

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

**FORM 10-K**

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the fiscal year ended December 31, 2010**
- ☐ TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-51712

**PARK PLACE ENERGY CORP.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or  
organization)

**Suite 1220 – 666 Burrard St  
Vancouver, BC**

(Address of principal executive offices)

71-0971567

(IRS Employer Identification No.)

**V6C 2X8**

(Zip Code)

Registrant's telephone number, including area code: **(403) 360-5375**

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act:

**Common Stock, par value \$0.00001 per share**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☐ (do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

The aggregate market value of the registrant's stock held by non-affiliates of the registrant as of June 30, 2010, computed by reference to the price at which such stock was last sold on the OTC Bulletin Board (\$0.20) on that date, was approximately \$755,654.

The registrant had 5,598,908 shares of common stock outstanding as of March 30, 2011.

# **PARK PLACE ENERGY CORP.**

Form 10-K

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## Forward-Looking Statements

The information in this annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of oil and gas, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “expect”, “plan”, “intend”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue”, the negative of such terms or other comparable terminology.

Forward-looking statements in this annual report include, but are not limited to, statements with respect to the following:

- our need for additional financing;
- our exploration activities may not result in commercially exploitable quantities of oil and gas on our properties;
- the risks inherent in the exploration for oil and gas such as weather, accidents, equipment failures and governmental restrictions;
- our limited operating history;
- our history of operating losses;
- the potential for environmental damage;
- our lack of insurance coverage;
- the competitive environment in which we operate;
- the level of government regulation, including environmental regulation;
- changes in governmental regulation and administrative practices;
- our dependence on key personnel;
- conflicts of interest of our directors and officers;
- our ability to fully implement our business plan;
- our ability to effectively manage our growth; and
- other regulatory, legislative and judicial developments.

These forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, the risks and uncertainties outlined under the sections titled “Risk Factors”, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. If one or more of these risks or uncertainties materialize, or our underlying assumptions prove incorrect, our actual results may vary materially from those expressed or implied by our forward-looking statements anticipated, believed, estimated or expected.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only to a state of affairs as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. We qualify all the forward-looking statements contained in this annual report by the foregoing cautionary statements.

### **Where You Can Find More Information**

Statements contained in this annual report as to the contents of any contract, agreement or other document referred to include those terms of such documents that we believe are material. Whenever a reference is made in this annual report to any contract or other document of ours, you should refer to the exhibits that are a part of the annual report for a copy of the contract or document.

You may read and copy all or any portion of the annual report or any other information that we file at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings, including the annual report, are also available to you on the SEC's website at [www.sec.gov](http://www.sec.gov).

## **PART I**

### **ITEM 1. BUSINESS**

#### **Name and Organization**

We were incorporated under the laws of the State of Nevada on August 27, 2004 under the name ST Online Corp. On June 22, 2007, we entered into a business combination agreement with Park Place Energy Inc., a private company incorporated under the laws of the Province of Alberta, Canada, and 0794403 B.C. Ltd., a wholly-owned subsidiary of our company incorporated under the laws of British Columbia. Pursuant to this business combination agreement, Park Place Energy Inc. and 0794403 B.C. Ltd. amalgamated under the provisions of the British Columbia *Business Corporations Act* and continued as Park Place Energy Inc., a company governed by the British Columbia *Business Corporations Act*.

On July 6, 2007, we completed a forward split of our shares of common stock on the basis of eight new shares of common stock for each one share of common stock outstanding on that date and increased the authorized share capital from 100,000,000 shares of common stock to 800,000,000 shares of common stock. At the same time, we merged with our wholly-owned subsidiary, Park Place Energy Corp. which we incorporated under the laws of the State of Nevada in contemplation of the acquisition of all of the issued and outstanding shares of Park Place Energy Inc. and our name was then changed to Park Place Energy Corp.

On July 23, 2007, we completed a forward split of our shares of common stock on the basis of one and one-half new shares of common stock for each one share of common stock outstanding on that date and increased the authorized share capital from 800,000,000 shares of common stock to 1,200,000,000 shares of common stock.

On July 30, 2007, pursuant to the terms of a business combination agreement, we issued to each shareholder of record of Park Place Energy Inc. one share of our common stock for every two shares they held of Park Place Energy Inc. As a result, we issued 8,995,662 shares of common stock (299,855 shares on a post March 24, 2010 reverse split basis) shares of common stock to the former shareholders of Park Place Energy Inc. Additionally, as part of this transaction, a total of 45,000,000 shares of our common stock (1,500,000 shares on a post March 24, 2010 reverse split basis) held by former principals of our company were surrendered for cancellation. We thereby acquired Park Place Energy Inc. For accounting purposes, the acquisition was treated as a recapitalization with Park Place Energy Inc. being the accounting acquirer and the go-forward financial

statements reflect the history of Park Place Energy Inc. from its inception on May 4, 2006. As a result of the acquisition, the business of our company is now the acquisition and exploration of oil and gas properties.

On August 31, 2009, we completed a forward split of our shares of common stock on the basis of ten new shares of common stock for each one share of common stock outstanding on that date and increased the authorized share capital from 1,200,000,000 shares of common stock to 12,000,000,000 shares of common stock.

On March 24, 2010, we completed a reverse split of our shares of common stock on the basis of one new share of common stock for each three hundred shares of common stock outstanding on that date and decreased our authorized share capital from 12,000,000,000 shares of common stock to 40,000,000 shares of common stock.

Our principal business offices are located at Suite 1220 - 666 Burrard St, Vancouver, BC, Canada, V6C 2X8 and our telephone number is (604) 685-0076.

## **General**

We are currently an exploration stage company engaged in exploring for oil and natural gas. In the projects in which we hold interests, another party typically acts as the operator of the project. With respect to the projects that we participate in, we provide to the operator funding for our proportionate share of costs as well as technical input on how best to develop the property. As a way to keep our overhead down, we engage the services of consultants who have technical expertise to best represent our interests. We currently have interests in oil and gas properties in the Canadian province of Saskatchewan and in Eastern Bulgaria. Our principal capital expenditures to date have been \$4,746,552 to acquire the interests in the oil and gas properties. See "Properties" for more information about our interests.

In May 2006, we had entered into a farmout agreement in respect of a property located in the Atlee Buffalo area of Alberta, Canada pursuant to which we had agreed to pay all of the costs to drill, completed, equip, and tie in or abandon two test wells. In June 2008, we elected to not to complete the wells drilled on the property and terminated the agreement due to a risk assessment of the property.

In September 2006, we had entered into a farmout agreement in respect of a property located in the Worsley area of Alberta, Canada pursuant to which we had agreed to conduct a seismic and test well program at the property. In June 2008, we elected not to drill a test well on the property and terminated the agreement due to a risk assessment of the property.

In March 2007, we had entered into a letter agreement to purchase a 50% interest in the Cecil Eureka property located in Alberta, Canada by agreeing to fund 50% of the proprietor's obligations in respect of the property. In March 2008, we elected to drop our right to participate in this property due to a risk assessment of the property.

In March 2008 we acquired a 51% interest in 5 diamond concessions in Central Brazil in exchange for the payment of \$250,000. On April 1, 2008, we acquired a sixth diamond concession in Central Brazil consisting of 356.25 hectares. In July 2008, we divested our entire interest in the 6 diamond concessions for \$385,000 paid by way of a promissory note repayable from sales of diamonds recovered from these concessions.

In June 2008, we sold all of our right, title, estate and interests in our Kerrobert property located in Saskatchewan, Canada for \$205,000 (less outstanding operating cost of \$75,521.86).

In August, 2009 our wholly owned subsidiary, Park Place Energy Inc. entered into a Seismic Earning Agreement with Fifth Avenue Diversified Inc., a private British Columbia corporation, whereby Fifth Avenue will earn an interest in certain Farmout Lands in the Gordondale Area of Alberta (the "Farmout Lands"). Under the Agreement the earning requirements stated that on or before March 31, 2010, Fifth Avenue would

commence a Seismic Program and expend up to a maximum of \$350,000 on such program. As Fifth Avenue elected to not commence a Seismic Program the agreement has expired.

In September, 2009 the Issuer's wholly owned subsidiary, Park Place Energy Inc. entered into a Purchase and Sale Agreement effective September 1, 2009 with Novus Energy Inc., an Alberta corporation, whereby Novus bought the entire right, title, estate and interest in Eight Mile property in North Eastern British Columbia from our wholly owned subsidiary, Park Place Energy Inc. As consideration Novus paid \$457,295 to retire the obligations of Park Place to its creditors directly related to the Eight Mile Property.

## **Major 2010 Events**

### *Debt Settlement*

Effective January 15, 2010, we entered into debt settlement agreements with ten offshore investors whereby we issued an aggregate of 374,448,910 shares of common stock, at a deemed price of \$0.001 per share (1,248,163 shares at a deemed price of \$0.30 per share on a post March 24, 2010 reverse split basis) in settlement of certain debt obligations. As part of the settlement, the Company received a 50% working interest in an exploration oil and gas property in Saskatchewan, Canada.

### *Sale of Alberta Properties*

#### *Nordegg Formation, Alberta*

On April 6, 2010 we sold our 100% interest in approximately 1,280 acres of land in Alberta for total consideration of \$20,000. The leases acquired in July, 2008 were 5 Year Northern Petroleum and Natural Gas Leases.

#### *Normandville Oil Sands, Peace River, Alberta*

On April 6, 2010 we sold our 100% interest in approximately 1,792 hectares of land in Alberta for a total consideration of \$30,000. The leases acquired in August, 2006 were oil sands rights from below the top of the lower Cretaceous Peace River Group to the base of the lower Cretaceous Bluesky – Bullhead Group.

### *Purchase and Sale of Western Saskatchewan Property*

As part of the debt settlement on January 15, 2010, the issuer settled 150,000,000 shares of common stock, at a deemed price of \$0.001 per share (500,000 shares at a deemed price of \$0.30 per share on a post March 24, 2010 reverse split basis) for a total consideration of US\$150,000 and received a 50% working interest in an exploration oil and gas property in Saskatchewan, Canada.

On May 11, 2010, the Issuer assigned one-half of its 50% working interest of its 80 acre oil and gas exploration property in Western Saskatchewan, Canada to a third party, Canadian Rigger Energy Inc. for consideration of 750,000 common shares of Canadian Rigger..

### *Bulgarian property*

On October 12, 2010 the Bulgarian Council of Ministers granted to the Company a permit for the exploration and prospecting of oil and natural gas in the Dobroudja Basin. The Permit is for a five year period. On October 25, 2010 an appeal against the Bulgarian Council of Ministers decision was filed with the Supreme Administrative Court of Bulgaria by Overgas Inc.

## **Patents and Trademarks**

We do not own, either legally or beneficially, any patent or trademark.

## **Research and Development Expenditures**

We have not incurred any research or development expenditures since our incorporation.

## **Government Regulation**

### *General*

Our oil and gas operations are subject to various federal, provincial, state and local governmental regulations in Canada and the United States. Matters subject to regulation include exploration permits, discharge permits for drilling operations, drilling and abandonment bonds, operating practices, reports concerning operations, the spacing of wells, pooling of properties, taxation and environmental protection. These laws and regulations are under constant review for amendment or expansion. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under federal, state, provincial and local laws and regulations relating primarily to the protection of human health and the environment. To date, expenditures related to complying with these laws, and for remediation of existing environmental contamination, have not been significant in relation to the results of operations of our company. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Changes in these regulations could require us to expend significant resources to comply with new laws or regulations or changes to current requirements and could have a material adverse effect on us.

### *Oil and Gas Regulation*

In addition to federal regulation, each province and state has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than government lands are determined by negotiations between the mineral owner and the lessee. Royalties on government land are determined by government regulation and are generally calculated as a percentage of the value of gross production, and the rate of royalties payable generally depends upon prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced.

Management believes that we are in substantial compliance with current applicable environmental laws and regulations.

## **Competition**

We operate in highly competitive industries, competing with other oil and gas exploration companies, independent producers and institutional and individual investors, which are actively seeking oil and gas properties throughout the world together with the equipment, labor and materials required to operate such properties. Most of our competitors have financial resources, staffs and facilities substantially greater than our company's. The principal area of competition is encountered in the financial ability for our company to acquire acreage positions and drill wells to explore for oil and gas, then, if warranted install production equipment. Competition for the acquisition of oil and gas wells is intense with many oil and gas properties and or leases or concessions available in a competitive bidding process in which we may lack technological information or expertise available to other bidders. Therefore, we may not be successful in acquiring and developing profitable



properties in the face of this competition. No assurance can be given that we will be successful in its efforts to secure additional properties and or develop its existing oil and properties.

## **Employees**

As of December 31, 2010, we have no employees. However, as a cost saving measure, we rely on consultants to carry out our corporate activities and to oversee our best interests in our non-operated oil and gas properties.

## **ITEM 1A. RISK FACTORS**

Much of the information included in this annual report includes or is based upon estimates, projections or other “forward looking statements”. Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other “forward looking statements” involve various risks and uncertainties as outlined below. We caution readers of this annual report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other “forward looking statements”. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

### **Risks Relating to Our Business**

***We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.***

We have a limited oil and gas operating history. Our success is significantly dependent on a successful acquisition, drilling, completion and production program. Our operations will be subject to all the risks inherent in the establishment of a developing enterprise. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the exploration stage with production, and potential investors should be aware of the difficulties normally encountered by enterprises in the exploration stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

***Some of our properties are in the exploration stage, there can be no assurance that we will establish commercial discoveries on these properties.***

Exploration for economic reserves of oil and gas is subject to a number of risk factors. Few properties that are explored are ultimately developed into producing oil or gas wells. Some of our properties are in the exploration stage only and are without proven reserves either of oil and gas. We may not establish commercial discoveries on some of our exploration properties.

***Oil and gas exploration involves a high degree of risk and there is no assurance that expenditures for future exploration by us will result in new discoveries in commercial quantities.***

Although we have a limited number of specific identified exploration prospects at the present time, we intend to continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards. Our long-term commercial success depends on our ability to find, acquire, develop and commercially produce hydrocarbons. We cannot provide any assurance that we will be able to locate satisfactory properties for acquisition or participation. Moreover, if we do identify such acquisitions or participations, we may determine

that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

***We are dependent on discovering new reserves.***

Our future oil and natural gas reserves, production, and cash flows, if any, to be derived therefrom are highly dependent upon us successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves our company may have at any particular time and the production therefrom will decline over time as they are exploited. A future increase in our reserves will depend not only on our ability to develop any properties we may have from time to time, but also on our ability to select and acquire suitable producing properties or prospects. There can be no assurance that our future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

***We will require significant additional financing in order to continue our exploration activities and our assessment of the commercial viability of our oil and gas and oil sands properties.***

We will require additional financing in order to carry out our acquisition and exploration activities. Failure to obtain such financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain acquisition opportunities, or delay or indefinitely postpone further exploration of our projects. This could result in the possible loss of such properties or the reduction or termination of our operations.

***Our operations require significant additional capital, which may not be available to us on acceptable terms, or at all.***

Our cash flow from our reserves, if any, may not be sufficient to fund our ongoing activities at all times. From time to time, we may require additional financing in order to carry out our oil and gas acquisitions, exploration and development activities, if any. Failure to obtain such financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain acquisition opportunities and reduce or terminate our operations. If our revenues from our reserves, if any, decrease as a result of lower oil and natural gas prices or otherwise, it will affect our ability to expend the necessary capital to replace our reserves, if any, or to maintain production. If our Company's cash flow from operations is not sufficient to satisfy our capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available to us on favourable terms.

***If we lose the services of our management and key consultants, then our plan of operations may be delayed or be more expensive to undertake than anticipated.***

Our success depends to a significant extent upon the continued service of Mr. David Johnson, the Company's President, CEO and Director. Losing the services of Mr. Johnson could have a material adverse effect on the Company's growth, revenues, and prospective business. The Company does not maintain key-man insurance on the life of Mr. Johnson. In addition, in order to successfully implement and manage the Company's business plan, the Company will be dependent upon, among other things, successfully recruiting qualified managerial and field personnel having experience in the oil and gas exploration business. Competition for qualified individuals is intense. There can be no assurance that the Company will be able to retain existing consultants or that the Company will be able to find, attract and retain qualified personnel on acceptable terms. The loss of the service of Mr. Johnson, through incapacity or otherwise, would be costly to the Company and would require the Company to seek and retain other qualified personnel.

Presently, the Company is not the operator of any of its oil and natural gas properties. To this extent the Company is dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators.

In addition, the success of the Company will be largely dependent upon the performance of its management and key consultants. The Company does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key consultants could have a material adverse effect on the Company.

***If we lose the services of the independent contractors that we engage to undertake our exploration, then our plan of operations may be delayed or be more expensive to undertake than anticipated.***

Our success depends to a significant extent on the performance and continued service of certain independent contractors. We have contracted the services of professional drillers and other contractors for exploration, environmental, construction and engineering services. Poor performance by such contractors or the loss of such services could result in our planned exploration activities being delayed or being more expensive to undertake than anticipated.

***You may be unable to enforce actions against us, certain of our directors and officers, or the expert named in this prospectus under U.S. federal securities laws.***

Our wholly-owned operating subsidiary, which legally owns the bulk of our assets, is a corporation organized under the laws of the province of British Columbia, Canada. Our directors and officers reside principally in Canada. Because all or a substantial portion of our assets and the assets of these persons are located outside of the United States, it may not be possible for you to effect service of process within the United States upon us or those persons. Furthermore, it may not be possible for you to enforce against us or them in the United States, judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States. There is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon U.S. federal securities laws and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of the U.S. federal securities laws. Therefore, it may not be possible to enforce those actions against us, our operating subsidiary, or our directors and officers.

***The oil and gas industry is highly competitive and there is no assurance that we will be successful in our business.***

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive oil and natural gas properties and exploratory prospects or define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low oil and natural gas market prices. Our larger competitors may be able to absorb the burden of present and future federal, provincial, local and other laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects.

***Our interests are held in the form of farmout agreements, licenses and leases that may terminate.***

Our properties are held in the form of farmout agreements, licenses and leases, and working interests in licenses and leases. If we or the holder of the farmout agreements fail to meet the specific requirements of each farmout agreement, license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each farmout agreement, license or lease will be met. The termination or

expiration of our farmout agreements, licenses or leases or the working interests relating to farmout agreements, licenses or leases may have a material adverse effect on our results of operation and business.

The operations of our Company may require licenses and permits from various governmental authorities. There can be no assurance that we will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on our projects.

***The title to our properties may be defective.***

It is our practice in acquiring oil and gas leases or interests in oil and gas leases not to undergo the expense of retaining lawyers to fully examine the title to the interest to be placed under lease or already placed under lease. Rather, we rely upon the judgment of oil and gas lease brokers or landmen who actually do the work in examining records before attempting to lease a specific interest.

***Our acquisitions may not be successful.***

As part of our growth strategy, we intend to acquire additional interests in oil and gas properties. Such acquisitions may pose substantial risks to our business, financial condition, and results of operations. In pursuing acquisitions, we will compete with other companies, many of which have greater financial and other resources to acquire attractive properties. There can be no assurance that we will be able to successfully integrate acquired properties, which could result in substantial costs and delays or other operational, technical, or financial problems. Further, acquisitions could disrupt ongoing business operations. If any of these events occur, it would have a material adverse effect upon our operations and results from operations.

***We are subject to foreign currency risks.***

Oil and gas operations in the United States generate revenues in United States dollars, while expenses are incurred in Canadian dollars. As a result, an upward adjustment of Canadian currencies against the United States dollar would result in a reduction of profits, if any, that our projects would generate if they commence production. Accordingly, the value of our projects is subject to risk based on changes to foreign currency rates.

**Risks Relating to Our Industry**

***The oil and gas industry is subject to significant competition, which may increase costs or otherwise adversely affect our ability to compete.***

Oil and gas exploration is intensely competitive and involves a high degree of risk. There can be no assurance that commercial production of oil and gas can be obtained from any of our properties, nor are there any assurances that production, if obtained, will be in sufficient quantities to be profitable. In our efforts to acquire properties, we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and gas, but also conduct refining and petroleum marketing operations on a worldwide basis.

Competition for producing properties will be affected by the amount of funds available to us, information available to us and any standards established by us for the minimum projected return on investment. Competition may also be presented by alternative fuel sources and technologies.

***A substantial or extended decline in oil and natural gas prices could reduce our future revenue and earnings.***

As with most other companies involved in resource exploration, we may be adversely affected by future increases in the costs of conducting exploration, development and resource extraction that may not be fully offset by increases in the price received on sale of the petroleum or natural gas.

Our future revenues, if any, profitability and growth and the carrying value of our oil and gas and oil sands properties will be substantially dependent on prevailing prices of oil and gas. Our ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control. These factors include economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternate fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the carrying value of our properties and borrowing capacity.

***Industry activities are dependent on availability of drilling equipment and access restrictions.***

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to our company and may delay exploration and development activities.

***Prices, markets and marketing of crude oil and natural gas may result in a reduction in volume of our oil and gas reserves.***

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of our company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of our company's oil and gas reserves, if any. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in our future net production revenue, if any, causing a reduction in our oil and gas acquisition and development activities. In addition, bank borrowings available to our company are in part determined by the borrowing base of our company. A sustained material decline in prices from historical average prices could limit or reduce our borrowing base, therefore reducing the bank credit available to our company, and could require that a portion of any existing bank debt of our company be repaid.

In addition to establishing markets for our oil and natural gas, our company must also successfully market our oil and natural gas to prospective buyers. The marketability and price oil and natural gas which may be acquired or discovered by our company will be affected by numerous factors beyond our control. Our company will be affected by the differential between the price paid by the refiners for light quality oil and the grades of oil produced by our company. The ability of our Company to market our natural gas may depend upon our ability to acquire space on pipelines which deliver natural gas to commercial markets. Our company will also likely be affected by deliverability uncertainties related to the proximity of our reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Our Company has limited direct experience in the marketing of oil and natural gas.

***Our insurance is subject to limitations on liability.***

Our Company's involvement in the exploration for and development of oil and gas properties may result in our company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other

hazards. Although our Company has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, our company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to our company. The occurrence of a significant event that our company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on our company's financial position, results of operations or prospects.

***The marketability of natural resources will be affected by numerous factors beyond our control which may result in us not receiving an adequate return on invested capital to be profitable or viable.***

The marketability of natural resources which may be acquired or discovered by us will be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and gas and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

***Oil and gas operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our Company.***

Oil and gas operations are subject to federal, provincial, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be received. Environmental standards imposed by federal, provincial, or local authorities may be changed and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages. To date we have not been required to spend any material amount on compliance with environmental regulations. However, we may be required to do so in future and this may affect our ability to expand or maintain our operations.

***Exploration activities are subject to certain environmental regulations which may prevent or delay the commencement or continuance of our operations.***

In general, our exploration activities are subject to certain federal, provincial and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Compliance with these laws and regulations has not had a material effect on our operations or financial condition to date. Specifically, we are subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of provincial authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry. We believe that our operations comply, in all material respects, with all applicable environmental regulations.

***Exploratory drilling involves many risks and we may become liable for pollution or other liabilities which may have an adverse effect on our financial position.***

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for pollution or hazards against which we cannot adequately insure or which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

***The potential profitability of oil and gas ventures depends upon factors beyond the control of our Company.***

The potential profitability of oil and gas and oil sands properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. In addition, adverse weather conditions can also hinder drilling operations. Further, our operating costs will be dependent upon the availability of required services and personnel. These changes and events may materially affect our financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our Company not receiving an adequate return on invested capital.

***We are subject to complex laws that can affect the cost, manner and feasibility of doing business thereby increasing our costs and reducing our profitability.***

Failure to comply with these laws may also result in the suspension or termination of operations and liabilities under administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase the costs of doing business. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially and adversely affect our financial condition and results of operations.

***The nature of oil sands exploration involves many risks.***

Oil sands exploration is very competitive and involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. As with any petroleum property, there can be no assurance that commercial deposits of bitumen will be produced from our oil sands property. Furthermore, the marketability of any discovered resource will be affected by numerous factors beyond our control. These factors include, but are not limited to, market fluctuations of prices, proximity and capacity of pipelines and processing equipment, fluctuating extraction and operating costs, equipment availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas and environmental protection). Additionally, our insurance will not provide reimbursement for all operational risks that we may face. The extent of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital.

***The establishment of proved reserves is subjective and subject to numerous uncertainties.***

We have established proved reserves on certain of our properties. There are numerous uncertainties inherent in estimating quantities of natural resources, including many factors beyond our control, and no assurance can be given that the recovery of bitumen will be realized. In general, estimates of recoverable natural resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and

classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the recoverable natural resources, the classification of such resources based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially.

***The impact of the Kyoto Protocol may affect our ability to operate.***

In late 2002, the Government of Canada ratified the Kyoto Protocol, an international agreement designed to manage greenhouse gas emissions and on February 16, 2005 it became effective. Other than as described in the 2005 Kyoto Plan, relatively few details regarding its implementation in Canada have been made by the federal government. Numerous uncertainties regarding details of the Kyoto Protocol's implementation remain and there can be no assurance that future rules and regulations will not affect our ability to operate as planned.

***We may incur substantial abandonment and reclamation costs.***

We are responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of the project and reclamation of our lands at the end of its economic life, which abandonment and reclamation costs may be substantial. A breach of such legislation and/or regulations may result in the issuance of remedial orders, the suspension of approvals, or the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. It is not possible to estimate with certainty the abandonment and reclamation costs since they will be a function of regulatory requirements at the time.

***Native land claims may impact our business.***

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of western Canada. For example, certain aboriginal peoples have filed a claim against the Government of Canada, the Province of Alberta, certain governmental entities and the regional municipality of Wood Buffalo (which includes the City of Fort McMurray, Alberta) claiming, among other things, aboriginal title to large areas of lands surrounding Fort McMurray. If any such claim relating to lands on which we have rights was successful, it could have a significant adverse effect on our ability to conduct our business.

***Environmental and regulatory compliance may impose substantial costs on us.***

Our operations are or will be subject to stringent laws and regulations relating to improving or maintaining environmental quality. Environmental laws often require parties to pay for remedial action or to pay damages regardless of fault. Environmental laws also often impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago.

Our exploration activities and drilling programs are or will be subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, protection of endangered and protected species, mine safety, toxic substances and other matters. Exploration and drilling is also subject to risks and liabilities associated with pollution of the environment and disposal of waste products. Compliance with these laws and regulations will impose substantial costs on us and will subject us to significant potential liabilities.

Costs associated with environmental liabilities and compliance have increased over time, and we expect these costs to continue to increase in the future. We will be required to book reserves for the costs of environmental obligations on our financial statements for such liabilities as our exploration operations proceed.

***The current regulatory regime may change.***



The current regulatory regime governing oil and gas exploration in Canada is subject to change. We cannot predict if, when or how any aspect of the regulatory regimes governing our activities may change. As a result, our business may be affected in ways that we cannot predict.

## **Risks Relating to Our Common Stock**

***Investment in our common stock is speculative due to the nature of our business.***

An investment in our common stock is speculative due to the nature of our involvement in the acquisition and exploration of oil and gas and oil sands properties in Canada.

***Our shareholders may experience dilution as a result of our issuance of additional common stock or the exercise of outstanding options and warrants.***

We may enter into commitments in the future which would require the issuance of additional common stock. We may also grant additional share purchase warrants and stock options. The exercise of share purchase warrants or options and the subsequent resale of common stock in the public market could adversely affect the prevailing market price and our ability to raise equity capital in the future. Any share issuances from our treasury will result in immediate dilution to existing shareholders.

***We have never declared or paid cash dividends on our common stock.***

We do not anticipate paying cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our board of directors considers relevant. Accordingly, investors may only see a return on their investment if the value of our securities appreciates.

***Our stock price can be extremely volatile.***

Our common stock is traded dually on the OTC Bulletin Board and the Frankfurt Stock Exchange. There can be no assurance that an active public market will continue for our common stock, or that the market price for our common stock will not decline below its current price. Such price may be influenced by many factors, including, but not limited to, investor perception of us and our industry and general economic and market conditions. The trading price of our common stock could be subject to wide fluctuations in response to announcements of our business developments or those of our competitors, quarterly variations in operating results, technological innovations, additions or departures of key personnel, industry developments and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of our common stock.

***Our common stock will be subject to the “Penny Stock” Rules of the SEC, which will make transactions in our common stock cumbersome and may reduce the value of an investment in our common stock.***

Our securities will be subject to the “penny stock rules” adopted pursuant to Section 15(g) of the Exchange Act. The penny stock rules apply generally to companies whose common stock trades at less than \$5.00 per share, subject to certain limited exemptions. Such rules require, among other things, that brokers who trade “penny stock” to persons other than “established customers” complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade “penny stock” because of the requirements of the “penny stock rules” and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. In the event that we remain subject

to the “penny stock rules” for any significant period, there may develop an adverse impact on the market, if any, for our securities. Because our securities are subject to the “penny stock rules”, investors will find it more difficult to dispose of our securities.

***Our independent auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.***

Our Company’s financial statements include a statement that our financial statements are prepared on a going concern basis, and therefore that certain reported carrying values are subject to our Company receiving the future continued support of our shareholders, obtaining additional financing and generating revenues to cover our operating costs. The going concern assumption is only appropriate provided that additional financing continues to become available.

***Our business is difficult to evaluate because we have a limited operating history.***

In considering whether to invest in our common stock, you should consider that there is only limited historical financial and operating information available on which to base your evaluation of our performance. We entered the oil and gas exploration industry on July 30, 2007, and our operating subsidiary commenced operations on May 4, 2006, and as a result, we have a limited operating history. This makes our business difficult to evaluate and results in greater volatility in the price of our common stock.

***A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.***

A decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise additional capital for our operations. Because our operations to date have been principally financed through the sale of equity securities, a decline in the price of our common stock could have an adverse effect upon our liquidity and our continued operations. A reduction in our ability to raise equity capital in the future would have a material adverse effect upon our business plan and operations, including our ability to continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

***We may issue debt to acquire assets.***

From time to time our Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase our debt levels above industry standards. Our articles and by-laws do not limit the amount of indebtedness that our Company may incur. The level of our indebtedness from time to time could impair our ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

## **ITEM 2. PROPERTIES**

### **Our Properties**

#### ***Canadian Property***

#### ***Saskatchewan Property***

Effective January 15, 2010, we entered into debt settlement agreements whereby we issued an aggregate of 374,448,910 shares of common stock, at a deemed price of \$0.001 per share (1,248,163 shares at a deemed price of \$0.30 per share on a post March 24, 2010 reverse split basis) in settlement of certain debt obligations. As part of the settlement, we received a 50% working interest in an exploration oil and gas property in Saskatchewan, Canada. On May 11, 2010, we assigned one-half of our 50% working interest to a third party for consideration of 750,000 shares of the acquiring company. This working interest covers 80 acres in Western Saskatchewan.

### ***Bulgarian Property***

#### ***Dobroudja Basin***

On October 12, 2010, the Bulgarian Council of Ministers granted to the Company a permit for the exploration and prospecting of crude oil and natural gas in Plot 1-11 Vranino. The permit covers approximately 98,204 acres in the Dobroudja Basin in Eastern Bulgaria and was granted after the completion of the competitive bid process. On October 25, 2010 as allowed by the competitive bid process an appeal against the Bulgarian Council of Ministers decision was filed by Overgas Inc, a competing bidder on the Vranino Block, with the Supreme Administrative Court of Bulgaria.

### **Reserves Reported to Other Agencies**

We have filed no estimates of total, proved net oil or gas reserves with any other federal authority or agency in the United States. We have filed a reserves assessment and evaluation with certain Canadian securities regulators pursuant to applicable rules in Canada.

### **Production**

During our year ended December 31, 2010, we had no producing properties. Our last producing property was the Eight Mile Property which we disposed of as of October 30, 2009 as described herein. The Eight Mile Property had gas production since fiscal 2008.

<b>Year</b>	<b>Average Sales Price Per Unit Of Gas Produced</b>	<b>Average Production Cost Per Unit Of Gas Production</b>
2010	N/A	N/A
2009	\$3.63	\$2.78
2008	\$7.82	\$2.97

### **Productive Wells and Acreage**

The following tables set forth our leasehold interest in productive oil wells, as of December 31, 2010:

<b><u>Area</u></b>	<b><u>Gross</u> <sup>(1)</sup></b>	<b><u>Net</u> <sup>(2)</sup></b>
Saskatchewan	0	0
Bulgaria <sup>(3)</sup>	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>

- (1) A gross well is a well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned.
- (2) A net well is deemed to exist when the sum of fractional ownership working interest in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof.
- (3) The Company's Bulgarian exploration permit is currently under contest by a competitor before the Bulgarian Supreme Administrative Court

The following tables set forth our leasehold interest in productive gas wells, as of December 31, 2010:

<u>Area</u>	<u>Gross</u> <sup>(1)</sup>	<u>Net</u> <sup>(2)</sup>
Saskatchewan	0	0
Bulgaria	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>

- (1) A gross well is a well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned.
- (2) A net well is deemed to exist when the sum of fractional ownership working interest in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof.

The following table sets forth the amounts of our net and gross productive wells and acreage<sup>(1)</sup> as of December 31, 2010:

<u>Area</u>	<u>Gross</u> <sup>(2)</sup>	<u>Net</u> <sup>(3)</sup>
Saskatchewan	0	0
Bulgaria	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>

- (1) Consists of acres spaced or assignable to productive wells.
- (2) A gross acre is an acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.
- (3) A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

## Undeveloped Acreage

The following table sets forth the amounts of our undeveloped acreage as of December 31, 2010:

<u>Area</u>	<u>Undeveloped Acreage</u> <sup>(1)</sup>	
	<u>Gross</u>	<u>Net</u>
Saskatchewan	80	20
Bulgaria <sup>(2)</sup>	98,204	98,204
<b>Total:</b>	<b>98,284</b>	<b>98,224</b>

- (1) Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether or not such acreage contains proved reserves.
- (2) The Company's Bulgarian exploration permit is currently under contest by a competitor before the Bulgarian Supreme Administrative Court

## Drilling Activity

The following table sets forth the results of our oil and gas drilling and acquisition activities as of December 31, 2010:

<u>Area</u>	<u>Dry</u>	<u>Exploratory Wells</u>			<u>Development Wells</u>	
		<u>Cased</u>	<u>Productive</u>		<u>Dry</u>	<u>Productive</u>
Saskatchewan	0	0	0		0	0
Bulgaria	0	0	0		0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>

## **Present Activities**

The Company is evaluating its Canadian property and in Bulgaria is active in the current court case before the Supreme Administrative Court regarding the permit issued to the Company in the Dobroudja Basin. In addition the Company is evaluating several international blue-sky possible acquisitions.

## **Office Properties**

We maintain an office at Suite 1220, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8. Our telephone number in Vancouver is (604) 685-0076 and our fax number is (604) 685-0078. This office space consists of three offices and a conference room comprising approximately 1,044 square feet. We entered into an assignment of lease with Patch Energy Inc. effective January 1, 2007, in which Patch agreed to assign the lease to us. The lease was for a term of 4 years commencing February 1, 2007 and expiring January 31, 2011. The Company has extended its lease for a one year term expiring January 31, 2012. The monthly lease payments in the first two years were approximately \$3,700, or \$44,400 per year, and \$3,900, or \$46,800 per year, in years 3 and 4. The monthly lease payments for the extension covering the fifth year are approximately \$4,360 or \$52,320 per year.

We believe that our current office space and facilities are sufficient to meet our present needs and do not anticipate any difficulty securing alternative or additional space, as needed, on terms acceptable to the Company.

## **ITEM 3. LEGAL PROCEEDINGS**

We currently are not a party to any material legal proceedings and, to our knowledge, no such proceedings are threatened or contemplated.

## **ITEM 4. (REMOVED AND RESERVED)**

## **PART II**

## **ITEM 5. MARKET FOR COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

### **Market Information**

Shares of our common stock have been quoted on the OTC Bulletin Board since June 20, 2006. From June 20, 2006 to July 25, 2007 shares of our common stock were quoted on the OTC Bulletin Board under the symbol "STOI", from July 26, 2007 to December 11, 2008 under the symbol "PRPL", and from December 12, 2008 to March 25, 2010 under the symbol "PKPL". In connection with our March 24, 2010 reverse stock split, from March 26, 2010 to April 26, 2010 under the symbol "PKPLD". Since April 27, 2010 shares in our common stock have traded again under the symbol "PKPL" on the OTC Bulletin Board. Shares of our common stock have also been listed on the Frankfurt Stock Exchange since August 13, 2007 under the symbol "3P2".

The range of high and low bid information for each quarter in the past two years is set forth below. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. This information has been adjusted to reflect forward stock splits of 8 for 1 and 1.5 for 1 completed in July 2007, a 10:1 forward stock split completed in August 2009 and a 1 for 300 reverse stock split completed in March 2010.

<b>2009</b>	<b>High Bid</b>	<b>Low Bid</b>
4 <sup>th</sup> Quarter	\$0.81	\$0.30
3 <sup>rd</sup> Quarter	\$3.30	\$0.45
2 <sup>nd</sup> Quarter	\$0.90	\$0.15
1 <sup>st</sup> Quarter	\$1.05	\$0.15
<b>2010</b>		
4 <sup>th</sup> Quarter	\$0.60	\$0.10
3 <sup>rd</sup> Quarter	\$0.23	\$0.10
2 <sup>nd</sup> Quarter	\$0.28	\$0.15
1 <sup>st</sup> Quarter	\$1.05	\$0.05

## **Holders**

The number of record holders of our common stock, \$0.00001 par value, as of March 30, 2011 was approximately 124.

## **Dividends**

We have not, since the date of our incorporation, declared or paid any dividends on our common shares. We anticipate that we will retain future earnings and other cash resources for the operation and development of our business for the foreseeable future. The payment of dividends in the future will depend on our earnings, if any, and our financial condition and such other factors as our board of directors considers appropriate.

## **Equity Compensation Plans**

On October 11, 2007 we adopted our 2007 Stock Option Plan, which allowed for the issuance of options to purchase up to 200,000 shares of our common stock. A copy of our 2007 Stock Option Plan was filed with our Annual Report on Form 10-KSB for the year ended December 31, 2007. On June 24, 2009, we amended our 2007 Stock Option Plan to allow for the issuance of options to purchase up to 216,667 shares of our common stock. On January 25, 2010 the Company amended and restated its 2007 Stock Option Plan to increase the maximum number of common shares that may be reserved for issuance to 533,333. The following table provides a summary of the number of stock options outstanding as at December 31, 2009 under our equity compensation plan:

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	Nil	Nil	Nil
Equity compensation plans not approved by security holders	294,881	\$0.51	6,667

## **Recent Sales of Unregistered Securities**

We have reported sales of securities without registration under the Securities Act during our fiscal year ended December 31, 2010 on the following reports, as filed with the Securities and Exchange Commission.

<b>Report</b>	<b>Date of Filing with SEC</b>
Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010	November 12, 2010

During the year ended December 31, 2010, we did not issue any securities without registration under the Securities Act which were not reported in the Quarterly Report on Form 10-Q described above except as follows:

On November 10, 2010, the Company issued 200,000 restricted shares at a deemed price of \$0.50 per share to a consultant pursuant to the terms of a consulting agreement.

On November 10, 2010, the Company issued 170,000 restricted shares at a deemed price of \$0.50 per share to a consultant pursuant to the terms of a consulting agreement.

On November 29, 2010, the Company issued 200,000 common shares at a price of US\$0.05 for gross proceeds of US\$10,000.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

We did not purchase any of our shares of common stock or other securities during the year ended December 31, 2010.

#### **ITEM 6. SELECTED FINANCIAL DATA**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

#### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of our financial condition, changes in financial condition and results of operations for the years ended December 31, 2010 and 2009 should be read in conjunction with our most recent audited consolidated financial statements for the years ended December 31, 2010 and 2009, which are included in this annual report, and the related notes to the financial statements, as well as "Item 1 - Business." This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this annual report.

#### **Our Plan of Operations**

Our initial Plan of Operations for the next 12 months is to work with the Bulgarian Ministry of Economy, Energy and Tourism, as well as negotiate with Overgas Inc. directly, to attempt to find a positive conclusion to the current court case in front of the Supreme Administrative Court of Bulgaria. If the original permit is upheld or if the Company can enter into a Joint Venture agreement with Overgas Inc., we plan to undertake an exploration program in the Dobroudja Basin. The first year program includes perforating and testing the Vranino #1 well, and procuring a seismic program of the license area which will cost approximately \$350,000. While the Company awaits the outcome in Bulgaria representatives are actively seeking further domestic and international exploration opportunities either through direct acquisition or joint venture agreements. We anticipate spending approximately \$150,000 in the next 12 months in office and general expenses, as well as approximately \$500,000 in professional, consulting and management fees.

#### *Estimated Capital Costs*

Based on our current plan of operations as set forth above, we estimate that we will require approximately \$1,000,000 to pursue our plan of operations over the next 12 months. As at December 31, 2010, we had cash of \$22 and a working capital deficit of \$161,929. Consequently, we will require additional financing to pursue our plan of operations over the next 12 months. There can be no assurance that we will obtain any additional financing in the amounts required or on terms favorable to us. If we are unable to obtain additional financing, we may have to re-evaluate or abandon our business activities and revise our plan of operations.

We believe that debt financing will not be an alternative for funding as we do not have any significant tangible assets to secure any debt financing. We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our plan of operations going forward. In the absence of such financing, our business plan will fail. Even if we are successful in obtaining equity financing, there is no assurance that we will obtain the funding necessary to pursue our business plan. If we do not continue to obtain additional financing going forward, we will be forced to re-evaluate or abandon our plan of operations.

### **Results of Operations – Years Ended December 31, 2010 and 2009**

	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009</b>
	<b><u>(Audited)</u></b>	<b><u>(Audited)</u></b>
Oil and Gas Revenue	\$ -	\$348,359
Direct Costs		
Depletion	-	425,264
Operating expenses	-	251,155
Expenses		
Office and general	92,445	140,654
Depreciation	1,514	1,218
Exploration expenses	-	-
Foreign exchange gain (loss)	4,987	15,068
Professional fees	126,362	142,218
Consulting	326,231	314,699
Investor relations	20,777	14,793
Management fees	-	66,000
Travel	26,368	2,767
Stock-based compensation	59,129	109,806
Other Items		
Interest revenue	67,356	23,473



	<b>Year Ended December 31, 2010</b>	<b>Year Ended December 31, 2009</b>
	<b><u>(Audited)</u></b>	<b><u>(Audited)</u></b>
Gain on sale of oil and gas properties	-	381,166
Loss on disposal of properties	4,635	-
Write-off oil and gas costs	(37,558)	(1,075,363)
Gain on settlement of debt	341,777	-
Net Loss	(281,603)	\$(1,806,007)

#### *Oil and Gas Revenue*

Our oil and gas revenue for the year ended December 31, 2010 was \$ nil, compared to \$348,359 for 2009. The company incurred no depletion or operating expenses during the year as a result of having no revenue. In the prior year, this revenue was offset by direct costs of \$425,264 in depletion and \$251,155 in operating expenses for 2009.

#### *Office and General Expenses*

Our office and general expenses decreased to \$92,445 for the year ended December 31, 2010 from \$140,654 for 2009.

#### *Exploration Expenses*

In the year ended December 31, 2010, we incurred exploration expenses of \$nil, compared to \$nil in 2009, relating to our properties.

#### *Professional Fees*

Our professional fees decreased to \$126,362 for the year ended December 31, 2010 from \$142,218 for 2009.

#### *Consulting Expenses*

Our consulting expenses increased to \$326,231 for the year ended December 31, 2010 from \$314,699 for 2009.

#### *Investor Relations Expenses*

Our investor relations expense for the year ended December 31, 2010 increased to \$20,777 compared to \$14,793 for 2009.

#### *Management Fees*

Our management fees decreased to \$nil for the year ended December 31, 2010 from \$66,000 for 2009.

#### *Travel Expenses*

Our travel expenses increased to \$26,368 for the year ended December 31, 2010 from \$2,767 for 2009.

### *Stock-Based Compensation Expenses*

Our stock-based compensation expenses decreased to \$59,129 for the year ended December 31, 2010 from \$109,806 for 2009.

### *Net Loss*

As a result of the above, our net loss before other items and taxes for the year ended December 31, 2010 was \$657,813, compared to \$1,135,283 for 2009. Our comprehensive loss for the year ended December 31, 2010 was \$282,567 compared to \$1,760,969 for 2009.

### **Liquidity and Capital Resources**

	<b>As at December 31, 2010 <u>(Audited)</u></b>	<b>As at December 31, 2009 <u>(Audited)</u></b>
Cash	\$22	\$4,414
Working capital (deficit)	(161,929)	(349,012)
Total assets	92,595	65,373
Total liabilities	169,835	361,406
Shareholders' equity	(77,240)	(296,033)

We anticipate that we will require approximately \$1,000,000 to pursue our plan of operations over the next 12 months. As at December 31, 2010, we had cash of \$22 and a working capital deficit of \$161,929. Consequently, we will require additional financing to pursue our plan of operations over the next 12 months. There can be no assurance that we will obtain any additional financing in the amounts required or on terms favorable to us. If we are unable to obtain additional financing, we may have to re-evaluate or abandon our business activities and plan of operations.

### *Cash Used in Operating Activities*

Net cash used in operating activities in the year ended December 31, 2010 increased to \$219,803 from \$124,775 in 2009, primarily as a result of our recording of an impairment of oil and gas of \$1,075,363 for the year ended December 31, 2009 as compared to \$ nil for 2010.

### *Cash Used In Investing Activities*

Net cash from investing activities in the year ended December 31, 2010 was \$85,713, compared to net cash used of \$40,423 in 2009. This cash flow is represented primarily from the sale of marketable securities amounting to \$79,635.

### *Cash Provided By Financing Activities*

We have funded our business to date primarily from sales of our common stock. In the year ended December 31, 2010, we received cash of \$120,487 as a result of proceeds from the sale of our capital stock, compared to \$92,436 in 2009.

### **Critical Accounting Policies And Estimates**

Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis. The preparation of financial statements

in conformity with U.S. generally accepted accounting principles 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:

#### *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 centres 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. At December 31, 2010, the Company has not capitalized any interest, general or administrative costs.

The costs in each cost centre, 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 centre 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 centres is further limited to an amount equal to the future net revenue from proved reserves plus the cost (net of impairments) of unproved properties of all cost centres 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.

#### *Asset retirement obligations*

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). The Company does not have any significant asset retirement obligations.

#### *Long-lived assets*

The carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

#### *Foreign currency translation*

The Company's functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in US dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The Company follows the current rate method of translation with respect to its US subsidiary. Accordingly, assets and liabilities are translated into US dollars at the period-end exchange rate while revenue and expenses are translated at the average exchange rate during the period. Related exchange gains and losses are included in a separate component of stockholders' equity as accumulated other comprehensive income.

#### *Revenue recognition*

The Company recognizes oil and gas revenue when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable.

#### *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.

#### *Recent accounting pronouncements*

In February 2010, the FASB issued Accounting Standards Update "ASU" 2010-09, Subsequent Events (Topic 855), amending ASC 855. ASU 2010-09 removes the requirement for an SEC filer to disclose a date relating to its subsequent events in both issued and revised financial statements. ASU 2010-09 also eliminates potential conflicts with the SEC's literature. Most of ASU 2010-09 is effective upon issuance of the update. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements, amending ASC 820. ASU 2010-06 requires entities to provide new disclosures and clarify existing disclosures relating to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In June 2009, the FASB issued ASC 810, which revised the consolidation guidance for variable interest entities. The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. ASC 810 is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual

reporting period. The Company adopted FASB ASC 810 and the adoption of this standard had no material impact on our financial statements for the year ended December 31, 2010.

In September 2009, the FASB issued authoritative guidance regarding multiple-deliverable revenue arrangements. This guidance addresses how to separate deliverables and how to measure and allocate consideration to one or more units of accounting. Specifically, the guidance requires that consideration be allocated among multiple deliverables based on relative selling prices. The guidance establishes a selling price hierarchy of (1) vendor specific objective evidence, (2) third-party evidence and (3) estimated selling price. This guidance is effective for annual periods beginning after June 15, 2010 but may be early adopted as of the beginning of an annual period. The Company is currently evaluating the effect that this guidance will have on its consolidated financial position and results of operations but does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

In July 2010, the FASB issued an Accounting Standards Update No. 2010-20, Receivables, Disclosure about the Credit Quality of Financing Receivables and Allowances for Credit Losses. The standard requires additional disclosure related to the credit quality of financing receivables, troubled debt restructurings and significant purchases or sales of financing receivables during the period. The standard requires that these disclosures and existing disclosures be presented on a disaggregated basis, similar to the manner that the entity uses to evaluate its credit losses. Disclosures of information as of the end of a reporting period are effective for interim and annual periods ending after December 15, 2010, and disclosures of activity that occurred during a reporting period are effective for interim and annual periods beginning after December 15, 2010. The Company has adopted this standard on January 1, 2010, and it will have no impact on our consolidated financial statements for the year ended December 31, 2010, due to the receivables being short-term in nature and are therefore not financing receivables.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on the Company's consolidated financial statements will depend on the size and nature of future business combinations.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our audited consolidated financial statements as of December 31, 2010 and 2009 and for the each of the two years in the period ended December 31, 2010, and the related notes to the financial statements, are filed as part of this annual report beginning on page F-1 below, and are incorporated by reference in this Item 8.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

David Johnson, our principal executive officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2010. Based on this evaluation, our principal executive officer has concluded that our disclosure controls and procedures were effective as of December 31, 2010.

**Management Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) of the Exchange Act. Management (under the supervision and with the participation of our principal executive officer and principal financial officer), assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the framework set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control was effective as of December 31, 2010.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only the management's report in this annual report.

**Changes in Internal Control Over Financial Reporting**

There were no changes to our internal control over financial reporting that occurred during the last quarter of our fiscal year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

**Directors and Executive Officers**

The following table and information that follows sets forth the names and positions of our directors and executive officers:

Name and Municipality of Residence	Age	Current Office with Park Place Energy Corp.	Director Since
David Johnson Vancouver, British Columbia	28	President, Chief Executive Officer and Director	June 13, 2008

The following is a description of the business background of the directors, director nominees and executive officers of our company.

**David Johnson** was appointed to our board on June 13, 2008. Prior to his appointment, in the past five years he was licensed with the Investor Dealers Association while employed with Odum Brown Limited, a financial services firm (2005 – 2006). He also consulted to both private as well as public companies (2007 – 2010). The Board of Directors has concluded that Mr. Johnson should serve as a director given his experience with private and public companies, particularly those involved in the resources field.

### **Term of Office**

All of our directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. Our officers are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal.

### **Significant Employees**

There are no significant employees other than our executive officer.

### **Family Relationships**

There are currently no family relationships between any of the members of our board of directors or our executive officer.

### **Board Independence**

None of our directors are considered independent directors under SEC rules as they are also officers of our company. We plan to add independent members to our board in the future, subject to our ability to locate and compensate such persons given our limited financial resources and the stage of our business.

### **Committees of the Board of Directors**

Our company does not currently have any committees of our board of directors as we only have two directors, each of whom is also an officer or was an officer during the year.

### **Involvement in Certain Legal Proceedings**

Except as disclosed in this annual report, during the past ten years none of the following events have occurred with respect to any of our directors or executive officers:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

- i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
  - ii. Engaging in any type of business practice; or
  - iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;
4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (3)(i) above, or to be associated with persons engaged in any such activity;
  5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
  6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
  7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
    - i. Any Federal or State securities or commodities law or regulation; or
    - ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
    - iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
  8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

There are currently no legal proceedings to which any of our directors or officers is a party adverse to us or in which any of our directors or officers has a material interest adverse to us.

### **Compliance with Section 16 of the Securities Exchange Act**

Section 16(a) of the Exchange Act requires the executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. We have received



copies of such forms from our executive officers and directors. During the fiscal year ended December 31, 2010, except as disclosed below, these filings were made on a timely basis:

Reporting Person	No. of Late Reports During the Fiscal Year Ended December 31, 2010	No. of Late Reports During the Fiscal Year Ended December 31, 2009
David Johnson	Zero	Two
Tom Mayenknecht <sup>(1)</sup>	Zero	Zero

Notes

(1) Mr. Mayenknecht was appointed Secretary and Treasurer on June 27, 2008 and resigned on October 31, 2010.

## Code of Ethics

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

We will provide a copy of the Code of Ethics to any person without charge, upon request. Requests can be sent to: Park Place Energy Corp., at Suite 1220 – 666 Burrard St, Vancouver, BC, V6C 2X8.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

Particulars of compensation awarded to, earned by or paid during the last two fiscal years to:

- (a) the person(s) serving as our company's principal executive officer during the year ended December 31, 2010;
- (b) each of our company's two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the year ended December 31, 2010, and whose total compensation exceeds \$100,000 per; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of our Company at the end of the year ended December 31, 2010;

(individually a "Named Executive Officer" and collectively the "Named Executive Officers") are set out in the summary compensation table below.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
David Johnson President & CEO <sup>(2)</sup>	2009	83,999	-	-	25,425	-	-	-	109,424
	2010	33,768	-	-	3,060	-	-	-	36,828

<b>Tom Mayenknecht</b> Secretary & Treasurer <sup>(3)</sup>	2009 2010	- 2,000	- -	- -	2,368 -	- -	- -	- -	2,368 2,000
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#### Notes

- (1) This column represents the grant date fair value of stock options granted.
- (2) Mr. Johnson was appointed President and CEO on June 12, 2008. Mr Johnson was appointed Secretary and Treasurer on October 31, 2010.
- (3) Mr. Mayenknecht was appointed Secretary and Treasurer on June 27, 2008 and resigned on October 31, 2010.

### **Outstanding Equity Awards as of December 31, 2010**

The following table summarizes the outstanding equity awards as of December 31, 2010 for each of our named executive officers:

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
David Johnson	30,000	-	-	0.51	1/25/12	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tom Mayenknecht	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

### **Compensation of Directors**

All compensation of our directors is disclosed under “Executive Compensation”, above.

### **Employment Contracts and Termination of Employment and Change-In-Control Arrangements**

There are no employment contracts or related arrangements with our executive officers.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information as of March 31, 2011 regarding the beneficial ownership of our common stock by:

- each person who is known by us to beneficially own more than 5% of our shares of common stock; and
- each named executive officer, each director and all of our directors and executive officers as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 5,598,909 shares of common stock outstanding as of March 31, 2011.

For the purposes of the information provided below, shares that may be issued upon the exercise or conversion of options, warrants and other rights to acquire shares of our common stock that are exercisable or convertible within 60 days following March 31, 2011, are deemed to be outstanding and beneficially owned by the holder for the purpose of computing the number of shares and percentage ownership of that holder, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner <sup>(1)</sup>	As of April 12, 2010	
	Shares	Percent
<b><i>Named Executive Officers and Directors<sup>(2)</sup></i></b>		
Tom Mayenknecht Secretary, Treasurer and Director	0	0*
David Johnson President, Chief Executive Officer and Director	189,902 <sup>(4)</sup>	3.39
<b><i>Directors and Executive Officers as a Group (Two Persons)</i></b>	189,902 <sup>(5)</sup>	3.39

\* Less than 1%.

#### Notes

- (1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of common shares actually outstanding on April 12, 2010.
- (2) The address of the executive officers and directors is c/o Park Place Energy Corp., Suite 1220 – 666 Burrard St, Vancouver, BC, V6C 2X8.
- (3) Includes options to acquire up to 30,000 shares of common stock exercisable within 60 days.
- (4) Includes 30,000 shares of common stock that may be acquired pursuant to options exercisable within 60 days.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Except for the transactions described below, since the beginning of our last two fiscal years, none of our directors, officers or principal stockholders, nor any associate or affiliate of the foregoing, have any material interest, direct or indirect, in any transaction, or in any proposed transaction, in which our company was or is to be a participant and in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years.

The Company paid or accrued consulting fees of \$24,000 (December 31, 2009 - \$66,000) to the former Chairman and to the former President & CEO of the Company. Included in accounts payable as of December 31, 2010 is \$16,893 (December 31, 2009 - \$41,548) that is owing to the former Chairman of the Company and a company related to the former Chairman for payment of expenses on behalf of the Company. The amount is unsecured, non-interest bearing, and has no specific terms of repayment.

The Company paid or accrued consulting fees of \$ 35,768 (2009 - \$ 83,990) to a directors of the Company. Included in due to related parties is \$Nil (2009 - \$33,963) that is owing to a director of the Company. The amount is unsecured, non-interest bearing and has no specific terms of repayment.

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

#### *Compensatory Arrangements*

Other than compensatory arrangements described under “Executive Compensation,” we have no other transactions, directly or indirectly, with our promoters, directors, senior officers or principal stockholders, which have materially affected or will materially affect us.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

We appointed Davidson & Company LLP to serve as our independent auditors for the years ended December 31, 2010 and December 31, 2009. We have not retained the services of any other independent auditors. Davidson & Company LLP performed the services listed below and was paid the fees listed below for the fiscal years ended December 31, 2010 and December 31, 2009:

#### **Audit Fees**

2010	2009
\$29,500	\$46,500

#### **Audit Related Fees**

2010	2009
None	None

Audit Fees consist of fees billed for professional services rendered for the audits of our financial statements, reviews of interim financial statements included in quarterly reports, services performed in connection with filings with the Securities and Exchange Commission and related comfort letters and other services that are normally provided by Davidson & Company LLP in connection with statutory and regulatory filings or engagements.

#### **Tax Fees**

2010	2009
None	None

Tax Fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

#### **All Other Fees**

2010	2009
None	None

### **Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

Our entire board of directors acts as our audit committee, and has assumed responsibility for the pre-approval of audit and permitted non-audit services to be performed by our company’s independent auditor. The audit committee will, on an annual basis, consider and, if appropriate, approve the provision of audit and non-audit services by Davidson & Company LLP. Thereafter, the audit committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services by Davidson & Company LLP which are not encompassed by the audit committee’s annual pre-approval and are not prohibited by law.

## PART IV

### ITEM 15. EXHIBITS

#### *Articles of Incorporation and By-laws*

- 3.1 Articles of Incorporation<sup>(1)</sup>
- 3.2 Bylaws<sup>(2)</sup>
- 3.3 Certificate of Change Effective August 31, 2009<sup>(7)</sup>
- 3.4 Certificate of Change Effective March 24, 2010<sup>(8)</sup>

#### *Material Contracts*

- 10.1 Amalgamation agreement dated July 30, 2007 among the Company, Park Place Energy Inc., and 0794403 B.C. Ltd.<sup>(1)</sup>
- 10.2 Farmout Agreement dated May 30, 2006 between Bounty Developments Ltd. and the Company<sup>(1)</sup>
- 10.3 Oil Sands Lease No. 7406080083 dated August 10, 2006<sup>(1)</sup>
- 10.4 Oil Sands Lease No. 7406080084 dated August 10, 2006<sup>(1)</sup>
- 10.5 Seismic Option Agreement dated September 22, 2006 among the Company, Bounty Developments Ltd. and Damascus Energy Inc.<sup>(1)</sup>
- 10.6 Farmout and Option Agreement dated September 25, 2006 between the Company and Patch Energy Inc.<sup>(1)</sup>
- 10.7 Farmout Participation and Option Agreement dated October 12, 2006 among the Company, Terra Energy Corp., Regal Energy Ltd. and Patch Energy Inc.<sup>(1)</sup>
- 10.8 Amendment Agreement dated November 2, 2006 among Pine Petroleum Limited, Tidewater Resources Inc. and the Company<sup>(1)</sup>
- 10.9 Letter Agreement dated March 27, 2007 between the Company and Great Northern Oilsands, Inc.<sup>(1)</sup>
- 10.10 Letter Agreement dated April 4, 2007 between the Company and Great Northern Oilsands, Inc.<sup>(1)</sup>
- 10.11 Letter Agreement dated April 30, 2007 between the Company and Great Northern Oilsands, Inc.<sup>(1)</sup>
- 10.12 Earning Agreement dated June 1, 2007 among the Company, Great Northern Oilsands Inc. and Tidewater Resources Inc.<sup>(1)</sup>
- 10.13 Letter Agreement dated July 6, 2007 between Britcana Energy Ltd. and the Company<sup>(1)</sup>
- 10.14 Letter Agreement dated November 30, 2007 between Great Northern Oilsands, Inc. and the Company<sup>(5)</sup>
- 10.15 Participation Agreement dated August 8, 2007 between Montello Resources Ltd. and Great Northern Oilsands, Inc.<sup>(5)</sup>
- 10.16 Consulting Agreement dated January 1, 2007 between the Company and David Stadnyk<sup>(1)</sup>
- 10.17 Change of Control Agreement dated December 1, 2007 between the Company and Merchant Equities Capital Corp.<sup>(5)</sup>
- 10.18 Park Place Energy Corp. 2007 Stock Option Plan<sup>(5)</sup>
- 10.19 Park Place Energy Corp. 2007 Stock Option Plan, as amended June 2009<sup>(10)</sup>
- 10.20 Purchase and Sale Agreement dated February 15, 2008 among the Company, Panther Minerals Inc. and Brasam Extracao Ltda.<sup>(3)</sup>
- 10.21 Amended Management Services Agreement dated April 10, 2008 between the Company and David Stadnyk<sup>(5)</sup>
- 10.22 Termination Agreement regarding the Worsley Area Properties between the Company and Bounty Developments Ltd. dated June 25, 2008<sup>(6)</sup>
- 10.23 Termination Agreement regarding the Atlee Buffalo Area Properties between the Company and Bounty Developments Ltd. dated June 25, 2008<sup>(6)</sup>
- 10.24 Offer to Purchase Agreement regarding the Kerrobert Area Properties between the Company and True Energy Inc. dated June 25, 2008<sup>(6)</sup>
- 10.25 Purchase and Sale Agreement between the Company and Brasam Extracao Minerals Ltda. dated June 26, 2008<sup>(6)</sup>
- 10.26 Petroleum and Natural Gas Lease dated July 24, 2008<sup>(6)</sup>
- 10.27 Termination Agreement regarding the Cecil (Eureka) Area Properties between the Company and Bounty Developments Ltd. dated March 30, 2009<sup>(6)</sup>
- 10.28 Seismic Earning Agreement dated August 19, 2009<sup>(7)</sup>
- 10.29 Purchase and Sale Agreement dated September 16, 2009<sup>(9)</sup>
- 10.30 Notice of Assignment<sup>(9)</sup>
- 14.1 Code of Ethics<sup>(4)</sup>

#### *Subsidiaries of the Small Business Issuer*

- 21.1 Subsidiaries of Small Business Issuer:

Name of Subsidiary

Jurisdiction of Incorporation

Park Place Energy (Canada) Inc.	British Columbia
Park Place Energy (International) Inc.	British Columbia

### ***Certifications***

- |      |   |
|------|---|
| 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 <sup>(10)</sup>                    |
| 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 <sup>(10)</sup>                    |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(10)</sup> |

### **Notes**

- (1) Incorporated by reference from our Current Report on Form 8-K/A, filed with the SEC on August 8, 2007.
- (2) Incorporated by reference from our registration statement on Form SB-2, filed with the SEC on December 9, 2004.
- (3) Filed with our Current Report on Form 8-K, filed with the SEC on March 6, 2008.
- (4) Incorporated by reference from our Annual Report of Form 10-KSB, filed with the SEC on October 11, 2006.
- (5) Incorporated by reference from our Annual Report on Form 10-KSB, filed with the SEC on April 15, 2008.
- (6) Incorporated by reference from our Annual Report on Form 10-K, filed with the SEC on March 31, 2009.
- (7) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on September 3, 2009
- (8) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on March 29, 2010
- (9) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on November 11, 2009
- (10) Filed herewith

**PARK PLACE ENERGY CORP.**  
**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**DECEMBER 31, 2010**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of  
Park Place Energy Corp.

We have audited the accompanying consolidated balance sheets of Park Place Energy Corp. as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficiency) and cash flows for the years ended December 31, 2010 and 2009 and for the period from inception at May 4, 2006 to December 31, 2010. The Company's management is responsible for these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for years then ended and for the period from inception at May 4, 2006 to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company generated negative cash flows from operating activities during the past year. The Company has an accumulated deficit of approximately \$11,877,700 for the year ended December 31, 2010. This raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

March 29, 2011





**PARK PLACE ENERGY CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)  
AS AT DECEMBER 31

	2010	2009
<i>ASSETS</i>		
<i>Current</i>		
Cash	\$ 22	\$ 4,414
Receivables	5,680	4,042
Prepaid expenses	<u>2,204</u>	<u>3,938</u>
Total current assets	7,906	12,394
<b>Equipment, net</b>	7,829	2,979
<b>Oil and gas properties (Note 3)</b>	<u>76,860</u>	<u>50,000</u>
<b>Total assets</b>	<u>\$ 92,595</u>	<u>\$ 65,373</u>
<i>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</i>		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	\$ 169,835	\$ 292,443
Loan payable (Note 4)	-	35,000
Due to related parties (Note 7)	<u>-</u>	<u>33,963</u>
<b>Total current liabilities</b>	<u>169,835</u>	<u>361,406</u>
<i>Stockholders' deficiency</i>		
Common stock (Note 5)		
Authorized		
40,000,000 par value \$0.00001		
Issued and outstanding		
5,598,908 common shares (December 31, 2009 – 2,293,844)	56	688
Additional paid-in capital (Note 5)	11,571,924	11,069,932
Accumulated other comprehensive income	228,480	229,444
Deficit accumulated during the exploration stage	<u>(11,877,700)</u>	<u>(11,596,097)</u>
<b>Total stockholders' deficiency</b>	<u>(77,240)</u>	<u>(296,033)</u>
<b>Total liabilities and stockholders' deficiency</b>	<u>\$ 92,595</u>	<u>\$ 65,373</u>

**Nature and continuance of operations (Note 1)**  
**Subsequent event (Note 11)**

The accompanying notes are an integral part of these consolidated financial statements.

**PARK PLACE ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)

	Cumulative Amounts From Inception May 4, 2006 to December 31, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009
<b>REVENUE</b>			
Oil and gas	\$ 1,619,047	\$ -	\$ 348,359
<b>DIRECT COSTS</b>			
Depletion	1,235,574	-	425,264
Operating expenses	<u>1,140,050</u>	<u>-</u>	<u>251,155</u>
	<u>(756,577)</u>	<u>-</u>	<u>(328,060)</u>
<b>EXPENSES</b>			
Office and general	722,591	92,445	140,654
Depreciation	4,049	1,514	1,218
Exploration expenses	308,534	-	-
Foreign exchange loss	121,186	4,987	15,068
Professional fees	920,246	126,362	142,218
Consulting	1,865,691	326,231	314,699
Investor relations	884,038	20,777	14,793
Management fees	631,638	-	66,000
Travel	192,719	26,368	2,767
Stock-based compensation (Note 5)	<u>2,004,083</u>	<u>59,129</u>	<u>109,806</u>
	<u>(7,654,755)</u>	<u>(657,813)</u>	<u>(807,223)</u>
<b>Loss before other items and income taxes</b>	(8,411,352)	(657,813)	(1,135,283)
<b>OTHER ITEMS</b>			
Interest and other revenue	109,705	67,356	23,473
Gain on sale of oil and gas properties	381,166	-	381,166
Gain on sale of the marketable securities	4,635	4,635	-
Loss on sale of properties	(53,869)	-	-
Loss on write-down of promissory note	(254,997)	-	-
Gain on settlement of debt (Note 5)	341,777	341,777	-
Write off oil and gas costs and exploration advances	<u>(4,244,676)</u>	<u>(37,558)</u>	<u>(1,075,363)</u>
<b>Loss before income tax</b>	<u>(12,127,611)</u>	<u>(281,603)</u>	<u>(1,806,007)</u>
<b>Future income tax recovery</b>	<u>291,060</u>	<u>-</u>	<u>-</u>
<b>Net loss for the period</b>	<u>(11,836,551)</u>	<u>(281,603)</u>	<u>(1,806,007)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Foreign currency translation adjustment	<u>237,916</u>	<u>(964)</u>	<u>45,038</u>
<b>COMPREHENSIVE LOSS</b>	<u>\$ (11,598,635)</u>	<u>\$ (282,567)</u>	<u>\$ (1,760,969)</u>
<b>Basic and diluted loss per share</b>		<u>\$ (0.07)</u>	<u>\$ (0.82)</u>
<b>Weighted average number of shares outstanding – basic and diluted</b>		4,190,989	2,205,578

The accompanying notes are an integral part of these consolidated financial statements.

**PARK PLACE ENERGY CORP.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)

	Common Stock							
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Deficit Accumulated During the Exploration Stage		Total	
<b>December 31, 2007</b>	1,100,011	\$ 330	\$ 7,932,363	\$ 114,837	\$ (4,594,798)	\$	3,452,732	
Issuance of common stock for cash	784,071	235	1,983,713	-	-		1,983,948	
Issuance of common stock in settlement of debt	71,429	21	149,979	-	-		150,000	
Issuance of common stock for consulting	183,333	56	560,702	-	-		560,758	
Stock-based compensation	-	-	310,444	-	-		310,444	
Share issuance costs	-	-	(69,465)	-	-		(69,465)	
Cumulative translation adjustment	-	-	-	79,005	-		79,005	
<b>Net loss</b>	-	-	-	-	(5,195,292)		(5,195,292)	
<b>December 31, 2008</b>	2,138,844	642	10,867,736	193,842	(9,790,090)		1,272,130	
Issuance of common stock for cash	155,000	46	92,390	-	-		92,436	
Cumulative translation adjustment	-	-	-	35,602	-		35,602	
Stock-based compensation	-	-	109,806	-	-		109,806	
<b>Net loss</b>	-	-	-	-	(1,806,007)		(1,806,007)	
<b>December 31, 2009</b>	2,293,844	688	11,069,932	229,444	(11,596,097)		(296,033)	
Issuance of common stock for cash	1,296,311	399	120,088	-	-		120,487	
Issuance of common stock in settlement of debt	1,638,754	518	125,670	-	-		126,188	
Issuance of common stock for consulting	370,000	111	184,519	-	-		184,630	
Stock-based compensation	-	-	59,129	-	-		59,129	
Cumulative translation adjustment	-	-	-	(964)	-		(964)	
Warrants	-	-	10,926	-	-		10,926	
Adjustment for par value	-	(1,660)	1,660	-	-		-	
<b>Net loss</b>	-	-	-	-	(281,603)		(281,603)	
<b>December 31, 2010</b>	5,598,909	\$ 56	\$ 11,571,924	\$ 228,480	\$ (11,877,700)	\$	(77,240)	

The accompanying notes are an integral part of these consolidated financial statements.

**PARK PLACE ENERGY CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Cumulative Amounts From Inception May 4, 2006 to December 31, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss for the period	\$ (11,836,551)	\$ (281,603)	\$ (1,806,007)
Depreciation	4,049	1,514	1,218
Stock-based compensation	2,004,083	59,129	109,806
Warrants issued for consulting services	10,926	10,926	-
Interest accrued on notes payable	12,530	-	-
Impairment of oil and gas	2,924,647	-	1,075,363
Gain on sale of oil and gas interest	(381,166)	-	(381,166)
Consulting fees paid by issuance of common stock	376,049	-	-
Gain on sale of marketable securities	(4,635)	(4,635)	-
Gain on settlement of debt	(341,777)	(341,777)	-
Write off of exploration advance	37,558	37,558	-
Investor relation and consulting fees paid by issuance of common stock	508,785	184,630	-
Depletion	1,235,574	-	425,264
Future income tax recovery	(291,060)	-	-
Changes in non-cash working capital items:			
Decrease (increase) in receivables	(5,680)	(1,638)	87,431
Decrease (increase) in prepaid expenses	(2,244)	1,694	20,038
Decrease (increase) in accounts payable and accrued liabilities	1,014,452	114,918	318,351
Increase (decrease) in due to related parties	65,449	(519)	24,927
Net cash used in operating activities	(4,669,011)	(219,803)	(124,775)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Oil and gas interests	(3,741,761)	-	(38,756)
Proceeds from sale of oil and gas properties	50,000	50,000	-
Proceeds from sale of marketable securities	79,635	79,635	-
Exploration advances	(270,919)	(37,558)	-
Loan payable	(572,000)	-	-
Cash acquired through recapitalization	320	-	-
Acquisition of property and equipment	(11,878)	(6,364)	(1,667)
Net cash used in investing activities	(4,466,603)	85,713	(40,423)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital stock	8,287,009	120,487	92,436
Proceeds from loans	625,000	-	-
Repurchase of common stock	(15,028)	-	-
Net cash provided by financing activities	8,896,981	120,487	92,436
Effect of foreign exchange on cash	238,655	9,211	35,602
Change in cash during the period	22	(4,392)	(37,160)
Cash position, beginning of period	-	4,414	41,574
Cash position, end of period	\$ 22	\$ 22	\$ 4,414

**Supplemental disclosure with respect to cash flows (Note 6)**

The accompanying notes are an integral part of these consolidated financial statements.

**PARK PLACE ENERGY CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)  
DECEMBER 31, 2010

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Park Place Energy Corp., formerly ST Online Corp. (the “Company”), was incorporated under the laws of the State of Nevada on August 27, 2004. On June 22, 2007, the Company entered into a Business Combination Agreement with Park Place Energy Inc., a private company incorporated under the laws of the Province of Alberta, Canada, and 0794403 B.C. Ltd., a British Columbia corporation and wholly-owned subsidiary of the Company.

On July 6, 2007, the Company affected a forward split of its shares of common stock on the basis of eight new shares of common stock for each one share of common stock outstanding on that date and increased the authorized share capital from 100,000,000 shares of common stock to 800,000,000 shares of common stock. At the same time, the Company merged with a wholly-owned subsidiary, Park Place Energy Corp. which incorporated under the laws of the State of Nevada in contemplation of the acquisition of all of the issued and outstanding shares of Park Place Energy Inc. and the name of the Company was then changed to Park Place Energy Corp. On July 23, 2007, the Company effected a forward split of its shares of common stock on the basis of one and one-half new shares of common stock for each one share of common stock outstanding on that date and increased authorized share capital from 800,000,000 shares of common stock to 1,200,000,000 shares of common stock. Pursuant to the terms of the Business Combination Agreement, the Company issued to each shareholder of record of Park Place Energy Inc. at the time of the acquisition one share of our common stock for every two shares they held of Park Place Energy Inc. On August 31, 2009, the Company affected a forward split of its shares of common stock on a one old share for ten new shares basis on that date and increased the authorized share capital from 1,200,000,000 shares of common stock to 12,000,000,000 shares of common stock. On March 24, 2010, the Company affected a reverse stock split of its common shares on a three hundred old shares for one new share basis, decreasing the authorized share capital from 12,000,000,000 common shares to 40,000,000 common shares. All references to number of shares outstanding, earnings per share, stock options and warrants have been adjusted to reflect the above mentioned stock splits.

On July 30, 2007, the Company acquired Park Place Energy Inc. which was renamed to Park Place Energy (Canada) Inc. (“Park Place Canada”) on September 14, 2007. The business of the Company is now the acquisition and exploration of oil and gas properties. Park Place Energy Corp. held exploration interests in a property in Tennessee, USA. Park Place Canada holds the exploration interests in three properties in the provinces of British Columbia and Alberta, in Canada. For accounting purposes, the merger was treated as a recapitalization with Park Place Energy Inc. being the accounting acquirer and the go-forward financial statements reflect the history of Park Place Energy Inc. from its inception on May 4, 2006. The fiscal year-end of Park Place Energy Corp. was changed to December 31 from September 30.

On November 22, 2007 a new private company, Park Place Energy (International) Inc. (“Park Place International”) was incorporated under the laws of British Columbia, Canada. This company is a wholly owned subsidiary of Park Place Energy Corp.

On July 24, 2008, the Company acquired the interest in certain 5 Year Northern Petroleum and Natural Gas Leases located in Alberta, Canada. The Company sold this interest on April 6, 2010 for consideration of \$50,000.

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. The Company has had a history of negative cash flows from operating activities. In addition, the Company has an accumulated deficit of \$11,877,700 as of December 31, 2010. These considerations raise substantial doubt about the

Company's ability to continue as going concern. Accordingly, the Company will require continued financial support from its shareholders and creditors until it is able to generate sufficient cash flow from operations on a sustained basis.

**PARK PLACE ENERGY CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)  
DECEMBER 31, 2010

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**1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd...)**

Failure to obtain the ongoing support of its stockholders and creditors may make the going concern basis of accounting inappropriate, in which case the Company's assets and liabilities would need to be recognized at their

liquidation values. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might arise from this uncertainty.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These consolidated financials statements and related notes are presented in accordance with accounting principles generally accepted in the United States ("US GAAP"), and are expressed in Canadian dollars. The Company has not produced significant revenue from its principal business and is an Exploration stage company as defined by ASC 915, "Development Stage Entities". The Company's fiscal year end is December 31.

**Use of estimates**

The preparation of financial statements in conformity with US GAAP 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. Actual results could differ from those estimates.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Park Place Canada (from July 30, 2007) which is incorporated under the laws of British Columbia, Canada; Park Place International (from November 22, 2007) which is incorporated under the laws of British Columbia, Canada and 0794403 B.C. Ltd., a Company incorporated under the laws of British Columbia, Canada. All intercompany transactions and balances have been eliminated upon consolidation.

**Equipment**

Equipment is recorded at cost less accumulated depreciation. Depreciation is recognized using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**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 centres 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. At December 31, 2010, the Company has not capitalized any interest, general or administrative costs.

The costs in each cost centre, 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 centre 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 centres is further limited to an amount equal to the future net revenue from proved reserves plus the cost (net of impairments) of unproved properties of all cost centres 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.

**Asset retirement obligations**

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). The Company does not have any significant asset retirement obligations.

**Accumulated other comprehensive income**

Accumulated other comprehensive income consists of net income or loss and other related gains and losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income or loss. At December 31, 2010, accumulated other comprehensive loss consists of cumulative translation adjustments for changes in foreign currency exchange rates during the period.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Basic and diluted net loss per share**

Basic earnings per share is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted earnings per share, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted earnings per share excludes all dilutive potential shares if their effect is anti dilutive.

**Long-lived assets**

The carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

**Foreign currency translation**

The Company's functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in US dollars. The Company has not, to the date of these financials statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The Company follows the current rate method of translation with respect to its US subsidiary. Accordingly, assets and liabilities are translated into US dollars at the period-end exchange rate while revenue and expenses are translated at the average exchange rates during the period. Related exchange gains and losses are included in a separate component of stockholders' equity as accumulated other comprehensive income.

**Revenue recognition**

The Company recognizes oil and gas revenue when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable.

**Income taxes**

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements

because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Stock-based compensation**

The Company accounts for stock-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.

**Reclassifications**

Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation.

**Recent accounting pronouncements**

In February 2010, the FASB issued Accounting Standards Update "ASU" 2010-09, Subsequent Events (Topic 855), amending ASC 855. ASU 2010-09 removes the requirement for an SEC filer to disclose a date relating to its subsequent events in both issued and revised financial statements. ASU 2010-09 also eliminates potential conflicts with the SEC's literature. Most of ASU 2010-09 is effective upon issuance of the update. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements, amending ASC 820. ASU 2010-06 requires entities to provide new disclosures and clarify existing disclosures relating to fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In June 2009, the FASB issued ASC 810, which revised the consolidation guidance for variable interest entities. The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. ASC 810 is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company adopted FASB ASC 810 and the adoption of this standard had no material impact on our financial statements for the year ended December 31, 2010.

In September 2009, the FASB issued authoritative guidance regarding multiple-deliverable revenue arrangements. This guidance addresses how to separate deliverables and how to measure and allocate consideration to one or more units of accounting. Specifically, the guidance requires that consideration be allocated among multiple deliverables based on relative selling prices. The guidance establishes a selling price hierarchy of (1) vendor specific objective evidence, (2) third-party evidence and (3) estimated selling price. This guidance is effective for annual periods beginning after June 15, 2010 but may be early adopted as of the beginning of an annual period. The Company is currently evaluating the effect that this guidance will have on its consolidated financial position and results of operations but does not expect its adoption to have a material impact on the Company's financial reporting and disclosures.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Recent accounting pronouncements (cont'd...)**

In July 2010, the FASB issued an Accounting Standards Update No. 2010-20, Receivables, Disclosure about the Credit Quality of Financing Receivables and Allowances for Credit Losses. The standard requires additional disclosure related to the credit quality of financing receivables, troubled debt restructurings and significant purchases or sales of financing receivables during the period. The standard requires that these disclosures and existing disclosures be presented on a disaggregated basis, similar to the manner that the entity uses to evaluate its credit losses. Disclosures of information as of the end of a reporting period are effective for interim and annual periods ending after December 15, 2010, and disclosures of activity that occurred during a reporting period are effective for interim and annual periods beginning after December 15, 2010. The Company has adopted this standard on January 1, 2010, and it will have no impact on our consolidated financial statements for the year ended December 31, 2010, due to the receivables being short-term in nature and are therefore not financing receivables.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on the Company's consolidated financial statements will depend on the size and nature of future business combinations.

**3. OIL AND GAS PROPERTIES**

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	As at December 31, 2010	As at December 31, 2009
<b><i>OIL AND GAS INTERESTS</i></b>		
<b>Unproven Properties</b>		
<i>Canada</i>	\$ 76,860	\$ 50,000
<i>Total Unproved Properties</i>	\$ 76,860	\$ 50,000
<b><i>Total Proven and Unproved Properties</i></b>	<b>\$ 76,860</b>	<b>\$ 50,000</b>

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On October 30, 2009, the Company sold all interests in its proven Canadian properties in consideration for \$457,295, which was paid by the purchaser to certain creditors of the Company as outlined in the purchase and sale agreement.

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**3. OIL AND GAS PROPERTIES (cont'd...)**

During the year ended December 31, 2009, the Company wrote off certain costs relating to proven and unproven properties in the amount of \$1,055,363, and an exploration advance relating to the proven property sold during 2009 in the amount of \$20,000 to operations.

On January 28, 2010, the Company bought a 50% interest in an oil and gas exploration property located in Saskatchewan, Canada by issuing a US\$150,000 note payable. This note payable was later settled by issuing 500,000 common shares of the Company (Note 5 and 6).

On April 6, 2010 the Company sold all of its oil and gas properties located in Alberta for consideration of \$50,000. No gain or loss was recorded on the sale.

On May 11, 2010, the Company assigned one-half of its 50% working interest in its Saskatchewan oil and gas property to a privately held exploration company. As consideration for the assignment, the Company received 750,000 shares of the private company. As the shares had no active market they were valued based on the consideration given up, US \$75,000.

On October 12, 2010 the Bulgarian Council of Ministers granted to the Company a permit for the exploration and prospecting of oil and natural gas properties known as the Vranino Blocks.

On October 25, 2010 an appeal against the Bulgarian Council of Ministers decision to award the Vranino Block to Park Place was filed with the Supreme Administrative Court of Bulgaria.

**4. LOAN PAYABLE**

The Company entered into a loan agreement with an arms length third party in the amount of \$225,000 on December 28, 2007. The associated Demand Promissory Note does not contain any interest and the holder has the option to convert the loan into common shares of the Company.

The Company converted \$150,000 out of a total \$225,000 to 71,429 units at a price of \$2.10 per unit on March 3, 2008. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share at an exercise price of \$3.00 per share in the first year and at an exercise price of \$4.50 per share in the second year. During the year ended December 31, 2008, the Company repaid \$40,000 reducing the amount outstanding to \$35,000. On January 28, 2010, the Company issued 125,982 common shares at price of US\$0.30 per share in satisfaction of outstanding debt.

**5. COMMON STOCK**

On July 6, 2007 the Company implemented a stock split of its common stock by issuing eight new shares for every one old share. Effective July 23, 2007 the Company implemented a further a stock split of its common stock by issuing one and a half new shares for every old share. On August 31, 2009, the Company affected a forward split of its shares of common stock on a one (1) old share for ten (10) new shares on that date and increased the authorized share capital from 1,200,000,000 shares of common stock to 12,000,000,000 shares of common stock. Subsequent to December 31, 2009, the Company affected a reverse stock split of its common shares on a three hundred old shares for one new share basis, decreasing the authorized share capital from 12,000,000,000 common shares to 40,000,000 common shares. Except as otherwise stated to the contrary in these financial statements, all references to share and prices per shares have been adjusted to give retroactive effect to the stock splits.

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**5. COMMON STOCK (cont'd...)**

On February 14, 2008, the Company issued 147,857 units at a price of US\$2.10 for gross proceeds of US\$310,500. Each unit contained one share of common stock and one warrant exercisable at US\$3.00 during the first year and US\$4.50 in the second year.

On February 26, 2008, the Company issued 25,000 shares of common stock for consulting services at a value of US\$3.00 per share.

On March 3, 2008, the Company issued 284,548 units at a price of US\$2.10 for gross proceeds of US\$597,550. Each unit contained one share of common stock and one warrant exercisable at US\$3.00 during the first year and US\$6.00 in the second year.

On March 6, 2008, the Company issued 71,429 units at a price of US\$2.10 to the holders of the loan payable as outlined in Note 4. Each unit contained one share of common stock and one warrant exercisable at US\$3.00 during the first year and US\$4.50 during the second year.

In April, 2008, the Company issued 300,000 units at a price of US\$3.00 per unit for gross proceeds of US\$900,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase a common share up to one year at a price of US\$6.00. The Company paid a Finder's Fee of \$45,000 and issued Finder's Warrants with a fair value of \$27,986 to acquire 15,000 common shares of the Company at US\$3.00 for one year.

On June 20, 2008, the Company issued 80,000 shares of common stock for consulting services at a value of US\$2.70 per share.

On July 3, 2008, the Company issued 49,167 shares of common stock at a price of US\$3.00 for gross proceeds of US\$147,500 and 2,500 shares of common stock at a price of US\$4.50 for gross proceeds of US\$11,250.

On September 8, 2008, the Company issued 20,000 shares of common stock for consulting services at a value of US\$3.75 per share.

On September 8, 2008, the Company issued 58,333 shares of common stock for consulting services at a value of US\$3.00 per share.

On July 2, 2009, the Company issued 33,330 shares of common stock at a price of US\$0.30 for gross proceeds of US\$10,000.

On July 16, 2009, the Company issued 44,334 shares of common stock at a price of US\$0.60 for gross proceeds of US\$26,600.

On July 27, 2009, the Company issued 15,834 shares of common stock at a price of US\$0.60 for gross proceeds of US\$9,500.

On August 13, 2009, the Company issued 10,918 shares of common stock at a price of US\$0.60 for gross proceeds of US\$6,550.

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**5. COMMON STOCK (cont'd...)**

On August 18, 2009, the Company issued 50,584 shares of common stock at a price of US\$0.60 for gross proceeds of US\$30,350.

On January 15, 2010, the Company issued 21,667 common shares at a price of US\$0.30 on the exercise of options for gross proceeds of US\$6,500.

On January 25, 2010, the Company issued 8,424 common shares at a price of US\$0.45 on the exercise of options for gross proceeds of US\$3,971.

On January 28, 2010 the Company issued a total of 1,248,163 common shares at a value of US\$0.07 per share for payment of outstanding payables of \$169,235 (US\$154,553), loans payable of \$35,000, amounts due to related parties of \$34,085 (US\$32,101) and a note payable of \$159,270 (US\$150,000). A gain of \$304,819 (US\$287,078) was recorded.

On February 16, 2010, the Company issued 6,576 common shares at a price of US\$0.45 and 21,786 of common shares at a price of US\$0.51 on the exercise of options for gross proceeds of US\$2,959 and US\$11,111.

On February 16, 2010 the Company issued 187,857 shares and warrants on the close of its unit offering for gross proceeds of US \$39,450.

On March 11, 2010, the Company issued 150,000 common shares at a value of US\$0.06 in satisfaction of outstanding accounts payable of \$46,197 (US\$45,000). A gain of \$ 36,958 (US\$36,000) was reported as the difference in accounts payable settled and the fair market value of shares issued.

On March 24, 2010 the Company affected a reverse stock split of its common shares on a three hundred old shares for one new share basis, decreasing the authorized share capital from 12,000,000,000 common shares to 40,000,000 common shares.

On August 19, 2010, the Company completed a private placement issuing 850,000 common shares at a price of US \$0.05 for gross proceeds of \$42,500. The Company also issued 169,163 shares for the settlement of \$8,718 (US\$8,458) in accounts payable. A stock based compensation expense of US \$27,066 was recorded for the difference between the market value of the Company's shares when issued and the debt settlement value.

On August 19, 2010, the Company issued 71,428 common shares at a price of US\$0.21 for settlement of accounts payable of \$15,460 (US\$15,000).

On November 10, 2010, the Company issued 200,000 restricted shares at a price of US\$0.50 per share to a consultant pursuant to the terms of a consulting agreement.

On November 10, 2010, the Company issued 170,000 restricted shares at a price of US\$0.50 per share to a consultant pursuant to the terms of a consulting agreement.

On November 29, 2010, the Company issued 200,000 common shares at a price of US\$0.05 for gross proceeds of US\$10,000.



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**5. COMMON STOCK (cont'd...)**

**Stock options**

The Company adopted an official incentive stock option plan as at October 11, 2007 whereby the total number of authorized options to be granted is up to a total of 200,000 Common Shares. Under the plan the exercise price of each option 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 shall be specified by the Company at the time of grant. The maximum term of options granted is 10 years.

On June 24, 2009 the Company amended the stock option plan to increase common shares approved to 216,667.

On January 25, 2010 the Company amended and restated its 2007 Stock Option Plan to increase the maximum number of common shares that may be reserved for issuance under the Plan from 216,667 common shares to 533,333 common shares.

As at December 31, 2010, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

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	Exercise	
Number of	Price	
Options	(US\$)	Expiry Date
<hr/>		
<u>294,881</u>	0.51	January 25, 2012
Balance as at December 31, 2010	294,881	

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Stock option transactions are summarized as follows:

	December 31, 2010		December 31, 2009	
	Number of Options	Weighted Average Exercise Price (US\$)	Number of Options	Weighted Average Exercise Price (US\$)
Balance, beginning of year	46,665	\$ 1.20	54,666	\$ 4.20
Granted	331,667	0.51	130,333	3.00
Exercised	(58,453)	0.42	(121,667)	3.00
Expired / cancelled	(24,998)	1.78	(16,667)	1.50
Balance, end of year	294,881	\$ 0.51	46,665	\$ 1.20
Options exercisable, end of year	294,881	\$ 0.51	46,665	\$ 1.20

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**5. COMMON STOCK (cont'd...)**

During the year ended December 31, 2010 the Company granted options to purchase 331,667 shares of common stock (2009 – 130,333). The weighted average fair value of the options granted during the year ended December 31, 2010 is \$0.10 (2009 - \$3.00) per option.

The aggregate intrinsic value for the options vested as of December 31, 2010 is approximately \$Nil (2009 - \$Nil) and for total options outstanding is approximately \$Nil (2009 - \$Nil).

**Options – Stock-Based Compensation**

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31:

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	2010	2009
Risk-free interest rate	1.18%	2.55%
Expected life of options	2.00 years	2.00 years
Annualized volatility	271.77%	261.16%
Dividend rate	0.00%	0.00%

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## Warrants

As at December 31, 2010, the Company had outstanding warrants, enabling the holders to acquire further common shares as follows:

		Exercise	
	Number of	Price	
	Warrant	(US\$)	Expiry Date
	187,857	0.26	January 16, 2012
	66,666	0.30	May 19, 2012
	<u>33,333</u>	0.51	July 2, 2011
Balance as at December 31, 2010	294,881	0.31	

Warrants transactions are summarized as follows:

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**5. COMMON STOCK (cont'd...)**

	December 31, 2010		December 31, 2009	
	Number of Warrants	Weighted Average Exercise Price (US\$)	Number of Warrants	Weighted Average Exercise Price (US\$)
Balance, beginning of year	537,167	\$ 4.20	1,064,064	\$ 0.90
Granted	254,523	0.27	33,333	0.60
Expired / cancelled	(503,834)	4.50	(560,230)	12.30
Balance, end of year	287,856	\$ 0.31	537,167	\$ 4.20

During the year ended December 31, 2010 the Company issued 66,666 warrants as compensation for consulting fees. These warrants were valued at \$11,274 using the Black Scholes valuation method using the following assumption:

	2010
Risk-free interest rate	1.83%
Expected life of warrants	2 years
Annualized volatility	279.66%
Dividend rate	0.00%

**6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	Cumulative Amounts from Inception on May 4, 2006 to December 31, 2010		Year Ended December 31, 2010		Year Ended December 31, 2009	
Cash paid during the period for interest	\$	-	\$	-	\$	-
Cash paid during the period for income taxes	\$	-	\$	-	\$	-

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**6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)**

Significant non-cash transactions during the year ended December 31, 2009 include:

- a) The sale of the Company's interest in its proven Canadian properties for \$457,295 as disclosed in note 3.
- b) The Company assigned certain oil and gas interests in its proved properties to the operator in exchange for the settlement of an outstanding amount owed to the operator in the amount of \$208,242

Significant non-cash transactions during year ended December 31, 2010 include:

- a) The Company issued 1,638,754 shares of common stock at a value of \$126,188 for payment of outstanding accounts payable of \$239,610 (US\$223,011), loans payable of \$35,000, note payable of \$159,9270 (US\$150,000) and amounts due to related parties of \$34,085 (US\$32,101). A gain of \$341,777 and stock-based compensation of \$27,897 (US\$27,066) was recorded as the difference between the market value of shares issued and the amount of debt settled.
- b) On May 11, 2010, the Company assigned one-half of its 50% working interest in its Saskatchewan an oil and gas property to a privately held exploration company. As consideration for the assignment, the Company received 750,000 shares of the private company. As the shares had no active market they were valued based on the consideration given up, or US \$75,000.
- c) The Company issued 370,000 shares of common stock at a value of \$184,630 (US\$185,000) for consulting services provided.

**7. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2010 the Company entered into the following transactions with related parties:

The Company paid or accrued consulting fees of \$35,768 (2009 - \$83,990) to the directors of the Company. Also included in due to related parties is \$Nil (2009 - \$33,963) that is owing to a director of the Company. The amount is unsecured, non-interest bearing and has no specific terms of repayment.

Included in the shares issued to settle debt was the issuance of 107,004 shares to related parties for settlement of US\$32,101.

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

## **8. SEGMENTED INFORMATION**

The Company's operations are in the resource industry in Canada and Bulgaria.



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**8. SEGMENTED INFORMATION (cont'd...)**

Geographical information is as follows:

	December 31, 2010	December 31, 2009
Equipment		
Canada	\$ 7,829	\$ 2,979
Bulgaria	<u>-</u>	<u>-</u>
	\$ 7,829	\$ 2,979
Oil and gas properties		
Canada	76,860	50,000
Bulgaria	<u>-</u>	<u>-</u>
	\$ 76,860	\$ 50,000

During the year ended December 31, 2009, all of the Company's oil and gas revenues were from Canada.

**9. INCOME TAXES**

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

	December 31, 2010	December 31, 2009
Loss before income tax recovery	\$ (281,603)	\$ (1,806,007)
Expected income tax recovery at statutory rates	\$ 95,745	\$ 614,042
(Deductible) non-deductible expenses	95,586	(429,419)
Deductible items	16,804	26,887
Unrecognized benefit of non-capital losses and resource expenditures	<u>(208,135)</u>	<u>(211,510)</u>
Total income tax recovery	\$ -	\$ -

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**9. INCOME TAXES (cont'd...)**

The significant components of the Company's future tax assets are as follows:

	2010	2009
Future tax assets		
Loss carry forwards	\$ 2,532,800	\$ 2,324,700
Oil and gas property and related exploration expenditures	1,951,700	1,935,300
Share issue costs	20,700	36,800
Capital assets	<u>800</u>	<u>300</u>
	4,506,000	4,297,100
Less: valuation allowances	<u>(4,506,000)</u>	<u>(4,297,100)</u>
Net future tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$7,450,000. These losses, if not utilized, will expire commencing in 2030. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

**10. FINANCIAL INSTRUMENTS**

Financial instruments, including receivables, accounts payable and accrued liabilities, loan payable and due to related parties are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The company's investments are classified as held-for-trading and are marked-to-market at each reporting date with the unrealized gains or losses being recognized in net income.

Under GAAP, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is also established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable
- Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

At December 31, 2010 our cash was measured using level one inputs.

**PARK PLACE ENERGY CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)  
DECEMBER 31, 2010

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**11. SUBSEQUENT EVENT**

The Company has received a refundable \$81,500 of a \$150,000 convertible promissory note. The terms of the note are currently under negotiations.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **PARK PLACE ENERGY CORP.**

By: /s/ David Johnson  
David Johnson  
President, Secretary, Chief Executive Officer and a Director  
Date: March 31, 2011

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ David Johnson  
David Johnson  
President, Secretary, Chief Executive Officer and a Director  
Date: March 31, 2011

**CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002**

I, David Johnson, certify that:

1. I have reviewed this annual report on Form 10-K of Park Place Energy Corp.;
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 under which such statements were 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 15d-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, including its consolidated subsidiaries, 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 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(s) 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: March 31, 2011

By: /s/ David Johnson

David Johnson

President, Chief Executive Officer, Secretary and a director

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, David Johnson, the President and Chief Executive Officer of Park Place Energy Corp. (the “Company”), hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the Annual Report on Form 10-K for the year ended December 31, 2010, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Annual Report on Form 10-K, as amended, fairly presents in all material respects the financial condition and results of operations of the Company.

Date: March 31, 2011

By: /s/ David Johnson  
David Johnson  
President, Chief Executive Officer, Secretary and a director

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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