TRILLION ENERGY INTERNATIONAL INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the years ended December 31, 2021 and 2020

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For the years ended December 31, 2021 and 2020
(Expressed in United States Dollars)

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 should be read in conjunction with our audited consolidated financial statements of Trillion Energy International Inc., ("Trillion Energy", the "Company", "we", and "our") and related Notes in Item 18, Financial Statements, of the Annual Report on Form 20-F for the year ended December 31, 2021.

Additional information related to the Company is available on its website at www.trillionenergy.com. Our prior 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, as well as on the Canadian Securities Administrator's website at www.sedar.com.

This MD&A was approved by the directors of the Company on April 29, 2022.

Caution Regarding Forward-Looking Statements

Certain statements in this report are forward-looking statements which reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities, the Company's ability to meet financial commitments and its ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations, or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance, or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, the global economic environment, and the Company's ability to manage its operating costs, may prove to be incorrect. Several risks and uncertainties could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and the Company does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of the Company are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

In addition, forward-looking statements, and information herein, including financial information, is based on certain assumptions relating to the business and operations of the Company. Although the Company has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

Overview

Trillion Energy International Inc. and its consolidated subsidiaries, (collectively referred to as the "Company") is a Canadian based oil and gas exploration and production company. Effective January 2022, the corporate headquarters moved to Suite 700, 838 West Hastings Street, Vancouver, B.C., Canada from Turan Gunes Bulvari, Park Oran Ofis Plaza, 180-y, Daire:54, Kat:14, 06450, Oran, Cankaya, Anakara, Turkey. The move coincided with the redomicile of the Company from Delaware to British Columbia, a move which was approved by shareholders in November 2021. The Company also has a registered office in Turkey and Bulgaria. The Company was originally incorporated in Delaware in 2015, and in January 2022 became a British Columbia Company. The Company's shares trade on the OTCQB under the symbol "TCFFF" and trade on the Canadian Securities Exchange under the symbol "TCF".

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

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

Developments of the Business during the year ended December 31, 2021

Trillion Energy International Inc. is focused on its oil and gas producing assets in Turkey specifically its SASB Natural Gas field as well as its Cendere Oil field. It also has an exploration license in Bulgaria which it intends to explore for coal bed methane generated natural gas.

During the year ended December 31, 2021, the Company's focus was on obtaining funding to produce the Company's reserves in the oil and gas fields in Turkey, which management expects will generate significant additional cash-flow for the Company. The Company received approximately $18,144,000 CAD in gross proceeds pursuant to private placement subscriptions in March 2022, most of which is earmarked for development wells on the SASB gas field in Turkey. The Company plans to raise another $10,000,000 during the second quarter of 2022 (the "Additional Funding"). The extent and timing of further development is contingent upon receiving the Additional Funding. The Company's plan is to commence further development during July 2022 when the Uranus jackup rig is scheduled to arrive at the SASB gas field. The Uranus Rig is based in Romania and will be used to drill a series of production wells and workovers commencing with reserves as well as to perform certain rig based workovers.

The Bulgaria license area holds great upside attraction as a potential natural gas coal bed methane exploration project. The license area was extensively drilled for coal exploration from 1964 to 1990, with over 200 wells and which delineated considerable (estimated at 1 TCF) unrisked natural gas resources and coal deposits with over 70 coal seams generating natural gas. It was determined that coal mining was not technically feasible due to depth, however, the coal exploration drilling provided the Company with an extensive geological control of the block.

Turkey

The Company owns interests in the producing Cendere oil field ("Cendere") and producing South Akcakoca Sub-Basin ("SASB") gas field in Turkey. Cendere, a mature oilfield, is a long-term low decline oil reserve. The Company has a 19.6% interest in the Cendere oil field located in Southeast Turkey.

The SASB field holds significant upside through exploitation of reserves and resources where significant infrastructure is in place to realize same, including pipelines, offshore platforms, and a gas processing plant capable of processing 150,000 MCF/day. 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.

Cendere

At December 31, 2021, the gross oil production rate for the producing wells in Cendere was 574 bbls/day (barrels per day); the average daily 2021 gross production rate for the field was 809 bbls/day. At the end of December 2021, oil was sold at a price of approximately US$74 per barrel ("bbl") for a netback per barrel of approximately US$31.82/bbl. At December 31, 2021, the Cendere field was producing 82 barrels of oil per day net to the us; and averaged 124 barrels per day during 2021 net to the Company.

SASB

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 approximately 42.1 billion cubic feet ("Bcf").

The Company plans to commence drilling additional wells and to conduct workovers on SASB commencing July, 2022, at which time the Uranus Rig from Romania will arrive on the licence block. The initial program will be seven wells (two workovers and five new directional wells) all which will produce immediately. The Company plans to extent the work program for up to an additional 10 wells, depending in part on the results of the first wells.

New wells have not been drill on SASB since 2011 and the current four producing wells are over 10 years old and require workovers or are depleted. As at December 31, 2021, the gross gas production rate for the remaining producing wells in SASB was 0.395 million cubic feet per day ("MMcfd"); the average daily 2021 gross production rate for the field was 0.643 MMcfd. The average gas sale price year to date was, US$6.29/Mcf and US$8.46 per Mcf for the quarter ending December 31, 2021, for a netback per Mcf of approximately minus US$4.41. 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. At the end of December 2021, gas is currently sold at a price of approximately US$8.73/MCF. Current natural gas prices are over $15/MCF.The Company also plans to investigate around the SASB development license area, which is currently 12,385 hectares, by applying for a Technical Investigation Survey Permit for 200,000 hectares of surrounding area ("the Permit"). Upon receiving the Permit, the Company planned to reprocess existing 3D and 2D seismic with new technology. Such new technology is expected to improve the resolution of the data and define new exploration targets around the SASB.

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. The running time for the work program has not yet commenced for the work program, due certain environmental reports being required to be completed first.

Developments of the Business after the Reporting Period

On February 16, 2022 the Company announced it has signed a purchase order with Schlumberger ("SLB") to provide all well engineering design services and drilling support for new well drilling operations at the SASB gas field, Black Sea Schlumberger is the world's leading provider of technology for drilling and production to the global energy industry.

SLB's services will include design and engineering of: well directional trajectories, offset analysis, casing requirements, drilling mud programs, directional tools, and the like. The initial engineering and planning services will be delivered during Q2 of 2022, in anticipation of drilling to commence in Q3 2022.

On February 17, 2022 the Company announced that it had signed a Memorandum of Understanding ("MOU") to obtain drilling services from GSP Offshore SRL ("GSP"). The services are for the Company's planned SASB natural gas production and development program in the Black Sea. GSP was selected as its Uranus jack-up drilling rig is currently in the Black Sea, thus reducing costs of mobilization and because GSP has previously successfully drilled prior wells on the SASB gas field. GSP anticipates the Uranus rig will be able to commence service during July 2022 subject to a definitive agreement being executed by all parties. The rig service rate is USD $95,000 per day.

The MOU anticipates drilling five new wells and two recompletions (the "Initial Program"). The Initial Program will target primarily prior 41BCF (billion cubic feet -100% interest) natural gas discoveries assessed as 2P reserves by GLJ, an independent reserves consultant. The duration of the Initial Project is expected to be 7 months with one new well being put into production every 15-45 days.

The new wells are anticipated to produce immediately upon completion with production sold into the existing pipeline grid under contract, where high demand exists for the Company's production as natural gas prices hit a record high of over USD $15 MCF during March 2022.

The Company also desires to utilize the GSP rig for an additional 7-10 new well drillings /workovers continuously after the completion of the Initial Program, on the same or similar fiscal terms as the Initial Project. This subsequent project primarily includes low-risk development wells and or additional wells drilled into producing gas pool reserves. The exact number of wells targeted for the second program will depend on the results of the Initial Program.

It is the Company's plan to drill all 17 wells, more or less continuously, bringing one new well into production every 45 days starting the 3rd quarter of 2022 and then throughout the duration of 2023, thereby significantly ramping up the Company's production over that time frame.

The Parties have commenced negotiating a drilling services contract for the Project which will reflect the principles agreed upon in the MOU.

Strategic Focus

Our focus currently is increasing oil and gas production and in particular, our natural gas reserves at the SASB gas field 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 upside exploration potential as a potential coal bed methane natural gas 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.

Selected Annual Information

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2021, 2020, and 2019 and should be read in conjunction with the Company's consolidated financial statements and related notes thereto for such periods.

The year-end financial statements of the Company have been prepared in accordance with US GAAP and are expressed in United States dollars.

	For the years ended December 31,		
	2021 ($)	2020 ($)	2019 ($)
Total revenue	3,700,727	2,584,266	3,915,799
Net loss attributable to the Company	(2,050,551)	(3,533,284)	(1,683,493)
Net loss per share (basic and diluted)	(0.01)	(0.04)	(0.02)
Total assets	7,157,813	6,487,261	7,297,185
Total non-current financial liabilities	4,926,982	5,871,646	4,307,647

Results of Operations

Year ended December 31, 2021 compared to the year ended December 31, 2020

The net loss for the year ended December 31, 2021, decreased by 42% with $2,050,551 recognized during the 2021 fiscal year as compared to a net loss of $3,533,284 for the year ended December 31, 2020. Factors contributing to the net loss for the year included the following:

Revenue

Revenues increased by $1,116,461 from $2,584,266 in 2020 to $3,700,727 in 2021. The increase is primarily due to the increase in production and also due to the increase in oil price during the year ended December 31, 2021, compared to the year ended December 31, 2020.

Expenses

For the year ended December 31, 2021, the Company incurred production expenses related to its Turkey operations of $2,617,118 (2020 - $2,378,626), depletion charges of $233,798 (2020 - $239,002), depreciation expense of $31,768 (2020 - $37,633) and asset retirement obligation accretion expense of $416,354 (2020 - $377,197). Production expenses increased by $238,492 largely due to increase in production volumes as discussed above. Depletion and depreciation expenses were consistent with the prior period. Accretion of asset retirement costs increased by $39,157 for the year ended December 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 year ended December 31, 2021, the Company had general and administrative expenses of $2,248,164, compared to $1,894,081 for the year ended December 31, 2020. $1,253,770 ($910,108 – December 31, 2020) in expenses were from the North American head office and $$979,926 ($977,182 – December 31, 2020) for the Turkey office.

For the year ended December 31, 2021, the Company had investor relations expenses of $914,770, compared to $458,302 for year ended December 31, 2020. All of these expenses were related to the North American head office.

Other Income (Expense)

For the year ended December 31, 2021, the Company had other income of $1,047,060 compared to other expenses of $322,154 for the year ended December 31, 2020. Other income for the year ended December 31, 2021, consists mainly of the gain from the change in the fair value of the derivative liability of $1,473,638 (loss of $199,789 – December 31, 2020) offset by loss on debt extinguishment of $238,724 ($22,406 – December 31, 2020), finance costs of $176,386 (nil – December 31, 2020), and interest expense of $126,027 ($85,100 – December 31, 2020). 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 $0.165 as at December 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.

Total Assets

Total assets as at December 31, 2021 increased by $670,552 from $6,487,261 in 2020 to $7,157,813 in 2021. The increase in total assets was primarily a result of an increase in cash of $824,278. The increase in cash is primarily a result of aggregate proceeds received of approximately 1.9M for the exercise of warrants and options, as well as from receiving a $500,000 loan during the period, and a foreign exchange effect on cash of approximately $220,000, all partially offset by cash used in operations of approximately $1.8M.

Total Non-current Financial Liabilities

Total non-current financial liabilities as at December 31, 2021 decreased by $944,664 from $5,871,646 in 2020 to $4,926,982 in 2021. The decrease in total non-current financial liabilities was primarily a result of a $1,331,673 decrease in derivative liabilities as a result of the warrants from which the derivative liabilities originate being exercised or expiring during they year ended December 31, 2021. This is offset by an increase of $416,354 in the Company's asset retirement obligation as a result of annual accretion.

Summary of Quarterly Results

The financial information in the following tables summarizes selected financial information for the Company for the last eight quarters which was derived from annual financial statements prepared in accordance with US GAAP and are expressed in United States dollars.

	2021			
	December 31 ($)	**September 30 ($)**	**June 30 ($)**	**March 31 ($)**
Revenue	863,703	879,207	1,013,255	944,562
Net Income (Loss)	111,845	5,418,643	1,890,601	(9,471,640)
Net Income (Loss) per share (basic and diluted)	0.00	0.03	0.01	(0.07)

	2020			
	December 31 ($)	**September 30 ($)**	**June 30 ($)**	**March 31 ($)**
Revenue	(811,193)	493,609	647,902	631,562
Net Income (Loss)	(1,129,624)	(1,183,375)	(792,457)	(427,828)
Net Income (Loss) per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.00)

Summary of Results During Prior Eight Quarters

Net income decreased for the three months ended December 31, 2021 by $5,306,798 compared to the three months ended September 30, 2021. This is mainly attributable to a decrease in the gain from the change in fair value of derivative liability of $5,239,722 from $6,205,914 for the three months ended September 30, 2021 to $966,192 for the three months ended December 31, 2021. This decrease is a result of the warrants underlying the derivative liability expiring during the three months ended September 30, 2021. Revenues stayed fairly consistent between Q3 and Q4, 2021 with a slight decrease of $15,504.

Net income increased for the three months ended September 30, 2021 by $3,528,042 compared to the three months ended June 30, 2021. This is mainly attributable to an increase in the gain from the change in fair value of derivative liability of $3,173,786 from $3,032,128 for the three months ended June 30, 2021 to $6,205,914 for the three months ended September 30, 2021. The increase is a result of the Company's decreasing share price as at September 30, 2021 compared to June 30, 2021 which is used to re-value the derivative liability at period end. Revenues decreased by $134,048 primarily as a result of fluctuating oil sales prices between Q2 2021 and Q3 2021.

A net income of $1,890,601 was recorded for the three months ended June 30, 2021 compared to a net loss of $9,471,640 for the three months ended March 31, 2021, representing a change of $11,362,241. This is mainly attributable to an increase in the gain from the change in fair value of derivative liability of $11,762,724 from ($8,730,596) for the three months ended March 31, 2021 to $3,032,128 for the three months ended June 30, 2021. The increase is a result of the Company's decreasing share price as at June 30, 2021 compared to March 31, 2021 which is used to re-value the derivative liability at period end. Revenues increased by $68,693 primarily as a result of fluctuating oil sales prices between Q1 2021 and Q2 2021.

Net loss increased for the three months ended March 31, 2021 by $8,342,016 compared to the three months ended December 31, 2020. This is mainly attributable to an increase in the loss from the change in fair value of derivative liability of $8,887,164 from ($156,568) for the three months ended December 31, 2020 to ($8,730,596) for the three months ended March 31, 2021. The increase is a result of the Company's increasing share price as at March 31, 2021 compared to December 31, 2020 which is used to re-value the derivative liability at period end. Revenues increased by $133,369 primarily as a result of fluctuating oil sales prices between Q4 2020 and Q1 2021.

Net loss decreased for the three months ended December 31, 2020 by $53,751 compared to the three months ended September 30, 2020. This is mainly attributable to an increase in revenues of $317,584 as a result of increasing oil sales prices between Q3 and Q4 2020. This is offset by an increase in production costs of $201,354 and increase in stock based compensation of $76,177.

Net loss increased for the three months ended September 30, 2020 by $390,918 compared to the three months ended June 30, 2020. This is mainly attributable to an increase in stock based compensation of $167,189 in Q3 2020 compared to Q2 2020 as a result of the issuance of options in Q3 2020. Investor relation expense also increased by $149,505 during the three months ended September 30, 2020 compared to the three months ended June 30, 2020. Revenues decreased by $154,293 primarily as a result of fluctuating oil sales prices between Q2 2020 and Q3 2020.

Net loss increased for the three months ended June 30, 2020 by $364,629 compared to the three months ended March 31, 2020. This is mainly attributable to an increase in investor relations expenses of $212,000 incurred entirely in June 2020. Revenues stayed fairly consistent between Q1 and Q2, 2020 with a slight increase of $16,340.

Net loss increased for the three months ended March 31, 2020 by $283,877 compared to the three months ended December 31, 2019 primarily due to an increase in depletion expense of $232,730 for the three months ended March 31, 2020 compared to the three months ended December 31, 2019. Revenues decreased by $344,974 primarily as a result of fluctuating oil sales prices between Q4 2019 and Q1 2020.

Liquidity and Capital Resources

The following table summarizes our liquidity position:

	December 31, 2021 ($)	December 31, 2020 ($)
Cash	1,026,990	202,712
Working capital	342,551	(1,057,725)
Total assets	7,157,813	6,487,261
Total liabilities	6,416,729	7,929,696
Stockholders' equity	741,084	(1,442,435)

During the year ended December 31, 2021, working capital increased to $342,551 from a working capital deficit of $1,057,725 as at December 31, 2020. The $1,400,276 increase in working capital is attributable to an increase in cash of $824,278 primarily from the proceeds received for the exercise of warrants and options. Furthermore, with the increase in cash, the Company paid off current liabilities.

The Company will need additional capital to fund its development program over the next 12 months. After year end, the Company completed a private placement for approximately $18,244,000 CAD in gross proceeds. The Company's ability to raise additional funds is subject to a number of uncertainties and risk factors.

Operating, Investing and Financing Activities

The chart below highlights the Company's cash flows:

	December 31, 2021 ($)	December 31, 2020 ($)
Net cash provided by (used in):		
Operating activities	(1,883,502)	(1,650,672)
Investing activities	(181,845)	(78,809)
Financing activities	2,663,300	1,028,702
Effect of exchange rate on cash and cash equivalents	220,200	(44,669)
Increase (decrease) in cash, cash equivalents, and restricted cash	817,953	(745,448)

Cash Used in Operating Activities

Net cash used in operating activities for the year ended December 31, 2021 was $1,883,502, compared to $1,650,672 cash used in operating activities for the year ended December 31, 2020. The current period loss of $2,050,551 was coupled with $570,746 in changes in working capital items and offset by $737,796 in net non-cash items for the year ended December 31, 2021. This compares to a prior year loss of $3,533,284, offset by $1,571,758 in net non-cash items and $310,854 in changes in working capital items.

Cash Used in Investing Activities

Net cash used in investing activities for the year ended December 31, 2021 was $181,845, compared to $78,809 used for the year ended December 31, 2020. Oil and gas properties expenditures increased to $66,122 from $5,084 in the comparative period and property and equipment expenditures increased to $180,739 from $73,725 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 year ended December 31, 2021 was $2,663,300, compared to $1,028,702 for the year ended December 31, 2020. Cash provided by financing activities in the current period was primarily related to $2,508,796 in proceeds for the issuance of shares related to private placements and warrant and option exercises. The Company also received $525,642 in loans during the period. In the comparative period cash from financing activities was primarily related to the issuance of common shares, partially offset by repayment of loans payable.

Future Operating Requirements

Based on our current plan of operations, we estimate that we will require approximately US$6,000,000 to cover our plan of operations over the next 12 months. We will require approximately US$20,000,000 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 two existing wells to perform workovers to increase gas production. An additional 10 wells are planned to be drilled after these first seven wells are drilled. 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 $74 million in capital expenditures of which approximately $ $25,000,000 will be incurred over the next 12 months to enable us to conduct such operations

As of December 31, 2021, the Company had unrestricted cash of $1,026,990 and current liabilities of $1,489,747. The Company is attempting to raise additional capital to fund its future exploration and operating requirements. The Company completed an approximately CAD $18,244,000 private placement in March 2022, the proceeds of which are to be used for SASB development.

Transactions with Related Parties

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

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

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

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

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

Financial Risk Management

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

Foreign exchange risk

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

Credit risk

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

Interest rate risk

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

Liquidity risk

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

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.

Disclosure of Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares of which 185,169,793 were issued and outstanding as of December 31, 2021. As of the date of this MD&A, the total number of outstanding common shares was 296,683,074.

As at December 31, 2021, and as of the date of this MD&A, the following stock options were outstanding, entitling the holders thereof the right to purchase one common share for each option held as follows:

Outstanding	Exercise Price	Expiry Date	Vested
200,000	0.12	September 15, 2022	200,000
1,750,000	0.12	October 24, 2023	1,750,000
3,800,000	0.12	September 19, 2024	3,800,000
640,000	0.06	July 31, 2025	640,000
1,000,000	0.08	December 17, 2022	1,000,000
250,000	0.31	June 6, 2026	250,000
7,640,000			7,640,000

As of the date of this MD&A, the following stock options were outstanding, entitling the holders thereof the right to purchase one common share for each option held as follows:

Outstanding	Exercise Price	Expiry Date	Vested
200,000	0.12	September 15, 2022	200,000
1,750,000	0.12	October 24, 2023	1,750,000
3,800,000	0.12	September 19, 2024	3,800,000
640,000	0.06	July 31, 2025	640,000
1,000,000	0.08	December 17, 2022	950,000
250,000	0.31	June 6, 2026	250,000
7,640,000			7,590,000

As at December 31, 2021, the following warrants were outstanding, entitling the holders thereof the right to purchase one common share for each warrant held as follows:

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

As of the date of this MD&A, the following warrants were outstanding, entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Outstanding	Exercise Price	Expiry Date
1,000,000	0.16	March 8, 2023
50,000	0.32	June 6, 2023
2,379,999	0.08	September 8, 2023
1,200,000	0.10	September 8, 2023
2,358,080	0.08	September 8, 2023
660,000	0.10	September 30, 2023
20,154,019	0.35	March 15, 2024
3,030,303	0.35	March 16, 2024
3,304,545	0.35	March 17, 2024
9,587,949	0.35	March 18. 2024
17,256,700	0.35	March 24, 2024
2,300,000	0.35	March 28. 2024
63,281,595		

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") applied on a consistent basis. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

We believe that our critical accounting policies and estimates include the following:

Revenue Recognition

Revenue from Contracts with Customers

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

Performance Obligations and Significant Judgments

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

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

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

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

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

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

Accounts Receivable

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

Oil and gas properties

The Company follows the full cost method of accounting for oil and natural gas operations, whereby all costs of exploring for and developing oil and natural gas reserves are capitalized and accumulated in cost centers on a country-by-country basis. Costs include land acquisition costs, geological and geophysical charges, carrying charges on non-productive properties and costs of drilling both productive and non-productive wells. General and administrative costs are not 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. Natural gas reserves and production are converted to equivalent barrels of crude oil based on relative energy content. 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 are 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 alter the rate of depletion and depreciation.

Stock-based compensation

The Company accounts for share-based compensation under the provisions of ASC 718 "Compensation – Stock Compensation". ASC 718 requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. We use the Black-Scholes option-pricing model to estimate the fair value of the options on the date of each grant. The Black-Scholes option-pricing model utilizes highly subjective and complex assumptions to determine the fair value of stock-based compensation, including the option's expected term and price volatility of the underlying stock.

Unit Offerings

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

Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2021 and 2020.

Refer to Note 2 of the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 for the Company's significant accounting policies and estimates.

Changes in Accounting Standards not yet Effective

Pronouncements that may have a significant impact to the Company have been disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2021 and 2020.

Subsequent Events

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

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

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

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

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

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

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