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

FORM 10-Q

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

For the quarterly period ended **September 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	**86-1061005**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
710 N Post Oak, Suite 500 Houston, Texas	**77024**
(Address of principal executive offices)	(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 [X]

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 [X]

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 [X]

Smaller Reporting Company [X]

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 [X]

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.

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PART I: Financial Information

Item 1. Consolidated Financial Statements

PETROLIA ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2019 (unaudited)	December 31, 2018 (audited)
ASSETS		
Current assets		
Cash	$ 72,372	$ 13,779
Accounts receivable	13,399	—
Other current assets	220,572	255,180
Total current assets	306,343	268,959
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Evaluated properties	12,868,298	12,794,285
Furniture, equipment & software	201,110	201,110
Less accumulated depreciation and depletion	(1,329,357)	(586,488)
Net property and equipment	11,740,051	12,408,907
Other assets	771,902	—
Total Assets	$ 12,818,296	$ 12,677,866
LIABILITIES & STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 372,674	$ 264,654
Accounts payable – related parties	25,587	42,494
Accrued liabilities	716,273	608,357
Accrued liabilities – related parties	921,600	649,633
Notes payable	390,591	335,877
Notes payable – related parties	826,974	610,748
Total current liabilities	3,253,699	2,511,763
Asset retirement obligations	1,649,451	1,509,622
Notes payable	1,536,117	725,999
Derivative liability	20,663	37,013
Total Liabilities	6,459,930	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; 164,548,726 and 162,673,726 shares issued and outstanding	164,549	162,674
Additional paid in capital	57,848,982	57,253,595
Shares to be issued	28,500	—
Accumulated other comprehensive income	(194,355)	8,273
Accumulated deficit	(51,489,509)	(49,531,272)
Total Stockholders' Equity	6,358,366	7,893,469
Total Liabilities and Stockholders' Equity	$ 12,818,296	$ 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 September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Oil and gas sales				
Oil and gas sales	$ 834,321	$ 655,176	$ 2,453,665	$ 708,917
Total Revenue	834,321	655,176	2,453,665	708,917
Operating expenses				
Lease operating expense	949,314	618,631	2,594,457	761,511
Production tax	1,765	901	5,372	4,014
General and administrative expenses	360,064	692,588	1,046,555	3,806,341
Depreciation, depletion and amortization	279,816	48,393	727,644	80,307
Asset retirement obligation accretion	46,764	7,002	101,400	18,487
Impairment of oil and gas properties	—	2,322,255	—	2,322,255
Impairment of equipment	—	13,783	—	13,783
Total operating expenses	1,637,723	3,703,553	4,475,428	7,006,698
Loss from operations	(803,402)	(3,048,377)	(2,021,763)	(6,297,781)
Other income (expenses)				
Interest expense	(74,192)	(40,256)	(177,846)	(118,239)
Gain on sale of assets	—	—	280,000	—
Loss on related party debt settlement of accrued salaries	—	—	—	(203,349)
Loss on debt extinguishment	—	—	—	(260,162)
Foreign exchange gain	(17,153)	(1,775)	34,375	67,950
Other income	25,000	—	44,181	—
Loss on acquisition and disposition of Bow Energy Ltd.	—	3,679,776	—	(29,319,554)
Change in fair value of derivative liabilities	(1,414)	(7,524)	16,350	(4,357)
Total other income (expenses)	(67,759)	3,630,221	197,060	(29,837,711)
Net loss	(871,161)	581,844	(1,824,703)	(36,135,492)
Series A Preferred Dividends	(44,675)	(45,166)	(133,534)	(134,113)
Net Loss Attributable to Common Stockholders	(915,836)	536,678	(1,958,237)	(36,269,605)
Other comprehensive income, net of tax				
Foreign currency translation adjustments	7,138	(56,015)	(202,628)	(18,858)
Comprehensive loss attributable to Common Stockholders	$ (908,698)	$ 480,663	$ (2,160,865)	$ (36,288,463)
Loss per share				
(Basic and fully diluted)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.19)
Weighted average number of shares of common stock outstanding	163,509,324	220,922,294	162,955,319	189,234,812

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 Shares	Preferred stock Amount	Common stock Shares	Common stock Amount	Additional paid-in capital	Shares to be issued	Accumulated other comprehensive income	Accumulated deficit	Stockholders' equity (deficit)
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)
Other comprehensive income (loss)	—	—	—	—	—	—	(46,647)	—	(46,647)
Net loss *(revised - Note 12)*	—	—	—	—	—	—	—	(35,146,405)	(35,146,405)
Balance at September 30, 2018	199,100	$ 199	222,437,810	$ 222,438	$ 59,531,372	$ 22,500	$ (46,647)	$ (46,513,794)	$ 13,216,068
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	—	—	—	—	358,255	—	—	—	358,255
Common shares issued	—	—	1,875,000	1,875	148,125	—	—	—	150,000
Warrants issued as financing fees	—	—	—	—	50,758	—	—	—	50,758
Series A preferred dividends	—	—	—	—	—	—	—	(133,534)	(133,534)

Warrants issued for loans	—	—	—	—	38,249	—	—	—	38,249
Stock to be issued	—	—	—	—	—	28,500	—	—	28,500
Other comprehensive income (loss)	—	—	—	—	—	—	(202,628)	—	(202,628)
Net loss	—	—	—	—	—	—	—	(1,824,703)	(1,824,703)
Balance at September 30, 2019	199,100	$ 199	164,548,726	$ 164,549	$ 57,848,982	$ 28,500	$ (194,355)	$ (51,489,509)	$ 6,358,366

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

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash Flows from Operating Activities		
Net loss	$ (1,824,703)	$ (36,135,492)
Adjustment to reconcile net loss to net cash provided by/(used in) operating activities:		
Depletion, depreciation and amortization	727,644	80,307
Asset retirement obligation accretion	101,400	18,487
Amortization of debt discount	8,366	—
Change in fair value of derivative liabilities	(16,350)	4,357
Gain on sale of assets	(280,000)	
Bad debt expense	—	25,000
Warrants issued as financing fees	50,758	—
Stock-based compensation	358,255	2,689,949
Impairment of furniture, equipment and software	—	13,783
Impairment of oil and gas properties	—	2,322,255
Loss on acquisition and disposition of Bow Energy Ltd.	—	29,319,554
Loss on related party debt settlement	—	203,349
Loss on extinguishment of debt	—	260,162
Equity settlement finance fee	—	76,537
Warrant expense related to business combination	—	103,632
Changes in operating assets and liabilities		
Accounts receivable	62,368	(241,701)
Deposits	—	240,000
Prepaid expenses	91,413	(6,823)
Other current assets	(95,000)	—
Bank indebtedness	—	17,322
Accounts payable	93,021	273,541
Accounts payable – related parties	(16,907)	(6,140)
Accrued liabilities	(25,618)	295,414
Accrued liabilities – related parties	291,967	(171,792)
Net cash flows from operating activities	(473,386)	(618,299)
Cash Flows from Investing Activities		
Purchase of working interest in Canadian Properties		(932,441)
Escrow for property purchase	(771,902)	—
Net cash disposed of in sale of Bow Energy Ltd.	—	(4,003)
Proceeds on sale of NOACK property	495,000	
Net cash acquired in acquisition of Bow Energy Ltd.	—	3,784
Cash flows from investing activities	(276,902)	(932,660)
Cash Flows from Financing Activities		
Proceeds from notes payable	1,025,000	1,000,000
Repayments on notes payable	(5,286)	(33,835)
Proceeds from related party notes payable	356,998	278,410
Repayments on related party notes payable	(423,703)	(171,100)
Proceeds from issuance of common stock for exercise of warrant	—	179,675
Shares to be issued	28,500	—
Proceed from issuance of common stock	30,000	262,500
Proceed from issuance of preferred stock	—	20,000
Cash flows from financing activities	1,011,509	1,535,650
Changes in foreign exchange rate	(202,628)	(61,906)
Net change in cash	58,593	(77,215)
Cash at beginning of period	13,779	82,593
Cash at end of period	$ 72,372	$ 5,378

SUPPLEMENTAL DISCLOSURES

	Nine months ended September 30, 2019	Nine Months Ended September 30, 2018
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 60,074	$ 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
Shares cancelled as proceeds in sale of Bow Energy Ltd	—	4,956,519
Settlement of account payable – related parties for common shares, related party	—	102,590
Series A preferred dividends accrued	133,534	134,113
Proceeds from notes payable paid directly by the related party creditor to seller for acquisition of working interests		313,775
Debt discount on warrant issue	38,249	—
Settlement of accrued liabilities related party for common shares	17,000	—
Settlement of notes payable related party for common shares	113,000	—
Debt cancelled in sale of Bow Energy Ltd (Note 5)	33,144	—
Assumption of note payable by related party	125,000	—
Note receivable recognized on sale of oil and gas properties	—	120,000

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 NINE MONTHS ENDED SEPTEMBER 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
Foreign currency translation	74,013	—	74,013
As at September 30, 2019	$ 2,517,760	$ 10,350,538	$ 12,868,298
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
Depletion	699,504	12,140	711,644
Foreign currency translation	15,225	—	15,225
As at September 30, 2019	$ 1,128,386	$ 73,691	$ 1,202,077
Net book value as at December 31, 2018	$ 2,030,090	$ 10,288,987	$ 12,319,077
Net book value as at September 30, 2019	$ 1,389,374	$ 10,276,847	$ 11,666,221

On November 1, 2018 the Company sold 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") to Crossroads Petroleum LLC ("CP") and Houston Gulf Energy ("HGE") for $375,000. The terms of this agreement included $260,000 to be paid as a deposit with the balance of $115,000 to be paid by December 31, 2018. On April 15, 2019, the Company foreclosed on the property since CP and HGE did not satisfy all of the contractual payment requirements. On April 15, 2019, the remaining unpaid receivable balance of $120,000 was written off as a loss on sale of property. Note that previous payments of $255,000 were forfeited to the Company and no reimbursement to CP and/or HGE was made.

On August 6, 2019, the Company entered into a Purchase and Sale Agreement ("PSA") for the sale of the same NOACK property with Flowtex Energy LLC. ("FT"). 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 September 30, 2019 which is included in other current assets. The $400,000 was recorded as a gain on sale of properties.

5. NOTES PAYABLE

The following table summarizes the Company's notes payable:

	Interest rate	**Date of maturity**	**Balance at: September 30, 2019**	**Balance at: December 31, 2018**
Backhoe loan (i)	2.9%	May 8, 2017	$ 32,600	$ 32,601
Truck loan (ii)	5.49%	January 20, 2022	17,952	23,237
Credit note I (iii)	12%	May 11, 2021	800,000	800,000
Credit note II (iv)	12%	October 17, 2019	346,038	196,038
Credit note III (v)	15%	April 25, 2021	750,000	—
Discount on Credit Note III	—	April 25, 2021	(29,882)	—
M. Hortwitz	10%	October 14, 2016	10,000	10,000
			1,926,708	1,061,876
Current portion:			(390,591)	(335,877)
Long-term notes payable			$ 1,536,117	$ 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").

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 9% 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. The fair value of issued warrants were recorded as a debt discount of $38,249 and amortization of $8,366. 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.

On January 15, 2019, the Company entered into a loan agreement in the amount of $125,000 with a third party. The note bore interest at an interest rate of $4% per annum and was to mature on January 15, 2020. On September 30, 2019, Jovian Petroleum Corporation reimbursed the $125,000 to the third party. Consequently, the $125,000 debt balances were transferred into the Jovian LOC and are now included in the $481,266 at December 31, 2019 (see Note 6: Related Party Notes Payable)

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

2020	$	390,591
2021		7,502
2022		1,528,043
2023		572
Thereafter		—
	$	1,926,708

6. RELATED PARTY NOTES PAYABLE

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

			Balance at:	
	Interest rate	**Date of maturity**	**September 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	167,208	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	481,266	35,210
Ivar Siem (iii)	12%	October 17, 2018	75,000	20,000
Joel Oppenheim (iii)	12%	October 17, 2018	75,000	10,000
Blue Sky Resources Ltd. (iv)	9%	May 31, 2019	—	148,862
			$ 826,974	$ 610,748

(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 Nine 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 September 30, 2019:

2020	$	826,974
Thereafter		—
	$	826,974

7. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment;
- Level 2 — Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Our derivative liabilities are measured at fair value on a recurring basis and estimated as follows:

September 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liabilities	—	—	20,663	20,663
ARO liabilities	—	—	1,649,451	1,649,451
December 31, 2018				
Derivative liabilities	—	—	37,013	37,013
ARO liabilities	—	—	1,509,622	1,509,622

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.

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

Balance, January 1, 2018	$	—
Additions		30,012
Fair value adjustments		7,001
As at December 31, 2018		37,013
Fair value adjustment		(16,350)
As at September 30, 2019	$	20,663

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.

	September 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:

	December 31, 2018
Inflation rate	1.92 - 2.15%
Estimated asset life	15 - 21 years

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	82,033	19,367	101,400
Foreign currency translation	38,429	—	38,429
Asset retirement obligations, September 30, 2019	$ 1,378,861	$ 270,590	$ 1,649,451

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 $133,534 were declared for the nine months ended September 30, 2019.

Common stock

During the nine months ended September 30, 2019, the Company closed private placements for $0.08 per unit for a total of 1,875,000 units and gross proceeds of $150,000 (the "2019 Units"). Each 2019 Unit was comprised of one common share and two warrants entitling the holder to exercise such warrant for one common share for a period of two years from the date of issuance. The warrants have exercise price of $0.10 per share. See additional description of the detail transactions concerning those warrants in Note 10: Related Party Transactions, below.

On December 19, 2018, director Joel Martin Oppenheim purchased additional 2019 private placements for $0.08 per unit for a total of 156,250 units with gross proceeds of $12,500. Each 2019 Unit was comprised of one common share and two warrants entitling the holder to exercise such warrant for one common share for a period of two years from the date of issuance. The warrants have exercise price of $0.10 per share.

On August 8, 2019, 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. The shares were not issued until January 2020.

On August 14, 2019, director Joel Martin Oppenheim exercised warrants to purchase 10,000 shares of common stock for cash proceeds of $1,000 at an exercise price of $0.10 per share. The shares were not issued until January 2020.

On July 23, 2019, Joel Oppenheim, 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. The warrants fair value was determined to be $15,517 via the Black Sholes Option Pricing Model. Consideration for the purchase was provided though a cash payment of $2,500 as well as the forgiving of an outstanding bridge loan of $10,000. The shares were not issued until January 2020.

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	51,066,864	$	0.20
Granted	10,250,000		0.10
Exercised	(160,000)		0.10
Expired	(5,510,526)		0.35
Outstanding at September 30, 2019	55,646,337	$	0.15

As of September 30, 2019, the weighted-average remaining contractual life of warrants outstanding was 1.24 years (December 31, 2018 – 1.71 years).

As of September 30, 2019, the intrinsic value of warrants outstanding is $1,750 (December 31, 2018 - $711,978).

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

	September 30, 2019	December 31, 2018
Warrants granted:		
Board of Directors and Advisory Board service	5,250,000	7,750,000
Private placements	3,750,000	5,312,500
Pursuant to termination agreements	—	5,250,000
Pursuant to financing arrangements	1,250,000	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	10,250,000	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.

	September 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 August 21, 2019, Jovian, a related party, purchased 4 units of the debt private placement with gross proceeds of $50,000. 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. The warrants fair value was determined to be $62,066 via the Black Sholes Option Pricing Model. Consideration for the purchase was provided though a cash payment and the conversion of the related party's prior notes payable and accrued payables.

On August 21, 2019, Joel Oppenheim, a related party, purchased 4 units of the debt private placement with gross proceeds of $50,000. 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. The warrants fair value was determined to be $62,066 via the Black Sholes Option Pricing Model. Consideration for the purchase was provided though a cash payment and the conversion of the related party's prior notes payable and accrued payables.

On August 21, 2019, American Resources Offshore, Inc., a related party, purchased 2 units of the debt private placement with gross proceeds of $25,000. 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. The warrants fair value was determined to be $31,033 via the Black Sholes Option Pricing Model. Consideration for the purchase was provided though a cash payment and the conversion of the related party's prior notes payable and accrued payables.

On August 21, 2019, Leo Womack, a related party, purchased 2 units of the debt private placement with gross proceeds of $25,000. 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. The warrants fair value was determined to be $31,033 via the Black Sholes Option Pricing Model. Consideration for the purchase was provided though a cash payment and the conversion of the related party's prior notes payable and accrued payables.

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 September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Canada				
Revenue	802,131	652,151	2,356,003	639,433
Production costs	(864,553)	(553,304)	(2,357,872)	(552,599)
Depreciation, depletion, amortization and accretion	(267,769)	(38,355)	(699,504)	(33,201)
Results of operations from producing activities	(330,191)	60,492	(706,745)	53,633

Total long-lived assets	1,389,374	2,537,675	1,389,374	2,615,096
United States				
Revenue	32,190	3,025	97,662	69,484
Production costs	(86,526)	(66,228)	(241,957)	(212,926)
Depreciation, depletion, amortization and accretion	(12,047)	(10,038)	(28,140)	(47,106)
Results of operations from producing activities	(66,383)	(73,241)	(167,063)	(190,548)
Total long-lived assets	10,350,677	10,796,719	10,350,677	10,796,719
Total				
Revenue	834,321	655,176	2,453,665	708,917
Production costs	(951,079)	(619,532)	(2,599,829)	(765,525)
Depreciation, depletion, amortization and accretion	(279,816)	(48,393)	(727,644)	(80,307)
Results of operations from producing activities	(396,574)	(12,749)	(873,808)	(136,915)
Total long-lived assets	11,740,051	13,411,815	11,740,051	13,411,815
The Company’s revenues are derived from the following major customers:				
Customer A	32,190	3,025	97,662	69,484
Customer B	802,131	652,151	2,356,003	639,433
Total	834,321	655,176	2,453,665	708,917

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 September 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 September 30, 2018 is summarized below:

Condensed Consolidated Statement of Operations and Comprehensive Loss

	Three months ended September 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 September 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 September 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

13. SUBSEQUENT EVENTS

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

The Company entered into a Purchase and Sale Agreement (“PSA”) for the sale of the same NOACK property with Flowtex Energy LLC. (“FT”). 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 remining 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, 2020A. 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 Nine 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.

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.

Minerva-Rockdale Field

The Minerva-Rockdale Field, which is located approximately 30 miles Northeast of Austin, Texas, was first discovered in 1921 and is approximately 50 square miles in size. The main producing formation for this field is the Upper Cretaceous Navarro Group of sands and shales. The Navarro is typically subdivided into several producing zones from the uppermost "A" and "B" sands to the lower "C" and "D" sands. The "B" sand is the primary producing zone. These sands are commonly fine grained and poorly sorted and were deposited close to a shoreline during a cycle of marine regression.

In April 2013, the Company entered into a lease pertaining to a 423-acre tract in Milam County, Texas, which is adjacent to the Company's original 200 acre lease. The Company issued 500,000 shares of its common stock as consideration for a 100% working interest (83.33% net revenue interest) in such lease.

In August 2013, we became an oil and gas operator and took over the operation of 100% of our wells. During the fourth quarter of 2014, the Company hired Jovian Petroleum Corporation ("Jovian") to survey the operations and well performance at the NOACK field. Their report identified paraffin buildup problems in the well bores and gathering lines as the main production issue for the Company to overcome. In December 2014, the Company signed an operating agreement with Jovian to assume full operational responsibility for the NOACK field under a fixed fee agreement of $10,000 per month for full operating field services. On March 1, 2015, the Company hired Zel C. Khan, our current CEO and director, who is a stockholder and former employee of Jovian. The CEO and President of Jovian is Quinten Beasley, our former director (resigned October 31, 2018).

During the period from our inception to December 31, 2011, we did not drill any oil or gas wells. During the year-ended December 31, 2012, we drilled and completed Nine (6) oil wells. During 2013, the Company drilled and completed three (3) wells of which one (1) was converted to an injection well. During 2014, the Company drilled seven (7) new wells. In 2015, Nine (6) of the wells were completed, five (5) wells produced, one (1) did not produce, and one (1) well was not completed. During 2016, the Company had three (3) wells producing, ten (10) wells to workover, with one (1) injection well, one (1) that did not produce, and one (1) well not completed. During 2017, the Company had four (4) wells producing, ten (10) wells to workover, with one (1) injection well, and one (1) well not completed. During 2018, the Company had Nine (6) wells producing, eight (8) wells to workover, with one (1) injection well, and one (1) well not completed. During 2019 to date, the Company had Nine (6) wells producing, eight (8) wells to workover, with one (1) injection well, and one (1) well not completed.

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"). The Sale Agreement included customary indemnification obligations of the parties. HGE agreed to pay $375,000 for the NOACK Assets plus $5,000 per month, on a month-to-month basis, until they are granted official operatorship by the Railroad Commission, the payment plan was as follows: (a) a $13,500 deposit which was made on October 12, 2018; (b) $121,500 which was paid on November 7, 2018, (c) $60,000 which was paid on February 8, 2019; (d) $65,000 which was paid on February 28, 2019; and (e) $125,000 which was due September 30, 2019 and was not paid. The sale had an effective date of November 1, 2018. Until paid in full, the Company maintained a secured lien against the assets sold which could be foreclosed upon after a 30-day cure period. The Company recognized impairment on the property of $2,322,255 on September 30, 2018, to write it down to its sale price. Upon sale, the Company derecognized the cost and accumulated depletion and impairment with no gain or loss and removed the carrying value of the ARO of $246,263 from the cost pool of the United States properties.

HGE defaulted on the PSA as described above and the Company took proper measures to foreclose on the NOACK Assets on April 3, 2019 and reclaimed title to the property. The property was subsequently sold to FlowTex Energy L.L.C. for $400,000 with an effective closing date of September 1, 2019. The Sale Agreement includes customary indemnification obligations of the parties. As per the Sale Agreement, a $20,000 deposit was received on August 15, 2019 and a $355,000 payment on August 30, 2019; a $25,000 payment is due on August 30, 2020.

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.

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 as well as the leasing of field related heavy equipment. 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 September 30, 2019 was $834,321, an increase of $179,145 from the three months ended September 30, 2018. A total of $149,980 of the increase was attributable to the new operations associated with the Canadian Properties which were acquired after September 30, 2018. Revenues associated with our U.S. properties totaled $32,190.

Our oil and gas revenue reported for the nine months ended September 30, 2019 was $2,453,665, an increase of $1,744,748 from the nine months ended September 30, 2018. A total of $1,501,141 of the increase was attributable to the new operations associated with the Canadian Properties which were acquired after September 30, 2018. Revenues associated with our U.S. properties totaled $97,662.

Operating Expenses

Operating expenses decreased by $2,065,830, to $1,637,723 for the three-month period ended September 30, 2019, compared to $3,703,553 for the three months ended September 30, 2018. Operating expenses increased primarily over the comparative period due a property impairment of $2,322,255 in 2018 with no comparative impairment in 2019. In addition, there was a significant increase of $330,683 in lease operating expenses, a $231,423 increase in depreciation, depletion and amortization expense, all related to the acquisition of the Canadian properties on June 29, 2018.

Operating expenses decreased by $2,531,270, to $4,475,428 for the nine-month period ended September 30, 2019, compared to $7,006,698 for the nine months ended September 30, 2018. Operating expenses decreased primarily over the comparative period due the loss related to the acquisition/disposition of Bow Energy Ltd. In addition, operating expenses decreased due to the impairment of oil and gas properties of $2,322,255 in 2018 only. This was offset by an increase in lease operating expense of $1,832,946 and an increase of $647,337 in depreciation, depletion and amortization, due to the new Canadian properties.

Other income (expense)

The Company incurred a net other expense balance of $67,759 for the three-month period ended September 30, 2019, compared to a net other income balance of $3,630,221, for the three-month ended September 30, 2018. This decrease was primarily due to the $3,679,776 income item related to the correction of an accounting error related to a prior period, in connection with the acquisition of Bow Energy Ltd. This net income was offset by a $260,162 prior period loss on extinguishment of debt. Both the income and offset only incurred in the three months ended September 30, 2018.

Foreign exchange loss increased by $15,378, to $17,153 for the three-month period ended September 30, 2019, compared to $1,775 for the three months ended September 30, 2018. The decrease resulted from fluctuations in the value of the United States dollar against the Canadian dollar.

The Company incurred a net other income balance of $197,060 for the nine-month ended September 30, 2019, compared to an other expense balance of ($29,837,711) for the nine-month ended September 30, 2018. This increased expense was primarily due to a recognition of a loss of ($29,319,554) related to the acquisition/disposition of Bow Energy Ltd. No such expense was incurred in the three months ended September 30, 2019. This change was offset by a net income amount of $280,000 related to a forfeited deposit related to the sale of the Noack property.

Net Income (Loss)

Net loss for the three months ended September 30, 2019 was $871,161, compared to a net income of $581,844 for the three months ended September 30, 2018. The primary reason for the decrease in net income is due to the correction of an accounting error related to a prior period and an offsetting impairment, in connection with the acquisition of Bow Energy Ltd..

Net loss for the nine months ended September 30, 2019 was $1,824,703, compared to a net loss of $36,135,492 for the nine months ended September 30, 2018. The primary reason for the decrease in net income is due to the 2018 loss related to the acquisition/disposition of Bow Energy Ltd. as well as a 2018 impairment on oil and gas properties.

Liquidity and Capital Resources

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

As of September 30, 2019, we had total current assets of $306,343 and total assets of $12,818,296. Our total current liabilities as of September 30, 2019 were $3,253,699 and our total liabilities as of September 30, 2019 were $6,459,930. We had negative working capital of $2,947,356 as of September 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 $2,753,682 along with accounts payable and accrued liabilities, including amounts due to related parties, mainly consisting of accrued officer salaries of $1,048,270, in addition to asset retirement obligations of $1,649,451 (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 $473,386 and $618,299 for the nine months ended September 30, 2019 and 2018, respectively. The decrease was primarily due to the Company's net loss, as well as a deposit made to fund a future acquisition, and the defaulted previous sale of the NOACK property.

Net cash used by investing activities was $276,902 and $932,660 for the nine months ended September 30, 2019 and 2018, respectively. The decrease was primarily due to the funds used to acquire the Canadian Properties with an offset due to the sale of the NOACK properties.

Net cash provided by financing activities was $1,011,509 and $1,535,650 for the nine months ended September 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, there was $150,000 increase in related party bridge loans.

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 September 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.

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 September 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 September 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 Form 10-Q filing is being filed well past the due date. As of the date of this filing, we are deficient in filing our quarterly reports on Form 10-Q for the calendar year 2020. 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's 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 remains outstanding) 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 September 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.

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.

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.

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

EXHIBIT INDEX

Exhibit Number		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		10-Q	04.01	06/30/2019	
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
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		10-K	10.46	12/31/2018	000-52690
10.20	Jovian Petroleum Corporation Line of Credit Extension, dated December 31, 2018		10-K	10.47	12/31/2018	000-52690
10.21	$125,000 Loan Agreement, dated January 15, 2019 entered into with Arshad M. Farooq		10-Q	10.21	06/30/2019	
10.22	Employment Agreement - Mark Allen dated September 1, 2020		8-K	10.21	09/1/20	
10.23	Executive Salary Payment Agreement – Zel Khan dated January 11, 2021		10-Q	10.22	06/30/2019	
10.24	Utikuma Letter Agreement between BSR and Petrolia dated June 29, 2020		10-Q	10.23	06/30/2019	
10.25	Executive Salary Payable Agreement – Mark Allen dated March 30, 2021		10-Q	10.24	06/30/2019	
10.26	Debt to Equity Conversion Agreement – Mark Allen dated March 30, 2021		10-Q	10.25	06/30/2019	
10.27	Settlement and Mutual Release Agreement – Paul Deputy dated January 29, 2021		10-Q	10.26	06/30/2019	
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		10-Q	14.3	06/30/2019	
14.4	Related Party Policy		10-Q	14.4	06/30/2019	
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				

EXHIBIT 31.1

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)

EXHIBIT 31.2

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)

EXHIBIT 32.1

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 September 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)

EXHIBIT 32.2

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 September 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)