

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

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, 2019**

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: **000-52690**

PETROLIA ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of
incorporation or organization)

**710 N Post Oak, Suite 500
Houston, Texas**

(Address of principal executive offices)

86-1061005

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

77024

(Zip Code)

(832-941-0011)

(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the issuer 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth company

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 176,991,222 shares of common stock as of May 26, 2021.

TABLE OF CONTENTS

	Page
Part I Financial Information	
Item 1. Consolidated Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures about Market Risk	24
Item 4. Controls and Procedures	24
Part II Other Information	

Item 1	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3	Defaults Upon Senior Securities	26
Item 4	Mine Safety Disclosures	26
Item 5	Other Information	26
Item 6.	Exhibit Index	26
	SIGNATURES	27
	EXHIBITS INDEX	28

PART I: Financial Information

Item 1. Consolidated Financial Statements

PETROLIA ENERGY CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2019 (unaudited)	December 31, 2018 (audited)
ASSETS		
Current assets		
Cash	\$ 5,121	\$ 13,779
Accounts receivable	13,399	—
Other current assets	86,163	255,180
Total current assets	104,683	268,959
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Evaluated properties	13,271,302	12,794,285
Furniture, equipment & software	201,110	201,110
Less accumulated depreciation and depletion	(1,059,530)	(586,488)
Net property and equipment	12,412,882	12,408,907
Other assets	628,035	—
Total Assets	\$ 13,145,600	\$ 12,677,866
LIABILITIES & STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 309,140	\$ 264,654
Accounts payable – related parties	31,284	42,494
Accrued liabilities	719,461	608,357
Accrued liabilities – related parties	801,687	649,633
Notes payable	355,500	335,877
Notes payable – related parties	659,257	610,748
Total current liabilities	2,876,329	2,511,763
Asset retirement obligations	1,617,563	1,509,622
Notes payable	1,531,336	725,999
Derivative liability	19,249	37,013
Total Liabilities	6,044,477	4,784,397
Stockholders' Equity		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized; 199,100 shares issued and outstanding	\$ 199	\$ 199
Common stock, \$0.001 par value; 400,000,000 shares authorized; 162,673,726 and 162,673,726 shares issued and outstanding	162,674	162,674
Additional paid in capital	57,563,416	57,253,595
Shares to be issued	150,000	—
Accumulated other comprehensive income	(201,493)	8,273
Accumulated deficit	(50,573,673)	(49,531,272)
Total Stockholders' Equity	7,101,123	7,893,469
Total Liabilities and Stockholders' Equity	\$ 13,145,600	\$ 12,677,866

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

PETROLIA ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Oil and gas sales				
Oil and gas sales	\$ 800,006	\$ 23,761	\$ 1,619,344	\$ 53,741
Total Revenue	<u>800,006</u>	<u>23,761</u>	<u>1,619,344</u>	<u>53,741</u>
Operating expenses				
Lease operating expense	949,410	69,318	1,645,143	142,880
Production tax	2,439	1,314	3,607	3,113
General and administrative expenses	357,457	1,216,630	686,491	3,113,753
Depreciation, depletion and amortization	246,055	12,757	447,828	31,914
Asset retirement obligation accretion	45,047	5,846	54,636	11,485
Total operating expenses	<u>1,600,408</u>	<u>1,305,865</u>	<u>2,837,705</u>	<u>3,303,145</u>
Loss from operations	(800,402)	(1,282,104)	(1,218,361)	(3,249,404)
Other income (expenses)				
Interest expense	(61,104)	(48,219)	(103,654)	(77,983)
Loss on related party debt settlement of accrued salaries	—	—	—	(203,349)
Loss on debt extinguishment	—	(260,162)	—	(260,162)
Foreign currency remeasurement gain	—	16,387	51,528	69,725
Gain on sale of assets	255,000	—	255,000	—
Other income (expense)	34,181	—	44,181	—
Gain/(loss) on acquisition and disposition of Bow Energy Ltd.	—	—	—	(27,129,963)
Change in fair value of derivative liabilities	(1,311)	3,167	17,764	3,167
Total other income (expenses)	<u>226,766</u>	<u>(288,827)</u>	<u>264,819</u>	<u>(27,598,565)</u>
Net loss	(573,637)	(1,570,931)	(953,542)	(30,847,969)
Series A Preferred Dividends	(44,675)	(44,941)	(88,859)	(88,947)
Net Loss Attributable to Common Stockholders	<u>(618,311)</u>	<u>(1,615,872)</u>	<u>(1,042,401)</u>	<u>(30,936,916)</u>
Other comprehensive income, net of tax				
Foreign currency translation adjustments	(197,858)	83,804	(209,766)	37,157
Comprehensive loss attributable to Common Stockholders	<u>\$ (816,169)</u>	<u>\$ (1,532,068)</u>	<u>\$ (1,252,167)</u>	<u>\$ (30,899,759)</u>
Loss per share (Basic and fully diluted)	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.18)</u>
Weighted average number of shares of common stock outstanding	<u>162,673,726</u>	<u>22,680,255</u>	<u>162,673,726</u>	<u>173,128,467</u>

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

PETROLIA ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Preferred stock		Common stock		Additional paid-in capital	Shares to be issued	Accumulated other comprehensive income	Accumulated deficit	Stockholders' equity (deficit)
	Shares	Amount	Shares	Amount					
Balance at January 1, 2018	197,100	\$ 197	111,698,222	\$ 111,698	\$ 22,730,974	\$ —	\$ —	\$ (11,323,383)	\$ 11,519,486
Preferred shares issued	2,000	2	—	—	19,998	—	—	—	20,000
Common shares issued	—	—	1,166,667	1,167	148,833	22,500	—	—	172,500
Exercise of warrants	—	—	2,100,000	2,100	199,165	—	—	—	201,265
Shares issued to settle liabilities	—	—	716,209	716	254,254	—	—	—	254,970
Stock-based compensation	—	—	600,000	600	1,573,584	—	—	—	1,574,184
Acquisition of Bow Energy Ltd.	—	—	106,156,712	106,157	34,500,931	—	—	—	34,607,088
Warrants issued related to acquisition of Bow Energy Ltd.	—	—	—	—	103,633	—	—	—	103,633
Series A preferred dividends	—	—	—	—	—	—	(44,006)	(44,006)	(44,006)
Other comprehensive income (loss)	—	—	—	—	—	—	(46,647)	(46,647)	(46,647)
Net loss (revised - Note 12)	—	—	—	—	—	—	—	(35,146,405)	(35,146,405)
Balance at June 30, 2018	<u>199,100</u>	<u>\$ 199</u>	<u>222,437,810</u>	<u>\$ 222,438</u>	<u>\$ 59,531,372</u>	<u>\$ 22,500</u>	<u>\$ (46,647)</u>	<u>\$ (46,513,794)</u>	<u>\$ 13,216,068</u>
Balance at January 1, 2019	199,100	\$ 199	162,673,726	\$ 162,674	\$ 57,253,595	\$ —	\$ 8,273	\$ (49,531,272)	\$ 7,893,469
Stock-based compensation	—	—	—	—	238,814	—	—	—	238,814
Common shares issued	—	—	—	—	—	150,000	—	—	150,000
Warrants issued as financing fees	—	—	—	—	32,758	—	—	—	32,758
Warrants issued with loans	—	—	—	—	38,249	—	—	—	38,249

Series A preferred dividends	—	—	—	—	—	—	—	(88,859)	(88,859)
Other comprehensive income (loss)	—	—	—	—	—	—	—	(209,766)	(209,766)
Net loss	—	—	—	—	—	—	—	(953,542)	(953,542)
Balance at June 30, 2019	199,100	\$ 199	162,673,726	\$ 162,674	\$ 57,563,416	\$ 150,000	\$ (201,493)	\$ (50,573,673)	\$ 7,101,123

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

PETROLIA ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash Flows from Operating Activities		
Net loss	\$ (953,542)	\$ (30,847,969)
Adjustment to reconcile net loss to net cash provided by/(used in) operating activities:		
Depletion, depreciation and amortization	447,828	31,914
Asset retirement obligation accretion	54,636	11,485
Amortization of debt discount	3,586	
Change in fair value of derivative liabilities	(17,764)	(3,167)
Gain on sale of assets	(255,000)	—
Warrants issued as financing fees	32,758	—
Stock-based compensation	238,814	2,462,079
Impairment of goodwill related to Bow Energy Ltd., a related party	—	27,129,963
Loss on related party debt settlement	—	203,349
Loss on extinguishment of debt	—	260,162
Equity settlement finance fee	—	45,476
Warrant expense related to business combination	—	103,632
Changes in operating assets and liabilities		
Accounts receivable	(76,405)	(151,623)
Deposits	114,921	240,000
Other current assets	(120,000)	732
Accounts payable	26,486	353,181
Accounts payable – related parties	(11,210)	—
Accrued liabilities	22,245	—
Accrued liabilities – related parties	172,054	—
Net cash flows from operating activities	<u>(320,593)</u>	<u>(160,786)</u>
Cash Flows from Investing Activities		
Escrow for property purchase	(628,035)	—
Proceeds on sale of NOACK property	120,000	—
Net cash acquired in acquisition of Bow Energy Ltd.	—	3,784
Cash flows from investing activities	<u>(508,035)</u>	<u>3,784</u>
Cash Flows from Financing Activities		
Proceeds from issuance of common stock	30,000	—
Proceeds from notes payable	863,124	4,832
Repayments on notes payable	(3,501)	(31,695)
Proceeds from related party notes payable	538,524	42,000
Repayments on related party notes payable	(398,411)	(47,600)
Cash flows from financing activities	<u>1,029,736</u>	<u>398,712</u>
Foreign currency remeasurement gain	(209,766)	(69,725)
Effect of exchange rate changes on cash	—	55,237
Net change in cash	(8,658)	(227,222)
Cash at beginning of period	<u>13,779</u>	<u>82,593</u>
Cash at end of period	<u>\$ 5,121</u>	<u>\$ 309,815</u>

SUPPLEMENTAL DISCLOSURES

	Six months ended June 30, 2019	Six Months Ended June 30, 2018
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 289	\$ 25,452
Income taxes paid	—	—
NON-CASH INVESTING AND FINANCIAL DISCLOSURES		
Common shares issued for acquisition of Bow Energy Ltd.	—	34,607,088
Settlement of accrued salaries for related parties with common shares	—	61,621
Settlement of account payable – related parties for common shares, related party	—	102,590
Series A preferred dividends accrued	88,859	88,947
Proceeds from notes payable paid directly by the third party creditor to seller for acquisition of working interests	—	800,000

Proceeds from notes payable paid directly by the related party creditor to seller for acquisition of working interests	—	314,412
Settlement of accrued liabilities – related parties for common shares	17,000	—
Settlement of notes payable – related parties for common shares	103,000	—
Debt discount for warrant issuance	38,249	—
Note receivable recognized on sale of oil and gas property	—	—

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

PETROLIA ENERGY CORPORATION
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION:

Petrolia Energy Corporation (the “Company”) is in the business of oil and gas exploration, development and production.

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented have been reflected herein. The results of operations for such interim periods are not necessarily indicative of operations for a full year. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the year ended December 31, 2018, as reported in Form 10-K, have been omitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leases

Leases are classified as operating leases or financing leases based on the lease term and fair value associated with the lease. The assessment is done at lease commencement and reassessed only when a modification occurs that is not considered a separate contract.

Lessee arrangements

Where the Company is the lessee, leases classified as operating leases are recorded as lease liabilities based on the present value of minimum lease payments over the lease term, discounted using the lessor’s rate implicit in the lease or the Company’s incremental borrowing rate, if the lessor’s implicit rate is not readily determinable. The lease term includes all periods covered by renewal and termination options where the Company is reasonably certain to exercise the renewal options or not to exercise the termination options. Corresponding right-of-use assets are recognized consisting of the lease liabilities, initial direct costs and any lease incentive payments.

Lease liabilities are drawn down as lease payments are made and right-of-use assets are depreciated over the term of the lease. Operating lease expenses are recognized on a straight-line basis over the term of the lease, consisting of interest accrued on the lease liability and depreciation of the right-of-use asset, adjusted for changes in index-based variable lease payments in the period of change.

Lease payments on short-term operating leases with lease terms twelve months or less are expensed as incurred.

Recent Accounting Pronouncements

Adopted in the current year

Effective January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2016-02, “Leases”, using the modified retrospective method, whereby a cumulative effect adjustment was made as of the date of initial application. The Company elected the practical expedient to use the effective date of adoption as the date of initial application. Accordingly, financial information and disclosures in the comparative period were not restated. The Company also elected to apply the package of practical expedients such that for any expired or existing leases, it did not reassess lease classification, initial direct costs or whether the relevant contracts are or contain leases. The Company did not use hindsight to reassess lease term or for the determination of impairment of right-of-use assets.

Adoption of ASU 2016-02 did not have any impact on the Company as all its leases are short-term operating leases with lease terms twelve months or less.

To be Adopted in Future Years

In June 2016, Financial Account Standards Board (“FASB”) issued ASU 2016-13, “Measurement of Credit Loss on financial Instruments”. ASU 2016-13 replaces the current incurred loss impairment methodology with the expected credit loss impairment model, which requires consideration of a broader range of reasonable and supportable information to estimate expected credit losses over the life of the instrument instead of only when losses are incurred. This standard applies to financial assets measured at amortized cost basis and investments in leases recognized by the lessor. This standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating this standard to determine the impact it will have on its consolidated financial statements.

3. GOING CONCERN

The Company has suffered recurring losses from operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The Company plans to generate profits by reworking its existing oil or gas wells. The Company will need to raise funds through either the sale of its securities or through debt funding to accomplish its goals. If additional financing is not available when needed, the Company may not be able to rework existing oil wells. Management believes that actions presently being taken to secure additional funding for the reworking of its existing infrastructure will provide the opportunity for the Company to continue as a going concern. Since the Company has an oil producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

4. EVALUATED PROPERTIES

The Company's current properties can be summarized as follows.

Cost	Canadian properties		United States properties		Total
As at January 1, 2018	\$	—	\$	14,312,580	\$ 14,312,580
Additions		1,246,216		—	1,246,216
Dispositions		—		(3,962,042)	(3,962,042)
Asset retirement cost additions		1,313,982		—	1,313,982
Foreign currency translation		(116,451)		—	(116,451)
As at December 31, 2018	\$	2,443,747	\$	10,350,538	\$ 12,794,285
Additions		—		375,000	375,000
Foreign currency translation		102,017		—	102,017
As at June 30, 2019	\$	2,545,764	\$	10,725,538	\$ 13,271,302
Accumulated depletion					
As at January 1, 2018		—		1,068,795	1,068,795
Dispositions		—		(3,340,779)	(3,340,779)
Impairment of oil and gas properties		—		2,322,255	2,322,255
Depletion		435,722		11,280	447,002
Foreign currency translation		(22,065)		—	(22,065)
As at December 31, 2018	\$	413,657	\$	61,551	\$ 475,208
Impairment of oil and gas properties		—		—	—
Depletion		431,735		—	431,735
Foreign currency translation		25,214		—	25,214
As at June 30, 2019	\$	870,606	\$	61,551	\$ 932,157
Net book value as at December 31, 2018	\$	2,030,090	\$	10,288,987	\$ 12,339,145
Net book value as at June 30, 2019	\$	1,675,158	\$	10,663,987	\$ 12,339,145

8

On November 1, 2018, the Company entered into a Purchase and Sale Agreement ("PSA") with Crossroads Petroleum L.L.C. and Houston Gulf Energy ("HGE") to sell 100% working interest in the NOACK field assets located in Milam County, Texas (the "NOACK Assets"). HGE agreed to pay \$375,000 but defaulted on payment after making payments of \$255,000, leaving a \$120,000 receivable balance. The receivable balance was written off in April 2019. Consequently, the \$255,000 was recognized as a gain on sale of assets. See Note 13 – Subsequent Events for discussion about the subsequent "re-sale" of the NOACK property.

5. NOTES PAYABLE

The following table summarizes the Company's notes payable:

	Interest rate	Date of maturity	Balance at:	
			June 30, 2019	December 31, 2018
Backhoe loan ⁽ⁱ⁾	2.9%	May 8, 2017	\$ 32,600	\$ 32,601
Truck loan ⁽ⁱⁱ⁾	5.49%	January 20, 2022	19,736	23,237
Credit note I ⁽ⁱⁱⁱ⁾	12%	May 11, 2021	800,000	800,000
Credit note II ^(iv)	12%	October 17, 2019	196,038	196,038
Credit note III ^(v)	9%	April 25, 2021	750,000	—
Discount on Credit note III ^(v)	9%	April 25, 2021	(34,663)	—
M. Hortwitz	10%	October 14, 2016	10,000	10,000
Credit note IV	4%	January 15, 2020	113,125	—
			1,886,836	1,061,876
Current portion:			(355,500)	(335,877)
Long-term notes payable			\$ 1,531,336	\$ 725,999

- (i) On May 8, 2014, the Company, with the primary guarantee provided by the Company's former CEO, David Baker, purchased a backhoe to use at the Texas field. David Baker entered into an installment note in the amount of \$57,613 for a term of three years and interest at 2.9% per annum. On June 1, 2018, the equipment was returned to the seller with no further action taken by the Company, Mr. Baker, or the lender.
- (ii) On January 6, 2017, the Company purchased a truck and entered into an installment note in the amount of \$35,677 for a term of five years and interest at 5.49% per annum. Payments of principal and interest in the amount of \$683 are due monthly.
- (iii) On May 9, 2018, Bow Energy Ltd. ("Bow"), a former wholly-owned subsidiary of the Company, entered into an Amended and Restated Loan Agreement with a third party. The Loan Agreement increased by \$800,000 the amount of a previous loan agreement entered into between Bow and the Lender, to \$1,530,000. The amount owed under the Loan Agreement accrues interest at the rate of 12% per annum (19% upon the occurrence of an event of default) and is due and payable on May 11, 2021, provided that the amount owed can be prepaid prior to maturity, beginning 60 days after the date of the Loan Agreement, provided that the Company gives the Lender 10 days' notice of its intent to repay and pays the Lender the interest which would have been due through the maturity date at the time of repayment. The Loan Agreement contains standard and customary events of default, including cross defaults under other indebtedness obligations of the Company and Bow, and the occurrence of any event which would have a material adverse effect on the Company or Bow. The Company is required to make principal payments of \$10,000 per month from January through September 2019 with the remaining balance of \$710,000 due at maturity on May 11, 2021.

The additional \$800,000 borrowed in connection with the entry into the Loan Agreement was used by the Company to acquire a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the "Canadian Properties" and the "Working Interest").

9

In order to induce the Lender to enter into the Loan Agreement, the Company agreed to issue the Lender 500,000 shares of restricted common stock (the “Loan Shares”), which were issued on May 18, 2018, and warrants to purchase 2,320,000 shares of common stock (the “Loan Warrants”), of which warrants to purchase (a) 320,000 shares of common stock have an exercise price of \$0.10 per share in Canadian dollars and expire in May 15, 2021, (b) 500,000 shares of common stock have an exercise price of \$0.12 per share in U.S. dollars, and expire on May 15, 2021; and (c) 1,500,000 shares of common stock have an exercise price of \$0.10 per share in U.S. dollars and expire on May 15, 2020.

The fair value of the 500,000 common shares issued were assessed at the market price of the stock on the date of issuance and valued at \$47,500. The fair value of the Canadian dollar denominated warrants issued were assessed at \$30,012 using the Black Scholes Option Pricing Model. The fair value of the U.S. dollar denominated warrants issued were assessed at \$182,650 using the Black Scholes Option Pricing Model. The Company determined the debt modification to be an extinguishment of debt and recorded a total loss on extinguishment of debt of \$260,162.

Upon the disposition of Bow, a total of \$730,000 of the obligations owed under the Loan Agreement were transferred to Blue Sky Resources Ltd. (“Blue Sky”).

- (iv) On September 17, 2018, the Company entered into a loan agreement with a third party for \$200,000 to acquire an additional 3% working interest in the Canadian Properties. The loan bears interest at 12% per annum and has a maturity date of October 17, 2019. Payments of principal and interest in the amount of \$6,000 are due monthly. The loan is secured against the Company’s 3% working interest in the Canadian Properties and has no financial covenants
- (v) On April 25, 2019, the Company entered into a promissory note (an “Acquisition Note”) with a third-party in the amount of \$750,000 to acquire working interests in the Utikuma oil field in Alberta Canada. The Note bears interest at 15% per annum and is due in full at maturity on April 25, 2021. No payments are required on the note until maturity while interest is accrued. In addition, warrants to purchase 500,000 shares of common stock with an exercise price of \$0.12 per share expiring on May 1, 2021 were issued associated with the note and were recorded as a debt discount of \$38,249 with a second quarter amortization of \$3,586. The notes hold a security guarantee of a 50% working interest in the Utikuma oil field and a 100% working interest in the TLSAU field.

The following is a schedule of future minimum repayments of notes payable as at June 30:

2020	\$	355,500
2021		7,502
2022		1,523,262
2023		572
Thereafter		—
	<u>\$</u>	<u>1,886,836</u>

6. RELATED PARTY NOTES PAYABLE

The following table summarizes the Company’s related party notes payable:

	Interest rate	Date of maturity	Balance at:	
			June 30, 2019	December 31, 2018
Leo Womack ⁽ⁱ⁾	—	On demand	\$ —	\$ 3,000
Lee Lytton ⁽ⁱ⁾	—	On demand	3,500	3,500
Quinten Beasley	10%	October 14, 2016	10,000	10,000
Joel Oppenheim ⁽ⁱ⁾	—	On demand	160,333	200,333
Joel Oppenheim ⁽ⁱ⁾	—	On demand	15,000	15,000
Bow ⁽ⁱ⁾	—	On demand	—	33,144
Jovian Petroleum Corporation ⁽ⁱⁱ⁾	3.5%	February 9, 2019	445,424	35,210
Ivar Siem ⁽ⁱⁱⁱ⁾	12%	October 17, 2018	—	20,000
Joel Oppenheim ⁽ⁱⁱⁱ⁾	12%	October 17, 2018	25,000	10,000
Blue Sky Resources Ltd. ^(iv)	9%	May 31, 2019	—	148,862
			<u>\$ 659,257</u>	<u>\$ 610,748</u>

Note: Mark Allen’s notes were not included in related party notes payable at December 31, 2019 because he was not appointed as an officer until September 1, 2020.

- (i) Balances are non-interest bearing and due on demand.
- (ii) On February 9, 2018, the Company entered into a Revolving Line of Credit Agreement (“LOC”) for \$200,000 (subsequently increased to \$500,000 on April 12, 2018) with Jovian Petroleum Corporation (“Jovian”). The CEO of Jovian is Quinten Beasley, our former director (resigned October 31, 2018), and 25% of Jovian is owned by Zel C. Khan, our CEO and director. The initial agreement was for a period of 6 months and it can be extended for up to 5 additional terms of 6 months each. All amounts advanced pursuant to the LOC will bear interest from the date of advance until paid in full at 3.5% simple interest per annum. Interest will be calculated on a basis of a 360-day year and charged for the actual number of days elapsed. Subsequent to period-end this LOC has been extended until December 31, 2020.
- (iii) On August 17, 2018, the Company sold an aggregate of \$90,000 in convertible promissory notes (the “Director Convertible Notes”), to the Company’s directors, Ivar Siem (\$20,000) through an entity that he is affiliated with; Leo Womack (\$60,000); and Joel Oppenheim (\$10,000). The Director Convertible Notes accrue interest at the rate of 12% per annum until paid in full and were due and payable on October 17, 2018. The amount owed may be prepaid at any time without penalty. The outstanding principal and interest owed under the Director Convertible Notes are convertible into common stock of the Company, from time to time, at the option of the holders of the notes, at a conversion price of \$0.10 per share. As additional consideration for entering into the notes, the Company agreed to grant warrants to purchase one share of the Company’s common stock at an exercise price of \$0.10 per share for each dollar loaned pursuant to the Director Convertible Notes (the “Bridge Note Warrants”). The warrants had a contractual life of one year. As such, the Company granted (a) 20,000 Bridge Note Warrants to an entity affiliated with Ivar Siem; (b) 60,000 Bridge Note Warrants to Leo Womack; and (c) 10,000 Bridge Note Warrants to Joel Oppenheim. The Director Convertible Notes contain standard and customary events of default. The Company fair valued the warrants issued using the Black-Scholes Option Pricing Model for a total fair value of \$6,249. On October 22, 2018, \$60,000 in Director Convertible Notes were settled by offsetting against \$60,000 proceeds required for the exercise of warrants.
- (iv) On June 8, 2018, the Company entered into a promissory note (an “Acquisition Note”) with Blue Sky in the amount of CAD\$406,181. The Note bears interest at 9% per annum and is due in full at maturity on November 30, 2018. The Company may, at its sole discretion, extend the maturity date for a period of six months with notice to the lender and payment of 25% of the principal amount. At December 31, 2018, the maturity date had been extended to May 31, 2019. On April 1, 2019, the Company utilized its LOC with Jovian to pay off in its entirety the June 8, 2018 Acquisition Note with Blue Sky.

During 2019, \$120,000 of related party notes and payables were converted to shares. Specifically, Leo Womack for \$ 20,000, Joel Oppenheim for \$40,000, Jovian for \$40,000 and American Resources for \$20,000. See Note 10 for further explanation.

The following is a schedule of future minimum repayments of related party notes payable as of June 30:

2020	\$	659,257
Thereafter		—
	<u>\$</u>	<u>659,257</u>

11

7. DERIVATIVE FINANCIAL INSTRUMENTS

On May 18, 2018, as an inducement to enter into an Amended and Restated Loan Agreement, the Company issued, among other instruments, warrants to acquire 320,000 shares of common stock with an exercise price of \$0.10 per share in Canadian dollars (see Note 5). The warrants are valued using the Black Scholes Option Pricing Model and the derivative is fair valued at the end of each reporting period. The Company valued the derivative liability at initial recognition as \$30,012.

June 30, 2019	Level 1	Level 2	Level 3	Total
Derivative liabilities	—	—	19,249	19,249
ARO liabilities	—	—	1,617,563	1,617,563
December 31, 2018				
Derivative liabilities	—	—	37,013	37,013
ARO liabilities	—	—	1,509,622	1,509,622

A summary of the activity of the Company's derivative liabilities is shown below:

Balance, January 1, 2018	\$	—
Additions		30,012
Fair value adjustments		<u>7,001</u>
As at December 31, 2018		37,013
Fair value adjustment		<u>(17,764)</u>
As at June 30, 2019	<u>\$</u>	<u>19,249</u>

Derivative liability classified warrants were valued using the Black Scholes Option Pricing Model with the range of assumptions outlined below. Expected life was determined based on historical exercise data of the Company.

	June 30, 2019	December 31, 2018
Risk-free interest rate	2.27%	2.48% - 2.88%
Expected life	2.1 years	2.4 - 3.0 years
Expected dividend rate	0%	0%
Expected volatility	208%	202% - 293%

8. ASSET RETIREMENT OBLIGATIONS

The Company has a number of oil and gas wells in production and will have Asset Retirement Obligations ("AROs") once the wells are permanently removed from service. The primary obligations involve the removal and disposal of surface equipment, plugging and abandoning the wells and site restoration.

AROs associated with the retirement of tangible long-lived assets are recognized as liabilities with an increase to the carrying amounts of the related long-lived assets in the period incurred. The fair value of AROs is recognized as of the acquisition date of the working interest. The cost of the tangible asset, including the asset retirement cost, is depleted over the life of the asset. AROs are recorded at estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligations discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liabilities are accreted to their expected settlement value. If estimated future costs of AROs change, an adjustment is recorded to both the ARO and the long-lived asset. Revisions to estimated AROs can result from changes in retirement cost estimates, revisions to estimated discount rates and changes in the estimated timing of abandonment.

The Company's ARO is measured using primarily Level 3 inputs. The significant unobservable inputs to this fair value measurement include estimates of plugging costs, remediation costs, inflation rate and well life. The inputs are calculated based on historical data as well as current estimated costs. For the Canadian properties, abandonment and reclamation liabilities are prescribed by the province in which the Company operates in. For the purpose of determining the fair value of AROs incurred during the years presented, the Company used the following assumptions:

	June 30, 2019
Inflation rate	1.92 - 2.15%
Estimated asset life	15 - 21 years

12

The following table shows the change in the Company's ARO liability:

	Canadian properties	United States properties	Total
Asset retirement obligations, December 31, 2017	\$ —	\$ 473,868	\$ 473,868
Additions	1,313,982	—	1,313,982
Accretion expense	4,353	23,618	27,971
Disposition	—	(246,263)	(246,263)
Foreign currency translation	(59,936)	—	(59,936)
Asset retirement obligations, December 31, 2018	1,258,399	251,223	1,509,622
Accretion expense	41,886	12,750	54,636
Foreign currency translation	53,305	—	53,305
Asset retirement obligations, June 30, 2019	<u>\$ 1,353,590</u>	<u>\$ 263,973</u>	<u>\$ 1,617,563</u>

9. EQUITY

Preferred stock

The holders of Series A Preferred Stock are entitled to receive cumulative dividends at a rate of 9% per annum. The Preferred Stock will automatically convert into common stock when the Company's common stock market price equals or exceeds \$0.28 per share for 30 consecutive days. At conversion, the value of each dollar of preferred stock (based on a \$10 per share price) will convert into 7.1429 common shares (which results in a \$0.14 per common share conversion rate).

In accordance with the terms of the Preferred Stock, cumulative dividends of \$88,859 were declared for the six months ended June 30, 2019.

Common stock

During the six months ended June 30, 2019 there was no common stock activity except for the following. See *Note 10 – Related Party Transactions* below for discussion concerning debt private placement offering that has some related common stock information.

Warrants

On September 24, 2015, the Board of Directors of the Company approved the adoption of the 2015 Stock Incentive Plan (the "Plan"). The Plan provides an opportunity, subject to approval of our Board of Directors, of individual grants and awards, for any employee, officer, director or consultant of the Company. The maximum aggregate number of shares of common stock which may be issued pursuant to awards under the Plan, as amended on November 7, 2017, was 40,000,000 shares. The plan was ratified by the stockholders of the Company on April 14, 2016.

Continuity of the Company's common stock purchase warrants issued and outstanding is as follows:

	Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2018	35,087,197	\$ 0.24
Granted	24,829,666	0.11
Exercised	(3,910,000)	0.09
Expired	(4,940,000)	0.10
Outstanding at December 31, 2018	51,066,863	\$ 0.20
Granted	4,500,000	0.10
Exercised	—	—
Expired	(1,497,498)	0.08
Outstanding at June 30, 2019	54,069,365	\$ 0.18

13

As of June 30, 2019, the weighted-average remaining contractual life of warrants outstanding was 1.06 years (December 31, 2018 – 1.71 years).

As of June 30, 2019, the intrinsic value of warrants outstanding is \$2,199 (December 31, 2018 - \$711,978).

The table below summarizes warrant issuances during the six months ended June 30, 2019 and year ended December 31, 2018:

	June 30, 2019	December 31, 2018
Warrants granted:		
Board of Directors and Advisory Board service	3,500,000	7,750,000
Private placements	—	5,312,500
Pursuant to termination agreements	—	5,250,000
Pursuant to financing arrangements	1,000,000	3,810,000
Pursuant to consulting agreements	—	2,000,000
Pursuant to acquisition of Bow Energy Ltd., a related party	—	368,000
Deferred salary – CEO, CFO	—	339,166
Total	4,500,000	24,829,666

The warrants were valued using the Black Scholes Option Pricing Model with the range of assumptions outlined below. Expected life was determined based on historical data of the Company.

	June 30, 2019	December 31, 2018
Risk-free interest rate	2.39%	2.39%
Expected life	2.0 -3.0 years	1.0 - 3.0 years
Expected dividend rate	0%	0%
Expected volatility	274%	274% - 283%

Stock options

Upon closing of the acquisition of Bow on February 27, 2018, the Company granted stock options to purchase 3,500,000 shares of common stock to former Bow employees and directors, exercisable at \$0.12 per share, expiring February 27, 2021. The stock options were valued at \$1,131,639 using the Black Scholes Option Pricing Model with expected volatility of 283%, a discount rate of 2.42%, a dividend yield of 0% and an expected life of three years.

10. RELATED PARTY TRANSACTIONS

On April 10, 2019, Jovian, a related party, purchased 4 units of the debt private placement with gross proceeds of \$50,000. These proceeds included \$10,000 of cash and a \$40,000 reduction in the Jovian LOC. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 625,000 shares of common stock and warrants to purchase 1,250,000 shares of common stock at a price of \$0.08 per unit.

On April 10, 2019, Joel Oppenheim, a related party, purchased 4 units of the debt private placement with gross proceeds of \$50,000. These proceeds included \$10,000 of cash and a \$10,000 reduction in a bridge loan and a \$30,000 reduction in shareholders advances. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 625,000 shares of common stock and warrants to purchase 1,250,000 shares of common stock at a price of \$0.08 per unit.

On April 10, 2019, American Resources Offshore, Inc., a related party, purchased 2 units of the debt private placement with gross proceeds of \$25,000. These proceeds included \$5,000 of cash and a \$20,000 reduction in a bridge loan. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 312,500 shares of common stock and warrants to purchase 625,000 shares of common stock at a price of \$0.08 per unit.

On April 10, 2019, Leo Womack, a related party, purchased 2 units of the debt private placement with gross proceeds of \$25,000. These proceeds included \$5,000 of cash and a \$3,000 reduction in a shareholder advance balance and a \$17,000 reduction in accrued board compensation from 2016. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 312,500 shares of common stock and warrants to purchase 625,000 shares of common stock at a price of \$0.08 per unit.

Note that since the related party shares discussed above were not issued until August 2019, they were recorded as “Shares to be Issued” which is an equity account that is reported independently in the Statement of Changes in Stockholders’ Equity statement.

11. SEGMENT REPORTING

The Company has a single reportable operating segment, Oil and Gas Exploration and Production, which includes exploration, development, and production of current and potential oil and gas properties. Results of operations from producing activities were as follows:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Canada				
Revenue	757,098	—	1,553,872	—
Production costs	(859,181)	—	(1,498,691)	—
Depreciation, depletion, amortization and accretion	(234,423)	—	(431,735)	—
Results of operations from producing activities	<u>(338,987)</u>	<u>—</u>	<u>(376,554)</u>	<u>—</u>
Total long-lived assets	<u>1,675,158</u>	<u>2,030,090</u>	<u>1,675,158</u>	<u>2,030,090</u>
United States				
Revenue	42,908	23,761	65,472	53,741
Production costs	(90,187)	(70,632)	(150,059)	(145,993)
Depreciation, depletion, amortization and accretion	(11,632)	(12,757)	(16,093)	(31,914)
Results of operations from producing activities	<u>(58,911)</u>	<u>(59,628)</u>	<u>(100,680)</u>	<u>(124,166)</u>
Total long-lived assets	<u>10,737,724</u>	<u>10,378,817</u>	<u>10,737,724</u>	<u>10,378,817</u>
Total				
Revenue	800,006	23,761	1,619,344	53,741
Production costs	(951,849)	(70,632)	(1,648,750)	(145,993)
Depreciation, depletion, amortization and accretion	(246,055)	(12,757)	(447,828)	(31,914)
Results of operations from producing activities	<u>(397,898)</u>	<u>(59,628)</u>	<u>(477,234)</u>	<u>(124,166)</u>
Total long-lived assets	<u>12,412,882</u>	<u>12,408,907</u>	<u>12,412,882</u>	<u>12,408,907</u>

The Company’s revenues are derived from the following major customers:

	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Customer A	72,908	29,980	65,472	53,741
Customer B	757,098	—	1,553,872	—
Total	<u>800,006</u>	<u>29,980</u>	<u>1,619,344</u>	<u>53,741</u>

12. REVISION OF PRIOR PERIOD INTERIM FINANCIAL STATEMENTS

While preparing the interim condensed consolidated financial statements for the period ending September 30, 2018, Management identified that it had made an incorrect judgment in accounting for the acquisition of Bow on February 27, 2018. Accordingly, the Company has revised the comparative figures for three months ended June 30, 2018 to reflect this revision. The revision had no impact on the financial statements for the three and nine months ended September 30, 2018 and for the year ended December 31, 2018.

In accordance with the guidance provided by the SEC’s Staff Accounting Bulletin 99, Materiality and Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”, the Company has determined that the impact of adjustments relating to the correction of this accounting error was derived from a judgment, has no impact on compliance with regulatory requirements or loan covenants and has no impact on the Company’s cash flows. Accordingly, these changes are disclosed herein and have been disclosed prospectively.

The impact of the revision for the three months ended June 30, 2018 is summarized below:

Condensed Consolidated Statement of Operations and Comprehensive Loss

	Three months ended June 30, 2018		
	As reported	Adjustment	Revised
Impairment of goodwill	\$ 27,129,963	\$ (27,129,963)	\$ —
Loss on acquisition of Bow Energy Ltd.	—	32,999,330	32,999,330
Net loss	(29,277,038)	(5,869,367)	(35,146,405)
Net loss attributable to common stockholders	(29,321,044)	(5,869,367)	(35,190,411)

Loss per share – Basic and diluted	(0.24)	(0.05)	(0.29)
Comprehensive loss	\$ (29,367,691)	\$ (5,869,367)	\$ (35,237,058)

Condensed Consolidated Statement of Changes in Stockholders' Equity

	As at June 30, 2018		
	As reported	Adjustment	Revised
Accumulated deficit	\$ (40,644,427)	\$ (5,869,367)	\$ (46,513,794)
Total stockholders' equity	\$ 19,085,435	\$ (5,869,367)	\$ 13,216,068

Consolidated Statement of Cash Flows

	Three months ended June 30, 2018		
	As reported	Adjustment	Revised
Operating activities			
Net loss	\$ (29,277,038)	\$ (5,869,367)	\$ (35,146,405)
Adjustment to reconcile net loss to net cash used in operating activities:			
Impairment of goodwill	27,129,963	(27,129,963)	—
Loss on acquisition of Bow Energy Ltd.	\$ —	\$ 32,999,330	\$ 32,999,330

16

13. SUBSEQUENT EVENTS

All of the transactions/events mentioned below occurred subsequent to June 30, 2019.

On April 10, 2019, Jovian, a related party, purchased 4 units of the debt private placement with gross proceeds of \$50,000. These proceeds included \$10,000 of cash and a \$40,000 reduction in the Jovian LOC. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 625,000 shares of common stock and warrants to purchase 1,250,000 shares of common stock at a price of \$0.08 per unit. On August 21, 2019, Jovian converted the debt balance into 625,000 shares of common stock.

On April 10, 2019, Joel Oppenheim, a related party, purchased 4 units of the debt private placement with gross proceeds of \$50,000. These proceeds included \$10,000 of cash and a \$10,000 reduction in a bridge loan and a \$30,000 reduction in shareholders advances. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 625,000 shares of common stock and warrants to purchase 1,250,000 shares of common stock at a price of \$0.08 per unit. On August 21, 2019, Joel Oppenheim converted the debt balance into 625,000 shares of common stock.

On April 10, 2019, American Resources Offshore, Inc., a related party, purchased 2 units of the debt private placement with gross proceeds of \$25,000. These proceeds included \$5,000 of cash and a \$20,000 reduction in a bridge loan. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 312,500 shares of common stock and warrants to purchase 625,000 shares of common stock at a price of \$0.08 per unit. On August 21, 2019, American Resource Offshore, Inc., converted the debt balance into 312,500 shares of common stock.

On April 10, 2019, Leo Womack, a related party, purchased 2 units of the debt private placement with gross proceeds of \$25,000. These proceeds included \$5,000 of cash and a \$3,000 reduction in a shareholder advance balance and a \$17,000 reduction in accrued board compensation from 2016. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 312,500 shares of common stock and warrants to purchase 625,000 shares of common stock at a price of \$0.08 per unit. On August 21, 2019, Leo Womack converted the debt balance into 312,500 shares of common stock.

The Company entered into a Purchase and Sale Agreement (“PSA”) for the sale of the same NOACK property with Flowtex Energy LLC. (“FT”), which was reclaimed after the default by HE (see Note 4). The purchaser agreed to pay \$400,000 for the NOACK Assets including a \$20,000 deposit that was received on August 15, 2019 and the remaining balance of \$380,000 to be received by September 30, 2019. By December 31, 2019, FT had made cumulative payments of \$375,000, resulting in a \$25,000 account receivable to the Company at December 31, 2019 which is included in other current assets. The \$400,000 was recorded as a gain on sale of properties.

A Company director Joel Martin Oppenheim exercised warrants to purchase 150,000 shares of common stock for cash proceeds of \$15,000 at an exercise price of \$0.10 per share. These shares were not issued until January 2020.

A Company director Joel Martin Oppenheim exercised warrants to purchase 10,000 shares of common stock. Consideration for the exercise price of \$1,000 or \$0.10 per share was satisfied by forgiving a bridge loan debt outstanding to the holder of \$10,000, with no gain or loss recognized. Since the consideration provided was due to a conversion of debt, the debt balance was transferred to the additional paid in capital account. These shares were not issued until January 2020.

Effective July 13, 2020, Richard Dole, Joel Oppenheim and Saleem Nizami resigned as Directors on the Board. This reduced the size of the Board from seven to four members, which is helping to streamline the Company.

On May 29, 2020, Petrolia Energy Corporation acquired a 50% working interest in approximately 28,000 acres located in the Utikuma Lake area in Alberta, Canada. The property is an oil-weighted asset currently producing approximately 500 bopd of low decline light oil. The working interest was acquired from Blue Sky Resources Ltd. in an affiliated party transaction as Zel C. Khan, the Company's Chief Executive Officer, is related to the ownership of Blue Sky. Blue Sky acquired a 100% working interest in the Canadian Property from Vermilion Energy Inc. via Vermilion's subsidiary Vermilion Resources. The effective date of the acquisition was May 1, 2020.

On September 1, 2020, the Board of Directors approved a contractual Employment Agreement between the Company and Mark Allen to appoint him as the new President of the Company. Mr. Allen's contract term is 6 months, with a cash payment of \$90,000 in equal monthly installments of \$15,000, including an option to extend. In addition, Mr. Allen is due to receive incentive compensation of 2,000,000 shares of common stock (1,000,000 were issued at signing and the remaining shares are yet to be issued). He also is to receive 1,000,000 warrants at \$0.08 per share that expire in 36 months and vest over a two-year period. Mr. Allen has been in the oil and gas industry for over 25 years, most recently as Vice President, Oil and Gas Consulting for Wipro Limited, a leading global consulting and information technology services firm. Prior to Wipro Limited, Mr. Allen was Vice President, Exploration and Production Services for SAIC, a Fortune 500 company.

On September 16, 2020, Zel C.Khan resigned as a member of the Board to solely focus on his role as the Chief Executive Officer of Petrolia Energy Corporation.

Company President Mark Allen, was issued 1,650,000 common shares for exercising warrants at \$0.05 per share with cash proceeds of \$82,500

The Company signed an Executive Salary Payable Agreement with Zel Khan as the Chief Executive Officer. All of Mr. Khan's previous salary obligation will be satisfied by the issuance of 1,992,272 shares of the Company, within 15 days of the signed agreement.

The Company entered into a promissory note with American Resources for \$125,000. The Note bears interest at 10% per annum and is due in full at maturity on June 1, 2020. In addition, 500,000 shares of common stock were granted in association with the note.

Jovian, a related party, purchased 1 unit of the debt private placement with gross proceeds of \$12,500. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 156,250 shares of common stock and warrants to purchase 312,500 shares of common stock at a price of \$0.08 per unit. Jovian converted the debt into shares during 2020.

Paul Deputy was reinstated as Interim Chief Financial Officer, signed a Settlement and Mutual Release Agreement. In exchange for releasing the Company for any current, outstanding payroll and/or service-related liability at January 29, 2021, the Company agreed to pay Mr. Deputy \$50,000, to be paid in \$2,500 monthly increments, starting April 1, 2021. In addition, was issued 250,000 shares of Petrolia common stock.

Mark Allen converted \$30,000 of unpaid contract wages from early 2020 into 333,333 common shares of common stock at a rate of \$0.09 per share.

Mark Allen converted a defaulted secured loan of \$270,000 that was due on December 15, 2019. The debt was converted at a rate of \$0.05 per share and resulted in the issuance of 5,400,000 shares of common stock and 5,400,000 warrants to purchase common stock. The warrants have a strike price of \$0.08 per share and expire in 36 months.

Between July 1, 2019 and May 10, 2021, 1,000,641 shares of common stock were issued for subscriptions to third parties.

FORWARD LOOKING STATEMENTS

This Report contains statements which, to the extent that they do not recite historical fact, constitute forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words “may,” “will,” “could,” “should,” “would,” “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan” or other words or expressions of similar meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management’s beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this report include:

- The sale prices of crude oil;
- The amount of production from oil wells in which we have an interest;
- Lease operating expenses;
- International conflict or acts of terrorism;
- General economic conditions; and
- Other factors disclosed in this report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from the forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read the matters described in “Risk Factors” and the other cautionary statements made in, and incorporated by reference in, this Report as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

Please see the “Glossary of Oil and Gas Terms” on page 9 of our [Annual Report on Form 10-K](#) for the year ended December 31, 2018, filed with the SEC on October 16, 2019 (the “2018 Annual Report”) for a list of abbreviations and definitions used throughout this Report.

This information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto included in this Quarterly Report on Form 10-Q and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our 2018 Annual Report.

Certain capitalized terms used below and otherwise defined below, have the meanings given to such terms in the footnotes to our consolidated financial statements included above under “Part I - Financial Information” - “Item 1. Financial Statements”.

Unless the context requires otherwise, references to the “Company,” “we,” “us,” “our,” “Petrolia” and “Petrolia Energy Corp.” refer specifically to Petrolia Energy Corp. and its wholly-owned subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this Report only:

- “Bbl” refers to one stock tank barrel, or 42 U.S. gallons liquid volume, used in this Report in reference to crude oil or other liquid hydrocarbons;
- “Boe” barrels of oil equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids, to six Mcf of natural gas;
- “Mcf” refers to a thousand cubic feet of natural gas;
- “SEC” or the “Commission” refers to the United States Securities and Exchange Commission; and
- “Securities Act” refers to the Securities Act of 1933, as amended.

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

Background

We were incorporated in Colorado on January 16, 2002. In February 2012, we decided it would be in the best interests of our shareholders to no longer pursue our original business plan (the sale of custom framed artwork, art accessories and interior design consulting) and, in April 2012, we became active in the exploration and development of oil and gas properties.

Effective September 2, 2016, we formally changed our name to Petrolia Energy Corporation, pursuant to the filing of a Statement of Conversion with the Secretary of State of Colorado and a Certificate of Conversion with the Secretary of State of Texas, authorized by the Plan of Conversion which was approved by our stockholders at our April 14, 2016, annual meeting of stockholders, each of which are described in greater detail in the Definitive Proxy Statement on Schedule 14A, which was filed with the Securities and

Exchange Commission on March 23, 2016. In addition to the Certificate of Conversion filing, we filed a Certificate of Correction filing with the Secretary of State of Texas (correcting certain errors in our originally filed Certificate of Formation) on August 24, 2016.

As previously reported, although the stockholders approved the Plan of Conversion at the annual meeting, pursuant to which our corporate jurisdiction was to be changed from the State of Colorado to the State of Texas by means of a process called a “Conversion” and our name was to be changed to “Petrolia Energy Corporation”, those filings were not immediately made and the Conversion did not become legally effective until September 2, 2016. Specifically, on June 15, 2016, the Company filed a Certificate of Conversion with the Texas Secretary of State, affecting the Conversion and the name change, and including a Certificate of Formation as a converted Texas corporation; however, the Statement of Conversion was not filed with the State of Colorado until a later date. As a result, and because FINRA and the Depository Trust Company (DTC) had advised us that they would not recognize the Conversion or name change, or update such related information in the marketplace until we became current in our periodic filings with the Securities and Exchange Commission and they had a chance to review and approve such transactions, we took the position that the Conversion and name change were not legally effective until September 2, 2016.

As a result of the filings described above, and FINRA and the Depository Trust Company (DTC) formally recognizing and reflecting the events described above in the marketplace, the Company has formally converted from a Colorado corporation to a Texas corporation, and has formally changed its name to “Petrolia Energy Corporation”.

Two significant acquisitions were made in 2015 and additional working interests in the same properties were acquired in 2016 and 2017, as described in greater detail in the “Plan of Operation” section below. Additionally, in February 2018, we acquired Bow Energy Ltd. and its assets (“Bow”), provided that in September 2018, we divested Bow, each as described in greater detail in the “Plan of Operation” section below. During 2018, we acquired an aggregate of a 28% working interest in properties consisting of approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada, as described in greater detail in the “Plan of Operation” section below.

19

Plan of Operation

Since 2015, we have established a clearly defined strategy to acquire, enhance and redevelop high-quality, resource in place assets. The Company has been focusing on acquisitions in the Southwest United States and Canada while actively pursuing our strategy to offer low-cost operational solutions in established Oil and Gas regions. We believe our mix of assets-oil-in-place conventional plays, low-risk resource plays and the redevelopment of our late-stage plays is a solid foundation for continued growth and future revenue growth.

Our strategy is to acquire low risk, conventionally producing oil fields. This strategy allows us to incorporate new technology to minimize risk and maximize the recoverability of existing reservoirs. This approach allows us to minimize the environmental impact caused by exploratory development.

Our activities will primarily be dependent upon available financing.

Oil and gas leases are considered real property. Title to properties which we may acquire will be subject to landowner’s royalties, overriding royalties, carried working and other similar interests and contractual arrangements customary in the oil and gas industry, to liens for current taxes not yet due, liens for amounts owing to persons operating wells, and other encumbrances. As is customary in the industry, in the case of undeveloped properties, little investigation of record title will be made at the time of acquisition (other than a preliminary review of local records). However, drilling title opinions may be obtained before commencement of drilling operations.

Slick Unit Dutcher Sands (“SUDS”) Field

The SUDS oilfield consists of 2,604 acres located in Creek County, Oklahoma and Petrolia owns a 100% Working Interest (“WI”) with a 76.5% net revenue interest (NRI). The first oil well was completed in 1918 by Standard Oil of Ohio (“Sohio”), which at that time was owned by John D. Rockefeller. By 1959, approximately 14,000,000 barrels of oil had been recovered at an average well depth of 3,100 feet and over 100 wells in production. Our engineering reports and analysis indicate there is still considerable recoverable reserves remaining.

We have recently completed a capital project to rebuild our field tank battery, consisting of two free water knockout units, four oil stock tanks and one fiberglass saltwater tank. Additionally, we received a new 5-year permit for our disposal well and upgraded our flowlines for most of the field.

Twin Lakes San Andres Unit (“TLSAU”) Field

TLSAU is located 45 miles from Roswell, Chaves County, New Mexico and consists of 3,864 acres with 58 wells. The last independent reserve report prepared by MKM Engineering on December 31, 2019, reflects approximately 752,000 barrels of proven oil reserves remaining for the 100% working interest.

TLSAU is currently shut-in awaiting capital allocation to complete some regulatory plugging requirements and well workovers.

The Company is actively seeking a partnership in developing the San Andres formation at this lease.

Askarii Resources, LLC

Effective February 1, 2016, the Company acquired 100% of the issued and outstanding interests of Askarii Resources LLC (“Askarii”), a private Texas based oil & gas service company. The Company acquired Askarii by issuing one (1) million restricted shares of common stock. Based on the then market value of the Company’s common stock of \$0.05 per share, the aggregate value of the transaction was \$50,000.

20

Askarii, while dormant for the last few years, has a significant history with major oil companies providing services both onshore and offshore- Gulf of Mexico. Using Askarii, the Company plans to engage in the oil field service business. It is also contemplated that Askarii will research various enhanced oil recovery (EOR) technologies and methods which it can use for the benefit of the Company’s oil fields.

Bow Energy Ltd., a related party

On February 27, 2018, we acquired all of the issued and outstanding shares in Bow Energy Ltd., which has contracts covering a total land position in Indonesia of 948,029 net acres.

Effective on August 31, 2018, the Company entered into and closed the transactions contemplated by a Share Exchange Agreement with Blue Sky Resources Ltd. (“Blue Sky” and the “Exchange Agreement”) to sell Bow Energy Ltd. while retaining a 20% interest in Bow’s subsidiary, Bow Energy International Holdings Inc. (“BEIH”). The President, Chief Executive Officer and 100% owner of Blue Sky is Ilyas Chaudhary, the father of Zel C. Khan, the Company’s Chief Executive Officer.

In connection with the closing of the Exchange Agreement, the Company cancelled shares of common stock previously held by Blue Sky (and affiliates) and returned such

shares to the status of authorized but unissued shares of common stock. The 70,807,417 shares returned to treasury were subsequently cancelled.

Canadian properties – Luseland, Hearts Hill and Cuthbert fields

Effective on June 29, 2018, the Company acquired a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the “Canadian Properties” and the “Working Interest”). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres). The Canadian Properties and the Working Interest were acquired from Blue Sky (a related party, as described above). Blue Sky had previously acquired an 80% working interest from Georox Resources Inc., who had acquired the Canadian Properties from Cona Resources Ltd.

On September 17, 2018, the Company entered into a Memorandum of Understanding (“MOU”) with Blue Sky to obtain the rights to acquire an additional 3% working interest in the Canadian Properties, increasing our Working Interest to 28%. Total consideration paid from the Company to Blue Sky for the additional 3% Working Interest was \$150,000.

Results of Operations

Revenues

Our oil and gas revenue reported for the three months ended June 30, 2019 was \$800,006, an increase of \$776,245 from the three months ended June 30, 2018. A total of \$757,098 of the increase was attributable to the new operations associated with the Canadian Properties which were acquired after June 30, 2018. Revenues associated with our U.S. properties totaled \$42,908.

Our oil and gas revenue reported for the six months ended June 30, 2019 was \$1,619,344, an increase of \$1,565,603 from the six months ended June 30, 2018. A total of \$1,553,872 of the increase was attributable to the new operations associated with the Canadian Properties which were acquired after June 30, 2018. Revenues associated with our U.S. properties totaled \$65,472.

Operating Expenses

Operating expenses increased by \$294,543, to \$1,600,408 for the three-month period ended June 30, 2019, compared to \$1,305,865 for the three months ended June 30, 2018. Operating expenses increased over the comparative period due to a significant increase of \$880,092 in lease operating expenses and a \$233,298 increase in depreciation, depletion and amortization expense, both related to the acquisition of the Canadian properties on June 29, 2018. These increases were offset by a decrease of \$859,173 in general and administrative from 2018 to 2019. This was primarily due to equity related issuances (stock compensation expense) in connection with Mr. James Burns stepping down as the Company’s President, and the associated Separation Agreement.

21

Operating expenses decreased by \$465,440, to \$2,837,705 for the six-month period ended June 30, 2019, compared to \$3,303,145 for the six months ended June 30, 2018. Operating expenses decreased over the comparative period due to a significant increase of \$1,502,263 in lease operating expenses and a \$415,914 increase in depreciation, depletion and amortization expense, both related to the acquisition of the Canadian properties on June 29, 2018. These increases were offset by a decrease of \$2,427,262 in general and administrative from 2018 to 2019. This was primarily due to equity related issuances (stock compensation expense) in connection with Mr. James Burns stepping down as the Company’s President, and the associated Separation Agreement.

Other income (expense)

Other expenses decreased by \$515,593 to \$(226,766) for the three-month period ending June 30, 2019, compared to \$288,827 for the three-month period ending June 30, 2018. The decrease was primarily due to a \$260,162 loss related to an extinguishment of debt in the three-month ended June 30, 2018 period. No such expense was incurred in the three months ended June 30, 2019. This was offset by a net gain of \$255,000 related to the foreclosure and repossession of the Noack property.

Other expenses decreased by \$27,863,384 to \$(264,819) for the six-month period ending June 30, 2019, compared to \$27,598,565 for the six-month period ending June 30, 2018. The decrease was primarily due to a \$27,129,963 loss related to the disposition of Bow Energy Ltd, also there was a \$260,162 loss on extinguishment of debt and 203,349 loss on related party debt settlement of accrued salaries. There were no such “loss” expenses incurred in the six months ended June 30, 2019. These losses were offset by a net gain of \$255,000 related to the foreclosure and repossession of the Noack property in June 2019.

Net Income (Loss)

Net loss for the three months ended June 30, 2019 was \$573,637, compared to a net loss of \$1,570,931 for the three months ended June 30, 2018. The primary reason for the decrease in the 2019 net loss was due to a decrease in stock compensation expense from the prior reporting period and the net gain related to the Noack property in 2019.

Net loss for the six months ended June 30, 2019 was \$953,542, compared to a net loss of \$30,847,969 for the six months ended June 30, 2018. The primary reason for the decrease in loss in 2019 compared to 2018 was due to the disposition of Bow Energy Ltd. properties in 2018.

Liquidity and Capital Resources

The financial condition of the Company has not changed significantly throughout the period from December 31, 2018, to June 30, 2019.

As of June 30, 2019, we had total current assets of \$104,683 and total assets of \$13,145,600. Our total current liabilities as of June 30, 2019 were \$2,876,329 and our total liabilities as of June 30, 2019 were \$6,044,477. We had negative working capital of \$2,771,646 as of June 30, 2019.

Our material asset balances are made up of oil and gas properties and related equipment. Our most significant liabilities are notes payable and notes payable related party of \$2,546,093 along with accounts payable and accrued liabilities, including amounts due to related parties, mainly consisting of accrued officer salaries of \$996,765, in addition to asset retirement obligations of \$1,617,563 (see “Part I – Item 1. Financial Statements - Note 5. Notes Payable”, above for information regarding outstanding debt obligations).

Net cash used in operating activities was \$320,593 and \$160,786 for the six months ended June 30, 2019 and 2018, respectively. The decrease was primarily due to the sale of the NOACK properties as well as an increase in accounts receivable.

22

Net cash used by investing activities was \$508,035 and (\$3,784) for the six months ended June 30, 2019 and 2018, respectively. The increase was primarily due to the funds used to acquire the Canadian Properties.

Net cash provided by financing activities was \$1,029,736 and \$398,712 for the six months ended June 30, 2019 and 2018, respectively. The increase was primarily due to new

\$750,000 notes payable by a third-party. (see “Part I – Item 1. Financial Statements - Note 5. Notes Payable”, above for information regarding outstanding debt obligations). In addition, \$30,000 was provided through related party Debt Private Placement purchases.

The Company continues to operate at a negative cash flow of approximately \$35,000 per month which raises substantial doubt about our ability to continue as a going concern. Management is pursuing several initiatives to secure funding to increase production at both the SUDS and TLSAUs fields which together with anticipated increases in the price of crude oil may reduce the Company’s monthly cash shortfall. The total amount required by the Company to accomplish this objective is approximately \$500,000. The sale of the NOACK field and the addition of the revenue from our 28% ownership of the Canadian Properties has enhanced cashflow and allowed the Company to allocate funds for SUDS and TLSAU development plans. The Company has resumed workover activities at SUDS and expects progress to continue past the first quarter of 2020, funding permitting.

The Company has suffered recurring losses from operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. We plan to generate profits by working over existing wells and drilling productive oil or gas wells. However, we will need to raise additional funds to workover or drill new wells through the sale of our securities, through loans from third parties or from third parties willing to pay our share of drilling and completing the wells. We do not have any commitments or arrangements from any person to provide us with any additional capital. If additional financing is not available when needed, we may need to cease operations. There can be no assurance that we will be successful in raising the capital needed to drill oil or gas wells nor that any such additional financing will be available to us on acceptable terms or at all. Any wells which we may drill may not be productive of oil or gas. Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty. Moving forward we may sell certain of our oil and gas properties in an effort to raise funds to support our operations and future planned oil and gas operations.

Off-Balance Sheet Arrangements

As of June 30, 2019, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity or capital resources or change our financial condition.

Trends Affecting Future Operations

The factors that will most significantly affect our results of operations will be (i) the sale prices of crude oil and natural gas, (ii) the amount of production from oil or gas wells in which we have an interest, and (iii) lease operating expenses. Our revenues will also be significantly impacted by our ability to maintain or increase oil or gas production through exploration and development activities, and the availability of funding to complete such activities.

It is expected that our principal source of cash flow will be from the production and sale of crude oil and natural gas reserves which are depleting assets. Cash flow from the sale of oil and gas production depends upon the quantity of production and the price obtained for the production. An increase in prices will permit us to finance our operations to a greater extent with internally generated funds, may allow us to obtain equity financing more easily or on better terms, and lessens the difficulty of obtaining financing. However, price increases heighten the competition for oil and gas prospects, increase the costs of exploration and development, and, because of potential price declines, increase the risks associated with the purchase of producing properties during times that prices are at higher levels.

23

A decline in oil and gas prices (i) will reduce the cash flow internally generated by the Company which in turn will reduce the funds available for exploring for and replacing oil and gas reserves, (ii) will increase the difficulty of obtaining equity and debt financing and worsen the terms on which such financing may be obtained, (iii) will reduce the number of oil and gas prospects which have reasonable economic terms, (iv) may cause us to permit leases to expire based upon the value of potential oil and gas reserves in relation to the costs of exploration, (v) may result in marginally productive oil and gas wells being abandoned as non-commercial, and (vi) may increase the difficulty of obtaining financing. However, price declines reduce the competition for oil and gas properties and correspondingly reduce the prices paid for leases and prospects. During the last 5 months, oil prices have trended upward to approximately \$58.00 per barrel.

Other than the foregoing, we do not know of any trends, events or uncertainties that will have, or are reasonably expected to have, a material impact on our sales, revenues or expenses.

Critical Accounting Policies and New Accounting Pronouncements

See Note 2 to the financial statements included in the 2018 Annual Report for a description of our critical accounting policies. See Note 2 to the unaudited condensed consolidated interim financial statements and the notes thereto included in this Quarterly Report on Form 10-Q for a description of the impact of recently adopted accounting pronouncements and the potential impact of the adoption of any new accounting pronouncements.

Going concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company’s ability to raise additional capital through the future sales of common stock and other securities is unknown. The obtainment of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raises substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined by Rule 229.10(f)(1).

Item 4 Controls and Procedures

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive and Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of June 30, 2019, our Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective. Such disclosure controls and procedures were deemed ineffective due to material weaknesses in connection with disclosure and related issues associated with related party transactions involving the Company and its officers and directors, and recording, presentation and disclosure issues associated with acquisition transactions.

(b) *Changes in Internal Controls.* There were no changes in our internal controls over financial reporting during the quarter ended June 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

24

PART II: OTHER INFORMATION

Item 1 Legal Proceedings

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. We are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us, or contemplated to be brought against us.

Item 1A Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Commission on October 15, 2019, under the heading "[Risk Factors](#)", except as set forth below and investors should review the risks provided in the Form 10-K and below, prior to making an investment in the Company. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in the Form 10-K for the year ended December 31, 2018, under "[Risk Factors](#)" and below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price.

We are currently behind in our SEC filing obligations.

This filing is being filed well past the due date of such filing with the SEC. Additionally, as of the date of this filing, we are deficient in filing our quarterly reports on Form 10-Q for the quarters ended June 30, 2019 and September 30, 2019. While we hope to be in a position to file such reports in the near future, we may be unable to timely file such reports and may fail to timely further reports in the future. Shareholders may have less information to determine the value of our common stock if we fail to timely make filings with the SEC and/or fail to make such filings with the SEC. Our securities may be trading higher, or lower, than they would be if current information regarding our financial condition and results of operations was publicly available.

Debts owed to us may not be timely paid, if at all.

On April 3, 2019, the Company foreclosed on its promissory note receivable for the sale of the NOACK field, which was secured by lien under the note. On August 6, 2019, the Company entered into a Purchase and Sale Agreement ("PSA") for the sale of the 83% leasehold net revenue interest and 100% working interest in the NOACK Field Assets, i.e., the Company's leasehold in the Noack Farms, Minera Lease and all related leases and assets located in Milam County, Texas (the "NOACK Assets"). The Sale Agreement includes customary indemnification obligations of the parties. The purchaser agreed to pay \$400,000 for the NOACK Assets with a \$20,000 deposit received on August 15, 2019 and the entire balance of \$355,000 to be received by September 30, 2019 (of which \$155,000 was received on August 30, 2019 and the balance of \$25,000 still remains outstanding at the reporting date) with a final payment of \$25,000 to be received on August 30, 2020. We may not receive the \$25,000 owed to us pursuant to the agreement described above, which may have an adverse effect on our operations, cash flow and the value of our securities.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Below is a summary of all equity securities sold by the Company during the period covered by this report and through the date of filing of this report, that were not registered under the Securities Act, which has not previously been included in a Current Report on Form 8-K or the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

On June 30, 2019, warrants to purchase 250,000 shares of common stock with an exercise price of \$0.10 per share, a contractual life of three years and a fair value of \$15,904 were granted to former director Joel Oppenheim, pursuant to a loan agreement.

25

On August 21, 2019, the Company closed private placements with related parties for gross proceeds of \$150,000, consisting of 1,875,000 shares of common stock and warrants to purchase 3,750,000 shares of common stock, exercisable at a price of \$0.10 per share at any time prior to November 1, 2020. American Resources Offshore Inc. (of which Ivar Siem, our director) subscribed for 312,500 shares of common stock and warrants to purchase 625,000 shares of common stock. Leo Womack, our director, subscribed for 312,500 shares of common stock and warrants to purchase 625,000 shares of common stock. Jovian Petroleum Corporation, a greater than 5% shareholder of the Company, subscribed for 625,000 shares of common stock and warrants to purchase 1,250,000 shares of common stock. Joel Martin Oppenheim, our former director, subscribed for 625,000 shares of common stock and warrants to purchase 1,250,000 shares of common stock.

On September 30, 2019, warrants to purchase 250,000 shares of common stock with an exercise price of \$0.10 per share and a contractual life of three years were granted to former director Joel Oppenheim, pursuant to a loan agreement.

We claim an exemption from registration pursuant to Section 4(a)(2) and/or Rule 506(b) of Regulation D of the Securities Act, and the rules and regulations promulgated thereunder in connection with the sales, grants and issuances described above since the foregoing issuances and grants did not involve a public offering, the recipients were (a) "accredited investors", and/or (b) had access to similar documentation and information as would be required in a Registration Statement under the Securities Act. With respect to the transactions described above, no general solicitation was made either by us or by any person acting on our behalf. The transactions were privately negotiated, and did not involve any kind of public solicitation. No underwriters or agents were involved in the foregoing issuances and we paid no underwriting discounts or commissions. The securities sold are subject to transfer restrictions, and the certificates evidencing the securities contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not Applicable.

Item 5 Other Information

We claim an exemption from registration pursuant to Section 4(a)(2) and/or Rule 506(b) of Regulation D of the Securities Act, and the rules and regulations promulgated thereunder in connection with the sales, grants and issuances described above since the foregoing issuances and grants did not involve a public offering, the recipients were (a) "accredited investors", and/or (b) had access to similar documentation and information as would be required in a Registration Statement under the Securities Act. With respect to the transactions described above, no general solicitation was made either by us or by any person acting on our behalf. The transactions were privately negotiated and did not involve any kind of public solicitation. No underwriters or agents were involved in the foregoing issuances and we paid no underwriting discounts or commissions. The securities sold are subject to transfer restrictions, and the certificates evidencing the securities contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom.

Item 6 Exhibits

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

26

SIGNATURES

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

PETROLIA ENERGY CORPORATION

May 27, 2021

By: /s/ Zel C. Khan
Zel C. Khan
Chief Executive Officer
(Principal Executive Officer)

May 27, 2021

By: /s/ Paul M. Deputy
Paul M. Deputy
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

27

EXHIBIT INDEX

Exhibit Number	Description	Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit Number	Filing Date/Period End Date	File No.
04.01	Exhibit 4.1 – Description of Company’s Capital Stock	X				
10.01	\$500,000 Convertible Promissory Note dated April 1, 2018 entered into with Blue Sky International Holdings Inc.		10-K	10.28	12/30/2017	000-52690
10.02	Amended Revolving Line of Credit Agreement with Jovian Petroleum Corporation dated February 9, 2018 and amended April 12, 2018		10-K	10.29	12/30/2017	000-52690
10.03	Separation and Release Agreement dated April 19, 2018, by and between James E. Burns and Petrolia Energy Corporation		8-K	10.1	5/1/2018	000-52690
10.04	Chairman Offer Letter dated April 20, 2018, by and between James E. Burns and Petrolia Energy Corporation		8-K	10.2	5/1/2018	000-52690
10.05	Warrant to Purchase Common Stock, evidencing warrants to purchase 5,000,000 shares of common stock granted to James E. Burns on April 19, 2018		8-K	10.3	5/1/2018	000-52690
10.06	Tariq Chaudhary Offer Letter dated January 12, 2018		10-Q	10.6	3/31/2018	000-52690
10.07	Bukit Energy Inc. \$500,000 Promissory Note dated August 31, 2017 and amendment		10-Q	10.7	3/31/2018	000-52690
10.08	Memorandum of Understanding between Blue Sky Resources Ltd. and Petrolia Energy Corporation dated June 29, 2018		8-K	10.1	7/6/2018	000-52690
10.09	Conveyance between Blue Sky Resources Ltd. and Petrolia Energy Corporation dated June 29, 2018		8-K	10.2	7/6/2018	000-52690
10.10	CAD \$406,181 Promissory Note by Petrolia Energy Corporation in favor of Blue Sky Resources Ltd. dated June 8, 2018		8-K	10.3	7/6/2018	000-52690
10.11	EJL Debt Repayment Agreement effective July 31, 2018, by and between Petrolia Energy Corporation and Blue Sky Resources Ltd (incorporated by reference to Schedule 2A of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.1	9/5/2018	000-52690
10.12	Assignment of 20% BOW EIH effective July 31, 2018, by and between Petrolia Energy Corporation and Bow Energy Ltd. (incorporated by reference to Schedule 3 of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.2	9/5/2018	000-52690
10.13	Assignment of Petrolia Royalty effective July 31, 2018, by and between Petrolia Energy Corporation and Bow Energy Ltd. (incorporated by reference to Schedule 4 of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.3	9/5/2018	000-52690
10.14	Petrolia Carry Agreement, by and between Petrolia Energy Corporation and Bow Energy Ltd. (incorporated by reference to Schedule 5 of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.4	9/5/2018	000-52690
10.15	Form of 12% Bridge Note – 2018		8-K	10.5	9/5/2018	000-52690

28

10.16	Purchase and Sale Agreement dated and effective November 1, 2018, by and between Petrolia Energy Corporation and Crossroads Petroleum L.L.C.		10-Q	10.16	9/30/2018	000-52690
10.17	\$240,000 Promissory Note dated November 2, 2018, by Crossroads Petroleum L.L.C. in favor of Petrolia Energy Corporation		10-Q	10.17	9/30/2018	000-52690
10.18	Loan Agreement dated September 17, 2018 with Emmett Lescroart		10-Q	10.18	9/30/2018	000-52690
10.19	Purchase and Sale Agreement dated and effective August 6, 2019, by and between Petrolia Energy Corporation and FlowTex Energy LLC	X				
10.20	Jovian Petroleum Corporation Line of Credit Extension, dated December 31, 2019	X				

10.21	\$125,000 Loan Agreement, dated January 15, 2019 entered into with Arshad M. Farooq	X				
10.22	Employment Agreement - Mark Allen dated September 1, 2020	X				
10.23	Executive Salary Payment Agreement – Zel Khan dated January 11, 2021	X				
10.24	Utikuma Letter Agreement between BSR and Petroliia dated June 29, 2020	X				
10.25	Executive Salary Payable Agreement – Mark Allen dated March 30, 2021	X				
10.26	Debt to Equity Conversion Agreement – Mark Allen dated March 30, 2021	X				
10.27	Settlement and Mutual Release Agreement – Paul Deputy dated January 29, 2021	X				
14.1	Code of Ethical Business Conduct		10-Q	14.1	9/30/2015	000-52690
14.2	Whistleblower Protection Policy		8-K	14.1	5/24/2018	000-52690
14.3	Insider Trading Policy	X				
14.4	Related Party Transaction Policy		10-K	14.3	12/31/2018	000-52690
16.1	Letter to Securities and Exchange Commission from MaloneBailey, LLP, LLP, dated February 22, 2019		8-K	16.1	2/25/2019	000-52690
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	X				
32.2**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	X				
99.1	Charter of the Audit Committee		8-K	99.1	5/24/2018	000-52690
99.2	Charter of the Compensation Committee		8-K	99.2	5/24/2018	000-52690
99.3	Charter of the Nominating and Corporate Governance Committee		8-K	99.3	5/24/2018	000-52690
101.INS+	XBRL Instance Document	X				
101.SCH+	XBRL Taxonomy Extension Schema Document	X				
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB+	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE+	XBRL Taxonomy Presentation Linkbase Document	X				

Description of Petrolia Energy Corporation's Capital Stock**General**

The following is a summary of information concerning capital stock of Petrolia Energy Corporation. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of the Company's Certificate of Incorporation ("**Charter**") and Amended and Restated By-laws, amended as of November 11, 2017 (the "**By-laws**"), and are entirely qualified by these documents.

Common Stock

Shares Outstanding - The Company is authorized to issue up to 400 million shares of common stock, par value \$.001 per share (the "**Common Stock**").

Dividends - Subject to prior dividend rights of the holders of any shares of preferred stock of the Company ("**Preferred Stock**"), holders of shares of Common Stock are entitled to receive dividends when, as and if declared by the Company's Board of Directors (the "**Board**") out of funds legally available for that purpose. Texas law allows a corporation to pay dividends only out of surplus, as determined under Texas law.

Voting Rights - Each share of Common Stock is entitled to one vote on all matters submitted to a vote of stockholders. Holders of shares of Common Stock do not have cumulative voting rights. This means a holder of a single share of Common Stock cannot cast more than one vote for each position to be filled on the Board. It also means the holders of a majority of the shares of Common Stock entitled to vote in the election of directors can elect all directors standing for election and the holders of the remaining shares will not be able to elect any directors.

Other Rights - In the event of any liquidation, dissolution or winding up of the Company, after the satisfaction in full of the liquidation preferences of holders of any shares of Preferred Stock, holders of shares of Common Stock are entitled to ratable distribution of the remaining assets available for distribution to stockholders. The shares of Common Stock are not subject to redemption by operation of a sinking fund or otherwise. Holders of shares of Common Stock are not currently entitled to pre-emptive rights.

Fully Paid - The issued and outstanding shares of Common Stock are fully paid and non-assessable. This means the full purchase price for the outstanding shares of Common Stock has been paid and the holders of such shares will not be assessed any additional amounts for such shares. Any additional shares of Common Stock that the Company may issue in the future will also be fully paid and non-assessable.

Preferred Stock

The Company is authorized to issue up to 1 million shares of Preferred Stock from time to time in one or more series and with such rights and preferences as determined by the Board with respect to each series.

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (the "Agreement") is made and entered into effective as of **August 6th, 2019** by and between **Petrolia Energy Corporation**, a Texas Corporation, whose mailing address is 710 N. Post Oak Rd, Suite 512, Houston, Texas 77024 (the "Seller") and **FlowTex Energy LLC.**, a Texas Limited Liability Company whose mailing address is 515 Congress Avenue #1790 Austin, Texas 78701 (the "Purchaser").

BACKGROUND

The Purchaser desires to purchase from the Seller, and the Seller desires to sell to the Purchaser, all of Seller's right, title and interest, believed to be one hundred percent (100%) Working Interest, carrying an undivided eighty three percent (83%) Net Revenue Interest (NRI%) of eight-eighths (8/8ths) leasehold in the Noack Farms, Minerva Lease and all related leases and assets located in Milam County, Texas, which are more specifically described in Exhibit A attached hereto and incorporate herein (collectively, herein called the "Noack Field Assets") on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for value received, the parties hereto agree to the following terms and conditions:

Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, at the Closing (defined below), the Purchaser hereby agrees to purchase, acquire and accept from Seller, and Seller hereby agrees to sell, transfer, assign, convey and deliver to the Purchaser, all of the Seller's right, title and interest in and to the NOACK Field Assets, believed to be not less than an undivided eighty three percent (**83%**) leasehold net revenue interest ("NRI"); a one hundred percent (100%) Working Interest in the NOACK Field Assets.

Purchase Price. Subject to the conditions set forth in this Agreement, the total purchase price ("Purchase Price") for the NOACK Field Assets to be paid by the Purchaser to the Seller for the NOACK Field Assets shall be the sum of **\$400,000.00**, payable as follows:

- ▶ **\$20,000** paid on August 15th, 2019 (5% deposit);
- ▶ **\$355,000** paid on or by August 30th, 2019; (Closing)
- ▶ **\$25,000** paid on or by August 30th, 2020 (balance)

Closing. Subject to the conditions set forth in this Agreement, the official closing date ("Closing") shall be **August 30th, 2019**; with an effective date of **September 1st, 2019** ("the Effective Date") at which point any oil produced will belong to the Purchaser.

Additional Terms - Sellers obligations: At Closing, the Seller shall execute, acknowledge and deliver to the Purchaser:

- (i) a recordable assignment, mutually acceptable in form and substance, to the Purchaser and the Seller of the Seller's NOACK Field Assets (the "Assignment"), and
- (ii) a Deed of Trust acceptable to the Seller to secure the Purchaser's payment obligation of the Purchase Price.

Additional Terms - Purchaser obligations: At Closing, Purchaser will also promptly file all appropriate documents with the Railroad Commission (RRC) to take over as the official Operator (P-4). Purchaser has informed Seller that the Operator on record will be Whitehead Resources, LTD, located at 226 U.S. Hwy Business 96, Buna, TX 77612.

Ad Valorem Taxes- Ad Valorem Taxes will be prorated to Purchaser and Seller as of the Effective Date. Upon Closing, and within seven (7) days thereafter, Seller agrees to provide Purchaser with copies of Seller's records relating to the Assets that are the subject of this Agreement, including (if applicable) information regarding all of Seller's accounts holding funds in suspense and Seller's division orders and all supporting documentation regarding the royalty owners and working interest owners in the leases for which Seller disburses proceeds of productions.

Allocation of Liabilities. Notwithstanding anything to the contrary elsewhere contained, following the Closing, the Purchaser shall be responsible for and shall assume only liabilities related to the NOACK Field Assets that arise solely as a result of events wholly occurring subsequent to the Effective Date. The Seller agrees to be responsible for and assume all liabilities whatsoever that pertain to the NOACK Field Assets, to the extent that they arise as a result of events occurring prior to the Effective Date.

Seller's Covenants, Representations and Warranties. The Seller covenants, represents and warrants to Purchaser that:

- a) Disclosure. Seller has fully disclosed to the Purchaser in writing all of the Seller's contracts, commitments and liabilities to Purchaser, whether they be direct or contingent. No hydrocarbons are subject to any sales contract, and no person or entity has any call upon, option to purchase, or similar rights with respect to the production from the wells and leases that are included in the Assets that are the subject of this Agreement. Seller has disclosed to Purchaser in writing any and all facts and circumstances of which Seller has knowledge that could reasonably be expected to materially affects any of the Assets or the development, use, operation, management, leasing, occupancy, status, condition and legal compliance of the Assets or any portion thereof.
- b) Assets. Seller is the owner of all of the NOACK Field Assets covered by this Agreement and conveys all such NOACK Field Assets to the Purchaser, free of all claims, liens, burdens, encumbrances, restrictions and other adverse interests other than those that have been expressly disclosed to the Purchaser in writing on or prior to the Effective Date.
- c) Liabilities. There are no debts or liabilities of any type whatsoever with respect to Seller (including without limitation, tax liabilities of any type) other than debts or liabilities incurred in the ordinary course of business as of this date and which have been expressly disclosed to the Purchaser in writing prior to the Effective Date.

- d) Actions/Suits. There are no suits, claims, demands, filings, causes of action, administrative proceedings, lawsuits or other litigation pending, or threatened that could now or hereafter adversely affect the ownership or operation of Seller except those (if any) that have been expressly disclosed to the Purchaser in writing prior to the Effective Date. There are no bankruptcy proceedings pending, being contemplated by, or to the knowledge of Seller, threatened against Seller. All property taxes and production taxes that have become due or payable before the Closing Date have been paid, and all income taxes and obligations resulting thereto that could result in a lien or other claim against any of the Assets that are the subject of this Agreement have been paid.

- e) Compliance. The NOACK Field Assets have been operated in accordance with all applicable laws, orders, rules and regulations of all governmental authorities having or asserting jurisdiction relating to the ownership and operation thereof, including the production of all hydrocarbons attributable thereto. To the best of Seller's knowledge, all necessary governmental certificates, consents, permits, licenses or other authorizations with regard to the ownership or operation of the NOACK Field Assets have been obtained and no violations exist or have been recorded in respect of such licenses, permits or authorizations except for those (if any) which have been expressly disclosed to the Purchaser in writing prior to the Effective Date.
- f) Consents, Waivers and Preferential Rights. There are no consents or waivers of preferential purchase or other rights necessary to prevent the valid conveyance to Purchaser of the NOACK Field Assets that is contemplated by this Agreement (excluding governmental consents and approvals (if any are necessary) that are customarily obtained post-Effective Date).
- g) Brokers. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Seller for which Purchaser has or will have any liabilities or obligations (contingent or otherwise).
- h) Organization and Good Standing. Seller is a corporation, validly existing and in good standing under the laws of the State of Texas and has all requisite corporate power and authority to own, lease and operate the NOACK Field Assets, to carry on its business as now conducted and to perform its obligations under this Agreement, and to perform its obligations hereunder and thereunder.
- i) Corporate Power. The Seller has full corporate power and authority to execute and deliver this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by Seller in connection with the consummation of the transactions contemplated by this Agreement, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on behalf of Seller. This Agreement has been duly executed and delivered by Seller and (assuming the due authorization, execution and delivery by the Purchaser) this Agreement constitutes the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms.

Purchaser's Covenants, Representations and Warranties. The Purchaser covenants, represents and warrants to Seller that:

(a) Brokers. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Purchaser for which Seller has or will have any liabilities or obligations (contingent or otherwise).

(b) Organization and Good Standing. Purchaser is a limited liability company, validly existing and in good standing under the laws of the State of Texas and has all requisite corporate power and authority to perform its obligations under this Agreement.

(c) Corporate Power. The Purchaser has full corporate power and authority to execute and deliver this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by Purchaser in connection with the consummation of the transactions contemplated by this Agreement, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on behalf of Seller. This Agreement has been duly executed and delivered by Purchaser and (assuming the due authorization, execution and delivery by the Seller) this Agreement constitutes the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms.

Further Assurances. Seller and Purchaser shall each, on a timely basis, execute, acknowledge and deliver all such further conveyances, certificates, notices, assumptions, releases and such other instruments, and shall, on a timely basis, take such further actions, as may be reasonably necessary or appropriate to assure fully to Purchaser and its respective successors or assigns, all of the assets, rights, titles, interests, estates, remedies, powers and privileges intended to be conveyed to Purchaser under this Agreement and to otherwise make effective the transactions contemplated hereby.

Entire Agreement. This Agreement contains the entire agreement of the parties hereto. There are no other agreements, oral or written, and this Agreement can be amended only by written agreement signed by the parties hereto, and by reference, made a part hereof.

Assignment. This Agreement may not be transferred or assigned, in whole or in part, by either party without the prior written consent of the other party being first obtained. After Closing, Purchaser may convey or assign the Assets to a third party, subject to all of Purchaser's obligations and Seller's rights hereunder.

Binding Effect. This Agreement, and the terms, covenants, and conditions herein contained, shall inure to the benefit of and be binding upon the permitted successors, and permitted assigns of each of the parties hereto.

Expenses. Except as otherwise provided in this Agreement, Seller and Purchaser shall each bear their own respective expenses, including without limitation attorney's fees, incurred in connection with the negotiation and execution of this Agreement and each other agreement, document and instrument contemplated by this Agreement and the consummation of the transactions contemplated hereby and thereby. Notwithstanding the foregoing, in the event of any action or proceeding to interpret or enforce this Agreement, the prevailing party in such action or proceeding shall be entitled to have and recover from the non-prevailing party such costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing party may incur in the pursuit or defense thereof.

Indemnification of Purchaser. Seller agrees to and shall indemnify Purchaser and its officers, directors, employees, agents, representatives, successors and assigns (each a "Purchaser Party"), and save and hold each of them harmless from and against, and pay on behalf of or reimburse any Purchaser Party as and when incurred for, all claims, costs, expenses, liabilities and/or losses of every type nature and character whatsoever pertaining to, arising out of or relating to the NOACK Field Assets and occurring (in whole or in part) prior to the Effective Date. Seller also agrees to and shall indemnify Purchaser and its officers, directors, employees, agents, representatives, successors and assigns, and save and hold each of them harmless from and against, and pay on behalf of or reimburse any Purchaser Party, for any actual losses, costs, expenses, liabilities, damages and injury arising from, related to any breach of any covenant or warranty by Seller set forth herein.

Indemnification of Seller. Purchaser agrees to and shall indemnify Seller and its officers, directors, employees, agents, representatives, successors and assigns (each a "Seller Party"), and save and hold each of them harmless from and against, and pay on behalf of or reimburse any Seller Party as and when incurred for, all claims, costs, expenses, liabilities and/or losses of every type nature and character whatsoever pertaining to, arising out of or relating to the NOACK Field Assets and occurring (in whole or in part) on or subsequent to the Effective Date. Purchaser also agrees to and shall indemnify Seller and its officers, directors, employees, agents, representatives, successors and assigns, and save and hold each of them harmless from and against, and pay on behalf of or reimburse any Seller Party, for any actual losses, costs, expenses, liabilities, damages and injury arising from, related to any breach of any covenant or warranty by Purchaser set forth herein.

Section Headings. The section headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several sections hereof.

Publicity. Neither Seller nor Purchaser shall issue any press release or public announcement concerning this Agreement or the transactions contemplated hereby without

obtaining the prior written approval of the other party hereto, which approval will not be unreasonably withheld or delayed, unless, in the sole judgment of Purchaser or Seller, disclosure is otherwise required by applicable law, provided that the party intending to make such release shall use its reasonable efforts consistent with such applicable law to consult with the other party with respect to the text thereof.

Severability. If any provision of this Agreement or application to any party or circumstance shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

No Third-Party Beneficiary. Except as otherwise expressly set forth herein, no term or provision of this Agreement is intended to or shall be for the benefit of any person or entity not a party hereto, and no such other person or entity shall have any right or cause of action hereunder, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over and against any party to this Agreement.

Governing Law. This Agreement shall be governed by the applicable laws of the State of Texas, without regard to its choice or conflicts of law rules or principles.

Venue. The parties acknowledge their agreement and irrevocably consent to the courts situated in Milam County, Texas, as the sole and exclusive venue for litigation of any type, nature or character whatsoever between the parties pertaining in any manner whatsoever to this Agreement.

Authorization. The undersigned natural persons executing this Agreement warrant and represent that they are duly authorized to do so and to bind the entity for which they sign.

Time of the Essence. Time is of the essence in all things pertaining to the performance of this Agreement.

Currency. All dollar amounts are expressed in United States currency.

Survival of Obligations. To the extent necessary to carry out the terms and provisions hereof, the terms, conditions, obligations and rights set forth herein shall not be deemed terminated at the time of the execution and delivery of the assignment provided in Paragraph 1, above or the payment of the purchase price provided in Paragraph 2, above. Nor will they merge into the assignment provided in Paragraph 1, above.

Multiple Counterparts. For purposes of the execution of this Agreement, signature pages transmitted by facsimile or email shall be given the same weight and effect as, and treated as, original signatures which can be signed in multiple counterparts.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS AGREEMENT WILL AUTOMATICALLY BE DEEMED NULL AND VOID, WITHOUT FURTHER NOTICE, IF THE DEPOSIT PAYMENT IS NOT RECEIVED BY 5PM CST, AUGUST 15th, 2019.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement to be effective for all purposes as of the Effective Date.

SELLER:

Petrolia Energy Corporation

By: 
Zel C. Khan, CEO & President

PURCHASER:

FlowTex Energy LLC.

By: 
Beau Flowers, President

EXHIBIT A

NOACK FIELD ASSETS

- 1) All leasehold working interests, in and to all the oil, gas and/or mineral leases which are now owned or may be hereafter acquired by the Seller which pertain to, cover and/or include the following lands in Milam County, Texas (collectively, the "Leases):

Oil and Gas Lease dated July 3, 2013, recorded in Volume 1203, Page 189 of the Records of Milam, County, Texas, from Kingman Operating Company, Inc, as Lessor to Rockdale Resources Corporation, as Lessee on the following describe land in Milam County, to wit: Being 623.29 acres, more or less, out of the James Reese League, A-303, in Milam, County, Texas.

Well Listing:

Noack Farm A-1 Noack
Farm A-2 Noack Farm A-3
Noack Farm A-4 Noack
Farm A-7 Noack Farm A-8
Noack Farm A-9 Noack
Farm A-12 Noack Farm A-13
Noack Farm A-16 Noack
Farm A-18 Noack Farm A-19
Noack Farm A-22 Noack
Farm A-23 Noack Farm A-24
Noack Farm C-1

- 2) All rights, titles, and interests of every type whatsoever in real, personal and intangible property rights which are now owned or may be hereafter acquired by the Seller which are appurtenant to the above described lands and Lease, including without limitation the following:

i As well as all rights, titles and interests in or derived from pooling or unit agreements, orders and decisions of state regulatory authorities establishing pooling rights and/or units, joint operating agreements, enhanced recover and injection agreements, gas sales contracts, farm-out agreements and farm-in agreements, options, drilling agreements, exploration agreements, assignments of operating rights, working interests and subleases;

ii. All royalties, overriding royalties, production payments, rights to take royalties in kind, and/or other interests in production of oil, gas and/or other minerals pertaining to the Lease;

iii. All equipment, wells, machinery, fixtures, related inventory and other personal property located in, on, or used in connection with the Lease;

iv. All oil, condensate, natural gas liquid produced from or pertaining to the Lease after the Effective Date, and all inventory, including line fill and inventory below the pipeline connection in tanks, attributable to the Leases and/or Units;

v. All contractual rights and all contracts and agreements of every type, nature and character whatsoever pertaining to the Lease;

vi All rights-of-way, easements, servitudes and franchises acquired or used in connection with operations for the exploration and/or production of oil, gas and/or other minerals pertaining to the Lease; and

vii. All permits and licenses of any nature owned, held or operated in connection with operations for the exploration and/or production of oil, gas and/or other minerals pertaining to the Lease, to the extent such permit and licenses are transferable.

EXHIBIT A

NOACK FIELD ASSETS

- 3) All leasehold working interests, in and to all the oil, gas and/or mineral leases which are now owned or may be hereafter acquired by the Seller which pertain to, cover and/or include the following lands in Milam County, Texas (collectively, the "Leases):

Oil and Gas Lease dated July 3,2013, recorded in Volume 1203, Page 189 of the Records of Milam, County, Texas, from Kingman Operating Company, Inc, as Lessor to Rockdale Resources Corporation, as Lessee on the following describe land in Milam County, to wit: Being 623.29 acres, more or less, out of the James Reese League, A-303, in Milam, County, Texas.

Well Listing:

Noack Farm A-1
Noack Farm A-2
Noack Farm A-3
Noack Farm A-4
Noack Farm A-7
Noack Farm A-8
Noack Farm A-9
Noack Farm A-12
Noack Farm A-13
Noack Farm A-16
Noack Farm A-18
Noack Farm A-19
Noack Farm A-22
Noack Farm A-23
Noack Farm A-24
Noack Farm C-1

- 4) All rights, titles, and interests of every type whatsoever in real, personal and intangible property rights which are now owned or may be hereafter acquired by the Seller which are appurtenant to the above described lands and Lease, including without limitation the following:

i As well as all rights, titles and interests in or derived from pooling or unit agreements, orders and decisions of state regulatory authorities establishing pooling rights and/or units, joint operating agreements, enhanced recover and injection agreements, gas sales contracts, farm-out agreements and farm-in agreements, options, drilling agreements, exploration agreements, assignments of operating rights, working interests and subleases;

ii. All royalties, overriding royalties, production payments, rights to take royalties in kind, and/or other interests in production of oil, gas and/or other minerals pertaining to the Lease;

iii. All equipment, wells, machinery, fixtures, related inventory and other personal property located in, on, or used in connection with the Lease;

iv. All oil, condensate, natural gas liquid produced from or pertaining to the Lease after the Effective Date, and all inventory, including line fill and inventory below the pipeline connection in tanks, attributable to the Leases and/or Units;

v. All contractual rights and all contracts and agreements of every type, nature and character whatsoever pertaining to the Lease;

vi All rights-of-way, easements, servitudes and franchises acquired or used in connection with operations for the exploration and/or production of oil, gas and/or other minerals pertaining to the Lease; and

vii. All permits and licenses of any nature owned, held or operated in connection with operations for the exploration and/or production of oil, gas and/or other minerals pertaining to the Lease, to the extent such permit and licenses are transferable.



December 31, 2019.

Petrolia Energy Corporation

Re: LOC \$500,000 extension

Gentlemen,

This letter serves as notice of extension of the \$500,000 LOC that Petrolia has in place with Jovian Petroleum.

The LOC has been extended to 12/31/21.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Quinten Beasley". The signature is fluid and cursive, with a large initial "Q" and "B".

Quinten Beasley
President

710 N. Post Oak, Suite #512 - Houston, Texas, USA 77024
Telephone: (832) 209-2169 Website: www.jovianpetroleum.com

LOAN AGREEMENT

January 15, 2019

WHEREAS Arshad M Farooq (the “**Lender**”) and Petrolia Energy Corporation (the “**Borrower**”) wish to enter into this loan agreement (the “Loan Agreement”) which provides a loan of US \$125,000 at an interest rate of 4%

NOW THEREFORE, in consideration of the increase of the loan upon the terms hereof, the Lender and the Borrower covenant and agree as follows:

Borrower: Petrolia Energy Corporation

Lender: Arshad M Farooq.

Loan: US \$125,000 (“Loan”).

Effective Date: January 15, 2019

Maturity Date: January 15, 2020

Renewal Option: Borrow has an option to extend the Principal loan for one (1) additional year commencing January 15, 2020 by paying the Year 1 Interest payment and providing a written notice 14 days prior to the Maturity Date

Interest Rate: The Borrower shall pay interest on the total Loan at a rate of 4% per annum or until Maturity.

Repayment: Principal and Accrued Interest paid January 15, 2020

Prepayment: Prepayment is permitted any time subject to a written notification period of 5 calendar days. In the event of early payout, the Borrower shall ensure total interest paid to the lender for the entire term of this loan.

Representations and Warranties: Borrower represents and warrants to the Lender that:

1. it has been duly incorporated and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property;
2. it has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Loan Agreement;
3. it is not involved in any dispute or legal proceedings likely to materially affect its financial position or its capacity to operate its business;
4. it has all the requisite power, authority and capacity to execute and deliver this Loan Agreement and the Security (to which it is a party) and to perform its obligations hereunder and thereunder;

2

Affirmative Covenants: Each of the Loan Parties covenants and agrees that it shall:

1. pay all sums of money when due and payable by it to the Lender under this Loan Agreement and the Security;
2. in the case of the Borrower, carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws;
3. maintain its corporate existence and comply with all applicable laws;
4. comply with all regulatory bodies and provisions regarding environmental procedures and controls;
5. upon reasonable notice, allow the Lender access to its books and records and to visit and inspect its assets and place of business; and

Events of Default: The Lender may accelerate the payment of any such outstanding amounts and cancel availability of any withdrawn portion of any of the Loan at any time after the occurrence of anyone or more of the following events (each an “**Event of Default**”):

1. failure by the Borrower to pay principal, interest and fees when due;
2. any material representations and warranties made by a Loan Party are incorrect in any material respect;
3. any breach of applicable law by a Loan Party;
4. any cross default as a result of a failure in the performance or observance of any material term or condition in respect of any other indebtedness or obligation of a Loan Party under this Loan Agreement or any of the Security to which it is a party or under any other material agreement to which it is a party; or any event which has happened or is expected to happen which would have a material adverse effect on a Loan Party.

Indemnity: The Loan Parties jointly and severally indemnify the Lender against any loss, costs, claims, actions, suits, damages, expenses or liabilities of any and every kind which the Lender may sustain or incur, directly or indirectly, as a consequence of the entry into and performance of this Loan Agreement and any of the Security, the use of funds advanced under this Loan Agreement, the consummation of any transaction contemplated by this Loan Agreement, any litigation or claim commenced arising out of the execution, delivery or performance of, or the enforcement of any right under this Loan Agreement or any of the Security, a default by any Loan Party in the payment or performance of any obligations (including any representation or warranty made herein by a Loan Party being incorrect at the time it was made or deemed to have been made), the failure by a Loan Party to comply with any of its covenants in this Loan Agreement or in any of the Security, or the occurrence of any other default or Event of Default, except where such loss, costs, claims, actions, suits, damages, expenses or liabilities arise by reason of the gross negligence or willful misconduct of the Lender. The indemnities in this Loan Agreement shall extend to the agents and assignees of the Lender and, for certainty, those for whom the Lender acts as agent hereunder, and the Loan Parties shall hold the benefit of such indemnities in trust for such indemnified parties to the extent necessary to give effect hereto.

3

The provisions, undertakings, and indemnifications set out in this Loan Agreement, shall survive the satisfaction and release of the Security and payment and satisfaction of the indebtedness and liability of the Loan Parties to the Lender.

Costs: Each party shall be responsible for its own legal costs.

Requirements: The Borrower hereby agrees to provide to the Lender written notice of a change in name or address immediately.

Assignment: The rights or obligations of the Borrower herein and the amount of the Loan may be transferred or assigned by the Borrower subject to written approval of the Lender, acting reasonably. The Lender may assign all or any part of the Loan, the Security and this Loan Agreement without the consent of the Borrower but shall notify the Borrower within a reasonable time frame of such assignment occurring.

Binding Agreement: The terms and conditions of this Loan Agreement are binding and legal obligations and shall constitute a commitment on the part of the Borrower and the Lender.

Confidentiality: This Loan Agreement is delivered to you on the understanding that neither it nor its contents shall be disclosed to any other party except to counsel, accountants, employees and agents of the Borrower who are specifically involved in the transaction.

Lender's Role: Nothing contained in this Loan Agreement, the Security or any related documentation shall in any way be deemed to be or be construed as creating the relationship of joint venturer or partner or co-venturer with the Loan Parties. The parties each acknowledge and agree that the relationship between them is solely and exclusively one of borrower and lender.

Counterparts: This Loan Agreement may be executed by the parties hereto in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document. Executed copies may be delivered by facsimile transmission or electronic mail transmission and it shall not be necessary to confirm execution by delivery of originally executed documents.

4

Currency: All references to amounts in this agreement, unless otherwise described, are in United States Dollars.

Rights and Remedies Cumulative: The rights, remedies and powers of the Lender under this Loan Agreement and the Security, at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Lender, and no delay or omission in exercise of any such right, remedy or power shall exhaust such rights, remedies and powers to be construed as a waiver of any of them.

Waivers and Amendments: No term, provision or condition of this Loan Agreement or any of the Security, may be waived, varied or amended unless in writing and signed by a duly authorized officer of the Lender.

Governing Law: This Loan Agreement shall be construed, governed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Texas and the laws of the United States of America applicable therein.

Joint and Several Liability: If more than one person is designated as Guarantor, then each such person shall be jointly and severally liable for all of the indebtedness, liabilities, covenants, representations, warranties and other obligations of the Guarantors set out in this Loan Agreement. If more than one person is designated as a Loan Party, then each such person shall be jointly and severally liable for all of the indebtedness, liabilities, covenants, representations, warranties and other obligations of the Loan Parties set out in this Loan Agreement.

Waiver of Jury Trial: The Borrower hereby irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Loan Agreement, the Security or any other document or the transactions contemplated hereby or thereby (whether based on contract, tort or any of other theory).

5

AGREED AND ACCEPTED as of the 15th day of January 2019.

Carla Sibby

Witness

A.M. Farooq

ARSHAD M FAROOQ
Lender

PETROLIA ENERGY CORPORATION
Borrower

Per:

Zaid

Name: Zel C. Khan

Title: CEO & President

EMPLOYMENT AGREEMENT

This Employment Agreement (“Agreement”), dated effective for all purposes as of September 1, 2020 (the Effective Date”), by and between PETROLIA ENERGY CORPORATION a Texas corporation whose business address is 710 N. Post Oak Blvd, Suite 512, Houston, Texas 77024 (the “Employer”), and MARK M. ALLEN, a resident of Fort Bend County, Texas, whose address is 4306 Stonecroft Circle, Katy, Texas 77450 (the “Employee”).

WITNESSETH:

WHEREAS, the Employer desires to obtain the services of the Employee, and the Employee desires to be employed by the Employer, upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and agreements contained in this Agreement and other good and valuable consideration, the parties agree as follows:

**ARTICLE 1
EMPLOYMENT**

The Employer hereby agrees to employ the Employee, and the Employee hereby agrees to serve the Employer, as herein set forth for the term of this Agreement.

**ARTICLE 2
EMPLOYEE’S DUTIES AND OBLIGATIONS**

During the term of this Agreement, the Employee will devote his best efforts to serving Employer on a full time basis as its President, performing such duties as provided in the Employer’s by-laws and as the Employer may from time to time reasonably require. The Employee shall report directly to the Chief Executive Officer, Mr. Zel C. Khan and further to the Board of Directors as needed. In the performance of his duties, the Employee will comply with the Employer’s existing standard policies and procedures, as well as any other standard policies and procedures hereafter established by the Employer. Additionally, the Employee shall at all times comply with all applicable governmental laws, rules and regulations.

**ARTICLE 3
COMPENSATION AND BENEFITS**

3.1 Base Compensation. As set forth below in Article 4, unless extended pursuant to the terms this Agreement is for a six (6) month term. As compensation for the Employee’s services hereunder for the six (6) month term, the Employer shall pay the Employee the sum of Ninety Thousand Dollars (\$90,000), in equal installments of 15,000, in accordance with the Employer’s standard payroll policies. If this Agreement is extended beyond the six (6) month term, the base compensation shall continue at the rate of \$15,000 until or unless a different rate is mutually agreed upon in writing by the Employer and the Employee.

3.2 Incentive Compensation. As incentive compensation, the Employee shall be issued a total of Two Million (2,000,000) paid up shares of the Employer’s stock distributed as follows: One Million (1,000,000) shares upon executing this agreement and One Million (1,000,000) shares after completion of the term of this agreement. In addition, upon executing this agreement, the Employer will grant One Million (1,000,000) warrants at Eight Cents (\$0.08) a share. Upon completion of the terms of this agreement, an additional One Million (1,000,000) warrants at Eight Cents (\$0.08) a share will be granted. Such warrants shall be vested over two (2) years and hold a three (3) year expiration date.

3.3 Reimbursement of Business Expenses. Subject to such general rules and procedures as are from time to time established by the Employer, the Employer will reimburse the Employee during the term of this Agreement for reasonable and necessary expenses incurred by the Employee on behalf of the Employer.

3.4 Benefits. The Employee shall be entitled to participate in such employee benefits, if any, as the Employer makes generally available to its executive officers

3.5 Vacation. The Employee will be entitled to take vacation each year, according to the Employer’s standard policy applicable to all employees, as approved by the Board, without any adjustment in his compensation. Vacation time will be taken with due consideration to the services required of the Employee and the reasonable requirements of the Employer.

3.6 Annual Review. Should the term of this Agreement be extended beyond a six (6) month period, the Board will review the Employee’s salary on an annual basis from the Effective Date and may adjust the Employee’s compensation, in the Board’s sole reasonable discretion, based on the Employee’s performance and the financial condition of the Employer.

**ARTICLE 4
TERM AND TERMINATION**

4.1 Term. The term of employment under this Agreement shall commence on the Effective Date and continue for a six (6) month period and, unless sooner terminated in accordance with this Article 4, shall be subsequently continued on a month-to-month basis until terminated in accordance with this Agreement.

4.2 Termination. Notwithstanding anything to contrary elsewhere contained, this Agreement may be sooner terminated on the first to occur of the following:

4.2.1 Termination by Notice. Either the Employer or the Employee may terminate this Agreement, without cause, at the end of the six (6) month term of this Agreement or anytime thereafter, by providing at least two (2) weeks’ written notice in writing to the other party.

4.2.2 Termination Upon Employee’s Death, Disability, Etc. In the event the Employee dies or becomes disabled, whether by reason of injury, illness, or otherwise, to the extent that the Employee is physically or mentally incapacitated for a period exceeding ninety (90) consecutive calendar days, excluding any leaves of absence approved in writing by the Employer prior to the beginning of such disability.

4.2.3 Termination for Specific Breaches. In the event the Employee has conducted himself in a manner that constitutes neglect of his duties, willful misconduct, insubordination, fraud upon the Employer, dishonesty, misappropriation of the Employer’s assets, this Agreement may then be immediately terminated in the reasonable discretion of the Employer by providing written notice to the Employee.

4.2.4 Termination for Breach. In the event either party shall give written notice to the other that such other party has defaulted in the performance of any material obligation hereunder and such default is not cured within five (5) business days after giving such notice, the party giving such notice shall have the right to terminate

this Agreement upon the expiration of such five (5) business days period.

4.3 Effects of Termination. Upon termination of this Agreement, neither party shall have any further obligation hereunder except for: (i) obligations accruing prior to the date of termination, and (ii) obligations, promises or covenants contained herein which are expressly made to extend beyond the term of this Agreement.

2

ARTICLES
CONFIDENTIALITY, NON-SOLICITATION AND OUTSIDE ACTIVITIES

5.1 Confidentiality. The Employee understands and acknowledges that during the course of his employment by the Employer, the Employee will have access to "Confidential Information" concerning his clients and that the Employee has a duty not to use such information in competition with the Employer or any affiliate of the Employer and not to disclose or permit such information to be disclosed to any third party, other person, firm or corporation during the term of this Agreement or at any time thereafter without the express written consent of the Employer. For purposes of this Agreement, "Confidential information" shall include, but not be limited to, any and all records, notes, memoranda, data, ideas, methods, techniques, systems, formulas, writings, research, recipes, personnel information and office manuals, patient information, forms, plans, strategies, trade secrets or any other information of whatever nature in the possession or control of the Employer or an affiliate of the Employer that is not generally known or available to members of the general public. The Employee further agrees that if his employment hereunder is terminated for any reason, he will leave the Employer and will not take originals or copies of, any records, papers, programs, computer software or documents or any other matter of whatever nature that contains Confidential Information.

5.2 Nonsolicitation. During the term of this Agreement and for one (1) year thereafter, the Employee shall not in any manner whatsoever (directly or indirectly) solicit or attempt to solicit any employee of the Employer for employment elsewhere.

5.3 Outside Business Activities. During the term of this Agreement, the Employee shall not engage in any outside business activities which directly or indirectly compete with the business of the Employer anywhere that the Employer has conducted, is conducting or is actively planning to conduct business without the express prior written consent of the Employer. This provision will not be construed, however, to prevent the Employee from personally, and for his own account and benefit, trading in publicly traded stocks, bonds, securities, real estate, commodities, or other forms of publicly traded investment, so long as such activities do not interfere or conflict with his duties as an employee of the Employer.

5.4 Remedies. Without in any manner whatsoever limiting other possible remedies for breach of the covenants contained in this Article 5, notwithstanding anything to the contrary elsewhere contained or other remedies available to the Employer, the Employee agrees that injunctive or other equitable relief shall be available to enforce such covenants, such relief to be without the necessity of posting a bond, cash or otherwise.

Article 6
ADDITIONAL PROVISIONS

6.1 Status of Employee. The parties expressly acknowledge that the Employee, in the performance of his services hereunder, is a full time employee of the Employer. Accordingly, the Employer will deduct from compensation paid to the Employee pursuant to this Agreement any necessary sums for income tax, unemployment insurance, social security or other withholding required by any law or other requirement of any governmental entity.

3

6.2 Indemnification. The Employer shall indemnify the Employee, and shall use its reasonable best efforts to cause its current Board and management to indemnify the Employee, and save and hold the Employee harmless from and against, all losses pertaining to, arising out of or pertaining to any event or matter arising or pertaining to a time prior to the Effective Date of this Agreement.

6.3 Time of the Essence. Time is of the essence in all things pertaining to the performance of this Agreement.

6.4 Currency. All dollar amounts provided for herein are expressed in United States currency.

6.5 Severability. If any provision of this Agreement shall be finally determined by a court or arbitrator to be invalid and unenforceable to any event, the remainder of this Agreement shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

6.6 Section Headings. The section headings contained in this Agreement are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several sections hereof.

6.7 Applicable Law. This Agreement, and the rights and obligations of the parties hereunder, shall be interpreted, construed, governed and enforced in accordance with the laws of the State of Texas, and shall be performable in Harris County, Texas.

6.8 Arbitration. All disputes between the Employer and the Employee pertaining to or arising out of this Agreement (in whole or in part), or concerning any rights or the performance of any duties, responsibilities, or obligations created by this Agreement, shall be exclusively and solely resolved by arbitration, conducted under the Commercial Arbitration Rules of the American Arbitration Association in Houston, Harris County, Texas, with a single arbitrator selected under said rules, applying Texas law.

6.9 Benefit/ Assignment. Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that the Employee may not assign this Agreement or any or all of his rights or obligations hereunder.

6.10 Waiver of Breach. The waiver by the Employer of a breach or violation of any provision of this Agreement shall not operate as or be construed to be, a waiver by the Employer of any subsequent breach of the same or other provision hereof.

6.11 Survival. The provisions of Article 5 and this Article 6 shall expressly survive the cancellation or termination of this Agreement.

6.12 Entire Agreement/Amendment. This Agreement supersedes all previous contracts, and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties respecting the subject matter hereof, and no party shall be entitled to other benefits than those specified herein. As between or among the parties, no oral statements or prior written material not specifically incorporated herein shall be of any force and effect.

4

IN WITNESS WHEREOF, the parties hereto have negotiated and executed this Agreement in Houston, Harris County, Texas, to be effective for all purposes as of the Effective Date.

EMPLOYER:

Petrolia Energy Corporation

EMPLOYEE:



Mark M. Allen
President, Fandango Ventures, LLC

By :



Name:

Title: CEO

CONSULTING AGREEMENT

This Consulting Agreement (“Agreement”), dated effective for all purposes as of December 15, 2019 (the “Effective Date”), by and between PETROLIA ENERGY CORPORATION, a Texas corporation (the “Company”), and MARK ALLEN, a Texas resident (the “Consultant”).

WITNESSETH:

WHEREAS, the Company is an energy company that desires to obtain the services of the Consultant, and the Consultant desires to be employed by the Company, upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and agreements contained in this Agreement and other good and valuable consideration, the parties agree as follows:

**ARTICLE 1
EMPLOYMENT**

The Company hereby agrees to employ or to continue to employ the Consultant, and the Consultant hereby agrees to serve or continue to serve the Company, as herein set forth. for the term of this Agreement.

**ARTICLE 2
DUTIES AND OBLIGATIONS**

During the term of this Agreement. Consultant will devote his best efforts to serving as a Consultant of the Company, performing such duties as the Company may from time to time reasonably require. The Consultant shall work alongside the Company’s management, but shall ultimately report to the Company’s CEO, who shall assign the Consultant its duties which will include leading and providing management oversight on most of the field work for the Company’s SUDS field located in Creek County, Oklahoma (the “SUDS Field) with assistance from the Company’s field staff, as needed. In the performance of his duties, the Consultant will follow the Company’s existing standard written policies and procedures, as well as any other standard written policies and procedures hereafter established by the Company.

Additionally, effective as of the Effective Date of this Agreement, the Consultant shall provide funding for the following activities pertaining to the SUDS Field which have been mutually agreed upon by the Consultant and the Company: (i) \$43,000 for SUDS Field Phase I, (ii) \$19,000 for SUDS Field Phase IT, (iii) \$73,000 for SUDS Field Phase III, (iv) \$65,000 for SUDS Field Phase IV, for a total financial obligation of \$200,000 for the SUDS Field; provided, however, the Consultant shall use after SUDS Field Phase III is completed, for a technical and economic review, before SUDS Field Phase IV commences. If (and only if the analytics from the review are jointly acceptable to the Consultant and the Company, SUDS Field Phase IV shall commence.

The Consultant shall receive 50% of the SUDS Field net revenue for oil and gas sales (less royalties, taxes, LOE and Mark Allen compensation) monthly oil and gas revenue until a total return of 200% of the funds provided by the Consultant, including 10% interest on the principal funding, With the entire amount is recouped by the Consultant For clarity, once the Consultant receives \$400k 1 plus any remaining interest on the principal (\$20K)1, then this debt will be fully paid off.

Management oversight of the SUDS Field shall be returned to the Company upon the expiration or termination of this Agreement.

A 1.5% override royalty interest in the SUDS Field will be temporarily granted to the Consultant until a total return of 200% of the funds provided by the Consultant. including 10% interest on the principal funding is paid.

**ARTICLE 3
COMPENSATION**

3.1 Base Compensation. As compensation for the Consultant’s services hereunder, the Consultant shall receive the following: (i) a monthly fee of \$10,000.00; provided, however, the payment of such fee shall be deferred and added to the principal debt which is subsequently paid from production revenue from the Company’s SUDS field located in Creek County, Oklahoma for 90 days from the Effective Date, (ii) 250,000 warrants@ \$0.10 a share of Company stock, granted as of the Effective Date of this Agreement, (iii) 250,000 shares of Company stock, to be paid upon the successful completion of the Company’s SUDS Field Phase I, Phase 11, Phase m and Phase IV. All warrants will have a one year term as of the Effective Date. The Company shall add the Consultant to its existing workers compensation policy as a consultant.

3.2 Reimbursement The Company shall also reimburse the Consultant during the term of this Agreement for reasonable and necessary business expenses reasonably incurred by the Consultant on behalf of the Company that are pre-approved in writing by the Company. Notwithstanding anything to the contrary elsewhere herein contained, (i) reasonable and necessary travel expenses incurred by the Consultant prior to the Effective Date will be promptly reimbursed. and (ii) reasonable and necessary travel expenses incurred by the Consultant on or subsequent to the Effective Date will be included in the capex calculation for the Company’s SUDS Field and reimbursed through the field’s revenue.

3.3 Required Deductions. The parties expressly acknowledge that the Consultant, in the performance of services hereunder, is a Consultant of the Company. Accordingly, the Company will deduct from all compensation paid to the Consultant pursuant to this Agreement any sums, if any, that are required by any applicable law or other requirement of any applicable governmental body.

ARTICLE 4
TERM AND TERMINATION

¹ Assuming full funding of \$200,000 for all four stages of SUDS Field funding by the Consultant.

4.1 **Term.** The term of employment under this Agreement shall commence on the Effective Date and continue for a term of three (3) months unless mutually extended on a month to month basis thereafter or sooner terminated in accordance with this Agreement.

4.2 **Termination.** Notwithstanding anything to contrary elsewhere contained, this Agreement shall automatically terminate and be of no further force and effect (except as provided in Article 4.2.3, below) on the first to occur of the following:

4.2.1 **Termination for Specific Breaches.** In the event the Consultant has conducted himself in a manner that constitutes neglect of his duties, willful misconduct, insubordination, fraud upon the Company, dishonesty, misappropriation of the Company's assets, this Agreement may then be immediately terminated in the reasonable discretion of the Company by providing written notice to the Consultant.

4.2.2 **Termination for Breach.** In the event either party shall give written notice to the other that such other party has defaulted in the performance of any material obligation hereunder and such default is not cured within ten (10) business days after giving such notice, the party giving such notice shall have the right to terminate this Agreement immediately upon the expiration of such ten (10) business day period.

4.2.3 **Effects of Termination.** Upon termination of this Agreement for any reason, neither party shall have any further obligation hereunder except for: (i) obligations accruing prior to the date of termination, and (ii) obligations, promises or covenants contained herein which are expressly made to extend beyond the term of this Agreement.

3

ARTICLE 5
CONFIDENTIALITY AND NON-SOLICITATION

5.1 **Confidentiality Agreement.** The Consultant understands and acknowledges that during the course of its employment by the Company, the Consultant will have access to "Confidential Information" concerning the Company's clients and that the Consultant has a duty not to use such information in competition with the Company or any affiliate of the Company and not to disclose or permit such information to be disclosed to any third party, other person, firm or corporation during the term of this Agreement or at any time thereafter without the express written consent of the Company. For purposes of this Agreement, "Confidential Information" shall include, but not be limited to, any and all records, notes, memoranda, data, ideas, methods, techniques, systems, formulas, writings, research, personnel information and office manuals, forms, plans, strategies, trade secrets or any other information of whatever nature in the possession or control of the Company or an affiliate of the Company that is not generally known or available to members of the general public as it may be amended from time to time. The Consultant further agrees that if his engagement hereunder is terminated for any reason, he will not take originals or copies of any records, papers, programs, computer software or documents or any other matter of whatever nature that contains Confidential Information.

5.2 **Non-solicitation Agreement.** For so long as this Agreement is in effect and for a period of twelve (12) months after cancellation or termination of the Agreement for any reason whatsoever the Consultant shall not in any manner whatsoever (directly or indirectly) solicit or attempt to solicit: (i) any employee of the Company for employment elsewhere, or (ii) any client or customer of the Company for services elsewhere that are provided by the Company.

Remedies. Without in any manner whatsoever limiting other possible remedies for breach of the covenants contained in this Article 5, notwithstanding anything to the contrary elsewhere contained, the Consultant agrees that injunctive or other equitable relief shall be available to enforce such covenants, such relief to be without the necessity of posting a bond, cash or otherwise.

ARTICLE 6
ADDITIONAL PROVISIONS

6.1 **Relationship of the Consultant.** Notwithstanding anything to the contrary elsewhere contained, the relationship between the Consultant and the Company shall be that of an independent contractor, limited to the performance of the duties and responsibilities contemplated by and in accordance with the terms of this Agreement. Nothing herein shall be construed to authorize Consultant to act as an agent of the Company for any other purposes.

6.2 **Applicable Law.** This Agreement, and the rights and obligations of the parties hereunder, shall be interpreted, construed, governed and enforced in accordance with the laws of the State of Texas.

6.3 **Venue.** Venue for any lawsuit or other legal proceeding pertaining to this Agreement shall be brought exclusively in the courts with appropriate jurisdiction located in Harris County, Texas.

6.4 **Benefit/Assignment.** Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that the Consultant may not assign this Agreement or any or all of his rights or obligations hereunder.

6.5 **Waiver of Breach.** The waiver by the Company of a breach or violation of any provision of this Agreement shall not operate as or be construed to be, a waiver by the Company of any subsequent breach of the same or other; provision hereof

6.6 **Severability.** In the event all or part of any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality or unenforceability shall not affect the remainder of this Agreement, which shall be in full force and effect, enforceable in accordance with its terms.

6.7 **Survival.** The provisions of Article 5 shall expressly and indefinitely survive the cancellation or termination of this Agreement.

6.8 **Entire Agreement.** This Agreement supersedes all previous contracts and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties respecting the subject matter hereof; and no party shall be entitled to other benefits than those specified herein. As between or among the parties, no oral or written material not specifically incorporated herein shall be of any force and effect.

6.9 **Amendment.** This agreement may be amended only in writing by both parties.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals to be effective for all purposes as of the Effective

Date.

COMPANY:

Petrolia Energy Corporation

By:  _____

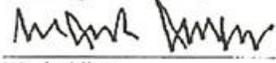
Name: Zel C. Khan

Title: CEO

Date: 2-27-20

CONSULTANT:

Fandango Ventures, LLC



Mark Allen

Date: FEBRUARY 14, 2020

EXECUTIVE'S SALARY PAYABLE AGREEMENT

This Executive's Salary Payable Agreement (the "Agreement") is made effective as of January 11, 2021 (the "Effective Date"), by and between Petrolia Energy Corporation ("Petrolia"), and Zel Khan (referred to in this Agreement as the "Executive" solely for the purposes of this Agreement). As used herein, Petrolia and the Executive are each individually referred to as a "Party" and collectively referred to as the "Parties").

WHEREAS, the Executive has served as a Member of Petrolia's Executive Leadership Team from 2015 thru current date; and

WHEREAS, it is the desire of the Parties that they enter into a written agreement in order to resolve outstanding salary owed to the Executive by Petrolia for his executive service, by converting that salary owed to the Executive by Petrolia into equity in Petrolia.

NOW, THEREFORE, for and in consideration of the promises and the consideration more fully set forth hereinafter, and intending to be legally bound hereby, Petrolia and the Executive mutually agree as follows:

1. Consideration. In full satisfaction of all of the Executive's claims for the Executive's Salary Payable to him, Petrolia shall deliver to the Executive 1,992,272 paid-up shares of Petrolia common stock within fifteen (15) days after this Agreement has been executed by both parties.

2. Integration Clause. This Agreement contains the entire agreement of the Parties and supersedes any and all prior agreements of any type between them concerning the subject matter of this Agreement.

3. Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with applicable Texas law. Any legal proceeding to enforce or interpret the terms of this Agreement, if any, must be instituted and maintained exclusively in a court of appropriate subject matter jurisdiction in Houston, Harris County, Texas.

4. Amendment. This Agreement may not be amended except by an instrument in writing, executed by each of the Parties.

5. Binding Effect. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, each of the Parties hereto and each of the Parties' respective successors, assigns, heirs and personal representatives, if any.

6. Duplicate Counterparts. This Agreement may be executed in duplicate counterparts that shall become effective to the same extent as the original only when each Party has signed and delivered a signed counterpart to the other party. Signature pages transmitted by facsimile or e-mail shall be given the same weight and effect as, and treated as, original signatures.

IN WITNESS WHEREOF the parties hereto have executed this Agreement to be effective for all purposes as of the Effective Date.

PETROLIA ENERGY CORPORATION

X James Edward Burns

By: _____
Name: James Burns

Execution Date: _____

EXECUTIVE

Zel Khan

Name: Zel Khan

Execution Date: _____

EXECUTIVE'S SALARY PAYABLE AGREEMENT

This Executive's Salary Payable Agreement (the "Agreement") is made effective as of March 30, 2021, (the "Effective Date"), by and between Petrolia Energy Corporation ("Petrolia"), and Mark M. Allen (referred to in this Agreement as the "Executive" solely for the purposes of this Agreement). As used herein, Petrolia and the Executive are each individually referred to as a "Party" and collectively referred to as the "Parties").

WHEREAS, the Executive has served as a Member of Petrolia's Leadership Team from December 15, 2019 thru March 15, 2020; and

WHEREAS, it is the desire of the Parties that they enter into a written agreement in order to resolve outstanding salary owed to the Executive by Petrolia for his executive service, by converting that salary owed to the Executive by Petrolia into equity in Petrolia.

NOW, THEREFORE, for and in consideration of the promises and the consideration more fully set forth hereinafter, and intending to be legally bound hereby, Petrolia and the Executive mutually agree as follows:

1. Consideration. In full satisfaction of all the Executive's claims for the Executive's Salary Payable to him, Petrolia shall deliver to the Executive 333,333 paid-up shares of Petrolia common stock within fifteen (15) days after this Agreement has been executed by both parties.

2. Integration Clause. This Agreement contains the entire agreement of the Parties and supersedes any and all prior agreements of any type between them concerning the subject matter of this Agreement.

3. Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with applicable Texas law. Any legal proceeding to enforce or interpret the terms of this Agreement, if any, must be instituted and maintained exclusively in a court of appropriate subject matter jurisdiction in Houston, Harris County, Texas.

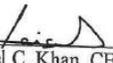
4. Amendment. This Agreement may not be amended except by an instrument in writing, executed by each of the Parties.

5. Binding Effect. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, each of the Parties hereto and each of the Parties' respective successors, assigns, heirs and personal representatives, if any.

6. Duplicate Counterparts. This Agreement may be executed in duplicate counterparts that shall become effective to the same extent as the original only when each Party has signed and delivered a signed counterpart to the other party. Signature pages transmitted by facsimile or e-mail shall be given the same weight and effect as, and treated as, original signatures.

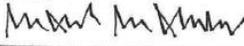
IN WITNESS WHEREOF the parties hereto have executed this Agreement to be effective for all purposes as of the Effective Date.

PETROLIA ENERGY CORPORATION

By: 
Name: Zel C. Khan, CEO

Execution Date: 3/30/2021

EXECUTIVE

By: 
Name: Mark M. Allen
Fandango Ventures, LLC

Execution Date: 3/30/2021



December 16, 2019

LETTER AGREEMENT

This Letter Agreement (“**Agreement**”) is entered into on December 16, 2019, between:

Blue Sky Resources Ltd (“**BSR**”), a body corporate duly incorporated under the laws of the Province of Alberta, with corporate office at Suite 300, 840 6th Avenue SW, Calgary, AB T2P 3E5, Canada,

AND

Petrolia Canada Corporation (“**Petrolia**”), a body corporate duly incorporated under the laws of the Province of Alberta, with a mailing address located at #335, 1500 – 14th Street SW, Calgary, Alberta T3C 1C9, Canada.

(BSR and Petrolia may sometimes be referred to together as “**Parties**”, and individually as “**Party**”)

(All monetary terms are in Canadian Dollars)

RECITALS:

- I. WHEREAS, BSR is acquiring certain oil and gas producing properties (“**Assets**”) in Alberta, Canada, from Vermilion Energy Inc (“**Vermilion**”) for a purchase price of \$5.5 Million under the terms of the Purchase and Sale Agreement (“**PSA**”) dated August 16, 2019 (PSA and Assets are attached as Exhibit A); and
- II. WHEREAS, BSR has been approved by Alberta Energy Regulator (“**AER**”) to be a License Holder of wells and facilities in Alberta. AER’s confirmation, dated November 15, 2019, is attached as Exhibit B; and

III. WHEREAS, Petrolia desires to acquire a 50% interest in the Assets upon consummation of BSR’s transaction with Vermilion, subject to the conditions of the PSA; and

IV. WHEREAS, BSR is willing to sell a 50% interest in the Assets to Petrolia.

NOW THEREFORE, in consideration of the foregoing Recitals, the Parties enter into this Agreement under the terms and conditions as set forth below:

1. **Purchase Price:** \$2,750,000.
 - Petrolia to remit the Purchase Price in cash, (less funds already paid) to DLA Piper Trust Account for Escrow Closing (currently scheduled for January 7, 2020). All cash and assignments shall be held in escrow until all documents are filed with AER and confirmation received from AER. Once such confirmation is received, cash is disbursed to Vermilion and Assignments are given to Petrolia for a 50% interest and to BSR and its other partners for the remaining 50% interest.
 2. **Interest Acquired:** 50% of the Assets, subject to the terms of the PSA, to which Petrolia shall be bound.
 3. **Effective Date:** June 1, 2019. All income from the Effective Date, less expenses, shall be credited to Petrolia.
 4. **Closing Date:** The date when all the Parties receive their assignments, free of any encumbrances, and production credits from the Effective Date are disbursed.
 5. **Contingent Payment:** As it is included in the PSA, Petrolia remains liable for 50% of a Contingent Payment to Vermilion in the amount of \$3.5 Million (Petrolia’s share is \$1.75 Million). As the timing of such payment is unknown, Petrolia retains an option to remove such liability by remittance of \$350,000 within 3 months of Closing. Upon receipt of such payment BSR shall release Petrolia from any liability related to the Contingent Payment.
-
6. **Joint Operating Agreement (“JOA”):** Petrolia shall be the Contract Operator of the Assets and all operations shall be governed by the terms of the JOA between Petrolia and the other Working Interest partners.
 7. **Severability:** the rights, duties, obligations, and responsibilities of BSR and Petrolia are several and not joint nor collective.
 8. **Confidentiality:** the terms of this Agreement must be held confidential by the Parties and shall not be divulged in any way to any third party by any one Party without the prior written approval of the other Party.
 9. **Choice of Law:** This Agreement shall be governed by and construed in accordance with the laws of Alberta, Canada.
 10. **Amendments:** The Agreement may be amended only by mutual consent between the Parties. If any provision of this Agreement becomes invalid or unenforceable, the validity of other provisions shall not be affected.
 11. **No Partnership:** Nothing in this Agreement is intended to or shall be deemed to establish any partnership or joint venture between the Parties, constitute either Party as the agent of the other Party, nor authorize either of the Parties to make or enter into any commitments for or on behalf of the other Party.

12. **Prior Letter Agreements Void:** This Agreement replaces any and all prior Letter Agreements between BSR and Petrolia regarding the Assets, and all such prior Letter Agreements are hereby voided.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have caused this Agreement to be executed as of the date first written above.

Blue Sky Resources Ltd.

Petrolia Canada Corporation



Name: Ilyas Chaudhary
Position: President and CEO

Name: Quinten Beasley
Position: Sr. Vice President & Director

DEBT TO EQUITY CONVERSION AGREEMENT

This Debt to Equity Conversion Agreement ("Agreement") is made effective as of March 30, 2021 (the "Effective Date"), by and between Petrolia Energy Corporation ("Petrolia"), and Mark M. Allen (referred to in this Agreement as the "Lender" solely for the purposes of this Agreement.) As used herein, Petrolia and the Lender are each individually referred to as a "Party" and collectively referred to as the "Parties").

WHEREAS, the Lender has an outstanding debt of Two Hundred Seventy Thousand dollars (\$270,000) with Petrolia; and

WHEREAS, it is the desire of the Parties that they enter into a written agreement in order to resolve outstanding debt to the Lender by Petrolia, by converting the debt owed by Petrolia into equity in Petrolia common stock.

NOW, THEREFORE, for and in consideration of the promises and the consideration more fully set forth hereinafter. and intending to be legally bound hereby, Petrolia and the Lender mutually agree as follows:

1. Consideration. In full satisfaction of all of the Lender's claims for loans dated December 15, 2019 and payable to him, Petrolia shall deliver to the Lender 5,400,000 paid-up shares of Petrolia common stock within fifteen (15) days after this Agreement has been executed by both parties. Additionally, Lender shall be entitled to 5,400,000 warrants of Petrolia common stock at \$.08/share. The warrants shall be vested immediately and expire three years after the Effective Date of this agreement.

2. Integration Clause. This Agreement contains the entire agreement of the Parties and supersedes any and all prior agreements of any type between them concerning the subject matter of this Agreement.

3. Choice of Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with applicable Texas Law. Any legal proceeding to enforce or interpret the terms of this Agreement, if any, must be instituted and maintained exclusively in a court of appropriate subject matter jurisdiction in Houston, Harris County, Texas.

4. Amendment. This Agreement may not be amended except by an instrument in writing, executed by each of the Parties.

5. Binding Effect. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, each of the Parties hereto and each of the Parties' respective successors, assigns, heirs and personal representatives, if any.

6. Duplicate Counterparts. This Agreement may be executed in duplicate counterparts that shall become effective to the same extent as the original only when each Party has signed and delivered a signed counterpart to the other party. Signature pages transmitted by facsimile or e-mail shall be given the same weight and effect as, and treated as, original signatures.

IN WITNESS WHEREOF the parties hereto have executed this Agreement to be effective for all purposes as of the Effective Date.

PETROLIA ENERGY CORPORATION

By: [Signature]
Name: Zel C. Khan

Execution Date: 3/30/21

LENDER

By: [Signature]
Name: Mark M. Allen

Execution Date: 3/30/2021

Debt to Equity Conversion Details:

Date of Original Loan: DECEMBER 15, 2019

Amount of Original Loan: \$ 270,000

Shares Received at \$.05/Share: 5,400,000

Warrants Received at \$.08/Share*: 5,400,000

* Warrant strike price of \$.08/share is protected throughout the calendar year 2021. If Petrolia offers any warrants during 2021 at a strike price lower than \$.08/share, these warrants will be reduced to the lowest strike price offered in 2021.

SETTLEMENT AND MUTUAL RELEASE AGREEMENT

This Settlement and Mutual Release Agreement ("Agreement") is made effective as of January 29, 2021 (the "Effective Date"), by and between Petrolia Energy Corporation ("Petrolia"), and Paul Deputy (referred to in this Agreement as "Deputy"). As used herein, Petrolia and Deputy are each individually referenced to as "Party" and collectively as the "Parties").

WHEREAS, Deputy was employed by Petrolia as its CFO from July of 2016 thru January of 2018, when that employment relationship was fully terminated and ceased; and

WHEREAS, it is the desire of the Parties that they enter into a written agreement in order to resolve all claims and differences between them of any type, nature or character whatsoever pertaining in any manner whatsoever to the above referenced employment relationship.

NOW, THEREFORE, for and in consideration of the promises and the consideration more fully set forth hereinafter, and intending to be legally bound hereby, Petrolia and Deputy mutually agree as follows:

1. Consideration. After this Agreement has been executed by both parties, Petrolia shall deliver to Deputy: fifty thousand (\$50,000) dollars paid in two thousand five hundred (\$2,500) dollar increments each month, starting April 1, 2021. Additionally, upon signing this Agreement, Deputy shall be issued 250,000 shares of Petrolia common stock.

2. Mutual Release. Each of the Parties on their own behalf, and on behalf of anyone claiming by or through them (including but not limited to any heirs, executors and assigns) hereby releases and discharges the other Party from all actions, causes of action, suits, debts, contracts, agreements, promises, claims, and demands whatsoever, arising out of or pertaining in any manner whatsoever to Deputy's employment with Petrolia.

3. No Admissions. The Parties hereto understand and agree that the releases granted herein are absolute and are made to assume the full and complete release and discharge of any liability either Party may have to the other, and that this Agreement does not state, constitute or imply any admission of liability of any sort; it being further understood that this Agreement is made as a compromise to avoid litigation and for the specific purpose of terminating all controversies and claims for damages by each party against the other of whatever nature arising out of or pertaining to Deputy's employment with Petrolia.

4. Integration Clause. This Agreement contains the entire agreement of the Parties and supersedes any and all prior agreements of any type between them concerning the subject matter of this Agreement.

5. Other and Further Act. The Parties agree to take such other and further actions as may be reasonably necessary to effectuate the purposes and contents of this Agreement.

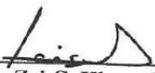
6. Choice of Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with applicable Texas law. Any legal proceeding to enforce or interpret the terms of this Agreement, if any, must be instituted and maintained exclusively in a court of appropriate subject matter jurisdiction in Houston, Harris County, Texas.

7. Binding Effect. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, each of the Parties hereto and each of the Parties' respective directors, officers, members, shareholders, trustees, partners, successors, agents, assigns, attorneys, employees, heirs and personal representatives, if any.

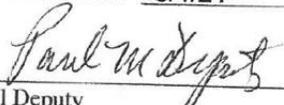
8. Duplicate Counterparts. This Agreement may be executed in duplicate counterparts that shall become effective to the same extent as the original only when each Party has signed and delivered a signed counterpart to the other party. Signature pages transmitted by facsimile or e-mail shall be given the same weight and effect as, and treated as, original signatures.

IN WITNESS WHEREOF the parties hereto have executed this Agreement to be effective for all purposes as of the Effective Date.

Petrolia Energy Corporation

By: 
Zel C. Khan, CEO

Execution Date: 3/1/21


Paul Deputy

Execution Date: 2/1/21

PETROLIA ENERGY CORPORATION

POLICY ON INSIDER TRADING

As Adopted by the Board of Directors on January 10, 2020

This Policy has been adopted by Petrolia Energy Corporation, and supersedes prior policy statements on this subject. It applies to all employees, consultants, directors, and officers of the Company.

Petrolia Energy Corporation (the “**Company**”) has adopted this Policy on Insider Trading to apply to each employee, consultant, director, and officer of the Company. The Company reserves the right to amend or rescind this Policy or any portion of it at any time and to adopt different policies and procedures at any time. **This Policy must be strictly followed.**

A. General Rule.

It is a violation of the federal securities laws for any person to buy or sell securities if he or she is in possession of material inside information. Information is material if it could affect a person’s decision whether to buy, sell or hold the securities. It is inside information if it has not been publicly disclosed. Furthermore, it is illegal for any person in possession of material inside information to provide other people with such information or to recommend that they buy or sell the securities. (This is called “**tipping**.”) In that case, they may both be held liable. **Please note that the Securities and Exchange Commission (the “SEC”) has imposed large penalties even when the disclosing person did not profit from the trading.**

The SEC, the stock exchanges, and plaintiffs’ lawyers focus on uncovering apparent insider trading. In this regard, please be aware that the SEC and the stock exchanges use sophisticated electronic surveillance techniques to uncover insider trading. In addition, the SEC and the stock exchanges maintain a very extensive database of officers, directors, and certain employees of public companies. It is quite possible that this database includes personal information about you, your relatives, and other acquaintances. **As a result, if you or your acquaintances engage in insider trading, it is extremely likely that it will eventually be discovered and prosecuted.**

A breach of the insider trading laws could expose the insider to criminal fines up to three times the profits earned and imprisonment up to ten years, in addition to civil penalties (up to three times the profits earned) and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws also subject controlling persons to civil penalties for illegal insider trading by employees. Controlling persons include the Company, and are interpreted by the SEC to include directors, officers and supervisors. These persons may be subject to significant fines.

Inside information does not belong to the individual directors, officers, or other employees who may handle it or otherwise become knowledgeable about it. For any person to use such information for personal benefit or to disclose it to others outside the Company violates the Company’s interests. More particularly, in connection with trading in Company securities, it is a fraud against members of the investing public and against the Company.

B. Who Does the Policy Apply To?

The prohibition against trading on inside information applies to directors, officers, and all other employees, and to consultants and other people who gain access to inside information. In addition, certain employees with inside knowledge of material information may be subject to temporary restrictions on trading from time to time.

C. Other Companies’ Stocks

The same rules apply to other companies’ stocks. Employees, directors, and consultants, who learn material information about suppliers, customers, potential acquisition candidates, or competitors through their work at the Company, should keep it confidential and not buy or sell stock in such companies until the information becomes public. Directors, officers, employees, and consultants should not give tips about such stocks.

D. Trading in Options or Making “Short” Sales

The insider trading prohibition also applies to trading in options, such as put and call options, and selling stock “**short**”. Both forms of trading are highly speculative and very risky. People who buy options are betting that the stock price will move rapidly. For that reason, when a person trades in options in his or her employer’s stock, it will arouse suspicion in the eyes of the SEC that the person was trading on the basis of inside information, particularly where the trading occurs before a Company announcement or major event. It is difficult for an employee to prove that he or she did not know about the announcement or event.

If the SEC or the stock exchanges were to notice active options trading or “**short**” sales by one or more directors or employees of the Company prior to an announcement, they would investigate. Such an investigation could be embarrassing to the Company (as well as expensive) and could result in severe penalties and expense for the persons involved.

For all of these reasons, the Company prohibits its directors, officers and employees from trading in options in the Company’s stock or selling the Company’s stock “**short**.” **This prohibition does not apply to employee or director stock options granted by the Company or to shares acquired upon exercise of employee or director stock options. Furthermore, this prohibition does not apply to the use of the Company’s securities as consideration for the exercise of any such options or for the payment of any related withholding taxes. Finally, this prohibition does not apply to stock purchase warrants acquired directly from the Company by directors, officers or employees of the Company.**

E. What information is material?

All information that a reasonable investor would consider important in deciding whether to buy, sell, or hold securities is considered material. Information that is likely to affect the price of a company’s securities is almost always material. Examples of some types of information that may be material are found in the Company’s Policy on Control and Disclosure of Confidential Information. Either positive or negative information may be material.

F. The Window Policy and other Guidelines

The following guidelines should be followed in order to ensure compliance with applicable anti-fraud laws and with the Company’s policies:

1. *Trading Restrictions.* All employees, consultants, officers, and directors of the Company must comply with the following trading restrictions:

- You may ONLY trade the Company's stock during:
 - (a) the 60-day period beginning on the second business day after a quarterly earnings release (i.e., the release of quarterly reports) for the preceding fiscal period; and
 - (b) the period beginning on the second business day after an annual earnings release (i.e., the release of annual reports) for the preceding fiscal year and ending on the earlier of (i) 30- days thereafter; or (ii) on May 3rd of such year (collectively (a) and (b), the "window"), subject in each case, to the restrictions below.
-

This waiting period permits the information to be fully disseminated and absorbed by the trading markets. For example, if the Company's annual results are released on May 15, you may trade during the period from May 17 to July 16, unless the Company's Chief Executive Officer has closed the window for some other reason (see also Exhibit A, attached hereto for trading windows for fiscal 2020 and 2021).

- The Company's Chief Executive Officer may "close" the window, if it is determined that a substantial risk to the Company exists.
- In the event the window is closed for any reason, that fact should not be communicated to the public because of adverse inferences that may be drawn from that information.
- Notwithstanding the above restrictions on trading, individuals may buy or sell securities pursuant to a "Sales Plan" that complies with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Securities Exchange Act of 1934, as amended, provided that the form of any such Sales Plan must be approved in advance by the Chief Executive Officer. Additionally, individuals may exercise stock options for cash (but not in cashless exercises) during the period when the window is closed, but shall not sell such shares issuable upon exercise until the window is open.
- No individual possessing material nonpublic information concerning the Company or its subsidiaries may trade in Company securities even during applicable trading windows. Persons possessing such information may trade during a trading window only after the close of trading on the third full trading day following the Company's widespread public release of such information.
- The Chief Executive Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows due to financial hardship or other hardships only after:
 - a. the person trading has notified the Chief Executive Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s);
 - b. the person trading has certified to the Chief Executive Officer in writing no earlier than two business days prior to the proposed trade(s) that he or she is not in possession of material nonpublic information concerning the Company; and
 - c. the Chief Executive Officer has approved the trade(s).
- The existence of the foregoing approval procedures does not in any way obligate the Chief Executive Officer to approve any trades requested by hardship applicants. The Chief Executive Officer may reject any trading requests at his sole reasonable discretion.

2. *Nondisclosure.* Material inside information must not be disclosed to anyone, except to persons within the Company whose positions require them to know it, until it has been publicly released by the Company.

3. *Company Options.* The exercise of employee stock options or purchases pursuant to any stock option plan is not subject to this policy. *However*, stock that was acquired upon exercise of a stock option plan will be treated like any other stock, and may not be sold by an employee, unless such sales comply with the trading restrictions set forth above.

4. *Avoid Speculation.* The Company encourages all employees, directors and other persons subject to this Policy to avoid speculating in the Company's stock. Our stock option program gives employees and directors an opportunity to share in the future growth of the Company. But investing means buying to share in the growth of the Company, it does not mean short-range speculation based on fluctuations in the market. Subject to the prohibition on trading on inside information and the other policies described herein, employees and directors may sell shares acquired through exercise of options. The Company, however, encourages you to avoid frequent trading in Company stock.

5. *Trading in Other Securities.* No employee, director, consultant, or other person subject to this Policy should place a purchase or sale order, or recommend that another person place a purchase or sale order, in the securities of another corporation, if such person learns in the course of his or her employment or involvement with the Company confidential information about the other corporation that is likely to affect the value of those securities. For example, it would be a violation of the securities laws if an employee learned through Company sources that the Company intended to purchase assets from a corporation, and then bought or sold stock in that other corporation because of the likely increase or decrease in the value of its securities.

6. *Priority of Statutory or Regulatory Trading Restrictions.* The trading prohibitions and restrictions set forth in this policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g., short-swing trading by individuals pursuant to Section 16 of the Securities Act of 1934, as amended or restrictions on the sale of securities subject to Rule 144 under the Securities Act of 1933, as amended. Any individual who is uncertain whether other prohibitions or restrictions apply should ask the Company's securities counsel, The Loew Law Firm, PC.

G. Potential Civil, Criminal and Disciplinary Sanctions.

1. *Civil and Criminal Penalties.* The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading, pay the loss suffered by the person who purchased securities from or sold securities to the insider tippee, pay civil penalties up to three times the profit made or loss avoided, pay a criminal penalty of up to \$5 million, and serve a jail term of up to twenty years. The Company and/or the supervisors of the person violating the rules may also be required to pay major civil or criminal penalties. "Controlling persons" are also subject to civil penalties of up to the greater of \$1 million or three times the profit made or loss avoided. Furthermore, a private action may be brought against a person who trades on inside information by any person who bought or sold before the inside information became public, not just the person from whom the securities were bought or sold.

2. *Company Discipline.* Violation of this policy or federal or state insider trading or tipping laws by any director, officer or employee, or their family members, may subject the director to dismissal proceedings and the officer or employee to disciplinary action by the Company or its appropriate subsidiary up to and including termination for cause.

3. *Reporting of Violations.* Any person who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other Insiders, must report the violation immediately to the Chief Executive Officer or Secretary of the Company. Upon learning of any such violation, the Chief Executive Officer or Secretary, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

H. Acknowledgement.

Please read this Policy carefully, and promptly sign and return the attached Acknowledgment to:

Zel C. Khan
Secretary
Petrolia Energy Corporation

ACKNOWLEDGMENT

I have received a copy of the Policy on Insider Trading of Petrolia Energy Corporation and a copy of the Policy on Control and Disclosure of Confidential Information. I have read and understand the policies. I will comply with the policies and procedures set forth in the Policy. I understand and agree that, if I am an employee of Petrolia Energy Corporation, or any of its subsidiaries or affiliates, my failure to comply in all respects with the policies of Petrolia Energy Corporation, including the Policy on Insider Trading and the Policy on Control and Disclosure of Confidential Information, is a legitimate basis for termination for cause of my employment with Petrolia Energy Corporation, and any of its subsidiaries to which my employment now relates or may in the future relate.

Date: _____ Signed: _____
 Name _____
 : (Please Print)

Please return to:

Zel C. Khan
Secretary
Petrolia Energy Corporation

EXAMPLE TRADING WINDOWS 2020-2021
(ACTUAL TRADING WINDOWS WILL DEPEND ON DATES FILINGS ARE MADE)

Report	Period End	Filing Due	Trading Window Begins Two Business Days After Filing (without extension)	Trading Window Ends	Trading Days
10-K	Tuesday, December 31, 2019	Monday, March 30, 2020	Wednesday, April 1, 2020	Friday, May 1, 2020	30
10-Q	Tuesday, March 31, 2020	Friday, May 15, 2020	Tuesday, May 19, 2020	Saturday, July 18, 2020	60
10-Q	Tuesday, June 30, 2020	Friday, August 14, 2020	Tuesday, August 18, 2020	Saturday, October 17, 2020	60
10-Q	Wednesday, September 30, 2020	Monday, November 16, 2020	Wednesday, November 18, 2020	Sunday, January 17, 2021	60
10-K	Thursday, December 31, 2020	Wednesday, March 31, 2021	Friday, April 2, 2021	Sunday, May 2, 2021	30
10-Q	Wednesday, March 31, 2021	Monday, May 17, 2021	Wednesday, May 19, 2021	Sunday, July 18, 2021	60
10-Q	Wednesday, June 30, 2021	Monday, August 16, 2021	Wednesday, August 18, 2021	Sunday, October 17, 2021	60
10-Q	Thursday, September 30, 2021	Monday, November 15, 2021	Wednesday, November 17, 2021	Sunday, January 16, 2022	60
10-K	Friday, December 31, 2021	Thursday, March 31, 2022	Monday, April 4, 2022	Tuesday, May 3, 2022	29

Report	Period End	Filing Due With Extension	Trading Window Begins Two Business Days After Filing (with extension)	Trading Window Ends	Trading Days
10-K	Tuesday, December 31, 2019	Tuesday, April 14, 2020	Thursday, April 16, 2020	Sunday, May 3, 2020	17
10-Q	Tuesday, March 31, 2020	Wednesday, May 20, 2020	Friday, May 22, 2020	Tuesday, July 21, 2020	60
10-Q	Tuesday, June 30, 2020	Wednesday, August 19, 2020	Friday, August 21, 2020	Tuesday, October 20, 2020	60
10-Q	Wednesday, September 30, 2020	Monday, November 23, 2020	Wednesday, November 25, 2020	Sunday, January 24, 2021	60
10-K	Thursday, December 31, 2020	Thursday, April 15, 2021	Monday, April 19, 2021	Monday, May 3, 2021	14
10-Q	Wednesday, March 31, 2021	Monday, May 24, 2021	Wednesday, May 26, 2021	Sunday, July 25, 2021	60
10-Q	Wednesday, June 30, 2021	Monday, August 23, 2021	Wednesday, August 25, 2021	Sunday, October 24, 2021	60
10-Q	Thursday, September 30, 2021	Monday, November 22, 2021	Wednesday, November 24, 2021	Sunday, January 23, 2022	60
10-K	Friday, December 31, 2021	Friday, April 15, 2022	Tuesday, April 19, 2022	Tuesday, May 3, 2022	14

Petrolia Energy Corporation
 Policy on Insider Trading
 Adopted January [], 2020
 Exhibit A

POLICY ON CONTROL AND DISCLOSURE OF CONFIDENTIAL INFORMATION

I. INTRODUCTION

Federal and state securities laws impose significant responsibilities on Petrolia Energy Corporation and its affiliates (collectively, the “**Company**”), employees, officers and directors with respect to the use and disclosure of confidential information. Those laws also impose significant liabilities—civil and criminal—on the Company and other persons who misuse material, confidential information in securities transactions. Consequently, the Company has established formal procedures and guidelines to identify material information about the Company and to control the method of its disclosure.

It is the policy of the Company that all material information about the Company be publicly disclosed on a prompt and timely basis (as required by the securities laws), unless it is determined in good faith that a legitimate corporate purpose is served by temporary nondisclosure. All confidential information that has not been publicly disseminated shall be distributed within the Company only on a strict “**need-to-know basis**,” and an employee shall not disclose such information on a selective basis or use such information to his or her personal advantage or for the benefit of others.

II. TREATMENT OF MATERIAL CONFIDENTIAL INFORMATION

A. Policy

It is the Company’s policy that so long as material information has not been disclosed generally to the public, directors, officers, and employees shall not discuss or disclose the information to or with any person other than with any executive officer (each, an “**Authorized Person**”) unless the other person has a clear need to know the information in order to fulfill Company job responsibilities. You should treat all information about the Company as confidential unless you can point to some fact to show that the information is generally available—for example, its announcement in a press release issued by the Company or its filing with the Securities and Exchange Commission (“**SEC**”).

Anyone possessing material, non-public information should safeguard it, conducting necessary discussions about the information privately, and taking similar protective measures to ensure confidentiality. If confidential information must be discussed to someone with a need to know, emphasize to that person the highly confidential nature of the information. ***Under no circumstances should any employee discuss material, non-public information about the Company with family, relatives, or business or social acquaintances.*** If anyone becomes aware that material information has been intentionally or unintentionally disclosed to non-employees or that rumors about the Company exist, as for instance among Company customers or suppliers or on the Internet, that person must report the information immediately to an Authorized Person.

In order to guard against improper release of material, non-public information, no officer, director, or employee of the Company should respond to any request for information, comments or interviews that may be expected to address material, non-public information about the Company. Instead, the inquiry must be referred to an Authorized Person. Likewise, neither the Company, nor any director, officer, employee or other person acting on behalf of the Company may enter into discussions on Internet web pages or within Internet “**chat rooms**” or discussion groups with respect to the Company or its business or make comments or answer questions raised by individuals at those sites or in those groups.

Petrolia Energy Corporation
Policy on Control and Disclosure of
Confidential Information
Page 1 of 5

Directors, officers, and employees of the Company immediately must report material information about the Company promptly and fully to an Authorized Person as the information develops. If any doubt exists about whether certain information is material, the information must be reported to an Authorized Person.

B. Determination of Materiality

“**Material information**” is information that would be expected to affect the investment decision of a reasonable investor or to alter the market price of the Company’s securities. The following will also be considerations in evaluating materiality:

- the possible effect of the information on individual decisions to buy, sell, or hold the Company’s securities;
- the possible effect of the information on the market value of the Company’s securities;
- the magnitude and immediacy of any possible effect discussed above;
- all previous public disclosures by the Company of information relating to the same subject, including statements of the Company about material information that may be rendered misleading, incorrect, or incomplete in light of the new information;
- whether the information is novel or surprising in terms of previous Company experience or performance; and
- any pending public disclosures of related matters.

In general, information falling within the following categories can often be material:

- financial results;
- sales of debt or equity securities;
- calls, redemptions, or purchases of the Company’s own securities;
- litigation or governmental investigations concerning the Company;
- capital investment plans and changes in such plans;
- top management or control changes or other major personnel changes;
- financial projections;

- proposals or negotiations relating to possible acquisitions, including mergers and tender offers;
- negotiations or agreements for joint ventures involving significant capital or other commitments by the Company; and

- any substantial change in industry circumstances or competitive conditions that could significantly affect the Company's earnings or prospects for growth.

In sum, all information that is confidential must be maintained as such. Material, confidential information must be reported to an Authorized Person and may not be disclosed outside the Company.

III. DISCLOSURE

A. Steps When Disclosure Is Required

If an Authorized Person determines that information is material and that the Company has a duty to disclose the information, an Authorized Person should make or supervise public disclosure of the information. When disclosure is made (a) it must be true, correct, and complete in all material respects, and (b) it must not be made on a selective basis. Public disclosure is to be made by either:

- disseminating the information through a method or combination of methods of disclosure that are designed to provide broad, non-exclusionary distribution of information to the public; or
- filing the information with the Securities and Exchange Commission on Form 8-K or other appropriate form.

B. Prohibition On Selective Disclosures

Neither the Company, nor any person acting on its behalf, may disclose any material, non-public information about the Company or its securities to a person outside of the Company, unless the Company makes public disclosure of that information in accordance with this Policy. This is referred to as a "**Selective Disclosure**." If a Selective Disclosure is made by an Authorized Person or any other officer, employee or agent of the Company who regularly communicates with the investment community or shareholders of the Company ("**Senior Officials**"), then the Company must take the following steps:

- If the Selective Disclosure is intentional, the Company must make public disclosure of that information simultaneously with the Selective Disclosure. Disclosure is intentional when the person making the disclosure either knows, or is reckless in not knowing, that the information he is communicating is both material and non-public.
- If the Selective Disclosure is not intentional, the Company must make public disclosure of that information as soon as reasonably practicable. In no event will public disclosure of such information be made after the later of 24 hours or the commencement of the next day's trading after a Senior Official of the Company learns that there has been a non-intentional Selective Disclosure by the Company or a Senior Official of information that the Senior Official knows, or is reckless in not knowing, is both material and non-public.

Only an Authorized Person should make or authorize another to make communications on behalf of the Company. Any officer, director, employee or agent of the Company who discloses material non-public information in breach of a duty of trust or confidence to the Company shall not be considered to be acting on behalf of the Company. Any non-public information disclosed by a person other than an Authorized Person (or one authorized by an Authorized Person) shall be reported immediately to an Authorized Person.

C. Specific Disclosure Procedures

Regulation FD also necessitates the following guidelines for specific Company disclosures:

Scheduled Periodic Conference Calls. For planned disclosure of material information in scheduled conference calls with the investment and shareholder community, the Company will:

- First, issue a press release, distributed through regular channels, containing the subject information;
- Second, provide adequate notice, by a press release, of a scheduled conference call with the time and date of the conference call and access instructions; and
- Third, hold the conference call in an open manner, permitting investors to listen in either by telephonic means or through Internet webcasting.

Disclosures made at these conference calls, including answering questions, shall be made only by an Authorized Person. Information disseminated at a conference call held in compliance with the foregoing will be considered public disclosure for purposes of this Policy.

Comments on Analysts' Projections. The Company, its directors, officers, employees, or persons acting on any of their behalf, will not disclose to any analyst non-public information that the Company's anticipated earnings will be higher than, lower than or the same as those forecasted by analysts. Neither will the Company, its directors, officers, employees, or persons acting on any of their behalf, communicate any material, non-public information selectively to members of the investment community through indirect earnings guidance such as forward-looking guidance on revenues, cash flows, net income, or other material line items from the Company's financial statements. Attention may be drawn, however, to any previous relevant forward-looking public disclosure made by the Company, if such information is still current.

Analyst Presentations. For other planned disclosure of Company information, such as at management presentations made from time to time to members of the investment community, investor conference presentations and one-on-one investor or analyst meetings, the Company will make public disclosure of all material non-public information anticipated to be made in the manner and within the time periods described in this policy.

D. Forward-Looking Statements

At the beginning of each conference call, investor conference presentation, or one-on-one investor or analyst meeting conducted by the Company, an Authorized Person will state that predictive or forward-looking statements may be made during the call, presentation or meeting and will either:

- read a safe harbor statement that identifies important factors which may cause actual results to differ materially from projected results; or
- state that the oral statements are forward-looking and that actual results may differ materially from those projected in the financial statements, and refer the audience to a safe harbor statement previously made in a readily available document such as a previously filed SEC document.

Likewise, each press release issued by the Company will contain a safe harbor statement concerning predictive or forward-looking statements that may be contained in the press release.

IV. ENFORCEMENT

The Company expects all personnel at every level to comply strictly with these policies and procedures and any additional procedures that the Board of Directors may specify. Failure to observe those policies may cause serious legal difficulties for the employee and for the Company. The Company is authorized to take stringent disciplinary action against those who fail to follow the letter and spirit of these guidelines.

Petrolia Energy Corporation
Policy on Control and Disclosure of
Confidential Information
Page 4 of 5

V. SUMMARY OF POLICY

A. Authorized Persons

The Company has designated spokespersons to administer the procedures and policies set forth in this memorandum. The **“Authorized Persons”** are at the level of executive officer and above.

B. Reporting Material Information

When material information about the Company or the market for its securities arises, the information must be reported promptly and fully to an Authorized Person. **“Material information”** is information that would be expected to affect the investment decision of a reasonable investor or to alter the market price of the Company’s securities. If any doubt exists about whether certain information is material, report the information to an Authorized Person.

C. Maintain Confidentiality

So long as material information has not been disclosed generally to the public, directors, officers, and employees shall not discuss or disclose the information to or with any person other than an Authorized Person, unless the other person has a clear need to know the information in order to fulfill Company job responsibilities. You should treat all information about the Company as confidential unless you can point to some fact to show that the information is generally available.

Anyone possessing material, non-public information should safeguard it, conducting necessary discussions about the information in private offices or other private locations, and taking similar protective measures to ensure confidentiality. If confidential information must be discussed with someone with a need to know, emphasize to that person the highly confidential nature of the information. ***Under no circumstances should any employee discuss material, non-public information about the Company with family, relatives, or business or social acquaintances.*** If anyone becomes aware that material information has been intentionally or unintentionally disclosed to non-employees, that person should report the disclosure immediately to an Authorized Person because the disclosure may obligate the Company to make a public statement.

D. Dealing with Outside Requests for Information

You should understand that these procedures are not intended to prevent employees from carrying on regular business conversation with customers, vendors, suppliers, etc., but you should be aware that if material information is disclosed to such persons (even inadvertently), it could trigger a duty by the Company to publicly disclose such information. This could be disadvantageous if disclosure is required in this manner at an inopportune time.

A good example is the Company’s earnings. The Company will publicly disclose earnings every calendar quarter as required under the federal securities laws. Except for these time periods, the Company’s earnings should not be publicly disclosed. If a third party inquires as to how business is going, the response should avoid any specific disclosure that may indirectly disclose earnings such as **“We’re going to have a record quarter.”**

E. Conclusion

In sum, keep material information confidential — and do not trade in securities of the Company — until the Company has made the information public and until the markets have had a chance to assimilate and react to the information. Also, be attentive to the possibility that persons within your supervision or control may trade or tip.

If you have any doubt about your responsibilities under these guidelines, seek clarification and guidance from an Authorized Person before you act. Do not try to resolve uncertainties on your own. The Company must insist that all personnel fully comply with these procedures. Failure to observe these policies may cause serious legal difficulties for you and for the Company.

Petrolia Energy Corporation
Policy on Control and Disclosure of
Confidential Information
Page 5 of 5

CERTIFICATION

I, Zel C. Khan, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q of Petrolia Energy Corporation;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 27, 2021

By: /s/ Zel C. Khan

Zel C. Khan
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Paul M. Deputy, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q of Petrolia Energy Corporation;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 27, 2021

By: /s/ Paul M. Deputy

Paul M. Deputy
Interim Chief Financial Officer
(Principal Financial/Accounting Officer)

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending June 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), Zel C. Khan, the Principal Executive Officer of 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:

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

May 27, 2021

By: /s/ Zel C. Khan

Zel C. Khan
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending June 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), Paul M. Deputy, the Principal Financial and Accounting Officer of 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:

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

May 27, 2021

By: /s/ Paul M. Deputy

Paul M. Deputy
Interim Chief Financial Officer
(Principal Financial/Accounting Officer)
