

**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 March 31, 2021

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.

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

Delaware

47-4488552

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Turan Gunes

**Bulvari, Park Oran Ofis Plaza, 180-y, Daire:54,
Kat:16, 06450, Oran, Cankaya, Ankara, Turkey**

(Address of principal executive offices)

(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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 154,396,643 shares of common stock outstanding as of May 17, 2021.



TRILLION ENERGY INTERNATIONAL INC.

Form 10-Q

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PART I

Item 1. Financial Statements

TRILLION ENERGY INTERNATIONAL INC.

Unaudited Interim Condensed Consolidated Balance Sheets

(Expressed in U.S. dollars)

(unaudited)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,320,802	\$ 202,712
Receivables	909,823	773,311
Prepaid expenses and deposits	394,747	24,302
Note receivable	-	-
Total current assets	2,625,372	1,000,325
Oil and gas properties, net	5,274,550	5,346,916
Property and equipment, net	117,617	128,257
Restricted cash	10,758	11,763
Total assets	\$ 8,028,297	\$ 6,487,261
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,438,201	\$ 1,496,510
Loans payable - current	776,017	549,424
Operating lease liability - current	10,836	12,116
Total current liabilities	2,225,054	2,058,050
Asset retirement obligation	4,110,890	4,010,624
Loans payable – long term	6,520	17,730
Convertible debt	-	11,027
Derivative liability	10,677,133	1,804,572
Lease liability	22,933	27,693
Total liabilities	17,042,530	7,929,696
Stockholders' equity:		
Common stock Authorized: 250,000,000 shares, par value \$0.00001; issued and outstanding: 151,126,843 shares.	1,512	1,253
Additional paid-in capital	29,506,010	27,508,468
Stock subscriptions and stock to be issued	-	15,342
Accumulated other comprehensive loss	(572,789)	(490,172)
Accumulated deficit	(37,948,966)	(28,477,326)
Total stockholders' equity	(9,014,233)	(1,442,435)
Total liabilities and stockholders' equity	\$ 8,028,297	\$ 6,487,261

See accompanying condensed notes to these interim consolidated financial statements.

TRILLION ENERGY INTERNATIONAL INC.

Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. dollars)
(unaudited)

	Three Months Ended	
	March 31	
	2021	2020
Revenue		
Oil and natural gas sales	\$ 944,562	\$ 631,562
Cost and expenses		
Production	632,501	606,354
Depletion	69,219	66,451
Depreciation	7,007	7,702
Accretion of asset retirement obligation	100,266	90,836
Stock based compensation	36,900	-
General and administrative	567,773	343,918
Total expenses	1,413,666	1,115,261
Loss before other income (expenses)	(469,104)	(483,699)
Other income (expenses)		
Interest expense	(44,688)	(26,310)
Interest income	1,974	5,580
Finance cost	(11,299)	-
Foreign exchange gain (loss)	(66,445)	11,014
Other income (expense)	(36)	-
Loss on debt extinguishment	(151,446)	-
Change in fair value of derivative liability	(8,730,596)	65,587
Total other income (expenses)	(9,002,536)	55,871
Net loss for the period	\$ (9,471,640)	\$ (427,828)
Loss per share	\$ (0.07)	\$ (0.00)
Weighted average number of shares outstanding	130,517,223	87,628,823
Other comprehensive loss		
Foreign currency translation adjustments	\$ (82,617)	\$ (118,920)
Comprehensive loss	\$ (9,554,257)	\$ (546,748)

See accompanying condensed notes to these unaudited interim condensed consolidated financial statements.

TRILLION ENERGY INTERNATIONAL INC.

Unaudited Interim Condensed Consolidated Statements of Stockholders' Equity

(Expressed in U.S. dollars)

(unaudited)

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Stock subscriptions and stock to be issued</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Accumulated deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					
Balance, December 31, 2019	87,628,823	\$ 876	\$27,031,125	\$ 23,052	\$ (311,104)	\$ (24,944,042)	\$1,799,907
Stock subscriptions received	-	-	-	1,881	-	-	1,881
Currency translation adjustment	-	-	-	-	(118,920)	-	(118,920)
Net loss	-	-	-	-	-	(427,828)	(427,828)
Balance, March 31, 2020	<u>87,628,823</u>	<u>\$ 876</u>	<u>\$27,031,125</u>	<u>\$ 24,933</u>	<u>\$ (430,024)</u>	<u>\$ (25,371,870)</u>	<u>\$1,255,040</u>

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Stock subscriptions and stock to be issued</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Accumulated deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>					
Balance, December 31, 2020	125,339,156	\$ 1,253	\$27,508,468	\$ 15,342	\$ (490,172)	\$ (28,477,326)	\$ (1,442,435)
Issuance of common stock	12,921,992	129	244,362	(15,342)	-	-	229,149
Stock issued for debt settlement	4,816,667	48	98,398	-	-	-	98,446
Stock issued for services	1,684,428	17	396,091	-	-	-	396,108
Restricted stock unit grants and vesting	150,000	2	36,898	-	-	-	36,900
Warrants exercised	3,304,600	33	330,427	-	-	-	330,460
Options exercised	750,000	8	136,777	-	-	-	136,785
Conversion of debentures	2,160,000	22	601,838	-	-	-	601,860
Warrants issued for loan	-	-	152,751	-	-	-	152,751
Currency translation adjustment	-	-	-	-	(82,617)	-	(82,617)
Net loss	-	-	-	-	-	(9,471,640)	(9,471,640)
Balance, March 31, 2021	<u>151,126,843</u>	<u>\$ 1,512</u>	<u>\$29,506,010</u>	<u>\$ -</u>	<u>\$ (572,789)</u>	<u>\$ (37,948,966)</u>	<u>\$ (9,014,233)</u>

See accompanying notes to unaudited interim condensed consolidated financial statements

TRILLION ENERGY INTERNATIONAL INC.

Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Operating activities:		
Net loss for the period	\$ (9,471,640)	\$ (427,828)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion	69,219	66,451
Depreciation	7,007	7,702
Accretion of asset retirement obligation	100,266	90,836
Accretive interest	36,605	6,816
Interest from loans payable	13,707	13,486
Non-cash interest expense	-	(3,385)
Stock based compensation	36,900	-
Stock issued for services	396,108	-
Unrealized foreign exchange gain	-	(2,082)
Change in fair value of derivative liability	8,730,596	(65,587)
Loss on extinguishment of debt	151,446	-
Changes in operating assets and liabilities:		
Receivables	(287,087)	268,074
Prepaid expenses and deposits	(393,822)	(2,433)
Accounts payable and accrued liabilities	354,536	(43,861)
Net cash used in operating activities	<u>(256,159)</u>	<u>(91,811)</u>
Investing activities:		
Property and equipment additions	(343)	(78,549)
Oil and natural gas properties expenditures	(400)	(3,070)
Net cash used in investing activities	<u>(743)</u>	<u>(81,619)</u>
Financing activities:		
Proceeds from stock subscriptions received	629,945	1,881
Proceeds from exercise of options	27,357	-
Proceeds from the exercise of warrants	330,460	-
Proceeds from loans payable	500,000	79,297
Repayments of loans payable	(101,294)	(6,724)
Lease payments	(3,047)	-
Net cash provided by financing activities	<u>1,383,421</u>	<u>74,454</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(9,434)	(118,920)
Change in cash and cash equivalents and restricted cash	1,117,085	(217,896)
Cash and cash equivalents and restricted cash at beginning of period	214,475	959,923
Cash and cash equivalents and restricted cash at end of period	<u>\$ 1,331,560</u>	<u>\$ 742,027</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents, end of period	\$ 1,320,802	\$ 647,173
Restricted cash, end of period	10,758	94,854
Cash, cash equivalents and restricted cash, end of period	<u>\$ 1,331,560</u>	<u>\$ 742,027</u>
Non-cash investing and financing activities:		
Operating lease right-of-use asset addition	\$ -	\$ 57,919
Interest paid on credit facilities	\$ 4,033	\$ 3,321
Stock issued for debt settlement	\$ 98,446	\$ -
Stock issued for services	\$ 396,108	\$ -
Stock issued for debt conversion	\$ 601,860	\$ -

See accompanying condensed notes to these unaudited interim condensed consolidated financial statements.

TRILLION ENERGY INTERNATIONAL INC.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements
(Expressed in U.S. dollars)
(unaudited)

1. Organization

Trillion Energy International Inc. and its consolidated subsidiaries, (collectively referred to as the “Company”) is an international oil and natural gas exploration and production company. Our corporate headquarters are located at Turan Gunes Bulvari, Park Oran Ofis Plaza, 180-y, Daire:45, Kat:14, 06450, Oran, Cankaya, Ankara, Turkey. The Company has oil and gas operations in Turkey and an exploration license in Bulgaria. The Company was incorporated in Delaware in 2015.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Going Concern

Basis of Presentation

The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) 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 ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ended December 31, 2021.

The consolidated balance sheet at December 31, 2020, 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 the Company’s annual report on Form 10-K for the year ended December 31, 2020.

Going Concern

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

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

Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of Trillion Energy International Inc. and its wholly-owned subsidiaries Park Place Energy Corp., Park Place Energy Bermuda, BG Exploration EOOD, and Trillion Energy International Inc.. All intercompany accounts, transactions and profits were eliminated in consolidation.

(c) 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, fair value of derivative liabilities, interest rates used for lease calculations 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. There were no new estimates in the period.

(d) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or cash flow.

(e) New Accounting Pronouncements

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

3. Restricted Cash

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

4. Oil and Gas Properties

	Unproven properties Bulgaria	Proven properties Turkey	Total
December 31, 2019	\$ 3,115,904	\$ 2,458,391	\$ 5,574,295
Expenditures	-	5,084	5,084
Depletion	-	(239,002)	(239,002)
Foreign currency translation change	6,539	-	6,539
December 31, 2020	3,122,443	2,224,473	5,346,916
Expenditures	-	400	400
Depletion	-	(69,219)	(69,219)
Foreign currency translation change	(3,547)	-	(3,547)
March 31, 2021	\$ 3,118,896	\$ 2,155,654	\$ 5,274,550

Bulgaria

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

Turkey

Cendere oil field

The primary asset of the PPE 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 144 bopd (barrels oil per day) net to the Company.

At March 31, 2021, the Cendere field was producing 144 barrels of oil per day, net to the PPE Turkey Companies; and averaged 144 barrels of oil equivalent per day during first three months of 2021 net to the PPE Turkey Companies. The field started to produce water during the first year of production.

The South Akcakoca Sub-Basin (“SASB”)

The Company owns offshore production licenses called the South Akcakoca Sub-Basin (“SASB”). The Company now owns a 49% working interest in SASB. SASB has four producing fields, each with a production platform plus subsea pipelines that connect the fields to an onshore gas plant. The four SASB fields are located off the north coast of Turkey towards the western end of the Black Sea in water depths ranging from 60 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.

5. Property and Equipment

	Right-of-use asset	Leasehold improvements	Other equipment	Total
January 1, 2020	\$ 4,759	\$ –	\$ 40,357	\$ 45,116
Additions	57,919	85,319	387	143,625
Depreciation	(11,999)	(17,064)	(8,570)	(37,633)
Disposals	–	–	(11,981)	(11,981)
Foreign currency translation change	(10,870)	–	–	(10,870)
December 31, 2020	39,809	68,255	20,193	128,257
Additions	-	343	-	343
Depreciation	(2,063)	(3,430)	(1,514)	(7,007)
Disposals	-	-	-	-
Foreign currency translation change	(3,976)	-	-	(3,976)
March 31, 2021	\$ 33,770	\$ 65,168	\$ 18,679	\$ 117,617

6. Loans Payable

As at	March 31, 2021	December 31, 2020
Unsecured, interest bearing loans at 10% per annum	\$ 138,012	\$ 184,235
Unsecured, interest bearing loans at 12% per annum	229,845	309,806
Unsecured, interest bearing loans at 15% per annum	358,548	-
Unsecured, interest bearing loan at 20.5% per annum	30,206	41,533
Unsecured, interest bearing loan at 13.25% per annum	19,971	25,625
Non-interest bearing loans	5,955	5,955
Total loans payable	782,537	567,154
Current portion of loans payable	(776,017)	(549,424)
Long term portion of loans payable	<u>\$ 6,520</u>	<u>\$ 17,730</u>

On August 2, 2019, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺300,000 (or approximately US\$53,600). The loan matures on August 2, 2022 and bears interest at 20.5% per annum. Principal and accrued interest are paid monthly.

On February 4, 2020, Garanti Bank extended a long-term loan to Park Place Turkey Limited in the amount of ₺500,000 (or approximately US\$83,500). The loan matures on February 4, 2022 and bears interest at 13.25% per annum. Principal and accrued interest are paid monthly.

On March 4, 2021, the Company received \$500,000 from a third party (the “Lender”) repayable in one year from the date of disbursement. The amount is subject to an interest at a rate of 15% per annum. The Company granted 1,000,000 common share purchase warrants to the lender in conjunction with the loan. The warrants expire in two years and have an exercise price of \$0.16 per warrant. The fair value of the share purchase warrants has been accounted as a debt issuance cost and offset against the loan and will be recognized as financing cost over the term of the loan. The fair value of the warrants was determined to be \$152,751 based on the Black-Scholes Option Pricing Model using the following assumptions: expected dividend yield - 0%, expected volatility - 229%, risk-free interest rate - 0.08% and an expected remaining life – 2.00 years. During the three months ended March 31, 2021, the Company recognized \$11,299 as financing cost and an accrued interest of \$5,548.

7. Leases

The Company leases certain assets under lease agreements. On January 1, 2020 the Company entered into a one-year lease for office space, which the Company elected the short-term lease measurement and recognition exemption. On January 3, 2020 the Company entered into a five-year lease for an office space that was classified as an operating lease on recognition.

During the three months ended March 31, 2021, the Company recognized operating lease expense of \$6,907 (2020-11,843) which is included in general and administrative expenses. As of March 31, 2021, the Company’s leases had a weighted average remaining lease term of 3.75 years. Operating right-of-use assets have been included within property and equipment as follows:

Right-of-use asset	March 31, 2021	December 31, 2020
Beginning balance	\$ 39,809	\$ 4,759
Additions, cost	-	57,919
Amortization	(2,063)	(11,999)
Foreign currency translation change	(3,976)	(10,870)
Net book value	<u>\$ 33,770</u>	<u>\$ 39,809</u>

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.

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

Lease liability	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Current portion of operating lease liabilities	\$ 10,836	\$ 12,116
Long-term portion of operating lease liabilities	22,933	27,693
	<u>\$ 33,769</u>	<u>\$ 39,809</u>

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

Operating lease commitments and lease liability	
Remainder of 2021	\$ 8,127
2022	10,836
2023	10,836
2034	10,836
Total future minimum lease payments	<u>40,635</u>
Discount	(6,866)
Total	<u>\$ 33,769</u>

8. Asset Retirement Obligations

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Asset retirement obligations at beginning of period	\$ 4,010,624	\$ 3,633,427
Accretion expense	100,266	377,197
Change in estimate	-	-
Asset retirement obligations at end of period	<u>\$ 4,110,890</u>	<u>\$ 4,010,624</u>

9. Convertible Debentures

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

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

On initial recognition of the convertible debt granted on September 30, 2019, the Company recognized a derivative liability of \$81,956 and an offsetting convertible debt discount of \$81,956.

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

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

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

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

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

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

The following is a continuity of the Company's convertible debt:

	Host debt instrument	Embedded conversion feature	Total
Balance, January 1, 2020	\$ 48,033	\$ 79,458	\$ 127,491
Extinguished during the period	(60,213)	(30,051)	(90,264)
Re-issued during the period	120,295	-	120,295
Allocated to derivative	(120,295)	120,295	-
Accretion	34,586	-	34,586
Change in fair value of derivative	-	(81,713)	(81,713)
Conversion	(9,870)	(7,647)	(17,517)
Foreign currency translation change	(1,509)	-	(1,509)
Balance, December 31, 2020	<u>11,027</u>	<u>80,342</u>	<u>91,369</u>
Accretion	19,943	-	19,943
Converted to units	(30,970)	(80,342)	(111,312)
Balance, March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

10. Common Stock

For the three months ended March 31, 2021

On March 8, 2021, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$481,350 CAD (approximately US\$400,792) (the "March Offering"). Under the March Offering, the Corporation issued an aggregate of 8,015,832 units, at a price of \$0.06 CAD per unit (approximately US\$0.05 per unit). Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of \$0.10 CAD (approximately \$0.08) for a period of 30 months from the closing date. In addition, the Company settled a total of \$265,000 CAD (US\$220,833) in outstanding debt through the issuance to a creditor of 4,416,667 units, at a price of \$0.06 CAD (US\$0.05) per unit. Each unit issued in the Debt Settlement consists of one Common Share and one warrant under the same terms as the March Offering.

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

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

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

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

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

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

On March 30, 2021, the Company issued 400,000 common shares with a fair value of \$98,400 to settle long-term notes payable in the amount of \$38,062. The Company recognized the loss on settlement of debt of \$60,338.

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

On March 30, 2021, the Company issued 190,000 Common Shares at \$0.06 CAD per share for subscriptions received during the year ended December 31, 2020.

For the year ended December 31, 2020

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

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

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

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

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

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

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

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

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

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

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

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

11. Stock Options

The Board of Directors adopted the 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; and
- 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.

The following is a continuity of the Company’s outstanding stock options:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2019	8,250,000	\$ 0.13
Granted	4,070,000	0.07
Exercised	(320,000)	0.06
Expired	(100,000)	0.19
Outstanding, December 31, 2020	11,900,000	0.11
Granted	-	-
Exercised	(750,000)	0.18
Expired	(150,000)	0.18
Outstanding, March 31, 2021	11,000,000	\$ 0.10

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

Outstanding	Exercise Price	Expiry Date	Vested
1,000,000	0.12	September 15, 2022	1,000,000
2,450,000	0.12	October 24, 2023	2,450,000
3,800,000	0.12	September 19, 2024	3,800,000
2,150,000	\$ 0.06	July 31, 2025	2,150,000
1,600,000	0.08	December 17, 2022	1,600,000
11,000,000			11,000,000

As of March 31, 2021, all stock options have fully vested. The weighted average remaining contractual life of outstanding stock options is 3.99 years. The aggregate intrinsic value of the stock options at March 31, 2021 is \$Nil.

For the three months ended March 31, 2021, the Company did not recognize any stock-based compensation expense (2020 - \$246,255) for options granted and vested. At March 31, 2021, the Company has no unrecognized compensation expense related to stock options.

12. Warrants

The following is a continuity of the Company's outstanding stock purchase warrants:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2019	19,389,961	\$ 0.26
Issued	34,130,133	0.09
Expired	(17,654,782)	0.25
Outstanding, December 31, 2020	35,865,312	0.10
Issued	13,942,663	0.09
Exercised	(3,304,600)	0.09
Expired	-	-
Outstanding, March 31, 2021	46,503,375	\$ 0.07

At March 31, 2021, the Company had the following outstanding stock purchase warrants:

Outstanding	Exercise Price	Expiry Date
38,462	0.30 USD	May 1, 2021
1,696,717	0.30 USD	September 30, 2021
14,100,000	0.12 CAD	June 19, 2022
9,185,667	0.12 CAD	July 31, 2022
3,696,533	0.12 CAD	September 4, 2022
173,333	0.12 CAD	September 15, 2022
1,660,000	0.12 CAD	November 17, 2022
535,000	0.12 CAD	June 10, 2023
1,230,000	0.20 CAD	June 17, 2023
245,000	0.20 CAD	June 17, 2023
1,500,000	0.10 USD	September 8, 2023
4,007,916	0.10 CAD	September 8, 2023
4,416,667	0.12 CAD	September 8, 2023
1,000,000	0.16 USD	March 8, 2023
660,000	0.10 USD	September 30, 2023
2,358,080	0.08 USD	September 30, 2023
<u>46,503,375</u>		

The weighted average remaining contractual life of outstanding warrants as at March 31, 2021 is 1.61 years.

The Company's warrants which are exercisable in Canadian dollars are considered to be derivative financial instruments as they have an exercise price denominated in a currency other than the Company's functional currency of the US dollar. Under US GAAP, the Company is required to present these warrants as derivative liabilities on the balance sheet and to measure them at fair value at the end of each reporting period. As at March 31, 2021, the balance of the derivative liability associated with these warrants is \$10,677,133.

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

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

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

	Total
Balance, January 1 and December 31, 2020	\$ 1,804,572
Issued during the period	621,500
Extinguished during the period	(479,535)
Change in fair value of derivative	8,730,596
Balance, March 31, 2021	\$ 10,677,133

13. Restricted Stock Units

During the three months ended March 31, 2021, the Company granted 150,000 restricted stock units ("RSUs") as consideration for management and consulting contracts. The RSUs were valued at \$36,900 based on the fair market

value of the closing price of the common stock of the Company at the grant date and are recognized evenly over the vesting period.

For the three months ended March 31, 2021, the Company recognized \$36,900 (2020 – \$Nil) in stock-based compensation expense for RSUs granted and vested. At March 31, 2021, the Company has no unrecognized compensation expense related to RSUs.

	Number of restricted stock units	Weighted average fair value per award
Balance, December 31, 2019	–	\$ –
Granted	2,425,000	0.10
Vested	(2,425,000)	0.10
Balance, December 31, 2020	–	–
Granted	150,000	0.25
Vested	(150,000)	0.25
Balance, March 31, 2021	–	–

14. Related Party Transactions

At March 31, 2021, accounts payable and accrued liabilities included \$56,107 (December 31, 2020 - \$117,000) due to related parties for outstanding management and consulting fees. The amounts are unsecured, non-interest bearing and due on demand. The Company issued 1,416,667 units for the settlement of accounts payable owed to related parties in the amount of \$70,833, resulting in no gain or loss and 200,000 common shares pursuant to the options exercised by related parties to settle the accounts payable. Refer to Note 12.

During the three months ended March 31, 2021, included in general and administrative expenses is \$29,786 and in respect to directors and management fees.

15. Segment Information

The Company's operations are in the resource industry in Bulgaria and Turkey with head offices in the United States and a satellite office in Sofia, Bulgaria. The Company's operating segments include a head office in Canada, oil and gas operations in Turkey and oil and gas properties located in Bulgaria.

As at and for the three months period ended March 31, 2021

	Bulgaria	North America	Turkey	Total
Revenue				
Oil and natural gas sales	\$ -	\$ -	\$ 944,562	\$ 944,562
Cost and expenses				
Production	-	-	632,501	632,501
Depletion	-	-	69,219	69,219
Depreciation	-	-	7,007	7,007
Accretion of asset retirement obligation	-	-	100,266	100,266
Stock based compensation	-	36,900	-	36,900
General and administrative	50	405,232	162,491	567,773
Total expenses	50	442,132	971,484	1,413,666
Loss before other income (expenses)	(50)	(442,132)	(26,922)	(469,104)
Other income (expenses)				
Interest expense	-	(44,688)	-	(44,688)
Interest income	-	-	1,974	1,974
Finance cost	-	(11,299)	-	(11,299)
Foreign exchange gain (loss)	188	(30,294)	(36,339)	(66,445)
Other income (expense)	(36)	-	-	(36)
Change in fair value of derivative liability	-	(8,730,596)	-	(8,730,596)
Loss on debt extinguishment	-	(151,446)	-	(151,446)
Total other income (expenses)	(152)	(8,968,323)	34,365	(9,002,536)
Net loss for the period	\$ 102	(9,410,455)	\$ (61,287)	(9,471,640)
Long lived assets	\$ 3,118,896	\$ -	\$ 2,273,271	\$ 5,392,167

As at and for the period ended March 31, 2020

	Bulgaria	North America	Turkey	Total
Revenue				
Oil and natural gas sales	\$ –	\$ –	\$ 631,562	\$ 631,562
Cost and expenses				
Production	–	–	606,354	606,354
Depletion	–	–	66,451	66,451
Depreciation	–	–	7,702	7,702
Accretion of asset retirement obligation	–	–	90,836	90,836
General and administrative	5,291	112,759	225,868	343,918
Total (recovery) expenses	\$ 5,291	\$ 112,759	\$ 997,211	\$ 1,115,261
Income (loss) before other income (expenses)	\$ (5,291)	\$ (112,759)	\$ (570,600)	\$ (483,699)
Other income (expenses)				
Interest income	–	–	5,580	5,580
Interest expense	(33)	(22,956)	(3,321)	(26,310)
Foreign exchange gain (loss)	200	4,277	6,537	11,014
Change in fair value of derivative Liability	–	65,587	–	65,587
Total other income (expense)	\$ 167	\$ 46,908	\$ 8,796	\$ 55,871
Net Income (loss)	\$ (5,124)	\$ (65,851)	\$ (356,853)	\$ (427,828)
Long lived assets	\$ 3,066,972	\$ –	\$ 2,700,327	\$ 5,767,299

16. Subsequent Events

On April 17, 2021, the Company issued 1,000,000 common shares for the exercise of 1,000,000 warrants at \$0.12 CAD. In lieu of cash, debt in the amount of \$120,000 CAD was settled.

On April 17, 2021, the Company issued 675,000 common shares for services.

On April 17, 2021, the Company issued 150,000 common shares at \$0.06 CAD per share for subscriptions received during the year ended December 31, 2020.

On April 28, 2021, the Company issued 1,414,800 common shares at \$0.12 CAD per share for the exercise of 1,414,800 warrants.

On April 28, 2021, the Company issued 30,000 common shares at \$0.10 CAD per share for the exercise of 30,000 options.

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 Statements.

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 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, 2020.

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 International Inc. is focused on its oil and gas producing assets in Turkey and a coal bed methane exploration license in Bulgaria.

Turkey

On January 18, 2017, the Company completed the acquisition of three oil and gas exploration and production companies operating in Turkey (the “PPE Turkey”). As a result of the acquisition of PPE Turkey, the Company now owns interests in the producing Cendere oil field, and in the producing South Akcakoca Sub-Basin (“SASB”) gas field in Turkey.

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

As at March 31, 2021, net production to the PPE Turkey from such fields was 144 barrels of oil equivalent per day or Boe/d. For the three months ended March 31, 2021, net production to the PPE Turkey averaged 144 Boe/d. With this base of operations in Turkey and its experienced management team, the Company is poised to exploit these assets and for further growth in the region.

At March 31, 2021, the gross oil production rate for the producing wells in Cendere was 1,066 bbls/day; the average daily 2021 gross production rate for the field was 1,070 bbls/day. At the end of April 2021, oil is currently sold at a price of approximately US\$63 per barrel for a netback per barrel of approximately US\$36/bbl. At March 31, 2021, the Cendere field was producing 144 barrels of oil per day net to the PPE Turkey; and averaged 144 barrels per day during 2021 net to the PPE Turkey.

SASB has four producing fields, each with a production platform plus subsea pipelines that connect the fields to an onshore gas plant. The SASB fields are located off the north coast of Turkey towards the western end of the Black Sea. Total gross production to date from the four fields is 41.8 Bcf.

As at March 31, 2021, the gross gas production rate for the 4 producing wells in SASB was 0.3586 MMcfd; the average daily 2021 gross production rate for the field was 0.4118 MMcfd. The average gas sale price year to date was, US\$5.29/Mcf and US\$5.16 per Mcf for the quarter ending March 31, 2021, for a netback per Mcf of approximately minus US\$5.77. The lower net back is a result of relatively lower production levels being incurred due to natural decline, down approximately 96% since peak production rates occurred during 2011, given no new wells have been drilled since 2011. The Company anticipates that as new wells come online, the netback will increase substantially.

Bulgaria license

In October of 2010, the Company was awarded an exploration permit for the “Vranino 1-11 Block”, a 98,205 acre oil and gas exploration land located in Dobrudja Basin, Bulgaria, by the Bulgarian Counsel of Ministers. On April 1, 2014, the Company entered into an Agreement for Crude Oil and Natural Gas Prospecting and Exploration in the Vranino 1-11 Block with the Ministry of Economy and Energy of Bulgaria (the “License Agreement”). The initial term of the License Agreement is five years. This five-year period will commence once the Bulgarian regulatory authorities approve of the Company’s work programs for the permit area. The License Agreement (or applicable legislation) provides for possible extension periods for up to five additional years during the exploration phase, as well as the conversion of the License Agreement to an exploitation concession, which can last for up to 35 years. Under the License Agreement, the Company will submit a yearly work program that is subject to the approval of the Bulgarian regulatory authorities.

Before the license for the Bulgarian CBM project is “effective”, the Company’s overall work program and first year annual work program must be approved by both the Bulgarian environmental ministry and the energy ministry. The Company is currently working on an environmental assessment in order to finalize the exploration permit.

Strategic Focus

Our focus currently is obtaining funding to produce our reserves in our oil and gas fields in Turkey, which we expect will generate significant cash-flow and profits for the Company. Further development is contingent upon receiving further funding, and our plan is to further develop the fields when funding is received. The Bulgaria license area holds great upside 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 interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 which are included herein.

Revenue

For the three months ended March 31, 2021, the Company had oil and gas revenue of \$944,562, compared to \$631,562 for the three months ended March 31, 2020. Revenue increased mainly due to the increase in production and also due to the increase in oil price. Oil and gas revenue denominated in Turkish Liras was ₺6,974,286 for three months ended March 31, 2021, compared to ₺ 3,855,687 for the three months ended March 31, 2020.

Expenses

For the three months ended March 31, 2021, the Company incurred production expenses related to its Turkey operations of \$632,501 (2020 - \$606,354), depletion charges of \$69,219 (2020 - \$66,451), depreciation expense of \$7,007 (2020 - \$7,702) and asset retirement obligation accretion expense of \$100,266 (2020 - \$90,836). Production expenses increased by \$26,147 largely due to increase in production volumes as discussed above. Depletion expenses were consistent with the prior period, increasing by only by \$2,768 over the comparable quarter. Accretion of asset retirement costs increased by \$9,430 for the three months ended March 31, 2021 primarily due to revaluation of the asset retirement obligation at December 31, 2020 which increased the carrying value of the obligation.

For the three months ended March 31, 2021, the Company had general and administrative expenses of \$567,773, compared to \$343,918 for the three months ended March 31, 2020. \$405,232 in expenses were from the North American head office and \$162,491 for the Turkey office.

Other Income (Expense)

For the three months ended March 31, 2021, the Company had other expenses of \$9,002,536 compared to other income of \$55,871 for the three months ended March 31, 2020. Other expenses for the three months ended March 31, 2021 consists mainly of the loss from the change in the fair value of the derivative liability of \$8,730,596. The derivative liability arises from the Company's warrants which are exercisable in Canadian dollars as they have an exercise price denominated in a currency other than the Company's functional currency of the US dollar. Over the period, the value of the derivative liability increased substantially as a result of the increase in the Company's share price from \$0.06 as at December 31, 2020 to a \$0.30 as at March 31, 2021. The Company has changed its policy from denominating warrants in CND to USD, to avoid future derivative liabilities being recorded in the future. The Company is also seeking to amend agreements to reissue currently outstanding warrants exercisable in Canadian dollars. The Company expects a significant reduction in derivative liability in the future based on same.

Net Loss

The changes in overall net loss for the three ended March 31, 2021, compared to the three months ended March 31, 2020 a result of the factors as described above.

Liquidity and Capital Resources

The following table summarizes our liquidity position:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	(Unaudited)	
Cash	\$ 1,320,802	\$ 202,712
Working capital	400,318	(1,057,725)
Total assets	8,028,297	6,487,261
Total liabilities	17,042,530	7,929,696
Stockholders' equity	(9,014,233)	(1,442,435)

Cash Used in Operating Activities

Net cash used in operating activities for the three months ended March 31, 2021 was \$256,159, compared to \$91,811 cash used in operating activities for the three months ended March 31, 2020. The current period loss of \$9,471,640 was offset by \$9,541,854 in net non-cash items and \$326,373 in changes in working capital items for the three months ended March 31, 2021. This compares to a prior year loss of \$427,828, offset by \$114,237 in net non-cash items and \$221,780 in changes in working capital items.

Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2021 was \$743, compared to \$81,619 used for the three months ended March 31, 2020. Oil and gas properties expenditures decreased to \$400 from \$3,070 in the comparative period.

Cash Provided by Financing Activities

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

Net cash provided by financing activities for the three months ended March 31, 2021 was \$1,383,421, compared to \$74,454 for the three months ended March 31, 2020. Cash provided by financing activities in the current period was primarily related to \$987,762 in proceeds for the issuance of shares related to private placements and warrant and option exercises. The Company also received a \$500,000 loan during the period. In the comparative period cash from financing activities was primarily related to a new bank loan at the Company's Turkey subsidiary, and \$1,881 in shares to be issued related to private placement.

Future Operating Requirements

Based on our current plan of operations, we estimate that we will require approximately \$9,000,000 to cover our plan of operations over the next 12 months. We plan to spend approximately \$50,000 on an environmental report for Bulgaria Vranino exploration block. We also plan to improve our working capital surplus by raising cash and paying off accounts payable and notes for \$600,000. We will require approximately \$8,350,000 for drilling wells at SASB.

Our current plan of operations is the drilling of up to five (5) new wells at SASB and to reenter three existing wells to perform workovers to increase gas production. Depending on the timing of the drilling operations at our current interest (currently 49%), we project we will incur up to an additional \$16 to \$25 million in capital expenditures of which approximately \$8,350,000 will be incurred over the next 12 months to enable us to conduct such operations.

As of March 31, 2021 the Company had unrestricted cash of \$1,320,802. The Company is attempting to raise additional capital to fund its future exploration and operating requirements.

Off-Balance Sheet Arrangements

On October 1, 2018 the Company entered into an agreement to grant to a consultant of the Company a 2% (two percent) gross overriding royalty on petroleum substances produced from certain of its currently undeveloped exploration properties, namely: Block 1-11 Vranino situated in Dobrich District, Bulgaria and seven contiguous exploration licences in the province of Hakkari 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 September 30, 2020 (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 September 30, 2020 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 quarterly period ended September 30, 2020 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: May 17, 2021

By: /s/ "David Thompson"

David Thompson
Chief Financial Officer (Principal Financial Officer)
Date: May 17, 2021

Exhibit 31.1**Rule 13a-14(a)/15d-14(a) Certification**

I, Arthur Halleran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 of Trillion Energy International Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting

Date: May 17, 2021

/s/ Arthur Halleran

Arthur Halleran, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2**Rule 13a-14(a)/15d-14(a) Certification**

I, David Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 of Trillion Energy International Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 17, 2021

/s/ David Thompson

David Thompson, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1**Section 1350 Certification**

In connection with the Quarterly Report on Form 10-Q of Trillion Energy International Inc., (the “Company”) for the quarterly period ended September 30, 2020 as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Arthur Halleran, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 17, 2021

/s/ Arthur Halleran

Arthur Halleran, Chief Executive Officer
(Principal Executive Officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2**Section 1350 Certification**

In connection with the Quarterly Report on Form 10-Q of Trillion Energy International Inc., (the “Company”) for the quarterly period ended September 30, 2020 as filed with the U.S. Securities and Exchange Commission (the “Report”), I, David Thompson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 17, 2021

/s/ David Thompson

David Thompson, Chief Financial Officer
(Principal Financial Officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
