

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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-55539

TRILLION ENERGY INTERNATIONAL INC.

(formerly known as Park Place Energy, Inc.)

(Exact name of small business issuer as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-4488552 (I.R.S. Employer Identification No.)
Suite 700, 838 West Hastings Street, Vancouver British Columbia, Canada (Address of principal executive offices)	V6C 0A6 (Zip Code)

(778) 819-8503

Registrant's telephone number, including area code

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: The registrant had 83,743,466 shares of common stock outstanding as of August 28, 2019.

TRILLION ENERGY INTERNATIONAL INC.
Formerly known as Park Place Energy, Inc.

Form 10-Q

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PART I

Item 1. Financial Statements

TRILLION ENERGY INTERNATIONAL INC.

Formerly known as Park Place Energy, Inc.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

	June 30, 2019	December 31,
	(unaudited)	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 638,747	\$ 795,520
Receivables	1,026,966	661,298
Prepaid expenses and deposits	114,595	296,827
Total current assets	1,780,308	1,753,645
Oil and natural gas properties, net	6,371,679	6,650,932
Property and equipment, net	128,901	106,155
Restricted cash	97,242	102,751
Note receivable	48,859	49,192
Total assets	\$ 8,426,989	\$ 8,662,675
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,442,804	\$ 1,385,394
Loans payable	539,168	380,068
Operating lease liability - current	15,522	-
Total current liabilities	1,997,494	1,765,462
Asset retirement obligation	4,229,952	4,026,129
Operating lease liability – long term	31,176	-
Total liabilities	6,258,622	5,791,591
Stockholders' equity:		
Common stock Authorized: 250,000,000 shares, par value \$0.00001; issued and outstanding: 83,623,466 and 83,360,966 shares, respectively.	837	834
Additional paid-in capital	26,253,904	26,220,157
Stock subscriptions and stock to be issued	15,552	41,302
Accumulated other comprehensive loss	(246,040)	(130,660)
Accumulated deficit	(23,855,886)	(23,260,549)
Total stockholders' equity	2,168,367	2,871,084
Total liabilities and stockholders' equity	\$ 8,426,989	\$ 8,662,675

See accompanying condensed notes to these interim consolidated financial statements.

TRILLION ENERGY INTERNATIONAL INC.

Formerly known as Park Place Energy, Inc.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue				
Oil and natural gas sales	\$ 999,688	\$ 1,125,553	\$ 2,024,472	\$ 2,089,575
Cost and expenses				
Production	668,742	729,273	1,327,195	1,440,894
Depletion	164,853	190,345	316,253	353,394
Depreciation	11,293	9,891	23,646	15,239
Accretion of asset retirement obligation	103,170	93,467	203,823	177,525
General and administrative	384,690	442,720	802,170	863,686
Total expenses	1,332,748	1,465,696	2,673,087	2,850,738
Loss before other income (expenses)	(333,060)	(340,143)	(648,615)	(761,163)
Other income (expenses)				
Interest expense	(9,637)	(14,915)	(18,775)	(37,098)
Interest income	7,722	2,239	14,169	5,582
Accretion on lease liability	(1,209)	-	(2,633)	-
Foreign exchange gain (loss)	(12,270)	(18,361)	(7,540)	(26,164)
Other income (expense)	68,134	332,239	68,057	332,239
Loss on debt settlement	-	-	-	(102,500)
Total other income (expenses)	52,740	301,202	53,278	172,059
Net loss for the period	\$ (280,320)	\$ (38,941)	\$ (595,337)	\$ (589,104)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	83,623,466	68,599,459	83,556,753	62,048,754
Other comprehensive income (loss)				
Change in foreign currency translation adjustments	(8,833)	(88,108)	(115,380)	161,855
Other comprehensive loss	\$ (289,153)	\$ (127,049)	\$ (710,717)	\$ (427,249)

See accompanying condensed notes to these interim consolidated financial statements.

TRILLION ENERGY INTERNATIONAL INC.

Formerly known as Park Place Energy, Inc.

Consolidated Statements of Stockholders' Equity

(Expressed in U.S. dollars)

(unaudited)

	Common stock		Additional paid-in capital	Stock subscriptions and stock to be issued	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Shares	Amount					
Balance, December 31, 2017	58,243,904	\$ 582	\$22,905,377	\$ 80,400	\$ (135,469)	\$ (20,885,036)	\$1,965,854
Issuance of common stock	6,550,000	66	654,934	–	–	–	655,000
Stock subscriptions received	–	–	–	20,000	–	–	20,000
Vesting of restricted stock units	670,000	7	80,393	(80,400)	–	–	–
Stock-issued for debt settlement	2,500,000	25	352,475	–	–	–	352,500
Stock issued as deposit for oil and natural gas property	500,000	5	67,495	–	–	–	67,500
Financial broker fee	–	–	(7,250)	–	–	–	(7,250)
Currency translation adjustment	–	–	–	–	249,963	–	249,963
Net loss	–	–	–	–	–	(550,163)	(550,163)
Balance, March 31, 2018	<u>68,463,904</u>	<u>685</u>	<u>24,053,424</u>	<u>20,000</u>	<u>114,494</u>	<u>(21,435,199)</u>	<u>2,753,404</u>
Issuance of common stock	200,000	2	19,998	–	–	–	20,000
Stock subscriptions received	–	–	–	190,000	–	–	190,000
Currency translation adjustment	–	–	–	–	(88,108)	–	(88,108)
Net loss	–	–	–	–	–	(38,941)	(38,941)
Balance, June 30, 2018	<u>68,663,904</u>	<u>687</u>	<u>24,073,422</u>	<u>210,000</u>	<u>26,386</u>	<u>(21,474,140)</u>	<u>2,836,355</u>

	Common Stock		Additional paid-in capital	Stock subscriptions and stock to be issued	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Shares	Amount					
Balance, December 31, 2018	83,360,966	\$ 834	\$26,220,157	\$ 41,302	\$ (130,660)	\$ (23,260,549)	\$2,871,084
Issuance of common stock	262,500	3	33,747	(25,750)	–	–	8,000
Currency translation adjustment	–	–	–	–	(106,547)	–	(106,547)
Net loss	–	–	–	–	–	(315,017)	(315,017)
Balance, March 31, 2019	<u>83,623,466</u>	<u>837</u>	<u>26,253,904</u>	<u>15,552</u>	<u>(237,207)</u>	<u>(23,575,566)</u>	<u>2,457,520</u>
Currency translation adjustment	–	–	–	–	(8,833)	–	(8,833)
Net loss	–	–	–	–	–	(280,320)	(280,320)
Balance, June 30, 2019	<u>83,623,466</u>	<u>\$ 837</u>	<u>\$26,253,904</u>	<u>\$ 15,552</u>	<u>\$ (246,040)</u>	<u>\$ (23,855,886)</u>	<u>\$2,168,367</u>

See accompanying notes to interim consolidated financial statements

TRILLION ENERGY INTERNATIONAL INC.

Formerly known as Park Place Energy, Inc.

Consolidated Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

	Six Months Ended	
	June 30,	
	2019	2018
Operating activities:		
Net loss for the period	\$ (595,337)	\$ (589,104)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion	316,253	353,394
Depreciation	23,646	15,239
Accretion of asset retirement obligation	203,823	177,525
Accretion of operating lease liability	2,633	-
Loss on debt settlement	-	102,500
Interest from loans payable	18,775	37,098
Unrealized foreign exchange gain	(5,183)	-
Changes in operating assets and liabilities:		
Receivables	(422,413)	(398,803)
Prepaid expenses and deposits	159,517	73,177
Accounts payable and accrued liabilities	120,599	13,766
Net cash used in operating activities	<u>(177,687)</u>	<u>(215,208)</u>
Investing activities:		
Property and equipment additions	-	(75,990)
Oil and natural gas properties expenditures	(37,448)	(309,515)
Net cash used in investing activities	<u>(37,448)</u>	<u>(385,505)</u>
Financing activities:		
Proceeds from stock subscriptions received	8,000	885,000
Share issuance costs	-	(7,250)
Payments of operating lease liability	(10,077)	-
Proceeds from loans payable	184,615	2,500
Repayments of loans payable	(44,290)	(124,058)
Net cash provided by financing activities	<u>138,248</u>	<u>756,192</u>
Effect of exchange rate changes on cash and restricted cash	<u>(85,395)</u>	<u>(59,369)</u>
Change in cash and cash equivalents and restricted cash	(162,282)	96,110
Cash and cash equivalents and restricted cash at beginning of period	898,271	258,164
Cash and cash equivalents and restricted cash at end of period	<u>\$ 735,989</u>	<u>\$ 354,274</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash, end of period	638,747	231,451
Cash equivalents, end of period	-	-
Restricted cash, end of period	97,242	122,823
Cash, cash equivalents and restricted cash, end of period	<u>\$ 735,989</u>	<u>\$ 354,274</u>
Non-cash investing and financing activities:		
Restricted stock issued for oil and gas property expenditures	\$ -	\$ 67,500
Issuance of common stock for restricted stock units	\$ -	\$ 80,400
Loans payable converted to stock	\$ -	\$ 250,000
Asset retirement cost addition	\$ -	\$ 1,127,344

Deposit applied to oil and natural gas properties expenditures	\$	-	\$	90,000
Operating lease right-of-use asset addition	\$	60,390	\$	-

See accompanying condensed notes to these interim consolidated financial statements.

TRILLION ENERGY INTERNATIONAL INC.

Formerly known as Park Place Energy, Inc.

Notes to the Condensed Interim Consolidated Financial Statements
(unaudited)

1. Organization

Trillion Energy International Inc. (formerly Park Place Energy, Inc.) and its consolidated subsidiaries, (“Trillion Energy”, or the “Company”) is a U.S. based oil and natural gas exploration and production company. Our corporate headquarters are located at Suite 700, 838 West Hastings Street, Vancouver, B.C., Canada. The Company also has registered offices in Turkey and Bulgaria. The Company was incorporated in Delaware in 2015.

On January 11, 2019, the Company filed a preliminary non-offering prospectus with the British Columbia Securities Commission (“BCSC”). The prospectus was filed in accordance with the provisions of Canadian National Instrument 41-101 – General Prospectus Requirements to qualify the distribution of the Company’s common shares in Canada. No new securities were being registered for offer. Concurrently with the filing, the Corporation is making an application to list the Corporation’s common shares on the Canadian Securities Exchange. The listing is subject to a number of conditions, including the filing of, and acceptance by, a final non-offering prospectus with the BCSC, and acceptance and approval by the Canadian Securities Exchange.

Effective April 1, 2019, the Company changed its name from Park Place Energy Inc. (OTC: PKPL) to Trillion Energy International Inc. (OTC: TCFE). The Company’s new CUSIP is 89621V103.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ended December 31, 2019.

The consolidated balance sheet at December 31, 2018, has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Trillion Energy’s annual report on Form 10-K for the year ended December 31, 2018.

The Company has suffered recurring losses from operations and the Company has a significant working capital deficiency. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The Company will need to raise funds through either the sale of its securities, issuance of corporate bonds, joint venture agreements and/or bank financing to accomplish its goals. If additional financing is not available when needed, the Company may need to cease operations. The Company may not be successful in raising the capital needed to drill and/or rework existing oil wells. Any additional wells that the Company may drill may be non-productive. Management believes that actions presently being taken to secure additional funding for the reworking of its existing infrastructure will provide the opportunity for the Company to continue as a going concern. Since the Company has an oil producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The accompanying financial statements have been

prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

(b) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the estimated useful lives and recoverability of long-lived assets, impairment of oil and gas properties, fair value of stock-based compensation, interest rates used for lease calculations (note 9) and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(c) Cash and Cash Equivalents

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

(d) Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The Company adopted this standard on a modified retroactive basis on January 1, 2018. No financial statement impact occurred upon adoption.

Revenue from Contracts with Customers

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

Performance Obligations and Significant Judgments

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

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

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

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

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

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

(e) Accounts Receivable

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

(f) Long-Lived Assets

In accordance with ASC 360 "Property, Plant and Equipment", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances that could trigger a review include, but are not limited to: significant decreases in the market price of the assets; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the assets; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the assets; and current expectation that the assets will more likely than not be sold or disposed significantly before the end of their estimated useful life. Recoverability is assessed based on the carrying amount of the assets and their fair value, which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the assets, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount of the assets is not recoverable and exceeds fair value.

(g) Oil & Natural Gas Properties

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

The costs in each cost center, including the costs of well equipment, are depleted and depreciated using the unit-of-production method based on the estimated proved reserves before royalties. The costs of acquiring

and evaluating significant unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

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

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

(h) Property and Equipment

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

(i) Asset Retirement Obligations

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

(j) Financial Instruments and Fair Value Measurement

The carrying amounts reported in the consolidated balance sheets for cash equivalents, account receivables, notes receivable, accounts payable and accrued liabilities and loans payable approximate fair value because of the immediate or short-term maturity of these financial instruments. None of these instruments are held for trading purposes.

(k) Income Taxes

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

As of June 30, 2019, and 2018, the Company did not have any amounts recorded pertaining to uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. The Company did not incur any penalties or interest during the periods ended June 30, 2019, and 2018. On December 22, 2017 the U.S. enacted the Tax Cuts and Jobs Act ("the Tax Act") which significantly changed U.S. tax law. The Tax Act lowered the Company's statutory federal income tax rate from a maximum of 39% to a rate of 21% effective January 1, 2018. The Company has deferred tax losses and assets and they were adjusted as a result of the change in tax law reducing the federal income tax rate. The Company's tax years 2014 and forward remain open.

(l) Foreign Currency Translation

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

(m) Stock-Based Compensation

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

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

(n) Loss per Share

The Company computes loss per share of Company stock in accordance with ASC 260 "Earnings per Share" which requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of June 30, 2019 and 2018, the Company had 22,154,782 and 12,090,000 dilutive shares outstanding, which were excluded from the calculation of diluted EPS, respectively.

(o) Comprehensive Loss

Comprehensive loss consists of net loss and foreign currency cumulative translation adjustment.

New Accounting Pronouncements

Adopted in the Current Year

(p) Leases

In February 2016, the Financial Accounting Standards Board, or FASB, established Topic 842, Leases, by issuing Accounting Standards Update ("ASU") No. 2016-02, which requires lessors to classify leases as a sales-type, direct financing, or operating lease and requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements.

The Company adopted the new standard effective January 1, 2019 and elected the modified retrospective for the transition. The Company elected the following practical expedients:

- Transition method practical expedient – permits the Company to use the effective date as the date of initial application. Upon adoption, the Company did not have a cumulative-effect adjustment to the opening balance of retained earnings. Financial information and disclosures for periods before January 1, 2019 were not updated.
- Package of practical expedients – permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. This allowed the Company to continue classifying its leases at transition in substantially the same manner.
- Single component practical expedient – permits the Company to not separate lease and non-lease components of leases. Upon transition, rental income, expense reimbursement, and other were aggregated into a single line within rental and other revenues on the condensed consolidated statement of operations.
- Short-term lease practical expedient – permits the Company not to recognize leases with a term equal to or less than 12 months.

Lessee Accounting

The new standard requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating at inception, with classification affecting the pattern and recording of expenses in the statement of operations. Upon transition the Company recognized lease assets and lease liabilities principally for its office lease. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 10%. Refer to Notes 6 and 9.

3. Deposits

Included in prepaid expenses and deposits as at June 30, 2019, is approximately \$99,666 relating to field insurance for the Turkey Operations.

Included in prepaid expenses and deposits as at December 31, 2018, is approximately \$237,791 relating to field insurance for the Turkey Operations.

4. Restricted Cash

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

5. Oil and Natural Gas Properties

	Unproven properties Bulgaria	Proven properties Turkey	Total
January 1, 2018	\$ 3,083,831	\$ 2,639,563	\$ 5,723,394
Foreign currency translation change	(3,697)	-	(3,697)
Expenditures	37,095	467,015	504,110
Depletion	-	(700,219)	(700,219)
Asset retirement cost addition	-	1,127,344	1,127,344

December 31, 2018	\$ 3,117,229	\$ 3,533,703	\$ 6,650,932
Foreign currency translation change	(448)	-	(448)
Expenditures	-	37,448	37,448
Depletion	-	(316,253)	(316,253)
June 30, 2019	<u>\$ 3,116,781</u>	<u>\$ 3,254,898</u>	<u>\$ 6,371,679</u>

Bulgaria

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

Turkey

Cendere oil field

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

The Cendere Field is a long term low decline oil reserve. The Company has a 19.6% interest in the Cendere oil field located in Southeast Turkey. This mature oilfield consistently produces 130 bopd (barrels oil per day) net to the Company. During July 2019, the Company's average net oil was 126 bopd at 96% water cut.

At December 31, 2018, the Cendere field was producing 170 barrels of oil equivalent per day, net to the Trillion Energy Turkey Companies; and averaged 150 barrels of oil equivalent per day during 2018 net to the Trillion Energy Turkey Companies. After the initial development of the Cendere Field, oil production was approximately 2,000 bopd from three wells and which peaked at approximately 7,000 bopd in 1992, when additional wells were put into production. The field started to produce water during the first year of production. As of August 1, 2019, 20.4 MMbbls of oil have been produced from the Cendere Field.

A description of the Cendere Field geological and reservoir characteristics is as follows. The reservoirs are located in the South East Anatolian Basin and within the Middle Cretaceous period. The carbonated Derdere Formation is the main reservoir in Cendere Field and has dolomitization and fracturing, which enhance its production characteristics. There are also four additional oil reservoirs contained within Cendere Field. The Cendere Field is covered by 54 km² of 3D seismic that was acquired in 2004.

The field was developed using a collection of dispersed oil wells from which production is collected and exported to the Cendere gathering station. The produced oil is exported to the TPAO Karakus processing facility which then is transported onwards to the BOTAS-operated oil pipeline. There are 20 well pads which currently house 16 producing wells spread over an area of approximately 15 square kilometers. A field gathering station, located to the southwest of the Cendere Field collects the oil and produced water from a collection of flowlines and manifolds.

The South Akcakoca Sub-Basin ("SASB")

The Company owns offshore production licenses called the South Akcakoca Sub-Basin ("SASB"). The Company now owns a 49% working interest in SASB, 12.25% which was obtained during January 2018. The additional interest was acquired with cash of \$309,515, 1,000,000 shares issued on November 22, 2017 fair valued at \$90,000 and a further share issuance of 500,000 shares on January 30, 2018 fair valued at \$67,500 for total consideration of \$467,015. SASB has four producing fields, each with a production platform plus subsea pipelines that connect the fields to an onshore gas plant. The four SASB fields are located off the north coast of Turkey

towards the western end of the Black Sea in water depths ranging from 60 to 100 meters. Gas is produced from Eocene age sandstone reservoirs at subsea depths ranging from 1,100 to 1,800 meters.

Bakuk gas field

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

6. Property and Equipment

	Operating lease asset	Leasehold improvements	Other equipment	Total
January 1, 2018	\$ -	\$ 82,069	\$ 15,708	\$ 97,777
Foreign currency translation change	-	(17,793)	(13,155)	(30,948)
Expenditures	-	897	84,827	85,724
Disposals	-	-	(16,990)	(16,990)
Depreciation	-	(20,697)	(8,711)	(29,408)
December 31, 2018	\$ -	\$ 44,476	\$ 61,679	\$ 106,155
Additions	60,390	-	-	60,390
Foreign currency translation change	(5,453)	(3,738)	(4,807)	(13,998)
Depreciation	(8,216)	(6,504)	(8,927)	(23,646)
June 30, 2019	\$ 46,721	\$ 34,235	\$ 47,945	\$ 128,901

7. Note Receivable

In April 2015, the Company loaned \$38,570 to a Bulgarian company pursuant to a revolving credit facility, enabling such Bulgarian company to buy and manage land in Bulgaria to be leased by the Company for future well sites. The credit facility has a maximum loan obligation of BGN 1,000,000 (\$581,155 USD at June 30, 2019) bears interest at 6.32%, has a five-year term and is secured by the land the Bulgarian company buys. Payment on the facility is due the earlier of the end of the five-year term (April 6, 2020) or demand by the Company. As of June 30, 2019, the outstanding balance on the loan obligation was \$48,859 (December 31, 2018: \$49,192). The change in balance was due to changes in foreign currency translations.

8. Loans Payable

As at	June 30, 2019	December 31, 2018
Interest bearing loans	\$ 389,099	\$ 368,113
Non-interest-bearing loans	150,069	11,955
Total	\$ 539,168	\$ 380,068

Loans bearing interest, accrue at 10% per annum are all unsecured. All loans are due on demand.

9. Leases

The Company leases certain assets under lease agreements. The lease liability consists of a single lease for office space which was classified as an operating lease. Upon adoption of Topic 842, on January 1, 2019 the Company recognized an addition to right-of-use assets of \$60,390 and lease liabilities of \$59,076. The difference between the recorded right-of-use assets and lease liabilities is mainly due to the reclassification of prepaid leasehold improvements incurred in lieu of twelve months rent which was included within the right-of-use asset recognized upon transition. As of June 30, 2019, the lease had remaining terms of 2.75 years and a weighted average remaining lease term of 2.75 years. Operating right-of-use assets and lease liabilities have been included within property and equipment and lease liabilities on the Company's condensed consolidated balance sheet as follows:

Right-of-use asset	June 30, 2019
Lease asset	\$ 46,721
Leasehold improvements	34,235
Total right-of-use asset	\$ 80,956
Lease liability	June 30, 2019
Current portion	\$ 15,522
Long-term portion	31,176
Total lease liability	\$ 46,698

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

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

Accretion on operating lease liabilities for the three and six months ended June 30, 2019 was \$1,209 and \$2,633, respectively. Principal payments against the operating lease liabilities for the three and six months ended June 30, 2019 was \$4,813 and \$10,077, respectively.

Future minimum lease payments to be paid by the Company as a lessee for operating leases as of June 30, 2019 for the next four years are as follows:

2019	\$ 9,747
2020	19,493
2021	19,493
2022	4,872
Total future minimum lease payments	\$ 53,605
Discount	(6,907)
Total	\$ 46,698

10. Asset Retirement Obligations

Asset retirement obligations ("AROs") associated with the retirement of tangible long-lived assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived assets in the period incurred. The fair value of AROs is recognized as of the acquisition date. The cost of the tangible asset, including the asset

retirement cost, is depleted over the life of the asset. AROs are recorded at estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligations discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liabilities are accreted to their expected settlement value. If estimated future costs of AROs change, an adjustment is recorded to both the ARO and the long-lived asset. Revisions to estimated AROs can result from changes in retirement cost estimates, revisions to estimated inflation rates and changes in the estimated timing of abandonment. Our ARO is measured using primarily Level 3 inputs. The significant unobservable inputs to this fair value measurement include estimates of plugging costs, remediation costs, inflation rate and well life. The inputs are calculated based on historical data as well as current estimated costs.

The Company estimated an ARO for the addition of 12.25% of the South Akcakoca Sub Basin as disclosed in Note 2. For the current period addition, the Company used 2.5% as inflation rate and used a risk-free rate of 10% to present value the obligation.

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

	June 30, 2019	December 31, 2018
Asset retirement obligations at beginning of period	\$ 4,026,129	\$ 2,527,259
Additions	-	1,127,344
Accretion expense	203,823	371,526
Asset retirement obligations at end of period	<u>\$ 4,229,952</u>	<u>\$ 4,026,129</u>

11. Common Stock

For the six months ended June 30, 2019

On February 15, 2019, the Company issued 112,500 at \$0.10 per share for gross proceeds of \$11,250, pursuant to a private placement closed on November 12, 2018, and included in stock subscriptions and to be issued as of December 31, 2018. Each common share having ½ of one share purchase warrant attached, resulting in the issuance of 56,250 warrants. Each whole share purchase warrant is exercisable for a period of 24 months at an exercise price of \$0.30 per share of common stock.

On February 15, 2019, the Company issued 150,000 common shares at \$0.15 per share for gross proceeds of \$22,500, pursuant to a private placement closed on November 12, 2018, and included in stock subscriptions and to be issued as of December 31, 2018. Each common share having one share purchase warrant attached, resulting in the issuance of 150,000 warrants. Each whole share purchase warrant is exercisable for a period of 24 months at an exercise price of \$0.30 per share of common stock.

For the six months ended June 30, 2018

During the period, the Company closed several private placements with the issuance of 6,750,000 shares of common stock, at \$0.10 per share for gross proceeds of \$675,000. Each common share having ½ of one share purchase warrant attached, resulting in the issuance of 3,375,000 warrants. Each whole share purchase warrant is exercisable for a period of 24 months at an exercise price of \$0.30 per share of common stock.

The Company received a further \$210,000 in subscriptions, which were closed subsequent to period end and issued 670,000 shares to management and a consultant valued at \$80,400, which were outstanding at December 31, 2017.

On a private placement, a broker fee of \$7,250 was paid and offset against paid up capital.

On January 30, 2018, the Company issued 500,000 shares of the Company's common stock as partial consideration of an additional 12.25% of the South Akcakoca Sub Basin ("SASB") gas field. The common shares were fair valued at \$67,500 based on the closing price of the stock on the date of issuance.

On March 5, 2018 the Company settled note payables of \$250,000 for 2,500,000. The market price of the stock on the date of settlement was \$0.141 and loss of \$102,500 was recorded.

12. Stock Options

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

The Incentive Plan authorizes the following types of awards:

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

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

A continuity of the Company’s outstanding stock options for the six months ended June 30, 2019 is presented below:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2018	4,565,000	\$ 0.13
Expired	(115,000)	0.10
Outstanding, June 30, 2019	<u>4,450,000</u>	<u>\$ 0.13</u>

At June 30, 2019, the Company had the following outstanding stock options:

Number	Exercise Price	Expiry Date	Number Vested
100,000	\$ 0.19	March 14, 2020	100,000
900,000	\$ 0.18	March 26, 2021	900,000
1,000,000	\$ 0.12	September 15, 2022	1,000,000
2,450,000	\$ 0.12	October 24, 2023	2,450,000
<u>4,450,000</u>			<u>4,450,000</u>

As of June 30, 2019, all stock options have fully vested. The weighted average remaining contractual life of outstanding stock options is 3.47 years (December 31, 2018: 3.87). The aggregate intrinsic value of the stock options at June 30, 2019 is \$34,500 (December 31, 2018: \$Nil).

There was no compensation expense related to stock options recognized during the three and six months ended June 30, 2019 and 2018. At June 30, 2019, the Company has no unrecognized compensation expense related to stock options.

13. Warrants

A continuity of the Company's outstanding share purchase warrants for the three months ended June 30, 2019 is presented below:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2018	17,498,532	\$ 0.25
Issued	206,250	0.30
Outstanding, June 30, 2019	<u>17,704,782</u>	<u>\$ 0.25</u>

At June 30, 2019, the Company had the following outstanding share purchase warrants:

Number	Exercise Price	Expiry Date
1,650,000	\$ 0.30	January 30, 2020
700,000	0.30	February 9, 2020
500,000	0.30	February 21, 2020
1,675,000	0.30	March 7, 2020
50,000	0.30	April 8, 2020
50,000	0.30	May 20, 2020
1,000,000	0.30	July 1, 2020
350,000	0.30	August 19, 2020
160,531	0.30	August 20, 2020
4,538,000	0.30	October 26, 2020
1,125,000	0.30	November 7, 2020
200,001	0.30	November 23, 2020
5,500,000	0.15	November 30, 2020
206,250	0.30	February 15, 2021
<u>17,704,782</u>		

The weighted average remaining contractual life of outstanding warrants is 1.16 years (December 31, 2018: 1.65).

14. Related Party Transactions

At June 30, 2019, \$146,852 of accounts payable were to related parties as compared to \$67,345 at December 31, 2018 for outstanding management and consulting fees. The amounts owed, and owing are unsecured, non-interest bearing, and due on demand.

During the three and six months ended June 30, 2019, included in general and administrative expenses is \$37,000 and \$67,500 respectively, in respect of directors and management fees, as well as \$7,000 debenture fee.

15. Segment Information

During 2019 and 2018, the Company's operations were in the resource industry in Bulgaria, and Turkey with head offices in the United States and a satellite office in Sofia, Bulgaria. The Company operated a few segments, a head office in Canada, an oil and natural gas operations in Turkey and its oil and natural gas properties are located in Bulgaria.

For the period ended June 30, 2019

	Bulgaria	North America	Turkey	Total
Revenue				
Oil and natural gas sales	\$ -	\$ -	\$ 2,024,472	\$ 2,024,472
Cost and expenses				
Production	-	-	1,327,195	1,327,195
Depletion	-	-	316,253	316,253
Depreciation	-	-	23,646	23,646
Accretion of asset retirement obligation	-	-	203,823	203,823
General and administrative	882	308,323	492,965	802,170
Total (recovery) expenses	<u>\$ 882</u>	<u>\$ 308,323</u>	<u>\$ 2,363,882</u>	<u>\$ 2,673,087</u>
Income (loss) before other income (expenses)	<u>\$ (882)</u>	<u>\$ (308,323)</u>	<u>\$ (339,410)</u>	<u>\$ (648,615)</u>
Other income (expenses)				
Interest income	-	-	14,169	14,169
Interest expense	-	(18,775)	-	(18,775)
Accretion of lease liability	-	-	(2,633)	(2,633)
Foreign exchange gain (loss)	-	2,067	(9,607)	(7,540)
Other expense	-	-	68,057	68,057
Total other income (expense)	<u>\$ -</u>	<u>\$ (16,708)</u>	<u>\$ 69,986</u>	<u>\$ 53,278</u>
Net Income (loss)	<u>\$ (882)</u>	<u>\$ (325,031)</u>	<u>\$ (269,424)</u>	<u>\$ (595,337)</u>
Long Lived Assets	<u>\$ 3,116,781</u>	<u>\$ -</u>	<u>\$ 3,383,799</u>	<u>\$ 6,500,580</u>

For the period ended June 30, 2018

	Bulgaria	North America	Turkey	Total
Revenue				
Oil and natural gas sales	\$ -	\$ -	\$ 2,089,575	\$ 2,089,575
Cost and expenses				
Production	-	-	1,440,894	1,440,894
Depletion	-	-	353,394	353,394
Depreciation	-	-	15,239	15,239
Accretion of asset retirement obligation	-	-	177,525	177,525
General and administrative	1,115	327,745	534,826	863,686
Total (recovery) expenses	<u>\$ 1,115</u>	<u>\$ 327,745</u>	<u>\$ 2,521,878</u>	<u>\$ 2,850,738</u>
Income (loss) before other income (expenses)	<u>\$ (1,115)</u>	<u>\$ (327,745)</u>	<u>\$ (432,303)</u>	<u>\$ (761,163)</u>
Other income (expenses)				
Interest income	-	-	5,582	5,582
Interest expense	-	(37,098)	-	(37,098)
Foreign exchange gain (loss)	-	4,082	(30,246)	(26,164)
Other income	-	-	332,239	332,239
Loss on debt settlement	-	(102,500)	-	(102,500)
Total other income (expense)	<u>\$ -</u>	<u>\$ (135,516)</u>	<u>\$ 307,575</u>	<u>\$ 172,059</u>

Net Income (loss)	\$ (1,115)	\$ (463,261)	\$ (124,728)	\$ (589,104)
Long Lived Assets	\$ -	\$ -	\$ 4,039,068	\$ 4,039,068

16. Income Taxes

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

	Six Months Ended	
	June 30,	
	2019	2018
Benefit at statutory rate	\$ (118,616)	\$ (123,712)
Permanent differences and other:	-	-
Valuation allowance change	118,616	123,712
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

17. Other Income

The Company received \$332,239 in other income from the government. This amount relates to the settlement of a legal and tax dispute with General Directorate of Petroleum Affairs (GDPA) relating to a taxation liability that the Company was assessed for training costs commencing 2008. The Company disputed the assessment but was previously unsuccessful in its application. In 2018, the Company was successful in negotiating a non-legal settlement, overturning the training cost obligation.

The "training obligation" was imposed by GDPA in relation to SASB Project pursuant to former Turkish Petroleum Law no. 6326. Because of the 2008 assessment, the Company was forced to follow the amounts and percentages set in 2008. The Law states that petroleum right holders in Turkey are obliged to train Turkish citizens against each foreign citizen recruited in petroleum activities. This obligation is determined by taking 25% of the total number of the days the foreigners worked for the petroleum activity.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide readers of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Executive Summary
- Results of Operations
- Liquidity and Capital Resources
- Forward-Looking Information

Our MD&A should be read in conjunction with our unaudited financial statements of Trillion Energy International Inc. (“Trillion Energy”, Company”, “we”, and “our” and formerly known as Park Place Energy, Inc.) and related Notes in Part I, Item 1 of the Quarterly Report on Form 10-Q and Item 8, Financial Statements and Supplementary Data, of the Annual Report on Form 10-K for the year ended December 31, 2018.

Our website can be found at www.trillionenergy.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed with or furnished to the U.S. Securities and Exchange Commission (“SEC”), pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”), can be accessed free of charge by linking directly from our website under the “Investor Relations - SEC Filings” caption to the SEC’s Edgar Database.

Executive Summary

Trillion Energy is a U.S. based oil and natural gas exploration and production company focused on expanding its portfolio of projects in Southeast Europe, Turkey, and countries in the immediate vicinity. The Company’s concentration is on recently acquired oil and natural gas producing assets in Turkey and a coal bed methane exploration license in Bulgaria.

On January 11, 2019, the Company filed a preliminary non-offering prospectus with the British Columbia Securities Commission (“BCSC”). The prospectus is being filed in accordance with the provisions of Canadian National Instrument 41-101 – General Prospectus Requirements to qualify the distribution of the Company’s common shares in Canada. No new securities are being registered for offer. Concurrently with the filing, the Corporation is making an application to list the Corporation’s common shares on the Canadian Securities Exchange. The listing is subject to a number of conditions, including the filing of, and acceptance by, a final non-offering prospectus with the BCSC, and acceptance and approval by the Canadian Securities Exchange.

Effective April 1, 2019, the Company changed its name from Park Place Energy Inc. (OTC: PKPL) to Trillion Energy International Inc. (OTC: TCFE). The Company’s new CUSIP is 89621V103.

Turkey

On January 18, 2017, the Company completed the acquisition of three oil and natural gas producing fields in Turkey. The purchase price for the acquisition of the Trillion Energy Turkey Companies from Tiway Oil B.V. was \$2.1 million. At June 30, 2019 net production from these fields was around 398 boepd (barrel of oil equivalent per day).

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

27.5o API. After the initial development of the Cendere Field, oil production was approximately 2,000 bopd from three wells and which peaked at approximately 7,000 bopd in 1992, when additional wells were put into production. The field started to produce water during the first year of production. As of August 1, 2019, 20.4 MMbbls of oil have been produced from the Cendere Field. During July 2019, the Company's average net oil was 126 bopd at 96% water cut.

A description of the Cendere Field geological and reservoir characteristics is as follows. The reservoirs are located in the South East Anatolian Basin and within the Middle Cretaceous period. The carbonated Dender Formation is the main reservoir in Cendere Field and has dolomitization and fracturing which enhance its production characteristics. There are also four additional oil reservoirs contained within Cendere Field.

The Cendere Field is covered by 54 km² of 3D seismic that was acquired in 2004.

The field was developed using a collection of dispersed oil wells from which production is collected and exported to the Cendere gathering station. The produced oil is exported to the TPAO Karakus processing facility which then is transported onwards to the BOTAS-operated oil pipeline.

There are 20 well pads which currently house 16 producing wells spread over an area of approximately 15 square kilometers. A field gathering station, located to the southwest of the Cendere Field collects the oil and produced water from a collection of flowlines and manifolds.

The Cendere Field is a long term low decline oil reserve. The Company has a 19.6% interest in the Cendere oil field located in Southeast Turkey. This mature oilfield consistently produces between 110 and 123 bopd (barrels oil per day) net to the Company.

At June 30, 2019, the gross oil production rate for the producing wells in Cendere was 137 bbls/day net to the Trillion Energy Turkey Companies; the average daily 2018 gross production rate for the field was 127 bbls/day net to the Trillion Energy Turkey Companies. As of July 2019, oil is currently sold at a price of approximately US\$63.63 per barrel for a netback per barrel of approximately US\$31.51. At year-end 2018, the Cendere field was producing 170 barrels of oil per day, net to the Trillion Energy Turkey Companies; and averaged 150 barrels per day during 2018 net to the Trillion Energy Turkey Companies.

The main producing asset was a 36.75% interest in an offshore gas development project called the South Akçakoca Sub-Basin (SASB). The Company further acquired from its partner Foinavon Energy Turkey Inc. 12.25% working interest in the same license for 1,500,000 shares of the Company and \$275,000 on February 8, 2018 to have a total of 49%. This field has four offshore platforms connected to an onshore gas plant. On June 30, 2019, net gas production to the Company was around 503 Mcfd (thousand cubic feet per day) from six producing wells. The SASB field potentially holds significant upside.

At SASB, the Company plans to reprocess the 3D seismic to facilitate a potential future program of drilling to bring discovered undeveloped gas pools on to production.

Bulgaria

The Company entered into an exploration license over a 98,000 acre block in northeast Bulgaria in 2014. The overall five year and our first year work programs were approved by the Ministry of Environment (“MEW”), however, the MEW approval was appealed in an administrative proceeding. The administrative court remanded the matter to MEW in May 2017 for a determination by the MEW as to whether an ecological evaluation of the license area should be required. This matter was determined in 2017 and we are in the progress of obtaining an environmental report which will cost an estimated \$100,000. Upon the license becoming effective our exploration program will commence in 2019 for a term of five (5) years.

We are required to post a bond (105,000 Euros) upon the 5 year license term commencement. The license period may be extended for up to 5 additional years and may then be converted into an exploitation concession, which can last for up to 35 years. The Company’s initial 5 year commitment involves geological and geophysical exploration activities for the first 3 years followed by drilling at least 10,000 meters (approximately 32,800 feet) of new wellbore in years 4 and 5.

Strategic Focus

Oil and natural gas prices in Turkey and throughout Southeast Europe make this region highly attractive for oil and gas exploration and production. Most of the countries, including Turkey and Bulgaria, import nearly all of their oil and natural gas and consumption is projected to increase. Turkey also contains many opportunities for additional oil and coal bed methane production as well as enhanced oil and natural gas recovery from existing fields. The Company will evaluate these opportunities as they appear. The fiscal terms are highly attractive. In Turkey, there is a 20% corporate tax and a 12.5% royalty. In Bulgaria, the corporate tax rate is 10% and the royalties are on a sliding rate starting at 3.5% up to 13.5%.

The license area holds great attraction as a potential coal bed methane exploration project. The license area was extensively drilled for coal exploration from 1964 to 1990. It was determined that coal mining was not technically feasible. However, the coal exploration drilling provided us with an extensive database.

Results of Operations

The following summary of our results of operations should be read in conjunction with our unaudited consolidated financial statements for the periods ended June 30, 2019 and 2018 which are included herein.

Revenue

Revenue decreased from \$1,125,553 to \$999,688, a decrease of 11.2%, for the three months ended June 30, 2019 and decreased from \$2,089,575 to \$2,024,472, a decrease of 3.1%, for the six months ended June 30, 2019. Revenues decreased solely due to a devaluation of the Turkish Lira compared to the US dollar of approximately 27.5% over the comparable period.

Expenses

Our general and administrative expenses for the six months ended June 30, 2019 were \$802,170 compared to \$863,686 for the six months ended June 30, 2018. \$308,323 in expenses were from the North American head office compared to \$327,745 in the six months ended June 30, 2018, which resulted in a year over year decrease of \$19,422. The decrease is mostly attributable to a decrease in general & administrative expenses in the North American operations; \$116,534 was for consulting and management fees (2018 - \$224,754) which decreased due to a reduction in the number of consultants due to inactivity during the current period. This was partially offset by increased legal and professional fees of \$79,540 (2018 - \$24,793) and audit and financial services of \$86,487 (2018 - \$36,635) which increased in relation to the preparation of the Preliminary Prospectus filed in the first quarter of 2019 and the application to list the Company's common shares on the Canadian Securities Exchange (the "CSE").

The decrease in general and administrative expenses was also due to a decrease in Turkey general and administrative expenses which accounted for \$492,965 of the total general and administrative for 2019 compared to \$534,826 for the six months ended June 30, 2018 resulting in a year over year decrease of \$41,861. General and administrative expenses in Turkey decreased due to a devaluation of the Turkish Lira compared to the US dollar of approximately 27.5%.

The Company incurred production expenses related to its Tiway operations of \$1,327,195 (2018 - \$1,440,894), depletion charges of \$316,253 (2018 - \$353,394), depreciation expense of \$23,646 (2018 - \$15,239) and accretion expense of \$203,823 (2018 - \$177,525) for the six months ended June 30, 2019. Although production outputs increased during the current period, production and depletion expenses decreased by \$150,840 for the period due to a strengthening of the US dollar compared to the Turkish Lira of approximately 27.5%. This was partially offset by an increase to accretion of asset retirement costs of \$26,298 due to the increase in the cost base to the asset retirement obligation from the Foinovan interest acquisition and an increase to depreciation of \$8,407 due to the transition to Topic 842 for lease assets and liabilities.

For the three months ended June 30, 2019, general and administrative expenses decreased by \$58,030 from \$442,720 to \$384,690. This decrease was due to a number of factors as described above. General and administrative expenses in Turkey decreased by \$55,867 due to a devaluation of the Turkish Lira compared to the US dollar of approximately 27.5% and general and administrative expenses in North America decreased by \$2,163 due to overall inactivity in the Company during the current period.

The Company incurred production expenses related to its Tiway operations of \$668,732 (2018 - \$729,273), depletion charges of \$164,853 (2018 - \$190,345), depreciation expense of \$11,293 (2018 - \$9,891) and accretion expense of \$103,170 (2018 - \$93,467) for the three months ended June 30, 2019. Although production outputs increased during the current period, production and depletion expenses decreased by \$86,033 for the period due to a strengthening of the US dollar compared to the Turkish Lira of approximately 27.5%. This was partially offset by an increase to accretion of asset retirement costs of \$9,703 due to the increase in the cost base to the asset retirement obligation from

the Foinovan interest acquisition and an increase to depreciation of \$1,402 due to the transition to Topic 842 for lease assets and liabilities.

Other Income (Expense)

For the six months ended June 30, 2019, other income decreased to income of \$53,278 compared to income of \$172,059 for the same period in 2018.

For the three months ended June 30, 2019, the Company recorded decreased other income of \$52,740 compared to income of \$301,202 for the same period in 2018.

The overall decrease in other income is related to a one-time cost recovery of \$332,239 for training costs recorded by the Turkey operations in June 2018 of which was partially offset by a loss on debt settlement of \$102,500. This was also partially offset by a decrease in interest expense during the current period related to a reduction in interest bearing loans as a result of debt settlements which occurred during the fourth quarter of fiscal 2018.

Loss

Our net loss for the six months ended June 30, 2019 was \$595,337 compared to \$589,104 for the six months ended June 30, 2018.

Our net loss for the three months ended June 30, 2019 was \$280,310 compared to \$38,941 for the three months ended June 30, 2018.

The changes in overall net losses are a result of the factors as described above.

Liquidity and Capital Resources

The following table summarizes our liquidity position:

	<u>June 30, 2019</u>	<u>December 31,</u> <u>2018</u>
	<u>(Unaudited)</u>	
Cash	\$ 638,747	\$ 795,520
Working capital deficiency	(217,186)	(11,817)
Total assets	8,426,989	8,662,675
Total liabilities	6,258,622	5,791,591
Stockholders' equity	2,168,367	2,871,084

Cash Used in Operating Activities

We used cash of \$177,687 from operating activities for the six months ended June 30, 2019 compared to \$215,208 for the six months ended June 30, 2018. The loss of \$595,337 was offset by \$559,947 in non-cash expenses for the six months ended June 30, 2019. An increase of \$422,413 in receivables from the additional output associated with the increase in working interest pushed operating outflows to \$177,687. Accounts payable and accrued liabilities increased cash inflows by \$120,599 and prepaid expenses by \$159,517.

Cash Flow from Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019 was \$37,448 compared to \$385,505 in the comparative period due to the Company adding a further interest to the SASB field in the first quarter of 2018.

Cash Provided by Financing Activities

We have funded our business to date primarily from sales of our common stock through private placements and loans. During the six months ended June 30, 2019, we received net cash of \$8,000 for stock subscriptions and \$184,615 in proceeds from notes payable while repaying \$44,290 in loans payable and operating lease payments of \$10,077. During the six months ended June 30, 2018, we received net cash of \$885,000 for stock subscriptions while repaying \$124,058 in loans payable.

Future Operating Requirements

The Turkey assets consist of oil and gas exploration and production companies which have producing oil and gas fields in Turkey, one of which is offshore and the other onshore. The principal producing field is Cendere oil field, which is described below. The Cendere Field is a long-term low decline oil reserve. The Company has about 19.6% interest in the Cendere oil field located in Southeast Turkey. This mature oilfield consistently produces between 110 and 123 bopd (barrels oil per day) net to the Company.

Based on our current plan of operations, we estimate that we will require approximately \$600,000 to pursue our plan of operations over the next 12 months. We plan to spend approximately \$50,000 on the Turkish properties primarily for engineering and reports based on reprocessing of data and \$50,000 on an environmental report for our Bulgarian natural gas exploration property. We also plan to improve our working capital deficit by paying off loans and accounts payable of \$100,000. The operations in Turkey are self-sustaining and will generate net cash flow sufficient to fund in-country general and administrative expenses as well as a portion of our head office overhead. We will require approximately \$250,000 for general and administrative expenses. We plan to spend \$20,000 on a CSE stock exchange listing.

Our current plan of operations in the period 12 months from now contemplates reprocessing of data for the Turkish and Bulgarian properties.

Mid-term (1 to 4 years) milestones include drilling additional oil and gas wells in Bulgaria and Turkey. The Company's share of the cost of drilling and completing horizontal wells on the Cendere Oil Field is approximately \$1,000,000 each (based on our 19.6% working interest in the Cendere Oil Field—the total cost per well is \$5,000,000). The Company's share of the cost to drill and complete additional directional wells on the SASB Gas Field is approximately \$3,900,000 per well (based on our 49% working interest in the SASB Gas Field – the total cost per well is \$8,000,000). Actual drilling and completion costs are constantly fluctuating and may significantly change at the time drilling commences. Additionally, the Company plans to drill one oil exploration well on the Derrick exploration license in Turkey. The Company's anticipates undertaking work on the Derrick license in cooperation with a farm-out partner. No prospective farm-out partner has been identified as at the date of this Prospectus and there is no guarantee that a suitable partner will be secured.

Long-term (4+ years) milestones include conducting seismic, and one re-entry well in Bulgaria, at an estimated aggregate cost of \$3,000,000 of which the Company anticipates paying 100%.

As of June 30, 2019, the Company had unrestricted cash of \$638,747. The Company is attempting to raise additional capital to fund future exploration and operating requirements. The Company will seek to raise between \$500,000 and \$1,000,000 in August and September 2019, subsequent to the anticipated listing of its common shares on the CSE. This will be accomplished by private placement or public equity offering. Until that time, the Company intends to rely on its current working capital and, as necessary, a reduction of operating costs, the sale of non-material assets, deferring accounts payable, and smaller private placement equity or debt financings to address day to day operating requirements.

Off-Balance Sheet Arrangements

On October 1, 2018 the Company entered into an agreement to grant to a consultant of the Company a 2% (two percent) gross overriding royalty on petroleum substances produced from certain of its currently undeveloped

exploration properties, namely: Block 1-11 Vranino situated in Dobrich District, Bulgaria and seven contiguous exploration licences in the province of Hakkari Yuksekova Semdiali Derecik, Turkey. The Grant of the royalty agreement was for services involving technical and corporate advisory services.

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

Forward-Looking Information

Certain statements in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of applicable U.S. securities legislation. Additionally, forward-looking statements may be made orally or in press releases, conferences, reports, on our website or otherwise, in the future, by us or on our behalf. Such statements are generally identifiable by the terminology used such as “plans,” “expects,” “estimates,” “budgets,” “intends,” “anticipates,” “believes,” “projects,” “indicates,” “targets,” “objective,” “could,” “should,” “may” or other similar words.

By their very nature, forward-looking statements require us to make assumptions that may not materialize or that may not be accurate. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements, including the factors discussed under Item 1A. Risk Factors in our most recent Annual Report on Form 10-K. Such factors include, but are not limited to, the following: fluctuations in and volatility of the market prices for oil and natural gas products; the ability to produce and transport oil and natural gas; the results of exploration and development drilling and related activities; global economic conditions, particularly in the countries in which we carry on business, especially economic slowdowns; actions by governmental authorities including increases in taxes, legislative and regulatory initiatives related to fracture stimulation activities, changes in environmental and other regulations, and renegotiations of contracts; political uncertainty, including actions by insurgent groups or other conflicts; the negotiation and closing of material contracts; future capital requirements and the availability of financing; estimates and economic assumptions used in connection with our acquisitions; risks associated with drilling, operating and decommissioning wells; actions of third-party co-owners of interests in properties in which we also own an interest; our ability to effectively integrate companies and properties that we acquire; our limited operating history; our history of operating losses; our lack of insurance coverage; and the other factors discussed in other documents that we file with or furnish to the U.S. Securities and Exchange Commission. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors and our course of action would depend upon our assessment of the future, considering all information then available. In that regard, any statements as to: future oil or natural gas production levels; capital expenditures; the allocation of capital expenditures to exploration and development activities; sources of funding for our capital expenditure programs; drilling of new wells; demand for oil and natural gas products; expenditures and allowances relating to environmental matters; dates by which certain areas will be developed or will come on-stream; expected finding and development costs; future production rates; ultimate recoverability of reserves, including the ability to convert probable and possible reserves to proved reserves; dates by which transactions are expected to close; future cash flows, uses of cash flows, collectability of receivables and availability of trade credit; expected operating costs; changes in any of the foregoing and other statements using forward-looking terminology are forward-looking statements, and there can be no assurance that the expectations conveyed by such forward-looking statements will, in fact, be realized.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable because we are a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure of Controls and Procedures

We carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2019 (the “Evaluation Date”). This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, we concluded that our disclosure controls and procedures were effective.

We believe that our consolidated financial statements contained in our Quarterly Report on Form 10-Q for the period ended June 30, 2019 fairly present our financial condition, results of operations and cash flows in all material respects.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently involved in any legal proceedings and we are unaware of any pending proceedings.

Item 1A. Risk Factors

Not applicable because we are a smaller reporting company. See risk factors described in Item 1A of the Company’s most recent Annual Report on Form 10-K.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mining Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14\(a\), promulgated under the Securities and Exchange Act of 1934, as amended](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14\(a\), promulgated under the Securities and Exchange Act of 1934, as amended](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101 The Company's unaudited Condensed Consolidated Financial Statements and related Notes for the quarter ended June 30, 2019 from this Quarterly Report on Form 10-Q, formatted in XBRL (eXtensible Business Reporting Language).

SIGNATURES

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

TRILLION ENERGY INTERNATIONAL INC.

By: */s/ "Arthur Halleran"*

Arthur Halleran
President and CEO (Principal Executive Officer)
Date: August 29, 2019

By: */s/ "David Thompson"*

David Thompson
Chief Financial Officer (Principal Financial Officer)
Date: August 29, 2019

