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

FORM 10-Q

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

For the quarterly period ended **March 31, 2020**

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

For the transition period from _____ to _____

Commission File Number: **000-52690**

PETROLIA ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of
incorporation or organization)

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

(Address of principal executive offices)

86-1061005

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

77024

(Zip Code)

(832-941-0011)

(Issuer's telephone number, including area code)

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

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the issuer was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth company

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 176,988,322 shares of common stock as of August 3, 2021.

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PART I: Financial Information

Item 1. Consolidated Financial Statements

PETROLIA ENERGY CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash	\$ 13,294	\$ 34,513
Accounts receivable	5,000	5,000
Other current assets	145,682	135,195
Total current assets	<u>163,976</u>	<u>174,708</u>
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Evaluated properties	12,700,603	12,913,972
Furniture, equipment & software	201,110	201,110
Less accumulated depreciation and depletion	(1,829,352)	(1,663,994)
Net property and equipment	<u>11,072,361</u>	<u>11,451,088</u>
Other assets	<u>2,167,077</u>	<u>944,055</u>
Total Assets	<u>\$ 13,403,414</u>	<u>\$ 12,569,851</u>
LIABILITIES & STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 588,360	\$ 598,028
Accounts payable – related parties	25,587	25,587
Accrued liabilities	872,562	677,891
Accrued liabilities – related parties	1,079,249	1,053,564
Notes payable	453,540	653,540
Notes payable – related parties	1,142,443	983,291
Total current liabilities	<u>4,161,741</u>	<u>3,991,901</u>
Asset retirement obligations	1,649,728	1,723,364
Notes payable	2,768,915	1,443,538
Derivative liability	151,184	24,509
Total Liabilities	<u>8,731,568</u>	<u>7,183,312</u>
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; 165,296,226 and 164,548,726 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	165,296	164,549
Additional paid in capital	58,459,795	57,985,359
Shares to be issued	69,375	55,375
Accumulated other comprehensive income	(346,113)	(218,565)
Accumulated deficit	(53,676,706)	(52,600,378)
Total Stockholders' Equity	<u>4,671,846</u>	<u>5,386,539</u>
Total Liabilities and Stockholders' Equity	<u>\$ 13,403,414</u>	<u>\$ 12,569,851</u>

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 March 31, 2020	Three months ended March 31, 2019
Oil and gas sales		
Oil and gas sales	\$ 481,121	\$ 819,340
Total revenue	<u>481,121</u>	<u>819,340</u>
Operating expenses		
Lease operating expense	603,429	694,945
Production tax	678	1,168
General and administrative expenses	245,263	329,707
Depreciation, depletion and amortization	302,378	205,215
Asset retirement obligation	48,945	9,479
Total operating expenses	<u>1,200,693</u>	<u>1,240,514</u>
Loss from operations	<u>(719,572)</u>	<u>(421,174)</u>
Other income (expenses)		
Interest expense	(185,813)	(38,926)
Foreign exchange gain	—	17,425
Change in fair value of derivative liabilities	(126,675)	19,075
Other income	407	10,000
Total other income (expenses)	<u>(312,081)</u>	<u>7,574</u>
Net loss	<u>(1,031,653)</u>	<u>(413,600)</u>
Series A preferred dividends	(44,675)	(44,184)
Net loss attributable to common stockholders	<u>\$ (1,076,328)</u>	<u>\$ (457,784)</u>
Loss per share (Basic and diluted)	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of shares of common stock outstanding - Basic	<u>165,140,155</u>	<u>162,673,726</u>
Weighted average number of shares of common stock outstanding - Diluted	<u>165,140,155</u>	<u>162,673,726</u>
Other comprehensive income, net of tax		
Foreign currency translation adjustments	\$ (127,548)	\$ (11,255)
Comprehensive loss	<u>\$ (1,203,876)</u>	<u>\$ (469,039)</u>

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

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

	Preferred stock		Common stock		Additional paid-in capital	Shares to be issued	Accumulated other comprehensive income	Accumulated deficit	Stockholders' equity (deficit)
	Shares	Amount	Shares	Amount					
Balance at January 1, 2019	199,100	\$ 199	162,673,726	\$ 162,674	\$ 57,253,595	\$ —	\$ 8,273	\$ (49,531,272)	\$ 7,893,469
Stock-based compensation	—	—	—	—	121,680	—	—	—	121,680
Series A preferred dividends	—	—	—	—	—	—	—	(44,184)	(44,184)
Warrants issued as financing fees	—	—	—	—	15,904	—	—	—	15,904
Other comprehensive income (loss)	—	—	—	—	—	—	(11,255)	—	(11,255)
Net loss	—	—	—	—	—	—	—	(413,600)	(413,600)
Balance at March 31, 2019	<u>199,100</u>	<u>\$ 199</u>	<u>162,673,726</u>	<u>\$ 162,674</u>	<u>\$ 57,391,179</u>	<u>\$ —</u>	<u>\$ (2,982)</u>	<u>\$ (49,989,056)</u>	<u>\$ 7,562,014</u>
Balance at January 1, 2020	199,100	\$ 199	164,548,726	\$ 164,549	\$ 57,985,359	\$ 55,375	\$ (218,565)	\$ (52,600,378)	\$ 5,386,539
Stock-based compensation	—	—	—	—	67,193	—	—	—	67,193
Issuing of previous shares to be issued	—	—	591,250	591	54,784	(55,375)	—	—	—
Warrants issued as financing fees	—	—	—	—	7,234	—	—	—	7,234
Series A preferred dividends	—	—	—	—	—	—	—	(44,675)	(44,675)
Shares for conversion of related party debt	—	—	156,250	156	12,344	—	—	—	12,500
Warrants issued for loans	—	—	—	—	332,881	—	—	—	332,881
Shares to be issued	—	—	—	—	—	69,375	—	—	69,375

Other comprehensive income (loss)	—	—	—	—	—	—	(127,548)	—	(127,548)
Net loss	—	—	—	—	—	—	—	(1,031,653)	(1,031,653)
Balance at March 31, 2020	<u>199,100</u>	<u>\$ 199</u>	<u>165,296,226</u>	<u>\$ 165,296</u>	<u>\$ 58,459,795</u>	<u>\$ 69,375</u>	<u>\$ (346,113)</u>	<u>\$ (53,676,706)</u>	<u>\$ 4,671,846</u>

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

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

	<u>Three months ended</u> <u>March 31, 2020</u>	<u>Three months ended</u> <u>March 31, 2019</u>
Cash Flows from Operating Activities		
Net loss	\$ (1,031,653)	\$ (413,600)
Adjustment to reconcile net loss to net cash provided by/(used in) operating activities:		
Depletion, depreciation and amortization	302,378	205,215
Asset retirement obligation accretion	48,945	9,479
Amortization of debt discount	49,594	—
Change in fair value of derivative liabilities	126,675	(19,075)
Warrants issued as financing fees	7,234	15,904
Stock-based compensation	67,193	121,680
Changes in operating assets and liabilities		
Accounts receivable	(12,701)	(225,046)
Other current assets	(19,438)	2,637
Accounts payable	29,601	101,482
Accounts payable – related parties	—	272
Accrued liabilities	166,627	(44,765)
Accrued liabilities – related parties	25,685	80,803
Net cash flows from operating activities	<u>(239,860)</u>	<u>(165,014)</u>
Cash Flows from Investing Activities		
Payment on sale of NOACK property	—	120,000
Escrow for property purchase	(1,374,353)	—
Cash flows from investing activities	<u>(1,374,353)</u>	<u>120,000</u>
Cash Flows from Financing Activities		
Proceeds from notes payable	1,418,934	88,125
Repayments on notes payable	(1,836)	(1,743)
Proceeds from related party notes payable	200,000	137,136
Repayments on related party notes payable	(33,799)	(156,330)
Shares to be issued	69,375	—
Cash flows from financing activities	<u>1,652,674</u>	<u>67,188</u>
Changes in foreign exchange rate	(59,680)	(25,269)
Net change in cash	(21,219)	(3,095)
Cash at beginning of period	<u>34,513</u>	<u>13,779</u>
Cash at end of period	<u>\$ 13,294</u>	<u>\$ 10,684</u>

SUPPLEMENTAL DISCLOSURES

	<u>Three months ended</u> <u>March 31, 2020</u>	<u>Three Months Ended</u> <u>March 31, 2019</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ —	\$ 309
Income taxes paid	—	—
NON-CASH INVESTING AND FINANCIAL DISCLOSURES		
Series A preferred dividends accrued	44,675	44,184
Debt discount on warrant issue	332,881	—
Conversion of related party notes payable for common shares	12,500	—
Issuing of previous shares to be issued	55,375	—

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

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PETROLIA ENERGY CORPORATION
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(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, 2019, 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.

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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, 2019, 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, 2019	\$ 2,443,747	\$ 10,350,538	\$ 12,794,285
Foreign currency translation	119,687	—	119,687
As at December 31, 2019	\$ 2,563,434	\$ 10,350,538	\$ 12,913,972
Addition	—	—	—
Foreign currency translation	(213,369)	—	(213,369)
As at March 31, 2020	\$ 2,350,065	\$ 10,350,538	\$ 12,700,603
Accumulated depletion			
As at January 1, 2019	413,657	61,551	475,208
Dispositions	—	—	—
Impairment of oil and gas properties	—	—	—
Depletion	1,004,832	—	1,004,832
Foreign currency translation	40,487	—	40,487
As at December 31, 2019	\$ 1,458,976	\$ 61,551	\$ 1,520,527

Depletion	294,331	—	294,331
Foreign currency translation	(137,019)	—	(137,019)
As at March 31, 2020	<u>\$ 1,616,288</u>	<u>\$ 61,551</u>	<u>\$ 1,677,839</u>
Net book value as at December 31, 2019	<u>\$ 1,104,458</u>	<u>\$ 10,288,987</u>	<u>\$ 11,393,445</u>
Net book value as at March 31, 2020	<u>\$ 733,777</u>	<u>\$ 10,288,987</u>	<u>\$ 11,022,764</u>

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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. On July 6, 2021, the remaining \$25,000 accounts receivable was settled via the following: the purchaser remitted a cash payment of \$8,995, as well as paying (on the Company’s behalf) \$16,005 of outstanding property tax invoices previously incurred by the Company.

5. NOTES PAYABLE

The following table summarizes the Company’s notes payable:

	Interest rate	Date of maturity	Balance at:	
			March 31, 2020	December 31, 2019
Truck loan ⁽ⁱⁱ⁾	5.49%	January 20, 2022	14,304	16,141
Lee Lytton	—	On demand	3,500	—
Credit note I ⁽ⁱⁱⁱ⁾	12%	May 11, 2021	800,000	800,000
Credit note II ^(iv)	12%	October 17, 2019	346,040	346,038
Credit note III ^(v)	15%	April 25, 2021	750,000	750,000
Discount on Credit Note III	—	April 25, 2021	(20,320)	(25,101)
Credit Note IV ^(vi)	10%	January 02, 2023	1,120,000	—
Discount on Credit Note IV	—	January 02, 2023	(233,340)	—
Credit Note V ^(vii)	10%	June 1, 2020	100,000	—
Discount on Credit Note V	—	June 1, 2020	(24,324)	—
Credit Note VI ^(viii)	10%	May 14, 2020	125,000	—
Discount on Credit Note VI	—	May 14, 2020	(30,405)	—
SUDS Development Funding Note	10%	June 1, 2020	62,000	—
Mark Allen (not related party at balance sheet date)	12%	June 30, 2021	200,000	200,000
M. Hortwitz	10%	October 14, 2016	10,000	10,000
			<u>3,222,455</u>	<u>2,097,078</u>
Current portion:			<u>(453,540)</u>	<u>(653,540)</u>
Long-term notes payable			<u>\$ 2,768,915</u>	<u>\$ 1,443,538</u>

(i) Not used.

(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.

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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 15% per annum and is due in full at maturity on April 25, 2021. No payments are required on the note until maturity while interest is accrued. In addition, warrants to purchase 500,000 shares of common stock with an exercise price of \$0.12 per share expiring on May 1, 2021 were issued associated with the note. 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.
- (vi) On January 2, 2020, the Company entered into a loan agreement in the amount of \$1,000,000 with a third party (including a \$120,000 origination fee). The note bore interest at an interest rate of \$10% per annum and matures on June 30, 2020, with warrants to purchase 5,000,000 shares of common stock (the "Loan Warrants"), in Canadian dollars at an exercise price of \$0.10 per share and expire in January 2, 2023. The fair value of issued warrants were recorded as a debt discount of \$266,674 and monthly amortization of \$11,111. These funds were placed in escrow for the future purchase of the Utikuma oil field (see Note 13: Subsequent Events)
- (vii) On January 3, 2020, the Company entered into a loan agreement in the amount of \$100,000 with a third party. The note bore interest at an interest rate of \$10% per annum and matures on June 1, 2020, with warrants to purchase 400,000 shares of common stock (the "Loan Warrants"), at an exercise price of \$0.10 per share and expire in January 3, 2023. The fair value of issued warrants were recorded as a debt discount of \$31,946 and monthly amortization of \$1,775.

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- (viii) On February 14, 2020, 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 \$10% per annum and matures on June 1, 2020, with warrants to purchase 750,000 shares of common stock (the "Loan Warrants"), at an exercise price of \$0.10 per share and expire in February 14, 2022. The fair value of issued warrants were recorded as a debt discount of \$34,261 and monthly amortization of \$1,903.

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 March 31, 2020 (see Note 6: Related Party Notes Payable)

On January 6, 2020, the Company entered into a consulting agreement, with a third party, that included a funding clause where the Company borrowed \$62,000 from a third party. The third party is responsible for the future oversight and management of the SUDS field located in Creek County, Oklahoma. The note bore interest at an interest rate of \$10% per annum and matures on June 30, 2020.

The following is a schedule of future minimum repayments of notes payable as of March 31:

2020	\$	453,540
2021		2,768,915
Thereafter		—
	\$	<u>3,222,455</u>

6. RELATED PARTY NOTES PAYABLE

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

	Interest rate	Date of maturity	Balance at:	
			March 31, 2020	December 31, 2019
Lee Lytton	—	On demand	—	3,500
Quinten Beasley	10%	October 14, 2016	10,000	10,000
Joel Oppenheim ⁽ⁱ⁾	—	On demand	176,900	217,208
Joel Oppenheim ⁽ⁱ⁾	—	On demand	15,000	15,000
Jovian Petroleum Corporation ⁽ⁱⁱ⁾	3.5%	December 31, 2021	475,543	362,583
Ivar Siem ⁽ⁱⁱⁱ⁾	12%	On demand	100,000	100,000
Ivar Siem ⁽ⁱⁱⁱ⁾	12%	On demand	75,000	75,000
Ivar Siem	—		50,000	—
Joel Oppenheim ⁽ⁱⁱⁱ⁾	12%	October 17, 2018	240,000	200,000
			<u>\$ 1,142,443</u>	<u>\$ 983,291</u>

- (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.

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- (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.

On January 20, 2020, Jovian, a related party, purchased 1 unit of the debt private placement of \$12,500 that was funded through their LOC. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 156,250 shares (\$0.08 per share) 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. During the three months ended March 31, 2020 the shares were issued to Jovian.

The following is a schedule of future minimum repayments of related party notes payable as of March 31, 2020:

2020	\$	1,142,443
Thereafter		—
	<u>\$</u>	<u>1,142,443</u>

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:

<u>March 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative liabilities	—	—	151,184	151,184
ARO liabilities	—	—	1,649,728	1,649,728
December 31, 2019				
Derivative liabilities	—	—	24,509	24,509
ARO liabilities	—	—	1,723,364	1,723,364

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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 \$30,013.

On January 2, 2020, as an inducement to enter into a Loan Agreement, the Company issued warrants to purchase 5,000,000 shares of common stock with an exercise price of \$0.10 per share in Canadian dollars (see Note 5) and expire in 36 months. 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 fair value of issued warrants were recorded as a debt discount of \$266,674 and monthly amortization of \$11,111. The Company valued the related derivative liability at initial recognition as \$144,259.

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

Balance, January 1, 2019	\$	37,013
Additions		—
Fair value adjustments		(12,504)
As at December 31, 2019		24,509
Additions		144,259
Fair value adjustment		(17,584)
As at March 31, 2020	<u>\$</u>	<u>151,184</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Risk-free interest rate	2.27%	1.58% - 2.27%
Expected life	2.1 years	1.4 – 2.1 years
Expected dividend rate	0%	0%
Expected volatility	208%	208% - 240%

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:

	March 31, 2020
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, 2018	\$ 1,258,399	\$ 251,223	\$ 1,509,622
Accretion expense	123,474	26,150	149,624
Foreign currency translation	64,118	—	64,118
Asset retirement obligations, December 31, 2019	1,445,991	277,373	1,723,364
Accretion expense	41,992	6,953	48,945
Foreign currency translation	(122,581)	—	(122,581)
Asset retirement obligations, March 31, 2020	\$ 1,365,402	\$ 284,326	\$ 1,649,728

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 \$44,675 were declared for the three months ended March 31, 2020.

Common stock

As of year ended December 31, 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.

During 2019, a warrant holder exercised warrants to purchase 275,000 shares of common stock for cash proceeds of \$26,875 at an average exercise price of \$0.098 per share. These shares were issued in January 2020.

On August 8, 2019, director Joel 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 issued in January 2020.

On August 14, 2019, director Joel 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 issued in 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 through a cash payment of \$2,500 as well as the forgiving of an outstanding bridge loan of \$10,000. The shares were issued in January 2020.

On January 20, 2020, Jovian, a related party, purchased 1 unit of the debt private placement of \$12,500 that was funded through their LOC. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 156,250 shares (\$0.08 per share) 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. During the three months ended March 31, 2020 the shares were issued to Jovian.

On February 29, 2020, the Company signed a consulting agreement with a third party to provide management services related to the SUDS field. The compensation related terms included the issuance of 250,000 shares of Common Stock. The shares were not issued until December 15, 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, 2019	51,066,864	\$ 0.20
Granted	12,250,000	0.15
Exercised	(125,000)	0.09

Expired	(6,148,028)	0.25
Outstanding at December 31, 2019	57,043,836	\$ 0.14
Granted	8,400,000	0.16
Exercised	(1,650,000)	0.08
Expired	(2,005,000)	0.23
Outstanding at March 31, 2020	61,788,836	\$ 0.16

As of March 31, 2020, the weighted-average remaining contractual life of warrants outstanding was 1.02 years (December 31, 2019 – 1.04 years).

As of March 31, 2020, the intrinsic value of warrants outstanding is \$0.0 (December 31, 2019 - \$8,256).

The table below summarizes warrant issuances during the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Warrants granted:		
Board of Directors and Advisory Board service	1,750,000	7,000,000
Private placements	—	3,750,000
Pursuant to financing arrangements	6,400,000	1,500,000
Pursuant to consulting agreements	250,000	—
Total	8,400,000	12,250,000

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.

	March 31, 2020	December 31, 2019
Risk-free interest rate	1.40% to 1.59%	1.94% to 2.39%
Expected life	2.0 -3.0 years	1.0 - 3.0 years
Expected dividend rate	0%	0%
Expected volatility	224% - 226%	240% - 283%

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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 Scholes Option Pricing Model. Consideration for the purchase was provided through 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 Scholes Option Pricing Model. Consideration for the purchase was provided through 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 Scholes Option Pricing Model. Consideration for the purchase was provided through 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 Scholes Option Pricing Model. Consideration for the purchase was provided through 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:

	Canada	United States	Total
Three months ended March 31, 2020			
Revenue	\$ 474,632	\$ 6,489	\$ 481,121
Production costs	(481,447)	(122,660)	(604,107)
Depreciation, depletion, amortization and accretion	(294,331)	(8,047)	(302,378)
Results of operations from producing activities	<u>\$ (301,146)</u>	<u>\$ (124,218)</u>	<u>\$ (425,364)</u>
Total long-lived assets, March 31, 2020	<u>\$ 733,777</u>	<u>\$ 10,340,504</u>	<u>\$ 11,074,281</u>
Three months ended March 31, 2019			
Revenue	\$ 796,776	\$ 22,564	\$ 819,340
Production costs	(636,239)	(59,874)	(696,113)
Depreciation, depletion, amortization and accretion	(200,351)	(10,296)	(210,647)
Results of operations from producing activities	<u>\$ (39,814)</u>	<u>\$ (47,606)</u>	<u>\$ (87,420)</u>
Total long-lived assets, December 31, 2019	<u>\$ 1,877,771</u>	<u>\$ 10,370,770</u>	<u>\$ 12,248,541</u>

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13. SUBSEQUENT EVENTS

All of the transactions/events mentioned below occurred subsequent to March 31, 2020.

On February 29, 2020, the Company signed a consulting agreement with a third party to provide management services related to the SUDS field. The compensation related terms included the issuance of 250,000 shares of Common Stock. The shares were not issued until December 15, 2020.

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

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

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

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

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

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

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

Paul Deputy was reinstated as Interim Chief Financial Officer. He also 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, he 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.

Joel Oppenheim, former Director, was issued 316,491 shares in January 2021 pursuant to a Director's Fees Payable Agreement. The agreement stated that the shares were issued in full satisfaction of all outstanding director fees payable.

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.

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 2019 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 asset mix of conventional plays, low-risk resource plays and the redevelopment of our late-stage plays is a solid foundation for continued production 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 (9)

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 2019, 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.

Houston Gulf Energy defaulted on a Purchase and Sale Agreement for the NOACK field assets located in Milam County, Texas 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 was due on August 30, 2020. On July 6, 2021, the remaining \$25,000 accounts receivable was settled via the following: the purchaser remitted a cash payment of \$8,995, as well as paying (on the Company's behalf) \$16,005 of outstanding property tax invoices previously incurred by the Company.

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.

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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.

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 for the aggregate value of \$50,000.

The Company plans to engage in the oil field service business in the U.S. and Canada while researching various enhanced oil recovery (EOR) technologies and methods which it can use for the benefit of the Company's oil fields.

Canadian properties – Luseland, Hearts Hill and Cuthbert fields

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 March 31, 2020 was \$481,121, a decrease of \$338,219 from the three months ended March 31, 2019. \$346,241 of the decrease was due to reduced production. This decrease was offset by an average price increase of 7%, a dollar value difference of (\$32,313) over the respective periods. Revenues associated with our U.S. properties totaled \$6,489.

Operating Expenses

Operating expenses decreased by \$39,821, to \$1,200,693 for the three-month period ended March 31, 2020, compared to \$1,240,514 for the three months ended March 31, 2019. Operating expenses decreased over the comparative period due a reduction of \$119,834 of board compensation expense and a \$91,516 decrease in lease operating expense. These decreases were offset with a \$97,163 increase in depletion and a \$39,466 in asset retirement obligation.

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Other income (expense)

The Company incurred a net other expense balance of \$312,081 for the three-month period ended March 31, 2020, compared to a net other income balance of \$7,574, for the three-month ended March 31, 2019. The increase in expense was due to the following: a \$145,750 increase in derivative liability expense due to warrants associated with the new loan and an increase of \$146,887 in interest expense due to the new loan.

Foreign exchange loss increased by \$8,397, to \$25,822 for the three-month period ended March 31, 2020, compared to a \$17,425 foreign exchange gain for the three months ended March 31, 2019. The increase resulted from fluctuations in the value of the United States dollar against the Canadian dollar.

Net Income (Loss)

Net loss for the three months ended March 31, 2020 was \$1,031,653, compared to a net loss of \$413,600 for the three months ended March 31, 2019. The primary reason for the

decrease in net income is due to decreased revenue from reduced production, and increased interest expense from new loans and related derivative liabilities.

Liquidity and Capital Resources

The financial condition of the Company has not changed significantly throughout the period from December 31, 2019 to March 31, 2020.

As of March 31, 2020, we had total current assets of \$163,976 and total assets of \$13,403,414. Our total current liabilities as of March 31, 2020 were \$4,161,741 and our total liabilities as of March 31, 2020 were \$8,731,568. We had negative working capital of \$3,997,766 as of March 31, 2020.

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 \$4,364,898 along with accounts payable and accrued liabilities, including amounts due to related parties, mainly consisting of accrued officer salaries of \$632,520, in addition to asset retirement obligations of \$1,649,728 (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 \$239,860 and \$165,014 for the three months ended March 31, 2020 and 2019, 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 \$1,374,353 and \$120,000 for the three months ended March 31, 2020 and 2019, 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 \$1,652,674 and \$67,188 for the three months ended March 31, 2020 and 2019, respectively. The increase was primarily due to a new \$1,000,000 and \$487,000 from a number of new notes payable by two third-parties. (see "Part I – Item 1. Financial Statements - Note 5. Notes Payable", above for information regarding outstanding debt obligations).

During the quarter ended March 31, 2020, the Company operated at a negative cash flow from operations of approximately \$10,000 per month and our auditors have raised a going concern in their audit report as contained herein. 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 \$2,000,000. The Company has resumed workover activities at SUDS and expects progress to continue past the 1st 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.

Off-Balance Sheet Arrangements

As of March 31, 2020, 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 \$60.05 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

In December 2001, the SEC requested that all registrants list their most "critical accounting policies" in the Management Discussion and Analysis. The SEC indicated that a "critical accounting policy" is one which is both important to the portrayal of a company's financial condition and results, and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

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 of \$53,521,544 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 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 raise 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 March 31, 2020, 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 effective

(b) *Changes in Internal Controls.* There were no changes in our internal controls over financial reporting during the quarter ended March 31, 2020 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, 2019, filed with the Commission on May 26, 2021, 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, 2019, 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.

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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 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. On July 6, 2021, the remaining \$25,000 accounts receivable was settled via the following. The purchaser remitted a cash payment of \$8,995, as well as paying (on the Company’s behalf) \$16,005 of outstanding property tax invoices previously incurred by the Company.

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, 2019.

On January 20, 2020, Jovian, a related party, purchased 1 unit of the debt private placement of \$12,500 that was funded through their LOC. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 156,250 shares (\$0.08 per share) 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.

On February 29, 2020, the Company signed a consulting agreement with a third party to provide management services related to the SUDS field. The compensation related terms included the issuance of 250,000 shares of Common Stock. The shares were not issued until December 15, 2020.

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.

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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.

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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

August 3, 2021

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

August 3, 2021

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

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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	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	09/30/2018	000-52690
10.02	\$240,000 Promissory Note dated November 2, 2018, by Crossroads Petroleum L.L.C. in favor of Petrolia Energy Corporation	10-Q	10.17	09/30/2018	
10.03	Loan Agreement dated September 17, 2018 with Emmett Lescroart	10-Q	10.18	09/30/2018	000-52690
10.04	Purchase and Sale Agreement dated and effective August 6, 2019, by and between Petrolia Energy Corporation and FlowTex Energy LLC	10-Q	10.19	06/30/2019	
10.05	Jovian Petroleum Corporation Line of Credit Extension, dated December 31, 2019	10-Q	10.20	06/30/2019	
10.06	Employment Agreement - Mark Allen dated September 1, 2020	8-K	10.06	09/01/2020	
10.07	Executive Salary Payment Agreement – Zel Khan dated January 11, 2021	10-Q	10.23	06/30/2019	
10.08	Utikuma Letter Agreement between BSR and Petrolia dated June 29, 2020	10-Q	10.24	06/30/2019	
10.09	Executive Salary Payable Agreement – Mark Allen dated March 30, 2021	10-Q	10.25	06/30/2019	
10.10	Debt to Equity Conversion Agreement – Mark Allen dated March 30, 2021	10-Q	10.26	06/30/2019	
10.11	Settlement and Mutual Release Agreement – Paul Deputy dated January 29, 2021	10-Q	10.27	06/30/2019	
10.12	M Allen \$120,000 Loan Agreement @ 10% – dated 1/3/20	X			
10.13	M Allen \$125,000 Loan Agreement @10% - dated February 14, 2020	X			
10.14	Reinhart \$1,000,000 Loan Agreement @ 10% - dated January 6, 2020	X			
10.15	SUDS Consulting Agreement (Funding)– M Allen \$62,000 @ 10% - dated 2/29/20	X			

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10.16	American Resources Loan Agreement \$50,000 – non interest bearing dated 02/28/20	X			
14.1	Code of Ethical Business Conduct	10-Q	14.1	09/30/2015	000-52690
14.2	Whistleblower Protection Policy	8-K	14.1	05/24/2018	000-52690
14.3	Insider Trading Policy	10-Q	14.3	06/30/2019	
14.4	Related Party Transaction Policy	10-Q	14.4	06/30/2019	

16.1	Letter to Securities and Exchange Commission from MaloneBailey, LLP, dated February 22, 2019	8-K	16.1	02/25/2019
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

LOAN AGREEMENT

January 3, 2020

WHEREAS Mark Allen (the "**Lender**") and Petroliia Energy Corporation (the "**Borrower**") wish to enter into this loan agreement (the "Loan Agreement") which provides a loan of US \$100,000 at an interest rate of 10%

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

Borrower: Petroliia Energy Corporation

Guarantor(s): Petroliia Energy Corporation (the "Guarantor" or "Loan Party").

Lender: Mark Allen

Loan: US \$100,000 ("Loan").

Loan Purpose: To acquire working interest in the Utikuma Oil Field, Alberta Canada, being sold by Vermillion Energy in Alberta and Saskatchewan, Canada.

Effective Date: January 3, 2020

Maturity Date: June 1, 2020

Interest Rate: The Borrower shall pay interest on the total Loan at a rate of 10% per annum or until Maturity.

Warrants: In addition to the repayment of principal and interest on the Loan, the Borrower shall grant to the Lender an aggregate 4 warrants per \$1 loaned ("the Warrants") in Petroliia Energy Corporation with the following terms:

- (a) 400,000 Warrants at an exercise price of USD\$0.10 per share expiring on January 3, 2023
- (b) Fully vested on note maturity date

The terms of the Warrants shall include: (i) typical adjustment provisions to adjust the number of Warrants and the Exercise Price in the event of any share consolidation, recapitalization, reclassification, or similar transaction or reorganization of share capital; and (ii) provisions allowing exercise in the event of any change in control, business combination or other transaction involving the Borrower.

Repayment: A repayment schedule is summarized as follows:

- \$35,000 of Loan Principal due March 31, 2020
- \$65,000 of Loan Principal plus accrued interest due June 1, 2020

Payments will be made from the Utikuma Field revenues

- Prepayment:** Prepayment is permitted any time subject to a written notification period of 5 calendar days. In the event of early payout, the Borrower shall ensure total interest paid to the lender for the entire 24-month term of this loan.
- Security:** The Lender holds security (the "Security") against the Borrower's following assets:
1) 50% Working Interest in the Slick Dutcher Sands Unit, Creek County, Oklahoma
All Security, as the same may be amended, replaced, restated or supplemented, shall be held by the Lender as continuing security for the present and future indebtedness, liabilities and obligations (whether direct or indirect, absolute or contingent) of the Borrower to the Lender under this Loan Agreement and the Security as the same may be amended, replaced, restated or supplemented.
- Representations and Warranties:** Borrower represents and warrants to the Lender that:
1. it has been duly incorporated and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property;
 2. this Loan Agreement constitutes, the Security, and the Warrants and other agreements shall constitute, legal, valid, and binding obligations of itself, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies;
 3. it has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Loan Agreement;
 4. it is presently in good standing under, and shall duly perform and observe, all material terms of all material documents, agreements, and instruments affecting or relating to its petroleum and natural gas assets (collectively, the "PNG Agreements");
 5. the Borrower is Petrolia Energy Corporation.
 6. it is not involved in any dispute or legal proceedings likely to materially affect its financial position or its capacity to operate its business;
 7. without limiting the generality of clause 4 above with respect to the PNG Agreements, it is not in default under any other contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements except where such default or non-compliance could not reasonably be expected to have a material adverse
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effect on the Borrower or its property;

8. it is not in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements, other than arrears in payment of amounts outstanding to suppliers and service providers, which have been disclosed to the Lender;
9. it has provided to the Lender all material information in the possession of or available to it and relevant to the Lender's review and assessment of the Loan, Security and the structure of the Loan Parties and, all such information is true, complete and accurate;
10. it has all the requisite power, authority and capacity to execute and deliver this Loan Agreement and the Security (to which it is a party) and to perform its obligations hereunder and thereunder;
11. the execution and delivery of this Loan Agreement, the Warrants and the Security (to which it is a party) and the performance of the terms of this Loan Agreement, the Warrants and Security do not violate the provisions of its charting documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it; and
12. the execution, delivery and performance of the terms of this Loan Agreement, the Warrants and the Security (to which it is a party) shall not constitute a breach of any agreement to which it or its property, assets or undertaking are bound or affected.

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Loan Agreement shall survive the execution of this Loan Agreement, the Warrants and all Security, and shall be deemed to be repeated as of the date of each drawdown under the Loan subject to modifications made by the Borrower to the Lender in writing and accepted by the Lender. The Lender shall be deemed to have relied upon such representations and warranties at each such time as a condition of making each drawdown under the Loan or continuing to extend the Loan.

Affirmative Covenants:

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

1. pay all sums of money when due and payable by it to the Lender under this Loan Agreement and the Security;
 2. in the case of the Borrower, carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws;
 3. maintain its corporate existence and comply with all applicable
-

laws;

4. pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations;
5. comply with all regulatory bodies and provisions regarding environmental procedures and controls;
6. upon reasonable notice, allow the Lender access to its books and records and to visit and inspect its assets and place of business; and

inform the Lender of any event or action which would have a material adverse impact on its operational or financial affairs, including the sale of assets, guarantees, or alterations of type and business.

Events of Default:

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

1. failure by the Borrower to pay principal, interest and fees when due;
2. any material representations and warranties made by a Loan Party are incorrect in any material respect;
3. any breach of applicable law by a Loan Party;
4. any breach by a Loan Party of, or failure of a Loan Party to perform, any covenant set forth in this Loan Agreement or any of the Security to which it is a party (other than covenants referred to elsewhere in this Events of Default section) if such breach or failure continues unremedied for more than 30 business days after the Borrower first receives notice from the Lender requiring the applicable Loan Party to remedy such breach or failure;
5. the bankruptcy or insolvency of a Loan Party, or any action is taken for the winding up, liquidation or any appointment of any person with respect to such bankruptcy or insolvency;
6. any cross default as a result of a failure in the performance or observance of any material term or condition in respect of any other indebtedness or obligation of a Loan Party under this Loan Agreement or any of the Security to which it is a party or under any other material agreement to which it is a party; or

any event which has happened or is expected to happen which

would have a material adverse effect on a Loan Party.

Indemnity:

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

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

Costs:

Each party shall be responsible for its own legal costs.

General:

Time is of the essence.

The insertion of headings in this Loan Agreement is for convenience of reference only and shall not affect the construction or interpretation of this Loan Agreement. The terms "this Loan Agreement", "hereof", "hereunder", "herein" and similar expressions refer to this Loan Agreement and not to any particular Section or other portion hereof and include any agreement supplemental hereto.

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa and words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by their context or by the words or phrases which precede or succeed them.

Reference herein to any agreement, instrument, license or other document shall be deemed to include reference to such agreement, instrument, license or other document as the same may from time to time be amended, modified, supplemented or restated in accordance with the provisions of this Loan Agreement if and to the extent such provisions are applicable; and reference herein to any enactment shall be deemed to include reference to such enactment as re-enacted, amended or extended from time to time and to any successor enactment.

The Borrower agrees that all information provided by it to the Lender may be disclosed to the Lender's consultants, advisors and legal counsel.

The Borrower shall do all things and execute all documents reasonably deemed necessary or appropriate by the Lender, for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

It is understood and agreed that the execution, delivery and registration of the Security shall in no way merge or extinguish this Loan Agreement or the terms and conditions hereof, which shall survive and continue in full force and effect. When a contradiction or conflict exists between an express term of any of the Security and an express term of this Loan Agreement, the term of this Loan Agreement shall govern and prevail. For greater certainty a term contained in the Security and not contained in the Loan Agreement and vice versa is not a contradiction or conflict with the other. Notwithstanding the foregoing, if there is any right or remedy of the Lender set out in any of the Security or any part of which is not set out or provided for in this Loan Agreement, such additional right shall not constitute a conflict or inconsistency.

If any amount due to the Lender is not paid when due, then Borrower shall pay interest on such unpaid amount if and to the fullest extent permitted by applicable law but not exceeding 19% per annum, provided such default is cured in 30 days from the date of the default. After the occurrence of an Event of Default, the Lender shall be entitled to charge \$250 per hour for recorded time to administer its Loan and in exercising its rights and remedies under this Loan Agreement and the Security.

All interest rates specified are nominal annual rates. The effective annual rate in any case shall vary with payment frequency. All interest payable hereunder bears interest as well after as before maturity, default and judgment with interest on overdue interest at the applicable rate payable herein.

Notwithstanding any provision herein to the contrary, in no event shall the aggregate "interest" (as defined in section 347 of the *Criminal Code* (Canada)) payable under this Loan Agreement exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section) permitted under that section and, if any payment, collection or

demand pursuant to this Loan Agreement in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake and the amount of such payment or collection shall be refunded to the Borrower. For purposes of this Loan Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Loan on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Lender shall be prima facie evidence, for the purposes of such determination.

In accordance with prudent lending practices of knowing your client, the Borrower acknowledges that the policies and procedures of the Lender require investigation, verification and recording of information regarding the Borrower, the Guarantors, their directors, officers and shareholders and other persons in control of any Loan Party. Subject to any applicable privacy laws, the Loan Parties agree to promptly provide all information as may be reasonably requested by Emmett Lescroart Capital Partners Corp. and the Lender, including supporting documentation and other evidence, in order to comply with the Lender's internal policies and anti-money laundering and anti-terrorist legislation. Subject to compliance with any applicable privacy laws, the Loan Parties hereby authorize any personal information agent, financial institution, creditor, tax authority, employer, or any other person including any public entity, having information concerning the Loan Parties or their respective property, more particularly any financial information or information with respect to any undertaking, guarantee, or suretyship given by the Loan Parties, to supply such information to the Lender in order to verify the accuracy of all information furnished or to be furnished from time to time to the Lender and to ensure the solvency of any Loan Party at all times.

- Requirements:** The Borrower hereby agrees to provide to the Lender written notice of a change in name or address immediately.
- Assignment:** The rights or obligations of the Borrower herein and the amount of the Loan may be transferred or assigned by the Borrower subject to written approval of the Lender, acting reasonably. The Lender may assign all or any part of the Loan, the Security and this Loan Agreement without the consent of the Borrower but shall notify the Borrower within a reasonable time frame of such assignment occurring.
- Binding Agreement:** The terms and conditions of this Loan Agreement are binding and legal obligations and shall constitute a commitment on the part of the Borrower and the Lender.
- Confidentiality:** This Loan Agreement is delivered to you on the understanding that neither it nor its contents shall be disclosed to any other party except
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to counsel, accountants, employees and agents of the Borrower who are specifically involved in the transaction.

Lender's Role:

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

Counterparts:

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

Currency:

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

**Rights and Remedies
Cumulative:**

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

Waivers and Amendments:

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

Governing Law:

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

Notice:

All notices which may be required to be given pursuant to this Loan Agreement shall be in writing and shall be addressed as follows:

If to Borrower:

Petrolia Energy Corporation
710 N Post Oak Road, Suite 500
Houston, Texas USA 77024
Attention: Zel C Khan-CEO
With a copy by email to: zel@petroliaenergy.com

If to the Lender:

Mark Allen
4306 Stonecroft Circle

Katy, TX 77450
USA
With a copy by email to: markallen4306@gmail.com

or such other addresses or emails as the parties may advise by notice in writing. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by email set forth above or to such other address or email as the recipient may from time to time designate to the other in such manner. Any communication so personally delivered or sent by email shall be deemed to have been validly and effectively given on the date of such delivery or facsimile, as the case may be.

Joint and Several Liability:

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

Waiver of Jury Trial:

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

AGREED AND ACCEPTED as of the 3rd day of January 2020.



Witness



MARK ALLEN
Lender

PETROLIA ENERGY CORPORATION
Borrower

Per: 

Name: Zel C. Khan
Title: CEO & President

LOAN AGREEMENT

February 14, 2020

WHEREAS Mark Allen (the "**Lender**") and Petroliia Energy Corporation (the "**Borrower**") wish to enter into this loan agreement (the "Loan Agreement") which provides a loan of US \$125,000 at an interest rate of 10%

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

Borrower: Petroliia Energy Corporation

Guarantor(s): Petroliia Energy Corporation (the "Guarantor" or "Loan Party").

Lender: Mark Allen

Loan: US \$125,000 ("Loan").

Loan Purpose: To acquire working interest in the Utikuma Oil Field, Alberta Canada, being sold by Vermillion Energy in Alberta and Saskatchewan, Canada.

Effective Date: February 14, 2020

Maturity Date: May 14, 2020

Interest Rate: The Borrower shall pay interest on the total Loan at a rate of 10% fixed or until Maturity.

Warrants: In addition to the repayment of principal and interest on the Loan, the Borrower shall grant to the Lender an aggregate 6 warrants per \$1 loaned ("the Warrants") in Petroliia Energy Corporation with the following terms:

- (a) 750,000 Warrants at an exercise price of USD\$0.10 per share expiring on February 14, 2022
- (b) Fully vested on note maturity date

The terms of the Warrants shall include: (i) typical adjustment provisions to adjust the number of Warrants and the Exercise Price in the event of any share consolidation, recapitalization, reclassification, or similar transaction or reorganization of share capital; and (ii) provisions allowing exercise in the event of any change in control, business combination or other transaction involving the Borrower.

Repayment: A repayment schedule is summarized as follows:

- \$125,000 Loan Principal due May 14, 2020

Payments will be made from the Utikuma Field revenues
At Maturity date, the holder has the option to convert debt into Petroliia Energy Corporation common stock. 1,250,000 at \$.08

cent per share.

Prepayment:

Prepayment is permitted any time subject to a written notification period of 5 calendar days. In the event of early payout, the Borrower shall ensure total interest paid to the lender for the entire 24-month term of this loan.

Security:

The Lender holds security (the "Security") against the Borrower's following assets:

- 1) 5% Working Interest in the Utikuma Oil Field, Alberta
Canada

All Security, as the same may be amended, replaced, restated or supplemented, shall be held by the Lender as continuing security for the present and future indebtedness, liabilities and obligations (whether direct or indirect, absolute or contingent) of the Borrower to the Lender under this Loan Agreement and the Security as the same may be amended, replaced, restated or supplemented.

Representations and Warranties:

Borrower represents and warrants to the Lender that:

1. it has been duly incorporated and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property;
 2. this Loan Agreement constitutes, the Security, and the Warrants and other agreements shall constitute, legal, valid, and binding obligations of itself, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies;
 3. it has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Loan Agreement;
 4. it is presently in good standing under, and shall duly perform and observe, all material terms of all material documents, agreements, and instruments affecting or relating to its petroleum and natural gas assets (collectively, the "PNG Agreements");
 5. the Borrower is Petrolia Energy Corporation.
 6. it is not involved in any dispute or legal proceedings likely to materially affect its financial position or its capacity to operate its business;
 7. without limiting the generality of clause 4 above with respect to the PNG Agreements, it is not in default under any other contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements except where such default or non-compliance
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could not reasonably be expected to have a material adverse effect on the Borrower or its property;

8. it is not in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements, other than arrears in payment of amounts outstanding to suppliers and service providers, which have been disclosed to the Lender;
9. it has provided to the Lender all material information in the possession of or available to it and relevant to the Lender's review and assessment of the Loan, Security and the structure of the Loan Parties and, all such information is true, complete and accurate;
10. it has all the requisite power, authority and capacity to execute and deliver this Loan Agreement and the Security (to which it is a party) and to perform its obligations hereunder and thereunder;
11. the execution and delivery of this Loan Agreement, the Warrants and the Security (to which it is a party) and the performance of the terms of this Loan Agreement, the Warrants and Security do not violate the provisions of its contacting documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it; and
12. the execution, delivery and performance of the terms of this Loan Agreement, the Warrants and the Security (to which it is a party) shall not constitute a breach of any agreement to which it or its property, assets or undertaking are bound or affected.

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Loan Agreement shall survive the execution of this Loan Agreement, the Warrants and all Security, and shall be deemed to be repeated as of the date of each drawdown under the Loan subject to modifications made by the Borrower to the Lender in writing and accepted by the Lender. The Lender shall be deemed to have relied upon such representations and warranties at each such time as a condition of making each drawdown under the Loan or continuing to extend the Loan.

Affirmative Covenants:

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

1. pay all sums of money when due and payable by it to the Lender under this Loan Agreement and the Security;
 2. in the case of the Borrower, carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws;
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3. maintain its corporate existence and comply with all applicable laws;
4. pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations;
5. comply with all regulatory bodies and provisions regarding environmental procedures and controls;
6. upon reasonable notice, allow the Lender access to its books and records and to visit and inspect its assets and place of business; and

inform the Lender of any event or action which would have a material adverse impact on its operational or financial affairs, including the sale of assets, guarantees, or alterations of type and business.

Events of Default:

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

1. failure by the Borrower to pay principal, interest and fees when due;
 2. any material representations and warranties made by a Loan Party are incorrect in any material respect;
 3. any breach of applicable law by a Loan Party;
 4. any breach by a Loan Party of, or failure of a Loan Party to perform, any covenant set forth in this Loan Agreement or any of the Security to which it is a party (other than covenants referred to elsewhere in this Events of Default section) if such breach or failure continues unremedied for more than 30 business days after the Borrower first receives notice from the Lender requiring the applicable Loan Party to remedy such breach or failure;
 5. the bankruptcy or insolvency of a Loan Party, or any action is taken for the winding up, liquidation or any appointment of any person with respect to such bankruptcy or insolvency;
 6. any cross default as a result of a failure in the performance or observance of any material term or condition in respect of any other indebtedness or obligation of a Loan Party under this Loan Agreement or any of the Security to which it is a party or under any other material agreement to which it is a party; or
-

any event which has happened or is expected to happen which would have a material adverse effect on a Loan Party.

Indemnity:

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

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

Costs:

Each party shall be responsible for its own legal costs.

General:

Time is of the essence.

The insertion of headings in this Loan Agreement is for convenience of reference only and shall not affect the construction or interpretation of this Loan Agreement. The terms "this Loan Agreement", "hereof", "hereunder", "herein" and similar expressions refer to this Loan Agreement and not to any particular Section or other portion hereof and include any agreement supplemental hereto.

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa and words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by their context or by the words or phrases which precede or succeed them.

Reference herein to any agreement, instrument, license or other document shall be deemed to include reference to such agreement, instrument, license or other document as the same may from time to time be amended, modified, supplemented or restated in accordance with the provisions of this Loan Agreement if and to the extent such provisions are applicable; and reference herein to any enactment shall be deemed to include reference to such enactment as re-enacted, amended or extended from time to time and to any successor enactment.

The Borrower agrees that all information provided by it to the Lender may be disclosed to the Lender's consultants, advisors and legal counsel.

The Borrower shall do all things and execute all documents reasonably deemed necessary or appropriate by the Lender, for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

It is understood and agreed that the execution, delivery and registration of the Security shall in no way merge or extinguish this Loan Agreement or the terms and conditions hereof, which shall survive and continue in full force and effect. When a contradiction or conflict exists between an express term of any of the Security and an express term of this Loan Agreement, the term of this Loan Agreement shall govern and prevail. For greater certainty a term contained in the Security and not contained in the Loan Agreement and vice versa is not a contradiction or conflict with the other. Notwithstanding the foregoing, if there is any right or remedy of the Lender set out in any of the Security or any part of which is not set out or provided for in this Loan Agreement, such additional right shall not constitute a conflict or inconsistency.

If any amount due to the Lender is not paid when due, then Borrower shall pay interest on such unpaid amount if and to the fullest extent permitted by applicable law but not exceeding 19% per annum, provided such default is cured in 30 days from the date of the default. After the occurrence of an Event of Default, the Lender shall be entitled to charge \$250 per hour for recorded time to administer its Loan and in exercising its rights and remedies under this Loan Agreement and the Security.

All interest rates specified are nominal annual rates. The effective annual rate in any case shall vary with payment frequency. All interest payable hereunder bears interest as well after as before maturity, default and judgment with interest on overdue interest at the applicable rate payable herein.

Notwithstanding any provision herein to the contrary, in no event shall the aggregate "interest" (as defined in section 347 of the *Criminal Code* (Canada)) payable under this Loan Agreement exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section)

permitted under that section and, if any payment, collection or demand pursuant to this Loan Agreement in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake and the amount of such payment or collection shall be refunded to the Borrower. For purposes of this Loan Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Loan on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Lender shall be prima facie evidence, for the purposes of such determination.

In accordance with prudent lending practices of knowing your client, the Borrower acknowledges that the policies and procedures of the Lender require investigation, verification and recording of information regarding the Borrower, the Guarantors, their directors, officers and shareholders and other persons in control of any Loan Party. Subject to any applicable privacy laws, the Loan Parties agree to promptly provide all information as may be reasonably requested by Emmett Lescroart Capital Partners Corp. and the Lender, including supporting documentation and other evidence, in order to comply with the Lender's internal policies and anti-money laundering and anti-terrorist legislation. Subject to compliance with any applicable privacy laws, the Loan Parties hereby authorize any personal information agent, financial institution, creditor, tax authority, employer, or any other person including any public entity, having information concerning the Loan Parties or their respective property, more particularly any financial information or information with respect to any undertaking, guarantee, or suretyship given by the Loan Parties, to supply such information to the Lender in order to verify the accuracy of all information furnished or to be furnished from time to time to the Lender and to ensure the solvency of any Loan Party at all times.

- Requirements:** The Borrower hereby agrees to provide to the Lender written notice of a change in name or address immediately.
- Assignment:** The rights or obligations of the Borrower herein and the amount of the Loan may be transferred or assigned by the Borrower subject to written approval of the Lender, acting reasonably. The Lender may assign all or any part of the Loan, the Security and this Loan Agreement without the consent of the Borrower but shall notify the Borrower within a reasonable time frame of such assignment occurring.
- Binding Agreement:** The terms and conditions of this Loan Agreement are binding and legal obligations and shall constitute a commitment on the part of the Borrower and the Lender.
- Confidentiality:** This Loan Agreement is delivered to you on the understanding that
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neither it nor its contents shall be disclosed to any other party except to counsel, accountants, employees and agents of the Borrower who are specifically involved in the transaction.

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

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

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

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

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

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

Notice: All notices which may be required to be given pursuant to this Loan Agreement shall be in writing and shall be addressed as follows:

If to Borrower:

Petrolia Energy Corporation
710 N Post Oak Road, Suite 500
Houston, Texas USA 77024
Attention: Zel C Khan-CEO
With a copy by email to: zel@petroliaenergy.com

If to the Lender:

Mark Allen

4306 Stonecroft Circle
Katy, TX 77450
USA
With a copy by email to: markallen4306@gmail.com

or such other addresses or emails as the parties may advise by notice in writing. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by email set forth above or to such other address or email as the recipient may from time to time designate to the other in such manner. Any communication so personally delivered or sent by email shall be deemed to have been validly and effectively given on the date of such delivery or facsimile, as the case may be.

Joint and Several Liability:

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

Waiver of Jury Trial:

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

AGREED AND ACCEPTED as of the 14th day of February 2020.

Witness

MARK ALLEN
Lender

PETROLIA ENERGY CORPORATION
Borrower

Per: _____
Name: Zel C. Khan

Title: CEO & President



Attention: Zel C Khan-CEO
With a copy by email to: zel@petroliaenergy.com

If to the Lender:

Mark Allen
4306 Stonecroft Circle
Katy, TX 77450
USA
With a copy by email to: markallen4306@gmail.com

or such other addresses or emails as the parties may advise by notice in writing. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by email set forth above or to such other address or email as the recipient may from time to time designate to the other in such manner. Any communication so personally delivered or sent by email shall be deemed to have been validly and effectively given on the date of such delivery or facsimile, as the case may be.

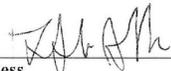
Joint and Several Liability:

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

Waiver of Jury Trial:

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

AGREED AND ACCEPTED as of the 14th day of February 2020.



Witness



MARK ALLEN
Lender

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

Borrower: Petrolia Energy Corporation
Guarantor(s): Petrolia Energy Corporation (the "Guarantor" or "Loan Party").
Lender: 1810 Reinhart LLC
Loan: US \$1,000,000 ("Loan").
Loan Purpose: To acquire working interest in the Utikuma Oil Field, Alberta Canada, being sold by Vermillion Energy in Alberta and Saskatchewan, Canada.
Effective Date: January 6, 2020

Maturity Date for Tranche 1:	March 31, 2020
Maturity Date for Tranche 2:	June 1, 2020

Origination Fee: US \$120,000

Warrants: In addition to the repayment of principal and Origination Fee on the Loan, the Borrower shall grant to the Lender an aggregate 5,000,000 warrants ("the Warrants") in Petrolia Energy Corporation. The Warrants exercise price is set at US \$0.10 per share with a 3-year expiry. The terms of the Warrants shall include: (i) typical adjustment provisions to adjust the number of Warrants and the Exercise Price in the event of any share consolidation, recapitalization, reclassification, or similar transaction or reorganization of share capital; and (ii) provisions allowing exercise in the event of any change in control, business combination or other transaction involving the Borrower (iii) the ability of cashless exercise.

Repayment:	<p>A repayment schedule is summarized as follows:</p> <ul style="list-style-type: none"> • Principal interest = 10% APR (annual percentage rate) • The daily interest rate would be 0.0274 percent (0.10 divided by 365 = 0.000274). • Tranche 1 of \$ 300,000 + \$23,290 interest = US\$323,290 due by March 31, 2020 • Tranche 2 of \$ 820,000 + \$24,934 interest = US\$844,934 interest) due by June 1, 2020
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Prepayment: Prepayment is permitted any time. In the event of early payout, the Borrower shall ensure total Origination Fee and principle due are paid to the Lender for the entire term of this loan.

Security:

The Lender holds security (the "Security") against the Borrower's following assets as first lien position:

- 1) 20.0% Working Interest in the Utikuma Oil Field.

All Security, shall be held by the Lender as continuing security for the present and future indebtedness, liabilities and obligations (whether direct or indirect, absolute or contingent) of the Borrower to the Lender under this Loan Agreement.

Representations and Warranties:

Borrower represents and warrants to the Lender that:

1. it has been duly incorporated and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property;
2. this Loan Agreement constitutes, the Security, and the Warrants and other agreements shall constitute, legal, valid, and binding obligations of itself, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies;
3. it has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Loan Agreement;
4. it is presently in good standing under, and shall duly perform and observe, all material terms of all material documents, agreements, and instruments affecting or relating to its petroleum and natural gas assets;
5. the Borrower is Petrolia Energy Corporation.
6. it is not involved in any dispute or legal proceedings likely to materially affect its financial position or its capacity to operate its business;
7. it is not in default under any other contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements except where such default or non-compliance could not reasonably be expected to have a material adverse effect on the Borrower or its property;
8. it is not in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements, other than arrears in payment of

amounts outstanding to suppliers and service providers, which have been disclosed to the Lender;

9. it has provided to the Lender all material information in the possession of or available to it and relevant to the Lender's review and assessment of the Loan, Security and the structure of the Borrower and, all such information is true, complete and accurate;
10. it has all the requisite power, authority and capacity to execute and deliver this Loan Agreement and the Security (to which it is a party) and to perform its obligations hereunder and thereunder;
11. the execution and delivery of this Loan Agreement, the Warrants and the Security (to which it is a party) and the performance of the terms of this Loan Agreement, the Warrants and Security do not violate the provisions of its documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it; and
12. the execution, delivery and performance of the terms of this Loan Agreement, the Warrants and the Security (to which it is a party) shall not constitute a breach of any agreement to which it or its property, assets or undertaking are bound or affected.

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Loan Agreement shall survive the execution of this Loan Agreement, the Warrants and all Security. The Lender shall be deemed to have relied upon such representations and warranties at each such time as a condition of making the Loan.

Affirmative Covenants:

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

1. pay all sums of money when due and payable by it to the Lender under this Loan Agreement and the Security;
2. in the case of the Borrower, carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws;
3. maintain its corporate existence and comply with all applicable laws;
4. pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the

payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations;

5. comply with all regulatory bodies and provisions regarding environmental procedures and controls;
6. upon reasonable notice, allow the Lender access to its books and records and to visit and inspect its assets and place of business; and

inform the Lender of any event or action which would have a material adverse impact on its operational or financial affairs, including the sale of assets, guarantees, or alterations of type and business.

Events of Default:

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

1. failure by the Borrower to pay principal, interest and fees when due;
2. any material representations and warranties made by a Loan Party are incorrect in any material respect;
3. any breach of applicable law by a Loan Party;
4. any breach by a Loan Party of, or failure of a Loan Party to perform, any covenant set forth in this Loan Agreement or any of the Security to which it is a party (other than covenants referred to elsewhere in this Events of Default section) if such breach or failure continues unremedied for more than 30 business days after the Borrower first receives notice from the Lender requiring the applicable Loan Party to remedy such breach or failure;
5. the bankruptcy or insolvency of a Loan Party, or any action is taken for the winding up, liquidation or any appointment of any person with respect to such bankruptcy or insolvency;
6. any cross default as a result of a failure in the performance or observance of any material term or condition in respect of any other indebtedness or obligation of a Loan Party under this Loan Agreement or any of the Security to which it is a party or under any other material agreement to which it is a party; or

any event which has happened or is expected to happen which would have a material adverse effect on a Loan Party.

Indemnity:

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

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

Costs:

Each party shall be responsible for its own legal costs.

General:

Time is of the essence.

The insertion of headings in this Loan Agreement is for convenience of reference only and shall not affect the construction or interpretation of this Loan Agreement. The terms "this Loan Agreement", "hereof", "hereunder", "herein" and similar expressions refer to this Loan Agreement and not to any particular Section or other portion hereof and include any agreement supplemental hereto.

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa and words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by their context or by the words or phrases which precede or succeed them.

Reference herein to any agreement, instrument, license or other document shall be deemed to include reference to such agreement, instrument, license or other document as the same may from time to time be amended, modified, supplemented or restated in accordance with the provisions of this Loan Agreement if and to the extent such provisions are applicable; and reference herein to any enactment shall be deemed to include reference to such enactment as re-enacted, amended or extended from time to time and to any successor enactment.

The Borrower agrees that all information provided by it to the Lender may be disclosed to the Lender's consultants, advisors and legal counsel.

The Borrower shall do all things and execute all documents reasonably deemed necessary or appropriate by the Lender, for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

It is understood and agreed that the execution, delivery and registration of the Security shall in no way merge or extinguish this Loan Agreement or the terms and conditions hereof, which shall survive and continue in full force and effect. When a contradiction or conflict exists between an express term of any of the Security and an express term of this Loan Agreement, the term of this Loan Agreement shall govern and prevail. For greater certainty a term contained in the Security and not contained in the Loan Agreement and vice versa is not a contradiction or conflict with the other. Notwithstanding the foregoing, if there is any right or remedy of the Lender set out in any of the Security or any part of which is not set out or provided for in this Loan Agreement, such additional right shall not constitute a conflict or inconsistency.

If any amount due to the Lender is not paid when due, then Borrower shall pay interest on such unpaid amount if and to the fullest extent permitted by applicable law but not exceeding 19% per annum, provided such default is cured in 30 days from the date of the default. After the occurrence of an Event of Default, the Lender shall be entitled to charge \$250 per hour for recorded time to administer its Loan and in exercising its rights and remedies under this Loan Agreement and the Security.

All interest rates specified are nominal annual rates. The effective annual rate in any case shall vary with payment frequency. All interest payable hereunder bears interest as well after as before maturity, default and judgment with interest on overdue interest at the applicable rate payable herein.

Notwithstanding any provision herein to the contrary, in no event shall the aggregate "interest" (as defined in section 347 of the *Criminal Code* (Canada)) payable under this Loan Agreement exceed the maximum effective annual rate of interest on the "credit advanced" (as defined in that section) permitted under that section and, if any payment, collection or demand pursuant to this Loan Agreement in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake and the amount of such payment or collection shall be refunded to the Borrower. For purposes of this Loan Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Loan on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Lender shall be prima facie evidence, for the purposes of such determination.

In accordance with prudent lending practices of knowing your client, the Borrower acknowledges that the policies and procedures of the Lender require investigation, verification and recording of information regarding the Borrower, the Guarantors, their directors, officers and shareholders and other persons in control of any Loan Party. Subject to any applicable privacy laws, the Borrower agree to promptly provide all information as may be reasonably requested by the Lender, including supporting documentation and other evidence, in order to comply with the Lender's internal policies and anti-money laundering and anti-terrorist legislation. Subject to compliance with any applicable privacy laws, the Borrower hereby authorize any personal information agent, financial institution, creditor, tax authority, employer, or any other person including any public entity, having information concerning the Borrower or their respective property, more particularly any financial information or information with respect to any undertaking, guarantee, or suretyship given by the Borrower, to supply such information to the Lender in order to verify the accuracy of all information furnished or to be furnished from time to time to the Lender and to ensure the solvency of any Loan Party at all times.

- Requirements:** The Borrower hereby agrees to provide to the Lender written notice of a change in name or address immediately.
- Assignment:** The rights or obligations of the Borrower herein and the amount of the Loan may be transferred or assigned by the Borrower subject to written approval of the Lender, acting reasonably. The Lender may assign all or any part of the Loan, the Security and this Loan Agreement without the consent of the Borrower but shall notify the Borrower within a reasonable time frame of such assignment occurring.

Binding Agreement:	The terms and conditions of this Loan Agreement are binding and legal obligations and shall constitute a commitment on the part of the Borrower and the Lender.
Confidentiality:	This Loan Agreement is delivered to you on the understanding that neither it nor its contents shall be disclosed to any other party except to counsel, accountants, employees and agents of the Borrower who are specifically involved in the transaction.
Lender's Role:	Nothing contained in this Loan Agreement, the Security or any related documentation shall in any way be deemed to be or be construed as creating the relationship of joint venturer or partner or co-venturer with the Loan Parties. The parties each acknowledge and agree that the relationship between them is solely and exclusively one of borrower and lender.
Counterparts:	This Loan Agreement may be executed by the parties hereto in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same document. Executed copies may be delivered by facsimile transmission or electronic mail transmission and it shall not be necessary to confirm execution by delivery of originally executed documents.
Currency:	All references to amounts in this agreement, unless otherwise described, are in United States Dollars.
Rights and Remedies Cumulative:	The rights, remedies and powers of the Lender under this Loan Agreement and the Security, at law and in equity are cumulative and not alternative and are not in substitution for any other remedies, rights or powers of the Lender, and no delay or omission in exercise of any such right, remedy or power shall exhaust such rights, remedies and powers to be construed as a waiver of any of them.
Waivers and Amendments:	No term, provision or condition of this Loan Agreement or any of the Security, may be waived, varied or amended unless in writing and signed by a duly authorized officer of the Lender.
Governing Law:	This Loan Agreement shall be construed, governed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Texas and the laws of the United States of America applicable therein.

Notice: All notices which are required to be given pursuant to this Loan Agreement shall be in writing and shall be addressed as follows:

If to Borrower:

Petrolia Energy Corporation
710 N Post Oak Road, Suite 522
Houston, Texas USA 77024
Attention: Zel C Khan-CEO
With a copy by email to: zel@petroliaenergy.com

If to the Lender:

1810 Reinhart LLC
1302 Garner St
Nacogdoches, Texas 75961
USA
With a copy by email to: james@burnscentral.net

or such other addresses or emails as the parties may advise by notice in writing. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by email set forth above or to such other address or email as the recipient may from time to time designate to the other in such manner. Any communication so personally delivered or sent by email shall be deemed to have been validly and effectively given on the date of such delivery or facsimile, as the case may be.

Joint and Several Liability:

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

Waiver of Jury Trial:

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

AGREED AND ACCEPTED as of the 2nd day of January 2020.

1810 Reinhart LLC
Lender

PETROLIA ENERGY CORPORATION
Borrower

Per: Zel C. Khan
Name: Zel C. Khan
Title: CEO & President

CONSULTING AGREEMENT

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

WITNESSETH:

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

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

**ARTICLE 1
EMPLOYMENT**

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

**ARTICLE 2
DUTIES AND OBLIGATIONS**

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

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

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

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

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

**ARTICLE 3
COMPENSATION**

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

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

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

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

**ARTICLE 4
TERM AND TERMINATION**

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

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

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

reasonable discretion of the Company by providing written notice to the Consultant.

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

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

ARTICLES
CONFIDENTIALITY AND NON-SOLICITATION

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

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

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

ARTICLE 6
ADDITIONAL PROVISIONS

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

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

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

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

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

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

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

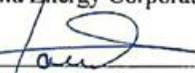
6.8 Entire Agreement. This Agreement supersedes all previous contracts and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties respecting the subject matter hereof; and no party shall be entitled to other benefits than those specified herein. As between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

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

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

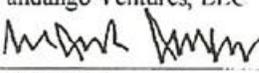
COMPANY:

Petrolia Energy Corporation

By: 
Name: Zel C. Lehan
Title: CEO
Date: 2-24-20

CONSULTANT:

Fandango Ventures, LLC


Mark Allen
Date: FEBRUARY 14, 2020

LOAN AGREEMENT

February 28, 2020

WHEREAS American Resources (the "**Lender**") and Petrolia Energy Corporation (the "**Borrower**") wish to enter into this loan agreement (the "Loan Agreement") which provides a loan of US \$50,000 at a fixed interest rate of 0%

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

Borrower: Petrolia Energy Corporation

Guarantor(s): Petrolia Energy Corporation (the "Guarantor" or "Loan Party").

Lender: American Resource Offshore Inc.

Loan: US \$50,000 ("Loan").

Loan Purpose: To acquire working interest in the Utikuma Oil Field, Alberta Canada, being sold by Vermillion Energy in Alberta and Saskatchewan, Canada.

Effective Date: March 1, 2020

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

Warrants: In addition to the repayment of principal and interest on the Loan, the Borrower shall grant to the Lender an aggregate **200,000 warrants** ("the Warrants") in Petrolia Energy Corporation with the following terms:

- (a) 200,000 Warrants at an exercise price of USD\$0.10 per share expiring on March 1, 2022
- (b) The Warrants will vest and be issued 01/01/21

The terms of the Warrants shall include: (i) typical adjustment provisions to adjust the number of Warrants and the Exercise Price in the event of any share consolidation, recapitalization, reclassification, or similar transaction or reorganization of share capital; and (ii) provisions allowing exercise in the event of any change in control, business combination or other transaction involving the Borrower.

Security: The Lender holds security (the "Security") against the Borrower's following assets:

- 1) 5% Undivided Interest in the Utikuma Oil Field, Alberta Canada

All Security, as the same may be amended, replaced, restated or supplemented, shall be held by the Lender as continuing security for the present and future indebtedness, liabilities and obligations (whether direct or indirect, absolute or contingent) of the Borrower to the Lender under this Loan Agreement and the Security as the same may be amended, replaced, restated or supplemented.

**Representations and
Warranties:**

Borrower represents and warrants to the Lender that:

1. it has been duly incorporated and is in good standing under the legislation governing it, and it has the powers, permits, and licenses required to operate its business or enterprise and to own, manage, and administer its property;
 2. this Loan Agreement constitutes, the Security, and the Warrants and other agreements shall constitute, legal, valid, and binding obligations of itself, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and to the availability of equitable remedies;
 3. it has the right to pledge, charge, mortgage, or lien its assets in accordance with the Security contemplated by this Loan Agreement;
 4. it is presently in good standing under, and shall duly perform and observe, all material terms of all material documents, agreements, and instruments affecting or relating to its petroleum and natural gas assets (collectively, the "PNG Agreements");
 5. the Borrower is Petrolia Energy Corporation.
 6. it is not involved in any dispute or legal proceedings likely to materially affect its financial position or its capacity to operate its business;
 7. without limiting the generality of clause 4 above with respect to the PNG Agreements, it is not in default under any other contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements except where such default or non-compliance could not reasonably be expected to have a material adverse effect on the Borrower or its property;
 8. it is not in default under the contracts to which it is a party or under the applicable legislation and regulations governing the operation of its business or its property, including all material environmental requirements, other than arrears in payment of amounts outstanding to suppliers and service providers, which have been disclosed to the Lender;
 9. it has provided to the Lender all material information in the possession of or available to it and relevant to the Lender's review and assessment of the Loan, Security and the structure of the Loan Parties and, all such information is true, complete and accurate;
 10. it has all the requisite power, authority and capacity to execute and deliver this Loan Agreement and the Security (to which it is a party) and to perform its obligations hereunder and
-

thereunder;

11. the execution and delivery of this Loan Agreement, the Warrants and the Security (to which it is a party) and the performance of the terms of this Loan Agreement, the Warrants and Security do not violate the provisions of its contacting documents or its by-laws or any law, order, rule or regulation applicable to it and have been validly authorized by it; and
12. the execution, delivery and performance of the terms of this Loan Agreement, the Warrants and the Security (to which it is a party) shall not constitute a breach of any agreement to which it or its property, assets or undertaking are bound or affected.

Unless expressly stated to be made as of a specific date, the representations and warranties made in this Loan Agreement shall survive the execution of this Loan Agreement, the Warrants and all Security, and shall be deemed to be repeated as of the date of each drawdown under the Loan subject to modifications made by the Borrower to the Lender in writing and accepted by the Lender. The Lender shall be deemed to have relied upon such representations and warranties at each such time as a condition of making each drawdown under the Loan or continuing to extend the Loan.

Affirmative Covenants:

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

1. pay all sums of money when due and payable by it to the Lender under this Loan Agreement and the Security;
2. in the case of the Borrower, carry on business and operate its petroleum and natural gas reserves in accordance with good practices consistent with accepted industry standards and pursuant to applicable agreements, regulations, and laws;
3. maintain its corporate existence and comply with all applicable laws;
4. pay, when due, all taxes, assessments, deductions at source, crown royalties, income tax or levies for which the payment is guaranteed by legal privilege, prior claim, or legal hypothec, without subrogation or consolidations;
5. comply with all regulatory bodies and provisions regarding environmental procedures and controls;
6. upon reasonable notice, allow the Lender access to its books and records and to visit and inspect its assets and place of business; and

inform the Lender of any event or action which would have a material adverse impact on its operational or financial affairs, including the sale of assets, guarantees, or alterations of type and business.

Indemnity:

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

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

Costs:

Each party shall be responsible for its own legal costs.

General:

Time is of the essence.

The insertion of headings in this Loan Agreement is for convenience of reference only and shall not affect the construction or interpretation of this Loan Agreement. The terms "this Loan Agreement", "hereof", "hereunder", "herein" and similar expressions refer to this Loan Agreement and not to any particular Section or other portion hereof and include any agreement supplemental hereto.

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa and words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by their context or by the words or phrases which precede or succeed them.

Reference herein to any agreement, instrument, license or other document shall be deemed to include reference to such agreement, instrument, license or other document as the same may from time to time be amended, modified, supplemented or restated in accordance

with the provisions of this Loan Agreement if and to the extent such provisions are applicable; and reference herein to any enactment shall be deemed to include reference to such enactment as re-enacted, amended or extended from time to time and to any successor enactment.

The Borrower agrees that all information provided by it to the Lender may be disclosed to the Lender's consultants, advisors and legal counsel.

The Borrower shall do all things and execute all documents reasonably deemed necessary or appropriate by the Lender, for the purposes of giving full force and effect to the terms, conditions, undertakings, and security granted or to be granted hereunder.

It is understood and agreed that the execution, delivery and registration of the Security shall in no way merge or extinguish this Loan Agreement or the terms and conditions hereof, which shall survive and continue in full force and effect. When a contradiction or conflict exists between an express term of any of the Security and an express term of this Loan Agreement, the term of this Loan Agreement shall govern and prevail. For greater certainty a term contained in the Security and not contained in the Loan Agreement and vice versa is not a contradiction or conflict with the other. Notwithstanding the foregoing, if there is any right or remedy of the Lender set out in any of the Security or any part of which is not set out or provided for in this Loan Agreement, such additional right shall not constitute a conflict or inconsistency.

If any amount due to the Lender is not paid when due, then Borrower shall pay interest on such unpaid amount if and to the fullest extent permitted by applicable law but not exceeding 19% per annum, provided such default is cured in 30 days from the date of the default. After the occurrence of an Event of Default, the Lender shall be entitled to charge \$250 per hour for recorded time to administer its Loan and in exercising its rights and remedies under this Loan Agreement and the Security.

All interest rates specified are nominal annual rates. The effective annual rate in any case shall vary with payment frequency. All interest payable hereunder bears interest as well after as before maturity, default and judgment with interest on overdue interest at the applicable rate payable herein.

Requirements:

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

Assignment:

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

occurring.

Binding Agreement:

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

Confidentiality:

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

Lender's Role:

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

Counterparts:

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

Currency:

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

**Rights and Remedies
Cumulative:**

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

Waivers and Amendments:

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

Governing Law:

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

Notice:

All notices which may be required to be given pursuant to this Loan Agreement shall be in writing and shall be addressed as follows:

If to Borrower:

Petrolia Energy Corporation
710 N Post Oak Road, Suite 500
Houston, Texas USA 77024
Attention: Zel C Khan-CEO

Attention: Zel C Khan-CEO
With a copy by email to: zel@petroliaenergy.com

If to the Lender:

American Resources, ~~Inc~~ *offshore Inc* 6
575 N. Dairy Ashford
Suite 210
Houston, TX 77079
USA
With a copy by email to: jbermudez@americanresourcesinc.com

or such other addresses or emails as the parties may advise by notice in writing. All communications provided for or permitted hereunder shall be in writing, personally delivered to an officer or other responsible employee of the addressee or sent by email set forth above or to such other address or email as the recipient may from time to time designate to the other in such manner. Any communication so personally delivered or sent by email shall be deemed to have been validly and effectively given on the date of such delivery or facsimile, as the case may be.

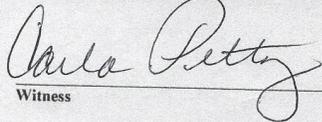
Joint and Several Liability:

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

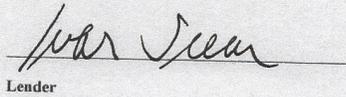
Waiver of Jury Trial:

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

AGREED AND ACCEPTED as of the 29th day of February, 2020



Witness



Lender

PETROLIA ENERGY CORPORATION

Borrower

Per: _____
Name: Zel C. Khan
Title: CEO & President

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.

August 3, 2021

By: /s/ Zel C. Khan

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

CERTIFICATION

I, Paul M. Deputy, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q of Petrolia Energy Corporation;
2. Based on my knowledge, this report, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2021

By: /s/ Paul M. Deputy

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

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending March 31, 2020 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.

August 3, 2021

By: /s/ Zel C. Khan

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

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending March 31, 2020 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.

August 3, 2021

By: /s/ Paul M. Deputy

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