the definition of a derivative liability, the proceeds are first allocated to the fair value of the warrants and then the residual value, if any, is allocated to the common shares. Costs directly identifiable with share capital financings 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.

(n) Loss per Share

Basic earnings per share are calculated by dividing the net earnings for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares. The number of shares included is computed using the treasury stock method. As certain instruments can be exchanged for common shares of the Company, they are considered potentially dilutive and are included in the calculation of the Company's diluted net earnings per share if they have a dilutive impact in the period. The impact of potentially dilutive securities is not considered in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect.

2. Material Accounting Policies (continued)

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term. Judgment is applied to determine the lease term where a renewal option exists. Right-of-use assets are depreciated using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. In addition, the right-of-use assets may be reduced by impairment losses or adjusted for certain remeasurements of the lease liability.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments are recognized as an expense when incurred over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments, and variable payments that are based on an index or rate.

Cash payments for the principal portion of the lease liability are presented within the financing activities section and the interest portion of the lease liability is presented within the operating activities section of the consolidated statements of cash flows. Short-term lease payments and variable lease payments not included in the measurement of the lease liability are presented within the operating activities section of the consolidated statements of cash flows.

(p) Foreign Currency Translation

Functional currencies of the Company's individual entities are the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at foreign exchange rates as at the date of the statement of financial position. Foreign exchange differences arising on translation are recognized in net earnings. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.

In preparing the Company's consolidated financial statements, the financial statements of each entity are translated into USD, the presentation currency of the Company. The assets and liabilities of foreign operations are translated into USD at exchange rates as at the date of the statement of financial position. Revenues and expenses of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated into USD using average foreign exchange rates for the period. The financial statements (i.e. assets, liabilities, revenues and expenses) of foreign operations whose functional currency is the currency of a hyperinflationary economy, is first adjusted in accordance with the Company's hyperinflation accounting policy, and then translated to USD at exchange rates as at the date of the statement of financial position. Foreign exchange differences resulting from translation from functional currency to presentation currency are recognized in other comprehensive income or loss.

2. Material Accounting Policies (continued)

(q) Convertible Debt

The components of the compound financial instrument (convertible debt) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the EIR until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible notes will be transferred to share capital. No profit or gain is recognized to the conversion or expiration of the conversion option.

(r) Assets Held For Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets held for sale are presented separately in current assets within the consolidated statements of financial position. Assets held for sale are measured at the lower of carrying amount and fair value less cost to sell, and are not depreciated, depleted or amortized. An impairment loss is recognized for any initial or subsequent write-down of the assets held for sale to fair value less costs to sell. The comparative period consolidated statement of financial position is not restated.

(s) New IFRS pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024.Many are not applicable or do not have a significant impact to the Company and have been excluded.The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 –Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

(Expressed in U.S. dollars)

3. Amounts Receivable

		December 31, 2023		December 31, 2022
Accounts receivable	$	1,403,781	$	4,207,739
GST receivable		46,642		71,284
Interest receivable		44,339		52,538
Due from related parties		35,295		3,913
Other		63,288		2,351
	$	1,593,345	$	4,337,825

4. Prepaid expenses and deposits

		December 31, 2023		December 31, 2022
Exploration and production advances	$	174,031	$	871,527
Prepaid expenses		426,487		83,852
Prepaid taxes		2,917		7,433
Close-Out Fund (Note 13)		371,124		-
	$	974,559	$	962,812
Prepaid expenses and deposits – Current	$	603,435	$	-
Long-term deposits	$	371,124	$	-

5. Assets held for sale

In 2023, management committed to a plan to sell left-over field equipment with a carrying amount of $3,036,216. Accordingly, the equipment is presented as assets held for sale.

Impairment losses of $1,556,787 (2022 - $Nil) were recognized for the write-down of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell. As at December 31, 2023, the value of the Company's assets held for sale are $1,479,429 (December 31, 2022 - $Nil).

The non-recurring fair value measurement for the assets held for sale has been categorized as a Level 3 fair value and is based on management's best estimate of the fair value of similar products in similar conditions in the marketplace. The key inputs used by management to estimate the fair value of the assets-held-for sale is based on offers received from third parties for a large portion of the equipment and extrapolation of the discount to similar items in the assets listing.

(Expressed in U.S. dollars)

6. Oil and Gas Properties

	SASB	Cendere	Total
Cost			
As at December 31, 2021	$ 1,398,676	$ 2,453,485	$ 3,852,161
Additions	44,369,191	-	44,369,191
JV Contribution	(6,656,785)	-	(6,656,785)
Change in ARO estimate	(3,865,772)	(5,562)	(3,871,334)
Currency translation adjustment	(4,748,897)	-	(4,748,897)
Impact of hyperinflation	837,908	110,090	947,998
As at December 31, 2022	31,334,321	2,558,013	33,892,334
Additions	56,381,768	-	56,381,768
JV Contribution	(29,623,835)	-	(29,623,835)
Change in ARO estimate and additions	706,159	102	706,261
Currency translation adjustment	(17,696,392)	(948,518)	(18,644,910)
Impact of hyperinflation	21,039,584	1,042,395	22,081,979
Reclassified as assets held for sale (Note 5)	(3,036,216)	-	(3,036,216)
As at December 31, 2023	$ 59,105,389	$ 2,651,992	$ 61,757,381
Accumulated depletion			
As at December 31, 2021	$ 743,647	$ 1,687,901	$ 2,431,548
Depletion	1,263,556	187,476	1,451,032
Impact of hyperinflation	(34,215)	(5,825)	(40,040)
As at December 31, 2022	1,972,988	1,869,552	3,842,540
Depletion	5,038,009	81,165	5,119,174
Currency translation adjustment	(731,475)	(693,127)	(1,424,602)
Impact of hyperinflation	804,164	762,005	1,566,169
As at December 31, 2023	$ 7,083,686	$ 2,019,595	$ 9,103,281
Net book value			
As at December 31, 2022	$ 29,361,333	$ 688,461	$ 30,049,794
As at December 31, 2023	**$ 52,021,703**	**$ 632,397**	**$ 52,654,100**

Cendere oil field

The Cendere onshore oil field, which is located in South East Turkey has a total of 25 wells. The operator of the Cendere Field is Türkiye Petrolleri Anonim Ortaklığı (“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%. As at December 31, 2023, the depletion calculation includes future development costs of $65,000 (2022 - $65,000) based on the most recent reserve report.

(Expressed in U.S. dollars)

6. Oil and Gas Properties (continued)

The South Akcakoca Sub-Basin ("SASB")

The Company owns offshore production licenses called the South Akcakoca Sub-Basin ("SASB"). The Company owns a 49% working interest in SASB in partnership with TPAO. 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.

Management assesses each field for impairment indicators at each reporting date. Impairment indicators considered include the following:

- Plans to discontinue or dispose of the asset before the previously expected date;
- Significant reductions in estimates or reserves;
- Significant cost overrun on a capital project;
- Significant increases in the expected cost of dismantling assets and restoring the site; and
- Production difficulties.

As at December 31, 2023, the Company performed an assessment of potential impairment indicators and noted that the Company's net asset value was greater than its market capitalization. As a result of the impairment indicator noted, the Company performed an impairment test in accordance with IFRS using fair value less cost to sell. For the purposes of testing impairment and determining fair value less cost to sell, the Company used a 30 year forecast of net cash flows obtained from the annual reserve report discounted at 10% and 20% to estimate the fair value of the oil and gas properties. The resulting recoverable amount exceeded the book values of the oil and gas properties and as such, no impairment charge was recognized as at December 31, 2023. As at December 31, 2023, the depletion calculation includes future development costs of $35,144,000 (2022 - $49,960,000) based on the most recent reserve report.

7. Exploration & Evaluation Assets

	Unproved properties Turkey	Unproven properties Bulgaria	Total
As at December 31, 2021	$ -	$ **3,116,146**	$ **3,116,146**
Impairment	-	(3,101,343)	(3,101,343)
Currency translation adjustment	-	(14,803)	(14,803)
As at December 31, 2022 and 2023	**$ -**	**$ -**	**$ -**

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"). Prior to the Exploration and Geophysical Work Stage, the Company is required to complete an environmental impact assessment ("EIA").

7. Exploration & Evaluation Assets (continued)

During the fall of 2022, the Company decided to recommence the EIA. The Company consulted with local counsel and an environmental consultant but was unable to determine whether it would be able to obtain the license. In October and November 2022, management made repeated efforts to obtain a visa to visit Bulgaria and seek clarification on the status of the license, however the visa applications were declined and management determined that it would no longer pursue the work program and would dispose of the property. As a result, the Company recorded an impairment loss of $3,101,343 during the year ended December 31, 2022.

Turkey

Effective July 25, 2023, the Company entered into a farm-in agreement (the "Farm-in Agreement") with a company existing under the laws of the Republic of Turkey (the "Farmor"). The Farmor holds a 100% undivided interest in three exploration licenses and is willing to assign and transfer a 50% undivided interest in the licenses to the Company in accordance with the terms of Farm-in Agreement. The Company has committed to the following terms to earn its interest (the "Farm-in Obligations"):

(1) **2D Seismic Data Acquisition and Data Processing:** Conduct (through contractors) a minimum of 351km 2D seismic data acquisition in the licensed area within 2023 (not completed - see below). Until the determination of exploration well locations, all seismic survey expenses (including all costs related to seismic crews, land damages, processing, interpretation, reporting, procurement, and reprocessing of previously acquired seismic lines in the license area, gravity surveys, etc.) will be covered by the Company. All reports and results of the conducted work, along with potential structures identified as a result of these activities, will be shared with Farmor. After joint evaluations and decisions, exploration wells will be drilled at the most suitable structures.

(2) **Exploration Well Drilling Obligation:** Conduct (through contractors) drilling of 4 (four) exploration wells in the license area within the year 2024. Drilling of those four exploration wells shall be fully funded by the Company (including location, infrastructure development, land usage, and any other expenses). After the drilling and testing of the four exploration wells, the restoration of well locations to their original state, mud-pit clean-up, and any damage compensation costs, if applicable, will be borne by the Company

(3) **Cash Consideration Payment Obligation.** In addition to the obligations stated in (1) and (2) above, the Company agreed to pay the Farmor a monthly fee of USD15,000, starting from the date of contract signing until the completion date of all obligations specified in (1) and (2) above, or until December 31, 2024 (whichever occurs earlier).

The Company and the Farmor will notify each other of their intent to enter into a joint exploration period. After the Company's fulfillment of the Farm-in Obligations, the costs and liabilities of operations within the licenses will be shared equally based on a 50-50 principle. During the joint exploration period, there will be no Cash Consideration Payment Obligation as specified in (3) above.

Under the terms of the Farm-in Agreement, the Company had to complete a minimum of 351km 2D seismic data acquisition within 2023, which could not be completed due to unfavorable weather conditions. In addition, the Farm-in Agreement specifies that the parties have agreed to enter into a joint operating agreement ("JOA") and that if the JOA is not signed within 2 months (i.e. September 25, 2023), the Farm-in Agreement shall automatically terminate without the need for any additional notice, unless otherwise agreed by the parties. Although the deadline has passed, the Company and the Farmor continue to operate in good faith towards the completion of the Farm-in Obligations and towards the signing of a JOA, although no amending agreements or notices of understanding have been executed.

During the year ended December 31, 2023, the Company expensed $381,618 in relation to the Farm-in Agreement in accordance with its pre-license exploration accounting policy. The amount is included in geological and geophysical expenses.

(Expressed in U.S. dollars)

8. Property and Equipment

	Right-of-use assets	Leasehold improvements	Other Equipment	Motor Vehicles	Furniture	Total
Cost						
As at December 31, 2021	$ 53,143	$ 138,450	$ 2,102	$ 140,365	$ 9,685	$ 343,745
Additions	-	42,699	289,640	332,528	32,061	696,928
Disposals	-	-	-	(64,588)	-	(64,588)
Currency translation adjustment	(5,293)	(2,890)	(31,002)	(37,147)	(2,147)	(78,479)
Impact of hyperinflation	2,599	8,103	72,597	87,626	5,318	176,243
As at December 31, 2022	50,449	186,362	333,337	458,784	44,917	1,073,849
Additions	236,202	14,498	11,076	15,644	18,958	296,378
Disposals	(47,685)	-	-	(97,028)	-	(144,713)
Currency translation adjustment	(105,792)	(60,555)	(126,062)	(151,880)	(14,291)	(458,580)
Impact of hyperinflation	69,616	68,608	140,538	136,661	17,538	432,961
As at December 31, 2023	$ 202,790	$ 208,913	$ 358,889	$ 362,181	$ 67,122	$ 1,199,895
Accumulated depreciation						
As at December 31, 2021	$ 35,758	$ 115,109	$ 1,922	$ 41,377	$ 2,445	$ 196,611
Depreciation	4,549	12,324	47,423	74,622	6,117	145,035
Impact of hyperinflation	(140)	(438)	(3,923)	(4,735)	(288)	(9,524)
As at December 31, 2022	40,167	126,995	45,422	111,264	8,274	332,122
Depreciation	37,457	13,135	52,084	62,920	10,168	175,764
Disposals	(10,332)	-	-	(30,267)	-	(40,599)
Currency translation adjustment	(14,892)	(45,848)	(16,840)	(41,251)	(2,513)	(121,344)
Impact of hyperinflation	16,372	50,404	18,513	45,350	2,763	133,402
As at December 31, 2023	$ 68,772	$ 144,686	$ 99,179	$ 148,016	$ 18,692	$ 479,345
Net Book Value						
As at December 31, 2022	$ 10,282	$ 59,367	$ 287,915	$ 347,520	$ 36,643	$ 741,727
As at December 31, 2023	**$ 134,018**	**$ 64,227**	**$ 259,710**	**$ 214,165**	**$ 48,430**	**$ 720,550**

During the year ended December 31, 2023, the Company disposed of equipment with a net book value of $66,761. In lieu of cash, accounts payable was reduced by $86,296, resulting in a gain of $19,535. The Company also terminated a lease, resulting in a non-cash disposal of a right-of-use asset with a net book value of $37,353. The lease component disposed was valued at $69,217, resulting in a gain of $31,864.

During the year ended December 31, 2022, the Company disposed of equipment with a cost and net book value of $64,588 for proceeds of $64,588, resulting in no gain or loss.

(Expressed in U.S. dollars)

9. Accounts Payable and Accrued Liabilities

		December 31, 2023		December 31, 2022
Accounts payable	$	**13,567,262**	$	8,376,620
Accrued liabilities		**77,078**		886,324
Payroll, withholding and sales tax liabilities		**420,679**		420,072
Cash calls received from JV partner		**-**		917,064
	$	**14,065,019**	$	10,600,080

10. Loans Payable

As at		December 31, 2023		December 31, 2022
Unsecured, interest-bearing loans at 10% per annum[1]	$	**-**	$	12,107
Unsecured, interest-bearing loan at 45.33% per annum[2]		**-**		56,537
Unsecured, interest-bearing loan at TLREF + 3.5944% per annum[3]		**-**		97,911
Unsecured, interest-bearing loan at 37.7% per annum[4]		**19,461**		-
Unsecured, interest-bearing loan at 6% per annum[7,8]		**614,899**		-
Unsecured, interest-bearing loan at 1% per month[6]		**2,822,250**		-
Unsecured, non- interest-bearing loan[9]		**7,840**		-
Total loans payable		**3,464,450**		166,555
Current portion of loans payable		**(3,464,450)**		(145,866)
Long-term portion of loans payable	$	**-**	$	20,689

(1) Loans bearing interest accrue at 10% per annum are all unsecured. The loans matured between January and April 1, 2021 and thereafter were due on demand. During the year ended December 31, 2023, the Company made principal payments of $Nil (2022 - $135,868) and $Nil (2022 - $3,515) in interest payments. During the year ended December 31, 2023, the Company wrote off the remaining balance of $12,107.

(2) On May 25, 2022, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺1,500,000 (or approximately USD$91,961). The loan matures on May 23, 2024, and bears interest at 45.33% per annum. Principal and accrued interest are paid monthly. During the year ended December 31, 2023, the Company made $45,832 (2022 - $26,968) in principal payments and $14,717 (2022 - $20,636) in interest payments.

(3) On November 23, 2022, Garanti Bank extended a short-term loan to Park Place Turkey Limited in the amount of ₺2,000,000 (or approximately USD$107,356). The loan matures on November 23, 2023, and bears interest at the Turkish Lira Overnight Reference Rate ("TLREF") plus 3.5944% per annum. Principal and accrued interest are paid monthly. During the year ended December 31, 2023, the Company made $79,372 (2022 - $10,183) in principal payments and $4,264 (2022 - $1,607) in interest payments.

(4) On March 13, 2023, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺2,000,000 (or approximately USD$105,386). The loan matures on March 12, 2024, and bears interest at 37.67% per annum. Principal and accrued interest are paid monthly. During the year ended December 31, 2023, the Company made $61,627 (2022 - $nil) in principal payments and $18,676 (2022 - $nil) in interest payments.

10. Loans Payable (continued)

(5) On February 1, 2023, the Company entered into an agreement with TR1 Master Fund to borrow $2,200,000. The loan was issued with a $200,000 discount and bears interest at a rate of 1% per month. The maturity date is April 1, 2024. In the event that the loan is repaid in full prior to the maturity date, the minimum interest payment on the loan is $100,000. Upon repayment of the loan at any time, the Company has to pay an exit fee of $50,000. The minimum interest payment and exit fee have been recorded on the consolidated statements of income (loss) and comprehensive income (loss) as finance costs. If, during the period that any amount of the loan remains outstanding, the Company issues any equity, the Lender may demand repayment of all or part of the principal amount of the loan in an amount equal to the aggregate subscription price of the equity offering. On April 26, 2023, the Company repaid the loan in its entirety, including the minimum interest and exit fee. In addition to the minimum interest and exit fee, the Company recorded interest expense of $200,000, representing the accretion of the discount.

(6) On July 1, 2023, the Company entered into agreements with TR1 Master Fund to borrow $1,065,000 and $1,597,500. The loans were issued with a $65,000 and $97,500 discount, respectively, and bear an interest rate of 1% per month. The maturity date was December 31, 2023, and the Company is claiming that the principal of TR1 Master Fund agreed to extend the loans to December 31, 2024. In the event that the loan is repaid in full prior to the maturity date, the minimum interest payments on the loans are $40,000 and $60,000, respectively. The minimum interest payments have been recorded on the consolidated statements of income (loss) and comprehensive income (loss) as finance costs. Accrued interest in excess of the minimum interest payments of $23,900 and $35,850, respectively were recorded during the year ended December 31, 2023. Accretion of the discount recognized on the loans during the period were $63,916 and $96,138, respectively. If, during the period that any amount of the loan remains outstanding, the Company issues any equity, the Lender may demand repayment of all or part of the principal amount of the loan in an amount equal to the aggregate subscription price of the equity offering. The Company is currently in discussions with the lender and has not made any repayments as at the date of these consolidated financial statements (Note 25).

(7) On July 20, 2023, the Company entered into a promissory note with 1324025 BC Ltd for CAD$300,000 (USD$228,023). The promissory note bears an interest rate of 6% per annum. The principal plus all accrued unpaid interest is to be repaid on demand but no later than December 31, 2024. During the year ended December 31, 2023, CAD$50,000 (USD$37,717) of the principal balance was repaid and CAD$7,917 (USD$5,867) in interest was accrued.

(8) On September 1, 2023, the Company entered into a promissory note with 2476393 Alberta Ltd for CAD$546,000 (USD$402,115). The promissory note bears an interest rate of 6% per annum. The principal plus all accrued unpaid interest is to be repaid on demand but no later than December 31, 2024. As at December 31, 2023, no repayments had been made. During 2023, CAD$10,734 (USD$7,954) in interest was accrued.

(9) On November 23, 2023, the Company entered into a short-term non-interest-bearing promissory note with 1647020 Alberta Ltd. for CAD$12,000 (USD$8,766). During the year ended December 31, 2023, CAD$1,614 (USD $1,179) of the principal had been applied against amounts owed by the note holder.

(10) On November 23, 2023, the Company entered into a short-term non-interest-bearing promissory note with a consultant of the Company for CAD$200,000 (USD$146,121). During the year ended December 31, 2023, CAD$200,000 (USD$146,121) of the principal had been repaid.

(Expressed in U.S. dollars)

11. Leases

The Company leases certain assets under lease agreements. During the year ended December 31, 2023, the Company entered into three new office leases in Turkey, commencing January 1, 2023, February 15, 2023 and March 1, 2023, respectively. The leases all have a five-year term.

The Company used an incremental borrowing rate ("IBR") of 35% in determining its lease liabilities. The IBR was derived from the Company's assessment of its borrowings in Turkey.

Lease liability		December 31, 2023		December 31, 2022
Beginning balance	$	**8,609**	$	15,324
Additions, cost		**236,201**		-
Interest expense		**53,831**		1,378
Lease payments		**(85,271)**		(5,499)
Currency translation adjustment		**(2,458)**		(2,594)
Termination of lease		**(69,217)**		-
Ending balance	$	**141,695**	$	8,609

As at December 31, 2023, the Company's lease liability is as follows:

Lease liability		December 31, 2023		December 31, 2022
Current portion of lease liability	$	**19,637**	$	4,057
Long-term portion of lease liability		**122,058**		4,552
	$	**141,695**	$	8,609

Future minimum lease payments to be paid by the Company as a lessee as of December 31, 2023 are as follows:

Operating lease commitments and lease liability		
2024	$	58,919
2025		57,488
2026		59,163
2027		60,921
Total future minimum lease payments		236,491
Discount		(94,796)
Total	$	141,695

During the year ended December 31, 2023, $33,743 (2022 - $42,118) of short-term leases were expensed to the consolidated statements of income (loss) and comprehensive income (loss).

12. Convertible debentures

On April 20, 2023, the Company entered into an agreement to issue 15,000 units of the Company (the "Units") at a price of CAD$1,000 per unit, for gross proceeds of CAD$15,000,000 (USD$11,135,145). Each Unit will consist of CAD$1,000 (approximately USD$742) principal amount secured convertible debenture ("Debenture") and 333 common share purchase warrants of the Company (the "Warrants"). Each Warrant will be exercisable for one common share of the Company at an exercise price of CAD$2.50 (approximately USD$1.86) and shall have an expiry date of June 29, 2025.

(Expressed in U.S. dollars)

12. Convertible debentures (continued)

The Debentures will mature on April 30, 2025 (the "Maturity Date") and will accrue interest at the rate of 12% per annum, payable semi-annually. The Company has the ability to redeem the Debentures at any time between the dates of April 30, 2024 and April 30, 2025 at a redemption price of 105% of the principal amount plus any accrued interest. At the holders' option, the Debentures may be converted into common shares of the Company at any time, up to the earlier of the Maturity Date and the redemption of the Debentures, at a conversion price of CAD$3.00 (approximately USD$2.23) per common share.

The convertible debentures were determined to be a financial instrument comprising a host debt component, a conversion feature classified as equity, and freestanding warrants classified as equity. The warrants and conversion features were determined to be equity components because the exercise prices are denominated in the functional currency of the Company. Thus, these components the criterion of an equity instrument.

The Company paid an underwriting fee of CAD$1,045,000 (USD$775,748) and issued 300,000 broker warrants (the "Broker Warrants") in conjunction with the financing. The Broker Warrants are exercisable for one common share of the Company at an exercise price of CAD$2.50 and shall have an expiry date of April 20, 2025. The fair value of the Broker Warrants was estimated to be $216,777 and was determined using the Black-Scholes Option Pricing Model using the following assumptions: risk-free interest rate: 3.77%, expected volatility: 100.96%, dividend yield: 0% and expected life: 2 years.

On initial recognition, the proceeds were first allocated to the fair value of the host debt component, calculated using a market interest rate of 16%, which is the market interest rate of a debt instrument with similar terms but without the equity conversion feature. The residual proceeds were then allocated to the conversion feature and warrant equity components using the relative fair value method.

The relative fair value of the warrants and conversion features were determined using the Black-Scholes Option Pricing Model using the assumptions set out as follows:

	April 20, 2023
Risk-free interest rate	3.86%
Expected volatility	101.71 – 119.94%
Dividend yield	0%
Expected life	2.03–- 2.19 years

A continuity schedule of the Company's convertible debt is as follows:

Balance as at January 1, 2023	**$**	**-**
Issued		11,135,145
Transaction costs		(992,525)
Transaction costs allocated to equity		77,086
Relative fair value of conversion feature		(369,181)
Relative fair value of Warrants		(495,653)
Repayment		(709,022)
Accretion		578,675
Interest		931,962
Currency translation adjustment		173,232
Balance as at December 31, 2023	**$**	**10,329,719**
Current	$	227,092
Long-term	$	10,102,627

(Expressed in U.S. dollars)

13. Asset Retirement Obligation

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

		December 31, 2023		December 31, 2022
Beginning balance	$	**5,316,470**	$	8,993,108
Additions		**797,102**		-
Accretion expense		**219,536**		264,075
Impact of hyperinflation		**(599,096)**		(69,379)
Currency translation adjustment		**603,856**		-
Change in estimate		**(90,841)**		(3,871,334)
Ending balance	$	**6,247,027**	$	5,316,470

The Company's asset retirement obligations ("ARO") result from its interest in oil and gas assets including well sites. The total ARO is estimated based on the Company's net ownership interest in all sites, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be included in future years. The Company estimated the total undiscounted amount required to settle the ARO as at December 31, 2023 is $16.5 million (December 31, 2022 - $10.6 million). The ARO is calculated using an inflation rate of 2.5% (December 31, 2022 – 2.5%) and discounted using a risk free rate of 4% (December 31, 2022 – 3.91%) between 10 and 20 years.

During 2023, the Company and TPAO agreed to establish a close out-fund (the "Close-Out Fund") in a US dollar bank account. The amounts accumulated in the Close-Out Fund will not be used for any purpose other than to cover the cost of close-out of the SASB project. The US dollar bank account is held by TPAO. Starting with the July 2023 natural gas revenue, each party agreed to transfer 10% of its revenue into the Close-Out Fund on a monthly basis, until an amount agreed to by both parties is attained. The Company accounted for its share in the Close-Out Fund as a long-term deposit (Note 4). As at December 31, 2023, the Company share of the Close-Out Fund amounted to $371,124.

14. Notes and Amounts Receivable for Equity Issued

		December 31, 2023		December 31, 2022
Notes receivable	$	**97,907**	$	1,000,122
Amounts receivable		**15,402**		61,940
	$	**113,309**	$	1,062,062

The notes receivable bear interest at 5% and are due between September 30, 2021, and July 31, 2023.

The amounts receivable are non-interest bearing and due on demand.

(Expressed in U.S. dollars)

14. Notes and Amounts Receivable for Equity Issued (continued)

The following is a continuity of the Company's notes and other receivables:

	Notes receivable	Amounts receivable	Total
Balance, December 31, 2021	$ 1,158,832	$ 34,809	$ 1,193,641
Additions	-	51,659	51,659
Repayments	(136,611)	(24,528)	(161,139)
Write-off	(22,099)	-	(22,099)
Balance, December 31, 2022	1,000,122	61,940	1,062,062
Repayments	(297,678)	(36,228)	(333,906)
Settled through RSU repurchase (Note 18)	(604,537)	-	(604,537)
Write-off	-	(10,310)	(10,310)
Balance, December 31, 2023	$ 97,907	$ 15,402	$ 113,309

During the year ended December 31, 2023, the interest income totaled $16,373 (2022 - $52,502). As at December 31, 2023, accrued interest of $44,262 (December 31, 2022 - $52,538) was included in amounts receivable (Note 4). During the year ended December 31, 2023, $80,991 (2022 - $136,611) in cash repayments were made and $252,915 (2022 – $24,528) repayments were made through reductions of accounts payable.

15. Common Stock

The Company has an unlimited number of common shares authorized with no par value. As at December 31, 2023, 115,250,810 common shares were issued and outstanding (December 31, 2022 – 76,775,071).

For the year ended December 31, 2023

On November 28, 2023, the Company completed a short form prospectus, issuing 36,057,934 common shares of the Company at a price of CAD$0.30(approximately USD$0.22) per common share for aggregate gross proceeds of CAD$10,817,380 (approximately USD$7,960,687).

Cash finder's fee of CAD$737,934 (USD$543,057) were paid and 2,101,726 finder's warrants were issued. The finder's warrants are exercisable to purchase one common share of the Company at an exercise price of CAD$0.30 (approximately USD$0.22) until November 28, 2025. The finder's warrants issued have a fair value of CAD$353,288 (approximately USD$259,955).

During the year ended December 31, 2023, the Company issued 150,000 shares with a fair value of $212,632 to settle debt of $195,290 and recognized a loss on the settlement of $17,342.

During the year ended December 31, 2023, the Company issued 1,762,805 shares for RSU's which were granted and vested in previous periods.

During the year ended December 31, 2023, 5,000 warrants with an exercise price of CAD$0.60 (approximately USD$0.44) were exercised for gross proceeds of CAD$3,000 (USD$2,215).

During the year ended December 31, 2023, the Company issued 60,000 shares valued at $29,299 for services rendered valued at $11,957. A $17,342 loss on the issuance of shares was recognized.

During the year ended December 31, 2023, the Company entered into a consulting agreement pursuant to which an obligation to issue shares valued at $18,873 was accrued. The obligation to issue shares relate to 100,000 shares owed as a signing bonus and 25,000 shares owed relating to services rendered.

During the year ended December 31, 2023, the Company issued shares for the exercise of options as follows:

15. Common Stock (continued)

- 40,000 common shares for the exercise of 40,000 options at CAD$0.75 (approximately USD$0.55) for cash proceeds of CAD$30,000 (USD$21,872). As a result, $18,475 was transferred from option reserves to share capital; and
- 70,000 common shares for the exercise of 70,000 options at CAD$2.20 (approximately USD$1.62) for cash proceeds of CAD$154,000 (USD$113,717). As a result, $72,050 was transferred from option reserves to share capital.
- 70,000 common shares for the exercise of 70,000 options at CAD$0.80 (approximately USD$0.60) for cash proceeds of CAD$56,453 (USD$42,000). As a result, $35,174 was transferred from option reserves to share capital.
- 60,000 common shares for the exercise of 60,000 options at CAD$0.75 (approximately USD$0.56) for cash proceeds of CAD$45,000 (USD$33,479). As a result, $29,939 was transferred from option reserves to share capital.
- 200,000 common shares for the exercise of 200,000 options at CAD$2.20 (approximately USD$1.66) for cash proceeds of CAD $440,000 (USD$331,796). As a result, $273,583 was transferred from option reserves to share capital.

For the year ended December 31, 2022

During the year ended December 31, 2022, the Company issued shares for the exercise of warrants as follows:

- 538,250 common shares for the exercise of 538,250 warrants at CAD$0.50 (approximately USD$0.38) for cash proceeds of CAD$269,125 (USD$202,713). As a result, $336,464 was transferred from warrant reserves to common stock and share premium;
- 160,000 common shares for the exercise of 160,000 warrants at CAD$0.50 (approximately USD$0.37) In lieu of cash, the Company acquired prepaid services in the amount of $58,698. As a result, $98,786 was transferred from warrant reserves to common stock and share premium;
- 50,000 common shares for the exercise of 50,000 warrants at CAD$0.50 (approximately USD$0.37). In lieu of cash, debt owed to the equity holder was settled in the amount of CAD$10,949 (USD$8,034). Pursuant to the issuance, $31,511 was transferred from warrant reserves to common stock and share premium. As at December 31, 2022, CAD$14,051 (USD$10,310) was recorded to receivables for equity issued for the remainder of the amount;
- 5,000 common shares for the exercise of 5,000 warrants at CAD$0.60 (approximately USD$0.44) for cash proceeds of CAD$3,000 (USD$2,213);
- 49,000 common shares for the exercise of 49,000 warrants at CAD$1.00 (approximately USD$0.76) for cash proceeds of CAD$49,000 (USD$37,225);
- 550,000 common shares for the exercise of 550,000 warrants at CAD$1.55 (approximately USD$1.15) for cash proceeds of CAD$852,500 (USD$635,127). As a result, $467,968 was transferred from warrant reserves to common stock and share premium;
- 9,500 common shares for the exercise of 9,500 warrants at CAD$2.25 (approximately USD$1.69) for cash proceeds of CAD$21,375 (USD$16,101). As a result, $1,159 was transferred from warrant reserves to common stock and share premium;
- 221,616 common shares for the exercise of 221,616 warrants at $0.39 for cash proceeds of $87,071. As the warrants were liability classified, the fair value of the shares of $326,695 was transferred to share premium;
- 250,000 common shares for the exercise of 250,000 warrants at $0.40. In lieu of cash, the Company acquired prepaid services in the amount of $100,000. As the warrants were liability classified, the fair value of the shares of $121,604 was transferred to share premium;
- 152,000 common shares for the exercise of 152,000 warrants at $0.50 for cash proceeds of $67,797. As the warrants were liability classified, the fair value of the shares of $164,025 was transferred to share premium; and
- 200,000 common shares for the exercise of 200,000 warrants at $0.80 for cash proceeds of $160,000. As the warrants were liability classified, the fair value of the shares of $210,627 was transferred to share premium.

15. Common Stock (continued)

During the year ended December 31, 2022, the Company issued shares for the exercise of options as follows:

- 60,000 common shares for the exercise of 60,000 options at CAD$0.40 (approximately USD$0.29) for cash proceeds of CAD$24,000 (USD$17,609). As a result, $16,557 was transferred from option reserves to common stock and share premium;
- 155,000 common shares for the exercise of 149,000 options at CAD$0.50 (approximately USD$0.39) for cash proceeds of CAD$77,500 (USD$58,751). 6,000 Common shares were issued in error. As a result, $2,322 was recorded in shares to be cancelled. Pursuant to the issuance, $55,001 was transferred from option reserves to common stock and share premium;
- 50,000 common shares pursuant to the exercise of 50,000 options at CAD$0.50 (approximately USD$0.39). In lieu of cash, debt in the amount of CAD$25,000 (USD$19,270) was settled. Pursuant to the issuance, $18,474 was transferred from option reserves to common stock and share premium;
- 330,000 common shares for the exercise of 330,000 options at CAD$2.20 (approximately USD$1.50) for cash proceeds of CAD$726,000 (USD$494,706). As a result, $341,584 was transferred from option reserves to common stock and share premium. As at December 31, 2022, CAD$56,000 (USD$41,349) had not yet been received and was recorded to receivables for equity issued; and
- 80,000 common shares pursuant to the exercise of 80,000 options at $0.60. In lieu of cash, debt owed to the equity holders was settled in the amount of $48,000. Pursuant to the issuance, $43,290 was transferred from option reserves to common stock and share premium.

In March 2022, the Company issued 21,331,588 units at CAD$0.825 per unit for gross proceeds of CAD$17,598,610 (USD$13,886,226) pursuant to the closing of a non-brokered private placement. Each unit comprises one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share for CAD$2.25 for two years from the date of the closing of the offering. As the fair value of the common shares on the same date exceeded the issuance price, no residual value was assigned to the warrants. Cash finder's fee of CAD$1,397,495 (USD$1,108,790) were paid and 1,501,357 finder's warrants were issued with a fair value of $994,775. The finder's warrants have the same terms as the warrants attached to the units. The Company also issued 600,000 units for debt settlement of CAD$495,000 (USD$391,021) under the same terms of the private placement financing with no loss or gain recognized.

On March 1, 2022, the Company entered into a consulting agreement with a third party. Pursuant to the consulting agreement, the Company issued 40,000 common shares on November 2, 2022 for the consulting services received in March 2022 with a fair value of $51,208. The amount of $51,208 was expensed and included in consulting services on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022.

On March 17, 2022, the Company issued 181,818 units for investor relations services from February to July 2022 valued at CAD$150,000 (USD$118,188). The amount of CAD$150,000 (USD$118,188) was expensed and included in investor relations on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022.

During the year ended December 31, 2022, the Company issued 220,000 shares, 10,000 of which relate to the vesting of restricted stock units granted in 2021 and 210,000 relating to the granting and vesting of restricted stock units during the year ended December 31, 2022. The value of the shares issued is $111,122. $7,540 of the stock-based compensation was recorded in the prior year.

On June 29, 2022, the Company completed a short form prospectus, issuing 14,507,380 units of the Company at a price of CAD$1.55 (approximately USD$1.20) per unit for aggregate gross proceeds of up to CAD$22,486,439 (approximately USD$17,408,856). Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each warrant will be exercisable to purchase one common share of the Company at an exercise price of CAD$2.50 (approximately USD$1.95) until June 29, 2025. A value of CAD$0.20 was allocated to each warrant based on the residual method.

(Expressed in U.S. dollars)

15. Common Stock (continued)

Cash finder's fee of CAD$1,994,906 (USD$1,549,196) were paid and 850,288 finder's warrants were issued with a fair value of CAD$1,014,290 (USD$787,785). The finder's warrants are exercisable to purchase units, with each unit consisting of one common share and one-half share purchase warrant of the Company at an exercise price of CAD$1.55 (approximately USD$1.20) until June 29, 2025. Each warrant is exercisable at CAD$2.50 (approximately USD$1.80) until June 29, 2025.

16. Stock Options

The Board of Directors adopted the Trillion Energy International Inc. 2022 Long-Term Incentive Equity Plan (the "2022 Plan") effective as of December 1, 2022. The 2022 Plan permits grants of stock options and restricted stock awards and other stock-based awards.

Under the 2022 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 2022 Plan. Under the 2022 Plan, the exercise price of each option shall be determined by the Board of Directors, subject to any applicable Exchange approval or rules, at the time any option or other stock-based award is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange. The vesting schedule for each option or other stock-based award shall be specified by the Board of Directors at the time of grant, subject to any applicable Exchange approval or rules.

A continuity of the Company's outstanding stock options for the year ended December 31, 2023 and the year ended December 31, 2022 is presented below:

	Number of options	Weighted average exercise price (CAD)
Outstanding, December 31, 2021	1,528,000	$ 0.79
Granted	1,442,000	1.86
Exercised	(669,000)	1.33
Expired	(1,000)	0.50
Outstanding, December 31, 2022	2,300,000	$ 1.27
Exercised	(440,000)	1.65
Expired	(240,000)	0.79
Outstanding, December 31, 2023	1,620,000	$ 1.24
Exercisable, December 31, 2023	1,620,000	$ 1.24

At December 31, 2023 the Company had the following outstanding stock options:

Outstanding	Exercise Price	Expiry Date	Vested
660,000	0.75 CAD	September 19, 2024	660,000
128,000	0.40 CAD	July 31, 2025	128,000
512,000	1.50 CAD	July 26, 2025	512,000
50,000	1.90 CAD	June 6, 2026	50,000
150,000	2.20 CAD	October 27, 2025	150,000
70,000	2.20 CAD	December 9, 2024	70,000
50,000	2.20 CAD	December 9, 2025	50,000
1,620,000			1,620,000

As at December 31, 2023, the weighted average remaining contractual life of outstanding stock options is 1.26 years (December 31, 2022 – 2.09 years).

16. Stock Options (continued)

For the year ended December 31, 2023, the Company recognized $118,202 (2022 - $1,421,267) in stock-based compensation expense for options granted and vested. At December 31, 2023, the Company has $Nil (December 31, 2022 - $123,873) in unrecognized compensation expense related to stock options.

No stock options were granted during the year ended December 31, 2023.

17. Warrants

A continuity of the Company's outstanding share purchase warrants for the year ended December 31, 2023 and the year ended December 31, 2022 is presented below:

	Number of warrants	Weighted average exercise price (CAD)
Outstanding, December 31, 2021	1,568,866	$ 0.63
Issued	21,011,038	2.31
Exercised	(2,185,366)	0.87
Expired	(7,000)	0.50
Outstanding, December 31, 2022	20,387,538	$ 2.33
Issued	7,402,726	1.88
Expired	(10,000)	2.17
Outstanding, December 31, 2023	27,780,264	$ 2.21

At December 31, 2023, the Company had the following outstanding share purchase warrants:

Outstanding	Exercise Price	Expiry Date
4,341,088	2.25 CAD	March 15, 2024
676,788	2.25 CAD	March 16, 2024
590,909	2.25 CAD	March 17, 2024
2,122,825	2.25 CAD	March 18, 2024
4,286,351	2.25 CAD	March 24, 2024
530,600	2.25 CAD	March 28, 2024
12,529,690	2.50 CAD	June 29, 2025
300,288	1.55 CAD	June 29, 2025
300,000	2.50 CAD	April 20, 2025
2,101,726	0.30 CAD	November 28, 2025
27,780,265		

As at December 31, 2023, the weighted average remaining contractual life of outstanding warrants is 0.95 years (December 31, 2022 – 1.71 years).

The Company had previously issued warrants in connection with private placements, or debt settlements where the exercise price of such warrants was denominated in USD. As such the warrants were classified as derivate liabilities. As at December 31, 2023, the fair value of the warrants were remeasured at $Nil as all the warrants had expired. The Company recognized a gain on the fair value change of $4,827 (2022 – loss of $686,504) for the year ended December 31, 2023.

(Expressed in U.S. dollars)

17. Warrants (continued)

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

		Total
Balance, December 31, 2021	$	472,899
Effect of change in functional currency		(309,006)
Exercise of warrants		(822,950)
Change in fair value of derivative		686,504
Foreign currency translation		(22,620)
Balance, December 31, 2022	$	4,827
Change in fair value of derivative		(4,827)
Balance, December 31, 2023	$	-

The fair values for finder's warrants granted during the year ended December 31, 2023 and the warrants granted during the year ended December 31, 2022, have been estimated using the Black-Scholes option pricing model using the following assumptions:

	2023	2022
Risk-free interest rate	3.77 – 4.43%	1.21 – 3.13%
Expected life (years)	2	2 – 3
Expected volatility	101 – 104%	154 – 182%
Dividend yield	0%	0%

18. Restricted Stock Units

During the year ended December 31, 2023, the Company granted RSUs as follows:

- On January 1, 2023, the Company granted 256,800 RSU's which vest quarterly beginning January 1, 2023.
- On May 11, 2023, the Company granted 601,000 RSU's which vested immediately.
- On July 6, 2023, the Company granted 75,000 RSU's, which vested immediately.
- On September 2, 2023, the Company granted 75,464 RSU's, which vested immediately.
- On September 15, 2023, the Company granted 452,785 RSU's, which vested immediately.
- On October 17, 2023, the Company granted 650,000 RSU's, which vested immediately.
- On December 31, 2023, the Company granted 1,365,610 RSUs, which vested immediately.

For the year ended December 31, 2023, the Company recognized $2,279,059 (2022 - $697,650) in stock-based compensation expense for RSUs granted and vested.

	Number of unvested restricted stock units		Weighted average fair value per award
Balance, December 31, 2021	–	$	–
Granted	885,012		1.10
Vested	(885,012)		1.10
Balance, December 31, 2022	–		–
Granted	3,476,659		0.81
Canceled	(30,000)		2.00
Vested	(3,446,659)		0.80
Balance, December 31, 2023	-		-

18. Restricted Stock Units (continued)

The Company previously granted certain RSU's whereby the holder has the right and option to require the Company to withhold up to one third of the RSU shares awarded to pay the cash equivalent of the market price of the shares on the date of vesting. As a result, a portion of the value of the RSU's is recorded as a RSU obligation liability. As at December 31, 2023, the balance of the RSU obligation was $18,398 (December 31, 2022 - $295,747).

During the year ended December 31, 2023, the Company repurchased 667,868 RSU's for $993,136, equaling the fair value of the Company's shares at the time of repurchase and did not recognize any gain or loss on the transaction. As a result of the transaction, the Company recognized a reduction to equity of $919,790 and a reduction to the RSU obligation liability of $73,346. Outstanding notes receivable of $604,537 were settled through the RSU's repurchased (Note 14).

During the year ended December 31, 2023, the Company recorded an obligation to issue shares of $283,094 relating to the accrual of 1,365,610 RSUs owed to a consultant and to a related party of the Company as a bonus for additional services provided during the 2023 fiscal year. As at December 31, 2023, the Company had 1,518,010 RSU's (December 31, 2022 – 675,012) outstanding.

19. Related Party Transactions

On February 10, 2023, the Company's Board of Directors approved a new compensation plan for the directors of the Company effective January 1, 2023.

At December 31, 2023, accounts payable and accrued liabilities included $115,526 (December 31, 2022 - $210,070) due to related parties. The amounts are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2023, management fees and salaries of $924,083 (2022 - $711,766), director fees of $145,500 (2022 - $92,000), consulting fees of $52,313 (2022 - $nil), and stock-based compensation of $1,294,051 (2022 - $926,119) were incurred to related parties.

During the year ended December 31, 2023, the Company issued 808,680 shares to directors for services performed and for RSU's which were granted and vested in previous periods.

During the year ended December 31, 2023, the Company issued 80,000 shares with a fair value of $115,304 to a director to settle debt of CAD$160,000 (USD$ $118,261) and recognized a gain on the settlement of $2,957. During the year ended December 31, 2022, the Company issued 400,000 units with a fair value of $260,681 for the settlement of accounts payable owed to related parties in the amount of $260,681, resulting in no gain or loss.

During the year ended December 31, 2023, the Company repurchased 586,868 RSU's from directors and recognized a reduction to equity of $799,212 on the transaction. $473,331 of the RSU's repurchased was applied against outstanding notes receivable.

As at December 31, 2023, notes receivable included $Nil (December 31, 2022 - $450,325) due from related parties. The amounts previously receivable were unsecured, bear interest at 5% per annum and mature one to two years from issuance.

As at December 31, 2023, notes payable included CAD$402,115 (USD$420,281) (December 31, 2022 - $Nil) due to related parties. The note payable is unsecured, bears interest at 6% per annum and matures on December 31, 2024.

19. Related Party Transactions (continued)

As at December 31, 2022, pursuant to agreements between four directors and the Company, each of the four directors shall be granted 40,000 fully vested RSUs upon each anniversary of the contract and three of the four directors shall be granted 50,000 fully vested RSUs upon successful spudding of the first well by the Company. For two of the four directors, the amount of RSUs shall be indexed pro-rata to account for any dilution incurred by subsequent share issuance by the Company. During the year ended December 31, 2022, the Company issued 80,000 shares with a fair value of $19,077 for the RSU's to one of the directors. The shares for the remainder of the RSU's granted under the agreements were either issued or the underlying RSU's were repurchased in 2023. The value of these RSUs and the stock-based compensation recognized is $255,206. $65,160 has been recorded to reserves as at December 31, 2022 and $190,047 has been recorded as a RSU obligation liability as the directors have the right and option to require the Company to withhold up to one third of the RSU shares awarded to pay the director the cash equivalent of the market price of the shares on the date of vesting.

As at December 31, 2022, a director of the Company was granted 12,000 RSUs for services performed. The value of these RSUs and the stock-based compensation recognized is $21,283. As at December 31, 2022, the shares for these RSUs had not been issued. $14,189 has been recorded to reserves as at December 31, 2022 and $7,094 has been recorded as a RSU obligation liability as the director has the right and option to require the Company to withhold up to one third of the RSU shares awarded to pay the director the cash equivalent of the market price of the shares on the date of vesting.

On September 2, 2020, the CEO signed an employment agreement with the Company in which the CEO shall receive:

- 20,000 fully vested RSUs upon the first anniversary of the agreement. The amount of RSUs shall be indexed pro-rata to account for any dilution incurred by subsequent share issuances by the Company;
- If during the term of the Agreement, the Company completes any cash financing of $5,000,000, the Company shall issue 50,000 fully vested RSUs and $25,000 for each $5,000,000 raised.
- Upon spudding of the first well by the Company, the Company shall grant 50,000 fully vested RSUs and 50,000 fully vested RSUs every anniversary of the spud date (condition was met on September 15, 2022). This amount is indexed pro-rata to account for any dilution incurred by subsequent share issuances by the Company; and
- If during the term of the Agreement, the Company enters into any non-financing transaction, a cash bonus of USD$100,000 is owed upon the successful closing.

The value of these RSUs and the stock-based compensation recognized is $295,818. As at December 31, 2022, the shares for these RSUs have not been issued. $197,212 has been recorded to reserves as at December 31, 2022 and $98,606 has been recorded as a RSU obligation liability as the CEO has the right and option to require the Company to withhold up to one third of the RSU shares awarded to pay the CEO the cash equivalent of the market price of the shares on the date of vesting. As at December 31, 2023, the shares for these RSUs have either been issued or the underlying RSUs were repurchased by the Company.

On July 15, 2022, the CFO signed an employment agreement with the Company in which the CFO shall receive:

- 20,000 fully vested RSUs upon the first anniversary of the agreement;
- 30,000 fully vested RSUs upon the second anniversary of the agreement;
- For each subsequent year, the number of RSUs is determined in context of the market price of the shares and in respect to the performance of the Company;
- A bonus of 20,000 RSUs plus the sum of $15,000 cash paid upon the successful completion of the Company's phase A drilling program at the SASB gas field;
- A bonus of 25,000 RSUs plus the sum of $20,000 cash paid upon the successful completion of at least an additional seven wells as part of the Company's phase B drilling program at the SASB gas field; and
- A bonus of $25,000 cash upon the executive arranging a credit line for SASB of at least $5,000,000.

As the agreement can be terminated at any time, the RSU's are recognized only upon the conditions above being met; as a result, no share based compensation has been recognized under this agreement for the year ended December 31, 2022. During the year ended December 31, 2023, 20,000 shares were issued pursuant to the RSUs granted on the first anniversary of the agreement.

(Expressed in U.S. dollars)

19. Related Party Transactions (continued)

On July 15, 2022, the COO signed an employment agreement with the Company in which the COO shall receive:

- 25,000 fully vested RSUs upon the first anniversary of the agreement;
- 30,000 fully vested RSUs upon the second anniversary of the agreement;
- For each subsequent year, the number of RSUs is determined in context of the market price of the shares and in respect to the performance of the Company;
- A bonus of 20,000 RSUs plus the sum of $15,000 cash paid upon the successful completion of the company's phase A drilling program at the SASB gas field; and
- A bonus of 25,000 RSUs plus the sum of $20,000 cash paid upon the successful completion of at least an additional seven wells as part of the Company's phase B drilling program at the SASB gas field;

As the agreement can be terminated at any time, the RSU's are recognized only upon the conditions above being met; as a result, no share based compensation has been recognized under this agreement for the year ended December 31, 2022. As at December 31, 2023, 25,000 shares valued at $33,111 were owed pursuant to the RSUs granted on the first anniversary of the agreement.

On August 18, 2022, the Company entered into a settlement agreement with the former CFO of the Company upon resignation, whereupon the Company will issue/pay:

- 65,000 common shares with a fair value of $94,300 (not issued as at December 31, 2023);
- $210,000 in cash to be paid as follows:
    - $110,000 paid upon execution of the agreement (Paid);
    - $50,000 to be paid on or before January 31, 2023 (Unpaid);
    - $50,000 to be paid on or before March 31, 2023 (Unpaid);
- 40,000 RSUs with a fair value of $32,635 for services rendered as a director (shares issued in 2023);
- 15,000 RSUs with a fair value of $21,762 for services rendered as an audit committee member (shares issued in 2023);

  For the compensation above, all previous amounts owed/owing will be settled, including $49,800 in notes receivable. The Company recognized a loss on the settlement of $285,120 during fiscal 2022.

20. General and Administrative

		For the years ended		
		December 31, 2023		**December 31, 2022**
Salaries and compensation	**$**	**5,633,959**	$	4,386,716
Professional fees		**820,047**		552,975
Investor relations		**236,441**		592,155
Office		**230,472**		119,999
Advertising		**123,293**		519,321
Filing and transfer fees		**111,987**		96,701
Travel		**114,335**		87,285
Penalties		**19,763**		30,208
Bank charges and other		**4,675**		12,140
	$	**7,294,972**	$	6,397,500

(Expressed in U.S. dollars)

21. Segmented Information

During the year ended December 31, 2023, and the year ended December 31, 2022, the Company's operations were in the resource industry in Turkey with head offices in Canada and a satellite office in Sofia, Bulgaria.

	Canada	Turkey	Bulgaria	Total
Year ended December 31, 2023				
Revenue	$ -	$ 16,797,366	$ -	$ 16,797,366
Finance cost	2,202,324	46,731	-	2,249,055
Depletion	-	5,119,174	-	5,119,174
Depreciation	8,497	167,267	-	175,764
Accretion of asset retirement obligation	-	219,536	-	219,536
Stock-based compensation	2,397,261	-	-	2,397,261
Loss on debt extinguishment	8,500	-	-	8,500
Loss on impairment of assets held for sale	-	1,556,787	-	1,556,787
Gain on net monetary position	-	(18,984,099)	-	(18,984,099)
Net income (loss)	(8,958,570)	7,861,094	(4,718)	(1,102,194)
As at December 31, 2023				
Non-current assets	$ 35,021	$ 53,710,753	$ -	$ 53,745,774

	Canada	Turkey	Bulgaria	Total
Year ended December 31, 2022				
Revenue	$ -	$ 9,375,029	$ -	$ 9,375,029
Finance cost	79,693	-	-	79,693
Depletion	-	1,451,032	-	1,451,032
Depreciation	4,826	140,209	-	145,035
Accretion of asset retirement obligation	-	264,075	-	264,075
Stock-based compensation	2,118,917	-	-	2,118,917
Loss on impairment of exploration and evaluation assets	-	-	3,101,343	3,101,343
Gain on debt extinguishment	97,051	-	-	97,051
Gain on net monetary position	-	1,826,495	-	1,826,495
Net income (loss)	(6,684,988)	3,577,954	(3,014,720)	(6,121,754)
As at December 31, 2022				
Non-current assets	$ 42,781	$ 30,748,740	$ -	$ 30,791,521

The Company's breakdown of net revenue by product segment is as follows:

	For the year ended	
	December 31, 2023	**December 31, 2022**
Oil	**$ 3,055,800**	$ 4,087,664
Gas	**13,741,566**	5,287,365
	$ 16,797,366	$ 9,375,029

The Company incurs royalties of 12.5%. During the year ended December 31, 2023, the Company paid royalties totaling $2,242,613 (2022 - $1,163,498).

22. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to support its business plan, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt or return capital to members.

The Company is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will utilize its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

23. Financial Instruments and Risk Management

The Company is exposed, through its operations, to the following financial risks:

a) Market risk
b) Credit risk
c) Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous reported periods unless otherwise stated in the note. The overall objective of management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign currency exchange, interest rates and equity price risk.

Foreign currency risk:

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company and its subsidiaries are exposed to currency risk as it has transactions denominated in currencies that are different from their functional currencies. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

As at December 31, 2023, the Company's significant foreign exchange currency exposure on its financial instruments, expressed in USD was as follows:

If the CAD strengthened or weakened against the USD by 10% the exchange rate fluctuation would impact net loss by $954,252 at December 31, 2023 (December 31, 2022 - $30,435).

23. Financial Instruments and Risk Management (continued)

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The interest earned on cash is insignificant and the Company does not rely on interest income to fund its operations. The Company does not have significant debt facilities with variable interest rates and is therefore not exposed to interest rate risk.

Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and cash equivalents and amounts receivable which consists primarily of trade receivables and notes and amounts receivable for equity issued. The Company limits its exposure to credit loss on cash and cash equivalents by placing its cash with a high-quality financial institution. Exposure to credit loss notes and amounts receivable for equity issued is limited by entering into these types of transactions with related parties and entities that are well known to the Company.

The Company only has two customers. 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. One of the customers is the largest oil refinery in Turkey. The other customer provides letters of credit to be used by the Company in the event of default. As at December 31, 2023, all of the Company’s trade receivables are current (< 30 days outstanding).

The Company’s maximum credit exposure is $2,848,457 (December 31, 2022 - $5,263,886).

c) Liquidity risk

Liquidity risk arises from the Company’s general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible. The Company anticipates increases in revenue in future periods resulting from the completion of an additional well subsequent to the period end. Historically, the Company’s sources of funding has been through equity and debt financings. The Company’s access to financing is uncertain. There can be no assurance of continued access to significant debt or equity funding.

(Expressed in U.S. dollars)

23. Financial Instruments and Risk Management (continued)

The table below summarizes the maturity profile of the Company's contractual cashflows.

As at December 31, 2023		**Less than 1 year**		**1 – 2 years**		**Later than 2 years**		**Total**
Accounts payable and accrued liabilities	$	14,065,019	$		$	-	$	14,065,019
Loans payable		3,464,450		-		-		3,464,450
Lease liability		58,919		116,651		60,921		236,491
RSU obligation		18,398		-		-		18,398
Convertible debt		1,361,525		11,988,362		-		13,349,887
Total liabilities	$	18,968,311	$	12,105,013	$	60,921	$	31,134,245

As at December 31, 2022		**Less than 1 year**		**1 - 2 years**		**Later than 2 years**		**Total**
Accounts payable and accrued liabilities	$	10,600,080	$	-	$	-	$	10,600,080
Loans payable		145,866		20,689		-		166,555
Lease liability		4,807		4,807		-		9,614
RSU obligation		295,747		-		-		295,747
Derivative liability		-		4,827		-		4,827
Total liabilities	$	11,046,500	$	30,323	$	-	$	11,076,823

24. Income Tax

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		2023		2022
Net income (loss) before income taxes	$	758,132	$	(6,121,754)
Effective tax rate		27%		27%
Expected income tax recovery	$	204,696	$	(1,652,874)
Change in statutory, foreign tax, foreign exchange rates, and other		(204,794)		238,194
Permanent differences		1,335,140		649,306
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		249,576		-
Change in unrecognized deductible temporary differences		275,708		765,374
Total	$	1,860,326	$	-

(Expressed in U.S. dollars)

24. Income Tax (continued)

The tax effected items that give rise to significant portions of the deferred tax assets and deferred tax liabilities as at year-end are presented below:

	2023	2022
Deferred tax liabilities		
Exploration and evaluation assets	$ (9,990,074)	$ (1,426,133)
Property and equipment	(60,011)	-
Convertible debt	(327,305)	-
Deferred tax assets		
Assets held for sale	$ 311,357	$ -
Asset retirement obligation	1,249,406	
Non-capital losses	6,685,079	1,426,133
Net deferred tax assets (liabilities)	$ (2,131,548)	$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2023	**Expiry**	2022	Expiry
Share issue costs	**2,782,651**	**2027**	2,119,858	2027
Property and equipment	**16,101**	**N/A**	153,117	N/A
Asset retirement obligation	**-**	**N/A**	5,718,041	N/A
Non-capital losses	**24,377,533**	**See below**	28,385,944	See below
Canada	**10,360,380**	**2042 to 2043**	3,995,237	2042
USA	**4,228,651**	**indefinite**	16,533,694	indefinite
USA	**9,785,059**	**2028 to 2037**		
Turkey	**-**	**N/A**	723,950	2024 to 2027
Bulgaria	**3,443**	**2028**	2,401	2027

25. Commitments and Contingencies

Close-out Fund
The Company has committed to contribute to the Close-Out Fund (Note 13) and is required to deposit 10% of natural gas revenue from the SASB project into the Close-Out Fund until an amount agreed to by both parties is attained. The amount accumulated in the Close-Out Fund will not be used for any purpose other than to cover the cost of close-out of the SASB project.

Arbitration
The Company through its' subsidiary PPE Turkey has advanced arbitration against an offshore drilling rig contractor for $20.3 million for gross negligent and breach of contact involving health and safety issues during the prior year drilling program resulting in loss and damages to Company (the "Trillion Losses"). Liability is not admitted, the litigation is at the inception, and thus, legal counsel has advised that is it too soon to predict the outcome or the quantum of damages that will be assessed. The Company is confident that its case has merit.

25. Commitments and Contingencies (continued)

The Company and its subsidiary PPE Turkey is defending an action brought by the same drilling contractor in Europe to which it has advanced an arbitration claim, for drilling services and lost profits seeking $5 million. As no document disclosure has occurred at this time, and the litigation is at its inception, legal counsel has been unable to provide an opinion on the merits of the action or defenses.

In accordance with guidance for contingent assets and liabilities, no provision for any potential recovery of the Trillion Losses will be made until recovery is virtually certain. If the Company's claim is successful, the award will exceed the amount, if any, that is payable to the drilling contractor in its claim, notwithstanding the same, the Company has evaluated the two competing actions separately. As such, the Company has recorded an amount in accounts payable and accrued liabilities for the disputed drilling services for $3 million, and has not yet recorded, due to the status of its arbitration claim, any asset amount for its $20.3 million claim against the drilling contractor. Once legal opinion as to the likely outcome has been obtained, the Company intends to revise the contingent amounts.

Maturity date of TR1 Master Fund loans
The Company has two loan agreements dated July 1, 2023 with TR1 Master Fund whereby the Company owes $2,822,250 in principal and accrued interest as at December 31, 2023 (Note 10). An agent for the receiver of TR1 Master Fund has demanded payment of the loans as the loans indicate that they were due on December 31, 2023. The Company is claiming that the principal of TR1 Master Fund agreed to extend the loans to December 31, 2024. Negotiations on repayment of the loans with the agent of the receiver for TR1 Master Fund are ongoing.

26. Subsequent Events

On January 2, 2024, the Company entered into a consulting agreement with San Diego Torry Hills Capital, Inc for consulting services to the Company, including developing, coordinating, managing and executing a comprehensive corporate finance and investor relations campaign for the Company. Pursuant to the agreement, the Company granted 200,000 stock options at an exercise price of CAD$0.30. The options will expire January 2, 2027, and will vest quarterly as follows:

- 50,000 Options will vest on January 2, 2024;
- 50,000 Options will vest on April 2, 2024;
- 50,000 Options will vest on July 2, 2024; and
- 50,000 Options will vest on October 2, 2024;

Subsequent to December 31, 2023, the Company issued common shares as follows:

- 2,178,957 to settle RSUs owed as at December 31, 2023 and to settle other obligations incurred in 2024;
- 4,486,250 to settle debt;
- 673,375 pursuant to shares owed as part of a signing bonus, and to settle debt;
- 640,950 to settle debt and other obligations
- 333 pursuant to the conversion of CAD$1,000 of principal convertible debentures.