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

FORM 10-Q

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

For the quarterly period ended **June 30, 2021**

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

For the transition period from __________ to __________

Commission File Number: **000-52690**

PETROLIA ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Texas	**86-1061005**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
710 N. Post Oak Road, Suite 400 Houston, Texas	**77024**
(Address of principal executive offices)	(Zip Code)

(832-723-1266)
(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 July 13, 2022.

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PART I: Financial Information

Item 1. Consolidated Financial Statements

PETROLIA ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS		
Current assets		
Cash	$ 32,079	$ 155,045
Accounts receivable	5,046	5,000
Other current assets	39,443	39,443
Total current assets	76,568	199,488
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Evaluated properties	9,593,144	8,619,427
Furniture, equipment & software	201,110	201,110
Less accumulated depreciation and depletion	(3,408,425)	(2,868,453)
Net property and equipment	6,385,829	5,952,084
Other assets		
Operating lease right-of-use asset	18,047	23,145
Other assets	1,021,564	985,187
Total Assets	$ 7,502,008	$ 7,159,904
LIABILITIES & STOCKHOLDERS DEFICIT		
Current liabilities		
Accounts payable	$ 1,261,286	$ 1,067,841
Accounts payable – related parties	810,765	587
Operating lease liability – current	14,172	13,107
Accrued liabilities	811,718	1,572,055
Accrued liabilities – related parties	760,047	751,949
Notes payable, current portion	3,268,889	3,037,737
Notes payable – related parties, current portion	954,159	1,035,329
Total current liabilities	7,881,036	7,478,605
Asset retirement obligations	3,908,545	3,624,133
Notes payable, net of current portion	—	573
Operating lease liability	4,946	13,909
Derivative liability	288,403	183,798
Total Liabilities	$ 12,082,930	$ 11,301,018
Stockholders' Deficit		
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; 176,988,322 and 168,696,226 shares issued and outstanding	176,988	168,696
Additional paid in capital	60,117,076	59,044,519
Shares to be issued	—	—
Accumulated other comprehensive income	(303,837)	(266,432)
Accumulated deficit	(64,571,348)	(63,088,096)
Total Stockholders' Deficit	(4,580,922)	(4,141,114)
Total Liabilities and Stockholders' Deficit	$ 7,502,008	$ 7,159,904

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

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Oil and gas sales				
Oil and gas sales	$ 1,248,359	$ 509,221	$ 2,330,607	$ 990,342
Total Revenue	1,248,359	509,221	2,330,607	990,342
Operating expenses				
Lease operating expense	1,613,076	732,992	2,148,469	1,336,421
Production tax	—	159	1,163	837
General and administrative expenses	190,942	315,195	521,956	560,458
Depreciation, depletion and amortization	253,285	220,929	436,424	523,307
Asset retirement obligation accretion	93,518	65,670	181,724	114,615
Total operating expenses	2,150,821	1,334,945	3,289,736	2,535,638
Loss from operations	(902,462)	(825,724)	(959,129)	(1,545,296)
Other income (expenses)				
Interest expense	(171,902)	(182,051)	(329,950)	(367,864)
Other income (expense)	—	4,364	—	4,771
Change in fair value of derivative liabilities	83,111	(122,315)	(104,605)	(248,990)
Total other income (expenses)	(88,791)	(300,002	(434,555)	(612,083)
Net loss before taxes	(991,253)	(1,125,726)	(1,393,684)	(2,157,379)
Series A Preferred Dividends	(44,893)	(44,675)	(89,568)	(89,350)
Net Loss Attributable to Common Stockholders	(1,036,146)	(1,170,401)	(1,483,252)	(2,246,729)
Loss per share				
(Basic and fully diluted)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding, basic & diluted	176,988,322	165,296,226	173,854,195	165,218,190
Other comprehensive income, net of tax				
Foreign currency translation adjustments	(39,732)	70,966	(37,405)	(58,337)
Comprehensive income (loss)	$ (1,075,878)	$ (1,099,435)	$ (1,520,657)	$ (2,305,066)

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

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

	Preferred stock		Common stock		paid-in	to be	comprehensive	Accumulated	equity
	Shares	Amount	Shares	Amount	capital	issued	income	deficit	(deficit)
Balance at December 31, 2019	199,100	$ 199	164,548,726	$ 164,549	$ 57,985,359	$ 55,375	$ (218,565)	$ (52,600,378)	$ 5,386,539
Stock-based compensation	—	—	—	—	155,211	—	—	—	155,211
Common shares issued	—	—	591,250	591	54,784	(55,375)	—	—	—
Series A preferred dividends	—	—	—	—	—	—	—	(89,350)	(89,350)
Warrants issued as financing fees	—	—	—	—	20,555	—	—	—	20,555
Shares for conversion of related party debt	—	—	156,250	156	12,344	—	—	—	12,500
Warrants issued with loans	—	—	—	—	332,881	—	—	—	332,881
Stock to be issued			—	—	—	69,375	—	—	69,375
Other comprehensive income (loss)	—	—	—	—	—	—	(58,337)	—	(58,337)
Net loss	—	—	—	—	—	—	—	(2,157,379)	(2,157,379)
Balance at June 30, 2020	199,100	$ 199	165,296,226	$ 165,296	$ 58,561,134	$ 69,375	$ (276,902)	$ (54,847,107)	$ 3,671,995
Balance at December 31, 2020	199,100	$ 199	168,696,226	$ 168,696	$ 59,044,519	$ —	$ (266,432)	$ (63,088,096)	$ (4,141,114)
Stock-based compensation	—	—	—	—	54,923	—	—	—	54,923
Series A preferred dividends	—	—	—	—	—	—	—	(89,568)	(89,568)
Warrants issued as financing fee	—	—	—	—	16,614	—	—	—	16,614
Common shares issued for conversion of debt	—	—	2,700,000	2,700	86,400	—	—	—	89,100
Common shares issued for settlement of related party fee	—	—	5,592,096	5,592	158,895	—	—	—	164,487
Warrants issued for settlement of loans	—	—	—	—	200,378	—	—	—	200,378
Gain on modification of related party debt	—	—	—	—	181,791	—	—	—	181,791
Gain on issuance of shares for settlement of accrued related party fees	—	—	—	—	373,556	—	—	—	373,556
Other comprehensive income (loss)	—	—	—	—	—	—	(37,405)	—	(37,405)
Net Income (loss)	—	—	—	—	—	—	—	(1,393,684)	(1,393,684)
Balance at June 30, 2021	199,100	$ 199	176,988,322	$ 176,988	$ 60,117,076	$ —	$ (303,837)	$ (64,571,348)	$ (4,580,922)

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

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

	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash Flows from Operating Activities		
Net income (loss)	$ (1,393,684)	$ (2,157,379)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:		
Depletion, depreciation and amortization	436,424	523,307
Asset retirement obligation accretion	181,724	114,615
Operating lease	(2,800)	—
Amortization of debt discount	122,429	101,256
Change in fair value of derivative liabilities	104,605	248,990
Stock-based compensation expense	54,923	155,211
Warrants issued as financing fees	16,614	20,555
Changes in operating assets and liabilities		
Accounts receivable	(43)	—
Other current assets	—	172,854
Accounts payable	163,234	77,885
Accounts payable – related parties	15,452	—
Accrued liabilities	(127,235)	162,901
Accrued liabilities – related parties	340,868	107,685
Net cash flows from operating activities	(87,489)	(472,120)
Cash Flows from Investing Activities		
Escrow for property purchase	—	—
Cash flows from investing activities	—	—
Cash Flows from Financing Activities		
Proceeds from notes payable	—	441,680
Repayments on notes payable	(20,969)	(37,319)
Proceeds from related party notes payable	—	200,000
Repayments on related party notes payable	(17,613)	(48,160)
Shares to be issued	—	69,375
Cash flows from financing activities	(38,582)	625,576
Changes in foreign exchange rate	3,105	(108,692)
Net change in cash	(122,966)	44,764
Cash at beginning of period	155,045	34,513
Cash at end of period	$ 32,079	$ 79,277

SUPPLEMENTAL DISCLOSURES

	Six months ended June 30, 2021	Six months ended June 30, 2020
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 165,354	$ 101,693
Income taxes paid	—	—
NON-CASH INVESTING AND FINANCIAL DISCLOSURES		
Series A preferred dividends accrued	89,568	89,350
Debt discount on warrant issue	—	332,881
Conversion of related party debt and payables	557,520	—
Modification of related party debt	181,250	
Settlement of notes payable related party for common shares	135,000	12,500
Issuing of previous shares to be issued	—	55,375
Utikuma acquisition – purchase price	—	788,835
Utikuma acquisition – initial ARO	—	906,146
Utikuma acquisition – extra cost triggered by WTI	787,250	—
Third party loan for Utikuma purchase	—	1,000,000

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

NOTE 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, 2020, as reported in Form 10-K, have been omitted.

NOTE 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.

Fair Value of Financial Instruments

Fair value of financial instruments requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of June 30, 2021, the amounts reported for cash, accrued interest and other expenses, notes payable, convertible notes, and derivative liability approximate the fair value because of their short maturities.

We adopted ASC Topic 820 for financial instruments measured as fair value on a recurring basis. ASC Topic 820 defines fair value, established a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

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.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2021, and December 31,2020.

June 30, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liabilities	—	—	288,403	288,403
ARO liabilities	—	—	3,908,545	3,908,545
December 31, 2020				
Derivative liabilities	—	—	183,798	183,798
ARO liabilities	—	—	3,624,133	3,624,133

NOTE 3. GOING CONCERN

The Company has suffered recurring losses from operations and currently has a working capital deficit. 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, as needed, funding permitting. The Company will need to raise funds through either the sale of its securities, issuance of corporate bonds, joint venture agreements and/or bank financing to accomplish its goals. The Company does not have any commitments or arrangements from any person to provide the Company with any additional capital.

If additional financing is not available when needed, we may need to cease operations. The Company may not be successful in raising the capital needed to drill and/or rework existing oil wells. Any additional wells that the Company may drill may be non-productive. 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.

NOTE 4. EVALUATED PROPERTIES

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

Cost	**Canadian properties**		**United States properties**		**Total**	
As of December 31, 2019	$	2,563,434	$	10,350,538	$	12,913,972
Additions		678,765		—		678,765
Dispositions		—		(5,648,994)		(5,648,994)
Impairment of oil and gas properties		—		(396,922)		(396,922)
Asset retirement cost additions		906,146		—		906,146
Foreign currency translation		166,460		—		166,460
As of December 31, 2020	$	4,314,805	$	4,304,622	$	8,619,427
Additions		787,250		—		787,250
Foreign currency translations		186,467		—		186,467
As of June 30, 2021	$	5,288,522	$	4,304,622	$	9,593,144
Accumulated depletion						
As of December 31, 2019		1,458,976		61,551		1,520,527
Depletion		1,115,595		—		1,115,595
Foreign currency translation		57,178		—		57,178
As of December 31, 2020	$	2,631,749	$	61,551	$	2,693,300
Depletion		420,931		—		420,931
Foreign currency translation		103,548		—		103,548
As of June 30, 2021	$	3,156,228	$	61,551	$	3,217,779
Net book value as of December 31, 2020	$	1,683,056	$	4,243,071	$	5,926,127
Net book value as of June 30, 2021	$	2,132,294	$	4,234,071	$	6,375,365

On August 6, 2019, the Company entered into a Purchase and Sale Agreement ("PSA") for the sale of the 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 on June 30, 2021, 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.

On May 1, 2020, Petrolia Energy Corporation acquired a 50% working interest in approximately 28,000 net working interest acres located in the Utikuma Lake area in Alberta, Canada. The property is an oil-weighted asset currently producing approximately 500 bopd of light oil. The working interest was acquired from Blue Sky Resources Ltd. in an affiliated party transaction as Zel C. Khan, the Company's former 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. The total purchase price of the property was $2,000,000 (CND), with $1,000,000 of that total due initially. The additional $1,000,000 was contingent on the future price of WTI crude. At the time WTI price exceeded $50/bbl, the Company would pay an additional $750,000 (CND). In addition, at the time WTI price exceeded $57/bbl the Company would pay an additional $250,000 (CND) (for a cumulative contingent total of $1,000,000 The price of WTI crude exceeded $50/bbl on January 6, 2021, and exceeded $57/bbl on February 8, 2021. The additional payments due were netted with the accounts receivable balance from previous Joint Interest Billing statements from BSR. The total USD value of the addition was $787,250, using prevailing exchange rates on the respective dates. Included in the terms of the agreement, the Company also funded their portion of the Alberta Energy Regulator ("AER") bond fund requirement ($621,999), necessary for the wells to continue in production after the acquisition. Additional funds ($399,564 USD) remain in the other current asset balance for future payments from BSR, related to the acquisition.

On July 27, 2020, the Company entered into a settlement agreement with their Trustee pursuant to which nine leases totaling approximately 3,800 acres of the 4,880-acre Twin Lakes San Andres Unit were forfeited as a part of the settlement agreement. Consequently, the Company no longer has the right to produce oil, gas, or other hydrocarbons and any other minerals from the mineral estate encumbered by the leases and owned by the Trustee. The company accounted for the forfeiture of the TLSAU properties, in accordance with Reg S-W.T.Rule 4-10(c)(6). Accordingly, an analysis of multi-period reserve reports was performed to determine the percentage of the cumulative US full cost pool's reserves that were forfeited (56% or 943,820). Then that percentage was multiplied by the period end net property balance of $10,175,456. This resulted in a write down of $5,648,994 ($10,175,456 * 56%) of the US cost pool, which was recorded as part of operating expenses for the year ended December 31, 2020. Note that both TLSAU and SUDS make up the US full cost pool.

On April 8, 2021, the State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division ("OCD") sent the Company a Notice of Violation alleging that the Company was not in compliance with certain New Mexico Oil and Gas Act regulations associated with required reporting, inactive wells, and financial assurance requirements. The OCD proposed an assessment of approximately $35,100. On December 30, 2021, the Company entered a Stipulated Final Order to resolve the matter. The company agreed to submit appropriate forms for the identified wells, open an escrow account and deposit funds into it, and provide the OCD with a report proposing deadlines for bringing all remaining wells into compliance. The first two wells were plugged in June of 2022. See Form 8-K reference in Exhibits section below.

NOTE 5. LEASES

Our adoption of ASU 2016-02, Leases (Topic 842), and subsequent ASUs related to Topic 842, requires us to recognize substantially all leases on the balance sheet as an ROU asset and a corresponding lease liability. The new guidance also requires additional disclosures as detailed below. We adopted this standard on the effective date of January 1, 2019, and used this effective date as the date of initial application. Under this application method, we were not required to restate prior period financial information or provide Topic 842 disclosures for prior periods. We elected the ‘package of practical expedients,’ which permitted us to not reassess our prior conclusions related to lease identification, lease classification, and initial direct costs, and we did not elect the use of hindsight.

Lease ROU assets and liabilities are recognized at commencement date of the lease, based on the present value of lease payments over the lease term. The lease ROU asset also includes any lease payments made and excludes any lease incentives. When readily determinable, we use the implicit rate in determining the present value of lease payments. When leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date, including the lease term.

Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for short-term leases is recognized on a straight-line basis over the lease term. As of June 30, 2021, we did not have any short-term leases.

The tables below present financial information associated with our lease.

	Balance Sheet Classification	June 30, 2021	December 31, 2020
Right-of-use assets	Other long-term assets	18,047	23,145
Current lease liabilities	Other current liabilities	14,172	13,107
Non-current lease liabilities	Other long-term liabilities	4,946	13,909

As of June 30, 2021, the maturities of our lease liability are as follows:

2021	$	14,172
2022		4,946
Total	$	19,118
Less: Imputed interest		(1,071)
Present value of lease liabilities	$	18,047

NOTE 6. NOTES PAYABLE

The following table summarizes the Company's notes payable:

	Interest rate	Date of maturity	June 30, 2021	December 31, 2020
Truck loan (i)	5%	January 20, 2022	$ 6,017	$ 9,917
Credit note I (ii)	12%	May 11, 2021	—	800,000
Credit note II (iii)	12%	October 17, 2019	—	346,038
Credit note III (iv)	15%	April 25, 2021	—	750,000
Discount on credit note III	—	—	—	(5,976)
Credit note IV(v)	10%	June 30, 2021	916,024	937,109
Discount on credit note IV	—	—	(191,385)	(285,768)
Credit note V(vi)	10%	December 31, 2021	918,049	—
Credit note VI (vii)	10%	December 31, 2021	1,133,104	—
Lee Lytton	—	On demand	3,500	3,500
Joel Oppenheim (viii)	10%	On demand	—	161,900
Joel Oppenheim (viii)	10%	On demand	—	15,000
Joel Oppenheim(viii)	10%	October 17, 2018	—	240,000
Credit Note VII (viii)	10%	December 31, 2021	416,900	—
Origin Bank (PPP loan) (ix)	—	—	56,680	56,680
M. Horowitz	10%	October 14, 2016	10,000	10,000
			$ 3,268,889	$ 3,038,310
Current portion:				
Truck loan			$ 6,017	$ 9,345
Credit note I			—	800,000
Credit note II			—	346,038
Credit note III			—	744,023
Credit note IV			724,639	651,251
Credit note V			918,049	—
Credit note VII			1,133,104	—
Lee Lytton			3,500	3,500
Joel Oppenheim			—	161,900
Joel Oppenheim			—	15,000
Joel Oppenheim			—	240,000
Credit note VII			416,900	—
Origin Bank (PPP loan)			56,680	56,680
M. Horowitz			10,000	10,000
Current portion of notes payable			$ 3,268,889	$ 3,037,737

(i) 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.

(ii) On May 9, 2018, Bow 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 our 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 us and Bow, and the occurrence of any event which would have a material adverse effect on us or Bow. The Company is required to make principal payments of $10,000 per month from January through September 2019 with the remaining balance of $710,000 due at maturity on May 11, 2021. The additional $800,000 borrowed in connection with the entry into the Loan Agreement was used by the Company to acquire a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the "Canadian Properties" and the "Working Interest"). 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").

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.

On January 1, 2021, the Lender signed an amended loan agreement, which moved the balance of this note to credit note VI. More details can be found in footnote (vii).

(iii) 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. During 2020, the LOC balance increased by $146,000 resulting in a $346,038 ending balance. On January 1, 2021, the Lender signed an amended loan agreement, which moved the balance of this note to credit note VI. More details can be found in footnote (vi) and (vii).

(iv) On April 25, 2019, the Company entered into a promissory note (an "Acquisition Note") with a third-party in the amount of $750,000 to acquire working interests in the Utikuma oil field in Alberta Canada. The Note bears interest at 9% per annum and is due in full at maturity on April 25, 2021. No payments are required on the note until maturity while interest is accrued. In addition, warrants to purchase 500,000 shares of common stock with an exercise price of $0.12 per share expiring on May 1, 2021, were issued associated with the note. The fair value of issued warrants were recorded as a debt discount of $38,249 and amortization of $8,366. The notes hold a security guarantee of working interest in the Utikuma oil field and a working interest in the TLSAU field. On January 1, 2021, the Lender signed an amended loan agreement, which moved the balance of this note to credit note V. More details can be found in footnote (vi).

(v) 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"), at an exercise price of $0.10 per share in Canadian dollars and expire on 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 initially placed in escrow, then on May 29, 2020, they were used for the purchase of the Utikuma oil field. Pursuant to a loan extension agreement, on October 30, 2020, the Company issued warrants to purchase 5,000,000 of common stock, at an exercise price of $0.05 per share, expiring on January 6, 2023. The fair value of the issued warrants was recorded as a debt discount of $166,289 and monthly amortization of $4,614.14.

(vi) On January 1, 2021, the Company signed an amended loan agreement with a third party for $918,049, which combined credit note III along with $146,038 of credit note II and accrued interest on those amounts. The loan bears interest at 10% per annum and has a maturity date of December 31, 2021. The warrants associated with credit note III are applied as a discount to the amended loan. The note holds a security guarantee of a working interest in the Utikuma oil field and a working interest in the TLSAU field.

(vii) On January 1, 2021, the Company signed an amended loan agreement with a third party for $1,133,104, which combined credit note I along with $200,000 of credit note II and accrued interest on those amounts. The loan bears interest at 10% per annum and has a maturity date of December 31, 2021. The note holds a security interest against the 25% Working Interest in the Cona assets.

(viii) Various shareholder advances provided by Mr. Oppenheim during 2018 and 2019. There were no formal documents drawn. Interest rates were applied based on other similar loan agreements entered into by the Company during that period. On February 12, 2021, the Company entered into an amended loan agreement in the amount of $416,900 that consolidated these amounts. The loan bears interest at 10% per annum and has a maturity date of December 31, 2021.

(ix) On April 23, 2020, the Company was granted a $56,680 business loan through the Paycheck Protection Program (PPP) administered through the CARES act. The loan amount was based 2.5 times the Company's average monthly payroll costs. The company applied for loan forgiveness, and it was granted on July 26, 2021.

The following is a schedule of future minimum repayments of notes payable as of June 30, 2021:

2021	$	3,460,274
Thereafter		—
	$	3,460,274

NOTE 7. RELATED PARTY NOTES PAYABLE

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

			Balance at:	
	Interest rate	Date of maturity	June 30, 2021	December 31, 2020
Quinten Beasley	10%	October 14, 2016	$ 5,000	$ 5,000
Jovian Petroleum Corporation (i)	4%	December 31, 2021	170,673	188,285
Ivar Siem (ii)	12%	On demand	—	200,000
Ivar Siem (ii)	Non-interest	On demand	—	50,000
Ivar Siem (ii)	9%	December 31, 2021	278,435	—
Mark M Allen (iii)	9%	September 2, 2021	55,000	55,000
Mark M Allen (iv)	10%	June 30, 2021		135,000
Mark M Allen (v)	12%	June 30, 2021	200,000	200,000
Mark M Allen (vi)	10%	June 30, 2020	—	100,000
Discount on Mark M Allen ($100K)			—	(11,536)
Mark M Allen (vi)	10%	June 30, 2020	—	125,000
Discount on Mark M Allen ($125K)			—	(11,420)
Mark Allen (vi)	9%	June 30, 2021	245,938	—
Discount on Mark M Allen ($245K)			(887)	—
			$ 954,159	$ 1,035,329

(i) 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 former 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, 2021.

(ii) On August 15, 2019, the Company entered into a loan agreement in the amount of $75,000 with Ivar Siem. The note bears interest at an interest rate of 12% per annum with a four (4) month maturity. On December 4, 2019, the Company entered into a loan agreement in the amount of $100,000 with Ivar Siem. The note bears interest at an interest rate of 12% per annum with a six (6) month maturity. At the maturity date, the note holder has the right to collect the principal plus interest or convert into 1,250,000 shares of common stock at $0.08 per share. In addition, if converted, the note holder will also receive 5,000,000 warrants at an exercise price of $0.10 per share, vesting immediately with a 36-month expiration period. On February 28, 2020, the Company entered into a $50,000 loan agreement with Ivar Siem. The note does not bear any interest (0% interest rate) and is due on demand. The note includes warrants to purchase 200,000 shares of common stock (the "Loan Warrants"), at an exercise price of $0.10 per share in Canadian dollars and expire on March 1, 2022. The warrants vest and will be issued on January 1, 2021. On January 1, 2021, the Company entered into an amended loan agreement in the amount of $278,435, which combined the three previous loans, along with accrued interest. The note bears an interest rate of 9% and matures on December 21, 2021.

(iii) On April 15, 2020, the Company entered into an agreement, with Mark Allen, that included a funding clause where the Company borrowed $55,000 from Mr. Allen. The note bears interest at an interest rate of 9% per annum and matures on August 15, 2021.

(iv) On January 6, 2020, the Company entered into a consulting agreement, with Mark Allen, that included a funding clause where the Company borrowed $135,000 ($62,000 on January 6, 2020, $45,000 on May 18, 2020, and $28,000 on June 26, 2020). The note bore interest at an interest rate of 10% per annum and matured on June 30, 2020. On March 30, 2021, this note was settled with shares of the company. More details can be found in Note 10. Equity.

(v) During 2019, the Company entered into a loan agreement in the amount of $200,000 with Mark Allen. The note bears interest at an interest rate of 12% per annum and matures on June 30, 2021. At the maturity date, the note holder has the right to collect the principal plus interest or convert into 2,500,000 shares of common stock at $0.08 per share. In addition, upon conversion, the note holder will also receive 10,000,000 warrants at an exercise price of $0.10 per share, vesting immediately with a 36-month expiration period.

(vi) On January 3, 2020, the Company entered into a loan agreement in the amount of $100,000 with Mark Allen. The note bears 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 in Canadian dollars and expire on January 3, 2023. The fair value of issued warrants were recorded as a debt discount of $31,946 and monthly amortization of $1,775. On February 14, 2020, the Company entered into a loan agreement in the amount of $125,000 with Mark Allen. The note bears 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 in Canadian dollars and expire on February 14, 2022. The fair value of issued warrants were recorded as a debt discount of $38,249 and monthly amortization of $1,903. On January 1, 2021, the Company entered into an amended loan agreement in the amount of $245,938, which combined the two previous loans, along with accrued interest. The note bears an interest rate of 9% and matures on June 30, 2021.

The following is a schedule of future minimum repayments of related party notes payable as of June 30, 2021:

2021	$	955,046
Thereafter		—
	$	955,046

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

On May 18, 2018, as an inducement to enter into an Amended and Restated Loan Agreement, the Company issued, among other instruments, warrants to acquire 320,000 shares of common stock with an exercise price of $0.10 per share in Canadian dollars. The warrants are valued using the Black Scholes Option Pricing Model and the derivative is fair valued at the end of each reporting period. The Company valued the derivative liability at initial recognition as $30,012. These warrants expired on May 11, 2021.

On January 06, 2020, as an inducement to enter into a Loan Agreement, the Company issued, among other instruments, warrants to acquire 5,000,000 shares of common stock with an exercise price of $0.10 per share. 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 $144,259.

On October 30, 2020, as an inducement to extend the principal payment deadline from the previously issued Loan Agreement, the Company issued additional warrants to acquire 5,000,000 shares of common stock with an exercise price of $0.10 per share. 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 $95,352.

A summary of the activity of the derivative liabilities is shown below:

As of December 31, 2020		183,798
Additions		—
Fair value adjustment		104,605
As of June 30, 2021	$	288,403

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

	June 30, 2021
Risk-free interest rate	0.025%
Expected life	1.51 – 1.52 years
Expected dividend rate	0%
Expected volatility	424%

NOTE 9. ASSET RETIREMENT OBLIGATIONS

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

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

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

	June 30, 2021
Inflation rate	1.92 - 2.15%
Estimated asset life	12-21 years

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

	Canadian properties		United States properties		Total	
Asset retirement obligations, December 31, 2019	$	1,445,991	$	277,373	$	1,723,364
Acquisition of Canadian property - Utikuma		906,146		—		906,146
Plugging liability at Twin Lakes				606,109		606,109
Accretion expense		259,016		28,742		287,758
Foreign currency translations		100,756		—		100,756
Asset retirement obligations, December 31, 2020		2,711,909		912,224		3,624,133
Accretion expense		168,699		13,025		181,724
Foreign currency translation		102,688		—		102,688
Asset retirement obligations, June 30, 2021	$	2,983,296	$	925,249	$	3,908,545

NOTE 10. 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 $89,568 were declared for the six months ended June 30, 2021, and $89,350 the six months ended June 30, 2020.

Common stock

As of the 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 11: Related Party Transactions, below.

On August 8, 2019, director Joel Martin Oppenheim exercised warrants to purchase 150,000 shares of common stock for cash proceeds of $15,000 at an exercise price of $0.10 per share. The shares were issued in January 2020.

On August 14, 2019, director Joel Martin Oppenheim exercised warrants to purchase 10,000 shares of common stock for cash proceeds of $1,000 at an exercise price of $0.10 per share. The shares were 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 though 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 Petroleum, a related party, purchased 1 unit of the debt private placement with gross proceeds of $12,500. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 156,250 shares of common stock and warrants to purchase 312,500 shares of common stock at a price of $0.08 per unit. Jovian Petroleum 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 and earned until December 15, 2020.

On September 1, 2020, the Company entered into an agreement with Mark Allen, to serve as President for a period of six months (with monthly extensions). The President was to earn a fee of $15,000 a month (though the fees were rarely paid). Also, the President was issued a signing bonus of 2,000,000 shares of common stock. One million (1,000,000) shares were to be issued upon signing and the remaining 1,000,000 shares are to be issued at the completion of a 6-month probationary period. In addition, the President was granted warrants to purchase 1,000,000 shares of common stock exercisable at $0.08 per share equally vesting over 24 months. The warrants expire in 36 months.

On December 15, 2020, President Mark Allen exercised warrants to purchase 1,650,000 shares of common stock for cash proceeds of $69,375 at an average exercise price of $0.04 per share.

On December 22, 2020, prior CFO Tariq Chaudhary was issued 500,000 shares of common stock. These shares were issued in exchange for Mr. Chaudhary releasing the Company of his remaining deferred outstanding salary balance of $77,500. The shares were issued at an average conversion price of $0.15 per share.

On January 25, 2021, the Company signed an Executive Salary Payable Agreement with Zel Khan as the Chief Executive Officer. All of Mr. Khan's previous salary obligation was satisfied by the issuance of 1,992,272 shares of the Company on January 25, 2021.

Joel Oppenheim, former Director, was issued 316,491 shares on January 25, 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.

Paul Deputy was reinstated Interim Chief Financial Officer and signed a Settlement and Mutual Release Agreement. In exchange for releasing the Company for any current, outstanding payroll and/or service-related liability on 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, Mr. Deputy was issued 250,000 shares of Petrolia common stock on January 29, 2021. The shares were issued at the price on that date of $0.033. This created a gain of $134,270 that was recorded as additional paid in capital, due to the related party nature of the transaction.

On March 30, 2021, Mark Allen converted $30,000 of unpaid contract wages from early 2020 into 333,333 common shares of common stock. A conversion price of $0.09 per share was used to determine the number of shares.

On March 30, 2021, Mark Allen converted a defaulted secured loan of $135,000 as well as $135,000 of guaranteed return that was due on December 15, 2019. The conversion consisted 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.

More details on the transactions above can be found in Note 11. Related Party Transactions.

The common stock is currently not actively traded because of SEC Rule 15c2-11.

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 year ended December 31, 2019	57,043,837	$ 0.14
Granted	18,650,000	0.15
Exercised	(1,650,00)	0.08
Expired	(33,279,170)	0.19
Outstanding at December 31, 2020	40,764,667	$ 0.13
Granted	7,400,000	0.09
Expired	(12,214,667)	0.11
Outstanding at June 30, 2021	35,950,000	$ 0.12

As of June 30, 2021, the weighted-average remaining contractual life of warrants outstanding was 1.53 years (December 31, 2020 – 1.39 years).

As of June 30, 2021, the intrinsic value of warrants outstanding is $0.00 (December 31, 2020 - $0.00).

The table below summarizes warrant issuances during the six months ended June 30, 2021, and year ended December 31, 2020:

	June 30, 2021	December 31, 2020
Warrants granted:		
Board of Directors and Advisory Board service	1,500,000	5,250,000
Pursuant to employment agreements	—	1,000,000
Pursuant to financing arrangements	500,000	1,000,000
Pursuant to consulting agreements	—	250,000
Pursuant to loan agreements	—	11,150,000
Pursuant to extinguishment of debt	5,400,000	—
Total	7,400,000	18,650,000

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.

	June 30, 2021	December 31, 2020
Risk-free interest rate	0.25% to 0.35%	1.65% to 2.38%
Expected life	2.0 to 3.0 years	1.0 to 3.0 years
Expected dividend rate	0%	0%
Expected volatility	289% to 327%	240% to 274%

NOTE 11. RELATED PARTY TRANSACTIONS

On January 20, 2020, Jovian Petroleum, a related party, purchased 1 unit of the debt private placement with gross proceeds of $12,500. At maturity, the holder has the option to either collect the principal or convert the balance into shares/warrants. The conversion would be for 156,250 shares of common stock and warrants to purchase 312,500 shares of common stock at a price of $0.08 per unit. Jovian Petroleum converted the debt into shares during 2020.

On May 29, 2020, Petrolia Energy Corporation acquired a 50% working interest in approximately 28,000 net working interest acres located in the Utikuma Lake area in Alberta, Canada. The property is an oil-weighted asset currently producing approximately 500 bopd of light oil. The working interest was acquired from Blue Sky Resources Ltd. in an affiliated party transaction as Zel C. Khan, the Company's former 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. The total purchase price of the property was $2,000,000 (CAD), with $1,000,000 of that total due initially. The additional $1,000,000 was contingent on the future price of WTI crude. At the time WTI price exceeded $50/bbl, the Company would pay an additional $750,000. In addition, at the time WTI price exceeded $57/bbl the Company would pay an additional $250,000 (for a cumulative contingent total of $1,000,000). The price of WTI crude exceeded $50/bbl on January 6, 2021, and exceeded $57/bbl on February 8, 2021. The additional payments due were netted with the accounts receivable balance from previous Joint Interest Billing statements from BSR. The total $USD value of the addition was $787,250, using prevailing exchange rates on the respective dates. Included in the terms of the agreement, the Company also funded their portion of the Alberta Energy Regulator ("AER") bond fund requirement ($621,999 USD), necessary for the wells to continue in production after the acquisition. Additional funds ($399,562 USD) remain in the other current asset balance for future payments to BSR, related to the acquisition.

On September 1, 2020, the Company entered into an agreement with Mark Allen, to serve as President for a period of six months (with monthly extensions). The President was to earn a fee of $15,000 a month (though it has rarely been paid). Also, the President was issued a signing bonus of 2,000,000 shares of common stock. One million (1,000,000) shares were to be issued upon signing and the remaining 1,000,000 shares are to be issued at the completion of a 6-month probationary period. In addition, the President was granted warrants to purchase 1,000,000 shares of common stock exercisable at $0.08 per share equally vesting over 24 months. The warrants expire in 36 months.

On December 15, 2020, President Mark Allen exercised warrants to purchase 1,650,000 shares of common stock for cash proceeds of $69,375 at an average exercise price of $0.04 per share.

On December 15, 2020, in accordance with Mark Allen's Consulting agreement, the Company issued Mr. Allen 250,000 shares of common stock as part of the compensation terms of that agreement.

On December 22, 2020, prior CFO Tariq Chaudhary was issued 500,000 shares of common stock. These shares were issued in exchange for Mr. Chaudhary releasing the Company of his remaining deferred outstanding salary balance of $77,500. The shares were issued at an average conversion price of $0.15 per share.

On January 7, 2021, prior Board Member Joel Oppenheim was issued 316,491 shares of common stock. These shares were in exchange for Mr. Oppenheim releasing the Company of his remaining board compensation balance of $60,000. The shares were issued at the price on that date of $0.02. This created a gain of $53,670 that was recorded as additional paid in capital, due to the related party nature of the transaction.

On January 11, 2021, prior CEO Zel Khan was issued 1,992,272 shares of common stock. These shares were in exchange for Mr. Khan releasing the Company of his remaining deferred outstanding salary balance of $325,000. The shares were issued at the price on that date of $0.025. This created a gain of $275,193 that was recorded as additional paid in capital, due to the related party nature of the transaction.

On January 29, 2021, prior CFO Paul Deputy was reinstated as Intereim Chief Financial Officer, and signed an agreement that in exchange for 250,000 shares of common stock and 20 monthly payments of $2,500 starting in April 2021, he would release the Company of his remaining deferred outstanding salary balance of $192,520.04. The shares were issued at the price on that date of $0.033. This created a gain of $134,270 that was recorded as additional paid in capital, due to the related party nature of the transaction.

On March 30, 2021, President Mark Allen was issued 333,333 shares of common stock. These shares were in exchange for Mr. Allen releasing the company of an outstanding consulting fee balance of $30,000. The shares were issued at the price on that date of $0.033. This created a gain of $19,001 that was recorded as additional paid in capital, due to the related party nature of the transaction.

On March 31, 2021, President Mark Allen was issued 5,400,000 shares of common stock. These shares were in exchange for Mr. Allen releasing the company of an outstanding loan of $135,000 and outstanding guaranteed return on that loan of $135,000. The shares were issued at the price on that date of $0.033. In addition, the president was granted warrants to purchase 5,400,000 shares of common stock at $0.08, vesting immediately. The warrants expire in 36 months. The warrants were valued at $200,378 using the Black Sholes method. This created a loss of $108,578 that was recorded as a reduction to additional paid in capital, due to the related party nature of the transaction.

NOTE 12. 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
Six months ended June 30, 2021			
Revenue	$ 2,318,321	$ 12,286	$ 2,330,607
Production costs	(2,106,632)	(43,000)	(2,149,632)
Depreciation, depletion, amortization and accretion	(589,631)	(28,517)	(618,148)
Results of operations from producing activities	$ (377,942)	$ (59,231)	$ (437,173)
Total long-lived assets, June 30, 2021	$ 2,132,293	$ 4,253,535	$ 6,385,829
Six months ended June 30, 2020			
Revenue	$ 982,337	$ 8,005	$ 990,342
Production costs	(1,196,084)	(141,173)	(1,337,258)
Depreciation, depletion, amortization and accretion	(602,904)	(30,173)	(637,922)
Results of operations from producing activities	$ (816,651)	$ (163,342)	$ (637,922)
Total long-lived assets, June 30, 2020	$ 2,794,030	$ 10,330,537	$ 13,124,567

NOTE 13. SUBSEQUENT EVENTS

Effective September 1, 2021, the Board accepted Zel Khan's resignation as Chief Executive Officer ("CEO"). See Form 8-K filing reference in Exhibits section below.

Effective September 1, 2021, Mark Allen was promoted from President to CEO. See Form 8-K reference in Exhibits section below.

In October and November of 2021 and January of 2022, the Company entered into various subscription agreements to sell an aggregate amount of 11,000 shares of its newly designated Series C Convertible Preferred Stock at $10 per share. See Form 8-K filing reference in Exhibits section below.

On October 25, 2021, the Company issued one share each of its newly designated shares of Series B Preferred Stock to Board of Directors members James Burns, Leo Womack, and Ivar Siem. These shares vote in aggregate sixty percent of the total vote on all shareholder matters. See Form 8-K filing reference in Exhibits section below.

On December 30, 2021, the Company reached a settlement with Argonaut Insurance Company (Argo), regarding a final judgement of $52,749 that had been issued on March 6, 2018. The company paid Argo a lump sum of $15,000 in full satisfaction of the original judgement. See From 8-K reference in Exhibits section below.

On February 16, 2022, the Company entered into both a Purchase and Sale Agreement and a Debt Settlement Agreement with Prospera Energy. Prospera agreed to purchase the Company's twenty-eight percent (28%) working interest in the Cuthbert, Luseland and Heart Hills assets in Saskatchewan and Alberta. Under these agreements Prospera will forgive $1,720,613 in accounts payable from the Company, arising from joint interest billings. Prospera will also issue a $510,000 convertible debenture to Petrolia Canada, which can be converted to common share units. Lastly, Prospera will pay the Company $75,000 CND in five equal installments. See Form 8-K reference in Exhibits section below.

On March 11, 2022, the Company filed a lawsuit in Harris County Texas against Jovian Petroleum Corporation, Zel Khan and Quinten Beasley. The lawsuit claims fraud and breach of contract against all named defendants, as well as breach of fiduciary duty claims against Zel Khan and Quinten Beasley. See Form 8-K reference in Exhibits section below.

On March 16, 2022, Petrolia Canada Corporation received a Notice of Intention to Retain Collateral Pursuant to Section 62 of the Personal Property Security Act (Alberta) from the counsel of Blue Sky Resources Ltd. related to a Loan Agreement and General Security Agreement between Petrolia Canada Corporation and Emmett Lescroart. Petrolia Canada Corporation was notified that Blue Sky Resources Ltd., as assignee of the Emmet Lescroart loan, intends to retain the Utikuma loan collateral pursuant to the General Security Agreement with Petrolia Canada Corporation. On March 30, 2022, Petrolia Canada Corporation's counsel responded to Blue Sky Resources, Ltd. with a Notice of Objection.

On January 28, 2022, the Securities and Exchange Commission filed an Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 to suspend for a period not exceeding twelve months or revoke the registration of each class of securities registered pursuant to Section 12 of the Exchange Act of the Company. The Division of Enforcement at the Securities and Exchange Commission (the "Division") filed a Motion for Summary Disposition in this matter and the Company filed a Response to the Motion for Summary Disposition in April 2022. On May 5, 2022, the Division filed its Response in Support of its Motion for Summary Disposition.

On June 13, 2022, a Letter Agreement was signed between Blue Sky Resources Ltd. ("BSR") and Petrolia Energy Corporation whereby Petrolia Canada Corporation ("PCC") will sell to Blue Sky Resources its 50% working interest in the Utikuma Lake oil field. See Form 8-K reference in Exhibits section below.

Effective June 15, 2022, Heather Monk was promoted from Corporate Controller to Interim Chief Financial Officer.

FORWARD LOOKING STATEMENTS

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

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

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

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

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

Please see the "Glossary of Oil and Gas Terms" in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on May 16, 2022 (the "2020 Annual Report") for a list of abbreviations and definitions used throughout this Report.

This information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto included in this Quarterly Report on Form 10-Q and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2020 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. Consolidated 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" refers to barrels of oil equivalent, determined using the ratio of one Bbl of crude oil, condensate, or natural gas liquids, to six Mcf of natural gas;
- "Mcf" refers to a thousand cubic feet of natural gas;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

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

Background

We were incorporated in Colorado on January 16, 2002. In February 2012, we decided it would be in the best interests of our shareholders to no longer pursue our original business plan 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.

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 producing assets in the Southwest United States and Canada while actively pursuing our strategy to offer low-cost operational solutions in established Oil and Gas regions. We believe our mix of oil-in-place conventional plays, low-risk resource plays and the redevelopment of our late-stage plays is a solid foundation for continued growth and future revenue growth.

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). Our engineering reports and analysis indicate there is still considerable recoverable reserves remaining.

A capital project was completed to rebuild our field tank battery, consisting of two free water knockout units, four oil stock tanks and one fiberglass saltwater tank. We also have one disposal well. The SUDS field is currently shut-in while awaiting sufficient capital to recomplete the wells and repair the flow lines.

Twin Lakes San Andres Unit ("TLSAU") Field

TLSAU is located 45 miles from Roswell, Chaves County, New Mexico. TLSAU is currently shut-in awaiting confirmation of lease acreage held, then capital allocation to complete some regulatory plugging requirements. The Company plugged two wells at Twin Lakes in June 2022.

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.

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. 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 Resources (a related party). Blue Sky Resources 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 Resources 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 Resources for the additional 3% Working Interest was $150,000.

On February 16, 2022, Petrolia Canada Corporation (PCC), a wholly owned subsidiary of Petrolia Energy Corporation (PEC), entered into a Purchase and Sale Agreement (PSA) and Debt Settlement Agreement (DSA) with Prospera Energy, Inc. whereby PCC sold its 28% working interest in the Luseland, Hearts Hill and Cuthbert fields.

Utikuma Lake field

On May 1, 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 a total of approximately 500 bpd of light oil. The working interest was acquired from Blue Sky Resources in an affiliated party transaction as Zel C. Khan, the Company's former Chief Executive Officer, is related to the ownership of Blue Sky Resources.

Blue Sky Resources 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. The total purchase price of the property was $2,000,000 (CAD), with $1,000,000 of that total due initially. The additional $1,000,000 was contingent on the future price of WTI crude. At the time WTI price exceeded $50/bbl, the Company would pay an additional $750,000. In addition, at the time WTI price exceeded $57/bbl the Company would pay an additional $250,000 (for a cumulative contingent total of $1,000,000). The price of WTI crude exceeded $50/bbl on January 6, 2021 and exceeded $57/bbl on February 8, 2021. The additional payments due were netted with the accounts receivable balance from previous Joint Interest Billing statements from BSR. The total USD value of the addition was $787,250, using prevailing exchange rates on the respective dates. Included in the terms of the agreement, the Company also funded their portion of the Alberta Energy Regulator ("AER") bond fund requirement ($621,999 USD), necessary for the wells to continue in production after the acquisition. Additional funds ($399,564 USD) remain in the other current asset balance for future payments to BSR, related to the acquisition.

On June 13, 2022, a Letter Agreement was signed between Blue Sky Resources Ltd. ("BSR") and Petrolia Energy Corporation whereby Petrolia Canada Corporation ("PCC") will sell to BSR its 50% working interest in the Utikuma Lake oil field. See Form 8-K reference in Exhibits section below.

Results of Operations

Revenues

Our oil and gas revenue reported for the six months ended June 30, 2021 was $2,330,607, an increase of $601,127 from the six months ended June 30, 2020. The increase was due to revenue from the Utikuma field. Revenues associated with our US properties totalled $12,286.

Operating Expenses

Operating expenses increased by $754,098, to $3,289,736 for the six-month period ended June 30, 2021, compared to $2,535,638 for the six months ended June 30, 2020. The operating expense increase was primarily due to an increase in lease operating expense from the Utikuma field. This was partially offset by small decrease in lease operating expense at the Cona field. There was also decreased depletion from the Cona field between the six months ended June 30, 2020, and the six months ended June 30, 2021.

Other income (expense)

The Company had net other expense of $434,555 for the six-month period ended June 30, 2021, compared to a net other expense of $612,083 for the six-month ended June 30, 2020. The main cause for this difference is the change in derivative liabilities.

Foreign exchange loss was $37,405 for the six-month period ended June 30, 2021, compared to a loss of $58,537 for the six-month period ended June 30, 2020. The decrease resulted from fluctuations in the value of the United States dollar against the Canadian dollar.

Net Income (Loss)

Net loss for the six months ended June 30, 2021, was $1,393,684, compared to a net loss of $2,157,379 for the six months ended June 30, 2020. The primary reasons for the decrease in net loss is due to the increased production from the Utikuma field.

Liquidity and Capital Resources

The financial condition of the Company has not changed significantly throughout the period from December 31, 2020 to June 30, 2021.

As of June 30, 2021, we had total current assets of $76,568 and total assets of $7,502,008. Our total current liabilities as of June 30, 2021 were $7,881,036 and our total liabilities as of June 30, 2021 were $12,082,930. We had negative working capital of $7,804,468 as of June 30, 2021.

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 $4,223,048 along with accounts payable and accrued liabilities. Our largest accounts payable balances is with the operators of the Cona field, and Blue Sky Resources. The largest accrued liabilities are $720,233 of accrued dividends on our preferred stock and $480,500 owed to related parties for board fees and other compensation.

Net cash used in operating activities was $87,489 and $472,120 for the six months ended June 30, 2021, and 2020, respectively. The primary cause for the decrease was an increase in net income, due to the increased production in Canada.

Net cash from investing activities was $0.00 for the six months ended June 30, 2021, and the six months ended June 30, 2020.

Net cash used by financing activities was $38,582 for the six months ended June 30, 2021; net cash provided by financing activities was $625,676 for the six months ended June 30, 2020. The decrease was caused by proceeds from issuance of common stock and new borrowing in 2020, while no new notes payable were incurred in the first quarter of 2021 (see "Part I – Item 1. Financial Statements - Note 6. Notes Payable", above for information regarding outstanding debt obligations).

During the six months ended June 30, 2021, the Company operated at a negative cash flow from operations of approximately $15,000 per month and our auditors have raised a going concern in their audit report as contained herein.

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, reducing general and administrative expenses and optimizing the cashflow from our producing assets. However, we may need to raise additional funds to workover 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 recomplete oil or gas wells nor that any such additional financing will be available to us on acceptable terms or at all.

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 June 30, 2021, 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.

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 polices” 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 $63,535,202 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) Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our Principal Executive and Financial Officer and implemented by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of our internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework of 2013. Management’s assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this evaluation, management concluded that our internal control over financial reporting was ineffective as of December 31, 2020.

A material weakness is defined as “a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.”

The ineffectiveness of our internal control over financial reporting was due to an insufficient degree of segregation of duties amongst our accounting and financial reporting personnel, and the lack of a formalized and complete set of policy and procedure documentation evidencing our system of internal controls over financial reporting. These factors led to certain adjustments which have been reflected in our audited financial statements. These weaknesses are not uncommon in a company of our size due to personnel and financial limitations.

Management is committed to remediating the identified material weakness in a timely manner, with appropriate oversight from our Audit Committee. Over the coming years, we intend to work to remediate the material weaknesses identified above, which is expected to include (i) the addition of accounting and financial personnel with experience in the implementation of accounting principles generally accepted in the United States of America and SEC reporting requirements, funding permitting, (ii) the engagement of accounting consultants on a limited-time basis to provide expertise on specific areas of the accounting literature, (iii) the modification to our accounting processes and enhancement to our financial controls, and/or (iv) the hiring of an independent consulting or accounting firm to review and document our internal control system to ensure compliance with COSO. However, our current financial position will make it difficult for us to undertake the planned remediation steps outlined above.

(b) *Changes in Internal Controls*. There were no changes in our internal controls over financial reporting during the quarter ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1 Legal Proceedings

On March 11, 2022, Petrolia Energy Corporation ("Petrolia" or the "Company") and Petrolia Canada Corporation ("Petrolia Canada"), an affiliate of Petrolia's, filed a lawsuit in District Court, Harris County Texas against Jovian Petroleum Corporation, Zel Khan and Quinten Beasley (herein collectively after referred to as the "Defendants"). The case is assigned to Judge Jaclanel McFarland, of the 133rd Judicial District Court of Harris County, Texas under Cause No. 2022-15278.

In their filed petition against the Defendants, Petrolia and Petrolia Canada claim fraud and breach of contract against all the named Defendants and, in addition to those two (2) claims, they also assert breach of fiduciary duty claims against Defendants Zel Khan and Quinten Beasley. Defendant Zel Khan was a former CEO and Director of Petrolia, and Defendant Quinten Beasley was a former Senior Vice President and Director of Petrolia Canada.

Petrolia and Petrolia Canada are demanding a jury trial and are seeking monetary relief of more than ONE MILLION US DOLLARS ($1,000,000.00) in their lawsuit filed against the Defendants. In the lawsuit filed by the two (2) companies against the Defendants, referenced above, they seek judgment against the Defendants for (i) actual damages in the amount of lost revenue and economic losses, (ii) punitive damages, (iii) pre-and post-judgment interest, (iv) court costs, (v) attorneys' fees, and (vi) any other relief to which Petrolia and Petrolia Canada are entitled.

On March 16, 2022, Petrolia Canada Corporation received a Notice of Intention to Retain Collateral Pursuant to Section 62 of the Personal Property Security Act (Alberta) from the counsel of Blue Sky Resources Ltd. related to a Loan Agreement and General Security Agreement between Petrolia Canada Corporation and Emmett Lescroart. Petrolia Canada Corporation was notified that Blue Sky Resources Ltd., as assignee of the Emmet Lescroart loan, intends to retain the Utikuma loan collateral pursuant to the General Security Agreement with Petrolia Canada Corporation. On March 30, 2022, Petrolia Canada Corporation's counsel responded to Blue Sky Resources, Ltd. with a Notice of Objection.

On January 28, 2022, the Securities and Exchange Commission filed an Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 to suspend for a period not exceeding twelve months or revoke the registration of each class of securities registered pursuant to Section 12 of the Exchange Act of the Company. The Division of Enforcement at the Securities and Exchange Commission (the "Division") filed a Motion for Summary Disposition in this matter and the Company filed a Response to the Motion for Summary Disposition in April 2022. On May 5, 2022, the Division filed its Response in Support of its Motion for Summary Disposition.

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, 2020, filed with the Commission on May 15, 2022 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, 2020 under "Risk Factors" and below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price.

We are currently behind in our SEC filing obligations.

This Form 10-Q filing is being filed well past the due date. As of the date of this filing, we are deficient in filing our quarterly reports on Form 10-Q for the calendar year 2021 and 2022, and our 10-K for the calendar year 2021. 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.

Administrative Proceedings

File No. 3-20724 was filed by the SEC seeking to revoke the registration of each class of securities registered pursuant to Section 12 of the Exchange Act. The Company has filed a response to the SEC's motion, but there is no assurance that the Company will be successful, and that the registration of the Company's securities will not be revoked.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

There were no 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, 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.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not Applicable.

Item 5 Other Information

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

Item 6 Exhibits

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

SIGNATURES

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

	PETROLIA ENERGY CORPORATION
July 13, 2022	By: */s/ Mark M Allen*
	Mark M. Allen Chief Executive Officer (Principal Executive)
July 13, 2022	By: */s/ Heather M Monk*
	Heather M. Monk Interim Chief Financial Officer (Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit Number	Filing Date/ Period End Date	File No.
04.01	Exhibit 4.1 - Description of Company's Capital Stock		10-Q	04.01	06/30/2019	
10.01	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 M 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 M Allen dated March 30, 2021		10-Q	10.25	06/30/2019	
10.10	Debt to Equity Conversion Agreement – Mark M 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		10-Q	10.12	03/31/20	
10.13	M Allen $125,000 Loan Agreement @10% - dated February 14, 2020		10-Q	10.13	03/31/20	
10.14	Reinhart $1,000,000 Loan Agreement @ 10% - dated January 6, 2020		10-Q	10.14	03/31/20	
10.15	SUDS Consulting Agreement (Funding)– M Allen $62,000 @ 10% - dated 2/29/20		10-Q	10.15	03/31/20	
10.16	American Resources Loan Agreement $50,000 – non interest bearing dated 02/28/20		10-Q	10.16	03/31/20	
10.17	SUDS Development Funding-Allen $25K		10-Q	10.17	06/30/20	
10.18	PPP Loan Agreement-$56K-04/23/20		10-Q	10.18	06/30/20	
10.19	Letter Agreement for sale of PCC to BSR for $6.5M, effective 08/31/21		8-K	10.19	09/02/21	000-52690
10.20	Resignation of Z Khan as CEO effective 09/01/21		8-K	10.20	09/03/21	000-52690
10.21	Promotion of M Allen from President to CEO effective 09/01/21		8-K	10.21	09/03/21	000-52690
10.22	Lazy D Ranch Loan Agreement 09/02/20 - $75K		10-Q	10.22	09/30/21	
10.23	8-K Lazy D Ranch Settlement (SUDS)		8-K	10.22	11/21/21	000-52690

10.24	TLSAU Notice of Violation from the New Mexico OCD		8-K	10.24	10/25/21	
10.25	Series B Preferred Stock		8-K	10.25	10/25/21	
10.26	TLSAU Stipulated Final Order		8-K	10.26	01/14/22	
10.27	Settlement with Argonaut Insurance Company		8-K	10.27	01/14/22	
10.28	Purchase and Sale Agreement and Debt Settlement with Prospera Energy		8-K	10.28	02/28/22	
10.29	Series C Convertible Preferred Stock		8-K	10.29	03/03/22	
10.30	Lawsuit against Jovian Petroleum, Zel Khan and Quinten Beasley		8-K	10.30	03/18/22	
10.31	Notice of Assignment - Emmett Lescroart loan to Petrolia Canada Corporation		10-Q	10.31	03/31/2021	
10.32	Amended Loan Agreement – Emmett Lescroart – The Prospera/Cona Assets – dated January 27, 2021		10-Q	10.32	03/31/2021	
10.33	Amended Loan Agreement – Emmett Lesroart – The Utikuma Asset – dated January 27, 2021		10-Q	10.33	03/31/2021	
10.34	Amended Loan Agreement – Joel Oppenheim – dated February 12, 2021		10-Q	10.34	03/31/2021	
10.35	Amended Loan Agreement – Ivar Siem/American Resources/Drillmar – dated January 1, 2021		10-Q	10.35	03/31/2021	
10.36	Amended Loan Agreement – Mark Allen – dated January 1, 2021		10-Q	10.36	03/31/2021	
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, 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				
101.INS	Inline XBRL Instance Document**	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document**	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document**	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document**	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document**	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document**	X				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X				

EXHIBIT 31.1

CERTIFICATION

I, Mark M. Allen, 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.

July 13, 2022

By:*/s/ Mark M Allen*
Mark M. Allen
Chief Executive Officer
(Principal Executive)

EXHIBIT 31.2

CERTIFICATION

I, Heather M. Monk, 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.

July 13, 2022

By: */s/ Heather M. Monk*
Heather M. Monk
Interim Chief Financial Officer
(Financial/Accounting Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending June 30, 2021 as filed with the Securities and Exchange Commission (the "Report"), Mark M Allen, the Principal Executive 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.

July 13, 2022

By: */s/ Mark M Allen*
Mark M. Allen
Chief Executive Officer
(Principal Executive)

EXHIBIT 32.2

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending June 30, 2021 as filed with the Securities and Exchange Commission (the "Report"), Paul M. Deputy, the 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.

July 13, 2022

By: */s/ Heather M Monk*

Heather M. Monk
Interim Chief Financial Officer
(Financial/Accounting Officer)