

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
  
FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2022**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: **000-52690**

**PETROLIA ENERGY CORPORATION**

(Exact name of registrant as specified in its charter)

**TEXAS**

(State or other jurisdiction of  
incorporation or organization)

**86-1061005**

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

**710 N. Post Oak Road, Suite 400  
Houston, Texas**

(Address of principal executive offices)

**77024**

(Zip Code)

Registrant's telephone number, including area code: **832-723-1266**

Securities registered pursuant to Section 12(b) of the Act:

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, \$0.001 Par Value Per Share**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

**Large accelerated filer** ☐

**Non-accelerated filer** ☒

**Accelerated filer** ☐

**Smaller reporting company** ☒

**Emerging growth** ☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262 (b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2022, was approximately \$257,964.

As of May 12, 2023, the registrant had 176,988,322 outstanding shares of common stock.



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## PART I

### Glossary of Oil and Gas Terms

**DEVELOPED ACREAGE.** The number of acres that are allocated or assignable to productive wells or wells capable of production.

**DISPOSAL WELL.** A well employed for the disposal of salt water produced with oil into an underground formation.

**HELD BY PRODUCTION.** A provision in an oil, gas and mineral lease that perpetuates an entity's right to operate a property or concession as long as the property or concession produces a minimum paying quantity of oil or gas.

**INJECTION WELL.** A well employed for the injection into an underground formation of water, gas or other fluid to maintain underground pressures which would otherwise be reduced by the production of oil or gas.

**LANDOWNER'S ROYALTY.** A percentage share of production, or the value derived from production, which is granted to the lessor or landowner in the oil and gas lease, and which is free of the costs of drilling, completing, and operating an oil or gas well.

**LEASE.** Full or partial interests in an oil and gas lease, authorizing the owner thereof to drill for, reduce to possession and produce oil and gas upon payment of rentals, bonuses and/or royalties. Oil and gas leases are generally acquired from private landowners and federal and state governments. If a producing oil or gas well is drilled on the lease prior to the expiration of the lease, the lease will generally remain in effect until the oil or gas production from the well ends. The owner of the lease is required to pay the owner of the leased property a royalty which is usually between 12.5% and 25% of the gross amount received from the sale of the oil or gas produced from the well.

**LEASE OPERATING EXPENSES.** The expenses of producing oil or gas from a formation, consisting of the costs incurred to operate and maintain wells and related equipment and facilities, including labor costs, repair and maintenance, supplies, insurance, production, severance and other production excise taxes.

**NET ACRES OR WELLS.** A net well or acre is deemed to exist when the sum of fractional ownership working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests owned in gross wells or acres expressed as whole numbers and fractions.

**NET REVENUE INTEREST.** A percentage share of production, or the value derived from production, from an oil or gas well and which is free of the costs of drilling, completing and operating the well.

**OVERRIDING ROYALTY.** A percentage share of production, or the value derived from production, which is free of all costs of drilling, completing and operating an oil or gas well, and is created by the lessee or working interest owner and paid by the lessee or working interest owner to the owner of the overriding royalty.

**PRODUCING PROPERTY.** A property (or interest therein) producing oil or gas in commercial quantities or that is shut-in but capable of producing oil or gas in commercial quantities. Interests in a property may include working interests, production payments, royalty interests and other non-working interests.

**PROVED RESERVES.** Those quantities of oil and gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain regardless of whether deterministic or probabilistic methods are used for the estimation.

**SHUT-IN WELL.** A well which is capable of producing oil or gas, but which is temporarily not producing due to mechanical problems or a lack of market for the well's oil or gas.

**UNDEVELOPED ACREAGE.** Lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether or not such acreage contains proved reserves. Undeveloped acreage should not be confused with undrilled acreage which is "Held by Production" under the terms of a lease.

**WORKING INTEREST.** A percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well. After royalties are paid, the working interest also entitles its owner to share in production revenues with other working interest owners, based on the percentage of the working interest owned.



## 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 price of crude oil;
- The amount of production from oil wells in which we have an interest;
- Lease operating expenses;
- 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 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 above the “Glossary of Oil and Gas Terms”, for a list of abbreviations and definitions used throughout this report.

Except where context otherwise requires and for purposes of the Annual Report on Form 10-K only:

- “Petrolia”, “PEC”, the “Company”, “we”, “us”, “our company” and “our” refer to Petrolia Energy Corporation, and its consolidated subsidiaries;
- “Exchange Act” refers to the Securities Exchange Act of 1934, as amended;
- “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.

### Available Information

We are subject to the information and reporting requirements of the Exchange Act, under which we file periodic reports, proxy and information statements and other information with the United States Securities and Exchange Commission, or SEC. Copies of the reports, proxy statements and other information may be examined on the Internet at <http://www.sec.gov>.

PEC’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports (including related exhibits and supplemental schedules) filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (as amended) are made available, free of charge, through PEC’s website, as soon as reasonably practicable after such reports have been filed with the United States Securities and Exchange Commission (SEC). PEC’s website address is [www.petroliaenergy.com](http://www.petroliaenergy.com). Information on our website is not incorporated by reference into and does not constitute a part of this report.

## ITEM 1. BUSINESS.

### General

We were incorporated in Colorado in 2002. In 2015, the Company became active in the exploration and production of oil and gas properties. In 2016 the Company formally changed its name to Petrolia Energy Corporation and redomiciled from Colorado to Texas.

Petrolia Energy Corporation explores for, develops, and produces crude oil, natural gas liquids (NGLs) and natural gas in producing basins in the United States of America and Canada. PEC's principal oil and gas assets are further described in "Plan of Operation" below.

As of December 31, 2022, PEC's total estimated net proved reserves were 1,065 thousand barrels of oil equivalent (MBoe), of which approximately 1,060 thousand barrels (MBbl) were crude oil and condensate reserves and approximately 29 million cubic feet (MMcf), or 5 MBoe, were natural gas reserves.

As of December 31, 2022, approximately 32% of PEC's net proved reserves, on a crude oil equivalent basis, were located in the United States of America, and approximately 68% were located in Canada. Crude oil equivalent volumes are determined using a ratio of 1.0 barrel of crude oil and condensate to 6.0 thousand cubic feet (Mcf) of natural gas.

PEC's operations are crude oil and natural gas exploration and production related. For information regarding the risks associated with PEC's oil and gas operations, See ITEM 1A, Risk Factors.

### Plan of Operation

Since 2015, PEC has established a clearly defined strategy to acquire, enhance and redevelop high-quality oil and gas assets. The Company has been focusing on assets in the 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 growth. Maintaining the lowest possible operating cost structure, coupled with efficient and safe operations, is integral in the implementation of PEC's strategy.

With respect to information on PEC's working interest in wells or acreage, "net" oil and gas wells or acreage are determined by multiplying "gross" oil and gas wells or acreage by PEC's working interest in the wells or acreage.

#### *Slick Unit Dutcher Sand ("SUDS") Field*

The Slick Unit Dutcher Sand (SUDS) field is located in Creek County, Oklahoma. Petrolia owns a 100% working interest (WI) with an approximately 76.5% net revenue interest (NRI) in the 2,530 acre field. The SUDS West unit is approximately 1,670 acres and the SUDS East unit is approximately 860 acres.

As of December 31, 2022, SUDS total estimated net proved reserves were approximately 346 thousand barrels of oil equivalent (MBoe) and total estimated net probable reserves were approximately 153 thousand barrels of oil equivalent (MBoe).

On January 13, 2023, the Company received an Incident and Complaint Investigation Report issued by the Oklahoma Corporation Commission (OCC) due to a mineral owner complaint. The OCC issued a plug or produce order for SUDS West unit and SUDS East unit. The Company has received two extensions of time and is working with the OCC to implement a production plan to bring both units into compliance.

The SUDS field is currently shut-in while the Company completes a review of the land and lease records currently being conducted by a petroleum landman. PEC has also initiated a detailed reservoir and historical waterflood sweeping pattern analysis. The Company is awaiting the outcome of an integrated review of the SUDS subsurface geology. PEC is finalizing a SUDS capital budget with the intent to commence further field development in the third quarter of 2023.

#### *Twin Lakes San Andres Unit ("TLSAU") Field*

The Twin Lakes San Andres Unit (TLSAU) field is located in Chaves County, New Mexico. As of December 31, 2022, it was determined that PEC does not own any TLSAU leases, and therefore has no reserves.

It is estimated that PEC has 29 wells that need to be plugged and abandoned, plus surface remediated. The estimated cost of the TLSAU well plugging and abandonment, and surface remediation obligations are approximately \$1.2 million.

As previously reported, the majority of the TLSAU leases were terminated through the Stipulated Declaratory Judgement dated July 27, 2020 in the litigation between Moon Company, Trustee of the O'Brien Mineral Trust (Plaintiff) vs. Petrolia Energy Corporation (Defendant). Additional lease acreage was lost through the Stephanie Garcia Richard, Commissioner of Public Lands of the State of New Mexico (Plaintiff) vs. Oxy USA WTP, LP; Petrolia Energy Corp.; and Blue Sky NM Inc. (Defendants) litigation (Case No. D-101-CV-2021-00462).

As previously reported, the Twin Lakes San Andres Unit was terminated by the State of New Mexico Commissioner of Public Lands on August 28, 2019.

#### ***Askarii Resources, LLC***

Effective February 1, 2016, the Company acquired 100% of the issued and outstanding interests of Askarii Resources LLC, a private Texas based oil and gas service company for the aggregate value of \$50,000. The Company does not intend to further invest in the Askarii Resources, LLC acquisition.

#### ***Luseland, Hearts Hill and Cuthbert fields***

On June 29, 2018, the Company acquired a 25% working interest in approximately 41,526 acres in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada. The working interest was 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, 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. The agreements were effective as of October 1, 2021.

#### ***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 CAD of that total due initially. The additional \$1,000,000 CAD 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 CAD. In addition, at the time WTI price exceeded \$57/bbl the Company would pay an additional \$250,000 CAD (for a cumulative contingent total of \$1,000,000 CAD). 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 USD, 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 \$763,754 CAD (\$563,904 USD), necessary for the wells to continue in production after the acquisition. Additional funds in the amount of \$490,624 CAD (\$362,245 USD) remain in the other current asset balance for future payments to BSR, related to the acquisition.

As of December 31, 2022, Utikuma total estimated net proved reserves were approximately 719 thousand barrels of oil equivalent (MBoe) and total estimated net probable reserves were approximately 177 thousand barrels of oil equivalent (MBoe).

On May 5, 2023, the Company was notified by Blue Sky Resources (BSR), the operator of our Utikuma asset that the Province of Alberta has declared a state of emergency due to wildfires in Alberta. We were informed that because of wildfires in the vicinity of our Utikuma oilfield assets, the field was shut in and all personnel were evacuated, and that the highway to the Slave Lake area has been closed. Early assessments of the situation indicate that our Utikuma facilities may have incurred major damage.

The following table shows our productive wells, developed acreage, and undeveloped acreage as of December 31, 2022, for the Oklahoma and Alberta properties:

State/Province	Productive Wells		Developed Acreage		Undeveloped Acreage (1)	
	Gross	Net	Gross	Net	Gross	Net
Oklahoma	24	24	2,530	2,530	0	0
Alberta	55	28	28,000	14,000	0	0

(1) Undeveloped acreage includes leasehold interests on which wells have not been drilled or completed to the point that would permit the production of commercial quantities of natural gas and oil regardless of whether the leasehold interest is classified as containing proved undeveloped reserves.

#### Proved Reserves

Below is a table that provides historical average sales price per barrel and average production cost per barrel by geographical location and by year, for the last three (3) fiscal years.

	Average Sales Price (per Bbls) (\$)	Average Production Cost (per Bbls) (\$)	Oil Production (Bbls)
Oklahoma			
2020	38.18	319.75	810
2021	47.31	173.43	341
2022	70.69	324.58	86
New Mexico (1)			
2020	33.31	94.16	309
2021	(1)	(1)	(1)
2022	(1)	(1)	(1)
Alberta / Saskatchewan			
2020	30.42	35.92	94,016
2021	57.72	47.60	97,084
2022	85.16	76.73	80,333

(1) Note that in 2022 and 2021 no sales or production occurred for the New Mexico properties. The Twin Lakes San Andres Unit was terminated by the State of New Mexico Commissioner of Public Lands on August 28, 2019.

Below are estimates of our cumulative net proved reserves of all fields, as of December 31, 2022, net to our interest. Our proved reserves are located in Oklahoma and Canada.

Estimates of volumes of proved reserves at December 31, 2022 are presented in barrels (Bbls) for oil and, for natural gas, in thousands of cubic feet (Mcf) at the official temperature and pressure bases of the areas in which the gas reserves are located.

	Oil (Bbls)	Gas (Mcf)
<b>Proved:</b>		
Developed		
USA	324,490	—
Canada	714,460	20,020
Undeveloped		
USA	21,360	—
Canada	—	9,260
<b>Total</b>	<b>1,060,310</b>	<b>29,280</b>

- Bbl refers to one barrel, or 42 U.S. gallons liquid volume, in reference to crude oil or other liquid hydrocarbons.
- Mcf refers to one thousand cubic feet.

Below are estimates of our present value of estimated future net revenues from our proved reserves based upon the standardized measure of discounted future net cash flows relating to proved oil and gas reserves in accordance with the provisions of Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas. The standardized measure of discounted future net cash flows is determined by using estimated quantities of proved reserves and the periods in which they are expected to be developed and produced based on period-end economic conditions. The estimated future production is based upon benchmark prices that reflect the unweighted arithmetic average of the first day-of-the-month price for oil and gas during the twelve-month period ended December 31, 2022. The resulting estimated future cash inflows are then reduced by estimated future costs to develop and produce reserves based on period-end cost levels. No deduction has been made for depletion, depreciation or for indirect costs, such as general corporate overhead. Present values were computed by discounting future net revenues by 10% per year.

Future cash inflows	\$ 95,454,352
Deductions (including estimated taxes)	\$ (51,841,258)
Future net cash flow	\$ 43,613,094
Discounted future net cash flow	\$ 22,831,094

MKM Engineering prepared the estimates of our proved reserves, future production, and income attributable to our leasehold interests in the United States and Canada as of December 31, 2022. Michele Mudrone was the technical person primarily responsible for overseeing the preparation of the reserve report. Ms. Mudrone has more than 27 years of practical experience in the estimation and evaluation of petroleum reserves. MKM Engineering is an independent petroleum engineering firm that provides petroleum consulting services to the oil and gas industry. The estimates of drilled reserves, future production, and income attributable to certain leasehold and royalty interests are based on technical analysis conducted by engineers employed at MKM Engineering.

It should be noted that as of December 31, 2022, all reserves were written off for the TLSAU assets, because it was determined that all TLSAU leases had been terminated or expired.

Mark Allen, our CEO, oversaw preparation of the reserve estimates by MKM Engineering. We do not have a reserve committee and we do not have any specific internal controls regarding the estimates of our reserves.

Our proved reserves include only those amounts which we reasonably expect to recover in the future from known oil and gas reservoirs under existing economic and operating conditions, at current prices and costs, under existing regulatory practices and with existing technology. Accordingly, any changes in prices, operating and development costs, regulations, technology, or other factors could significantly increase or decrease estimates of proved reserves.

Proved reserves were estimated by performance methods, the volumetric method, analogy, or a combination of methods utilizing present economic conditions and limited to those proved reserves economically recoverable. The performance methods include decline curve analysis that utilize extrapolations of historical production and pressure data available through December 31, 2022, in those cases where such data was considered to be definitive.

Forecasts for future production rates are based on historical performance from wells currently on production in the region with an economic cut-off for production based upon the projected net revenue being equal to the projected operating expenses. No further reserves or valuation were given to any wells beyond their economic cut-off. Where no production decline trends have been established due to the limited historical production records from wells on the properties, surrounding wells historical production records were used and extrapolated to wells of the property. Where applicable, the actual calculated present decline rate of any well was used to determine future production volumes to be economically recovered. The calculated present rate of decline was then used to determine the present economic life of the production from the reservoir.

For wells currently on production, forecasts of future production rates were based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to economic depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Proved developed non-producing and undeveloped reserves were estimated primarily by the performance and historical extrapolation methods. Test data and other related information were used to estimate the anticipated initial production rates from those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at a date we determined to be reasonable.

In general, the volume of production from our oil and gas properties declines as reserves are depleted. Except to the extent we acquire additional properties containing proved reserves or conduct successful exploration and development activities, or both, our proved reserves will decline as reserves are produced. Accordingly, volumes generated from our future activities are highly dependent upon the level of success in acquiring or finding additional reserves and the costs incurred in doing so.

### **Government Regulation**

Various state, province and federal agencies regulate the production and sale of oil and natural gas. All states and provinces in which we plan to operate impose restrictions on the drilling, production, transportation and sale of oil and natural gas.

Our sale of oil and natural gas liquids will not be regulated and will be at market prices. The price received from the sale of these products will be affected by the cost of transporting the products to market. Much of that transportation is through interstate common carrier pipelines.

Federal, state, and local agencies have promulgated extensive rules and regulations applicable to our oil and natural gas exploration, production, and related operations. Most states require permits for drilling operations, drilling bonds and the filing of reports concerning operations, and impose other requirements relating to the exploration of oil and natural gas. Many states also have statutes or regulations addressing conservation matters including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and natural gas wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and regulations of some states limit the rate at which oil and natural gas is produced from our properties. The federal and state regulatory burden on the oil and natural gas industry increases our cost of doing business and affects our profitability. Because these rules and regulations are amended or reinterpreted frequently, we are unable to predict the future cost or impact of complying with those laws.

## **Competition and Marketing**

We will be faced with strong competition from many other companies and individuals engaged in the oil and gas business. Many are very large, well-established energy companies with substantial capabilities and established earnings records. We may be at a competitive disadvantage in acquiring oil and gas prospects since we must compete with these individuals and companies, many of which have greater financial resources and larger technical staffs. It is nearly impossible to estimate the number of competitors; however, it is known that there are many companies and individuals in the oil and gas business.

Exploration for and production of oil and gas are affected by the availability of pipe, casing and other tubular goods and certain other oil field equipment including drilling rigs and tools. We will depend upon independent drilling contractors to furnish rigs, equipment, and tools to drill our wells. Higher prices for oil and gas may result in competition among operators for drilling equipment, tubular goods and drilling crews which may affect our ability to expeditiously drill, complete, recomple and work-over wells.

The market for oil and gas is dependent upon several factors beyond our control, which at times cannot be accurately predicted. These factors include the proximity of wells to natural gas pipelines, the extent of competitive domestic production and imports of oil and gas, the availability of other sources of energy, fluctuations in seasonal supply and demand, and governmental regulation. In addition, there is always the possibility that new legislation may be enacted that would impose price controls or additional taxes upon crude oil or natural gas, or both. Oversupplies of crude oil and natural gas can be expected to recur from time to time and may result in the producing wells being shut in.

## **Employees**

As of December 31, 2022, the Company has zero full-time employees and zero part-time employees, and two contractors. As of May 12, 2023, the Company has zero full-time employees and zero part-time employees, and two contractors.

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

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to us and our industry could materially impact our future performance and results of operations. We have provided below a list of known material risk factors that should be reviewed when considering buying or selling our securities. These are not all the risks we face, and other factors currently considered immaterial or unknown to us may impact our future operations.

### *Capital Requirements*

We will need to raise funds from additional financing in the future to complete our business plan and may need to raise additional funding in the future to support our operations. We have no commitments for any financing and any financing commitments may result in dilution to our existing stockholders. We may have difficulty obtaining additional funding, and we may have to accept terms that would adversely affect our stockholders. For example, the terms of any future financing may impose restrictions on our right to declare dividends or on the way we conduct our business. Additionally, we may raise funding by issuing convertible notes, which if converted into shares of our common stock would dilute our then stockholders' interests. If we are unable to raise additional funds, we may be forced to curtail or even abandon our business plan.

### *Commodity Prices*

The price we receive for our oil directly affects our revenues, profitability, access to capital and future rate of growth. Oil is a commodity that is subject to wide price fluctuations in response to changes in supply and demand. Lower prices for our oil may not only decrease our revenues but may also reduce the amount of oil that we can produce economically. Historically, the markets for oil have been somewhat volatile and may continue to be volatile in the future. The prices we receive for our production and the volume of our production depend on numerous factors beyond our control. These factors include the following: changes in global supply and demand for oil, the actions of OPEC, the price and quantity of imports of foreign oil, acts of war, inflation rates, economic growth, terrorism or political instability in oil producing countries and economic conditions.

### *Accounting Rules*

Accounting rules applicable to us require that we periodically review the carrying value of our oil properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics, and other factors, we could be required to write down the carrying value of our oil and natural gas properties. Such write-downs constitute a non-cash charge to earnings. Impairment of proved properties under our full cost oil accounting method is largely driven by the present values of future net revenues of proved reserves estimated using SEC mandated 12-month un-weighted first-day-of-the-month commodity prices. No assurance can be given that we will not experience ceiling test impairments in future periods, which could have a material adverse effect on our results of operations in the periods taken. As a result of lower oil prices, we may also reduce our estimates of the reserve volumes that may be economically recovered, which would reduce the total value of our proved reserves.

### *Reserve Categories*

Our undeveloped proved reserves and developed non-producing proved reserves require additional investment and/or activities to convert these into producing reserves. We cannot provide assurance these expenditures will be made and that activities will be entirely successful in converting these reserves. Furthermore, there can be no assurance that all our undeveloped and developed non-producing reserves will ultimately be produced during the time periods we have planned, at the costs we have budgeted, or at all, which could result in the write-off of previously recognized reserves.

### *Reserve Replacement*

Our future success depends largely upon our ability to find, develop, or acquire additional oil and natural gas reserves that are economically recoverable. Unless we replace the reserves we produce through successful exploration, development or acquisition activities, our proved reserves and production will decline over time. Our exploration, development and acquisition activities require substantial capital expenditure. The capital markets we have historically accessed may be constrained. Limitations in the capital markets may affect our ability to grow and changes in our capitalization structure may significantly affect our financial risk profile. Furthermore, we cannot be certain that financing for future capital expenditures will be available if needed, and to the extent required, on acceptable terms.

Future cash flows are subject to several variables, such as the level of production from existing wells, the prices of oil and our success in developing and producing new reserves. Any reductions in our capital expenditures to stay within internally generated cash flow (which could be adversely affected by declining commodity prices) and cash on hand will make replacing produced reserves more difficult. If our cash flow from operations and cash on hand are not sufficient to fund our capital expenditure budget, we may be limited in our ability to access additional debt, equity, or other methods of financing on an economic or timely basis to replace our proved reserves.

### *Asset Retirement Obligations:*

We are required to record a liability for the present value of our asset retirement obligation (“ARO”) to plug and abandon inactive non-producing wells, facilities, and equipment, and to restore the land at the end of oil production operations. As a result, we may make significant increases or decreases to our estimated ARO in future periods. Accordingly, our estimate of future ARO could differ dramatically from what we may ultimately incur.

### *Drilling and Well Completion Success*

Our development activities may be unsuccessful for many reasons, including adverse weather conditions, cost overruns, equipment shortages, geological issues, and mechanical difficulties. Moreover, the successful drilling of an oil well does not assure us that we will realize a profit on our investment. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their costs, unsuccessful wells hinder our efforts to replace reserves.



Our oil exploration and production activities, including well stimulation and completion activities which include, among other things, hydraulic fracturing, involve a variety of operating risks, including fires, explosions, blow-outs and surface craters, uncontrollable flows of oil and formation water, etc. If we experience any of these problems, well bores, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations. We could also incur substantial losses because of injury or loss of life, damage to and destruction of property, natural resources and equipment, pollution, and other environmental damage.

#### *Acquisition Success*

Our business strategy includes growing by making acquisitions, which may include acquisitions of exploration and production companies, producing properties and undeveloped leasehold interests. Our acquisition of oil and natural gas properties requires assessments of many factors that are inherently inexact and may be inaccurate, including the acceptable prices for available properties, amounts of recoverable reserves, estimates of future oil prices, estimates of future exploratory, development and operating costs, estimates of the costs and timing of plugging, and abandonment and estimates of potential environmental and other liabilities.

If we make acquisitions in the future, funding permitting, which may not be available on favorable terms, we could have difficulty integrating the acquired company's assets, personnel, and operations with our own. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the effect expansion may have on our core business. Regardless of whether we are successful in making an acquisition, the negotiations could disrupt our ongoing business, distract our management, and increase our expenses.

In addition to the risks described above, acquisitions are accompanied by a number of inherent risks, including, without limitation, the following: the difficulty of integrating acquired products, services or operations; the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies; difficulties in maintaining uniform standards, controls, procedures and policies; the potential impairment of relationships with employees and customers as a result of any integration of new management personnel; the potential inability or failure to achieve additional sales; the effect of any government regulations which relate to the business acquired; potential unknown liabilities associated with acquired businesses or product lines, or the defense of any litigation, whether or not successful, resulting from actions of the acquired company prior to our acquisition; and potential expenses under the labor, environmental and other laws of various jurisdictions.

#### *Capital Deployment Risk*

Exploring for and developing hydrocarbon reserves involves a high degree of operational and financial risk, which prevents us from definitively predicting the costs involved and time required to reach certain objectives. The budgeted costs of planning, drilling, completing, and operating wells are often exceeded, and such costs can increase significantly due to various complications that may arise during the drilling and operating processes. Before a well is spud, we may incur significant geological and geophysical costs, which are incurred whether a well eventually produces commercial quantities of hydrocarbons or is drilled at all. Exploration wells bear a much greater risk of loss than development wells. The analogies we draw from available data from other wells, more fully explored locations or producing fields may not be applicable to our drilling locations. If our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our operations as proposed and could be forced to modify our drilling plans accordingly.

If we decide to drill a certain location, there is a risk that no commercially productive oil or natural gas reservoirs will be found or produced. We may drill or participate in new wells that are not productive. We may drill wells that are productive, but that do not produce sufficient net revenues to return a profit after drilling, operating and other costs. There is no way to predict in advance of drilling and testing whether any location will yield oil or natural gas in sufficient quantities to recover exploration, drilling or completion costs or to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon-bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production and reserves from the well or abandonment of the well.

Whether a well is ultimately productive and profitable depends on a number of additional factors, including the following: general economic and industry conditions, including the prices received for oil and natural gas; shortages of, or delays in, obtaining equipment, and qualified personnel; potential drainage by operators on adjacent properties; loss of or damage to oilfield development and service tools; problems with title to the underlying properties; increases in severance taxes; adverse weather conditions that delay drilling activities or cause producing wells to be shut down; domestic and foreign governmental regulations; and proximity to and capacity of transportation facilities. If we do not drill productive and profitable wells in the future, our business, financial condition, and results of operations could be materially and adversely affected.

We review our long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We also test our goodwill and indefinite-lived intangible assets for impairment at least annually on December 31 of each year, or when events or changes in the business environment indicate that the carrying value of a reporting unit may exceed its fair value. If conditions in any of the businesses in which we compete were to deteriorate, we could determine that certain of our assets were impaired and we would then be required to write-off all or a portion of our costs for such assets. Any such significant write-offs would adversely affect our balance sheet and results of operations.

#### *Economic Uncertainty*

Global economic conditions continue to be volatile and uncertain due to, among other things, consumer confidence in future economic conditions, fears of recession and trade wars, the price of energy, fluctuating interest rates, the availability and cost of consumer credit, the availability and timing of government stimulus programs, levels of unemployment, increased inflation, and tax rates. These conditions remain unpredictable and create uncertainties about our ability to raise capital in the future. In the event required capital becomes unavailable in the future, or more costly, it could have a material adverse effect on our business, results of operations, and financial condition.

#### *Inflation*

Our industry and the broader US economy have experienced higher than expected inflationary pressures recently, related to continued supply chain disruptions, labor shortages and geopolitical instability. Should these conditions persist in our business, the results of operations and cash flows could be materially and adversely affected. Recent years have seen significant increases in the costs of certain services and materials, including steel, rig rates and fuel, as a result of availability constraints, supply chain disruption, increased demand, labor shortages associated with a fully employed US labor force, high inflation, interest rates and other factors, with supply and demand fundamentals being further aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing conflict between Russia and Ukraine. While the Company is cautiously optimistic that such costs have plateaued and will hold at current levels as we have not seen significant cost increases thus far in 2023, supply chain constraints and inflationary pressures may continue to adversely impact our operating costs and may negatively impact our ability to procure materials and equipment in a timely and cost-effective manner, if at all, which could result in reduced margins and production delays and, as a result, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

#### *Climate Change*

Local, state, federal and international regulatory bodies have been increasingly focused on Greenhouse Gas (GHG) emissions and climate change issues in recent years. The U.S. Congress has, from time to time, proposed legislation for imposing restrictions or requiring fees or carbon taxes for GHG emissions. Some governing agencies impose a methane emissions charge on certain oil and gas facilities, including onshore and offshore petroleum and natural gas production facilities, that exceed certain emissions thresholds. The charges will be levied annually based on emissions reported under the U.S. Environmental Protection Agency (EPA) GHG reporting program. The EPA is expected to publish regulations specific to the calculation of such annual charges. PEC does not currently expect such annual methane emissions charges to have a material impact on its financial condition, results of operations, capital expenditures or operations. In addition to the EPA's rule requiring annual reporting of GHG emissions from covered facilities, the EPA has adopted regulations for certain large sources regulating GHG emissions as pollutants under the federal Clean Air Act.

#### *Cash Management*

Our cash flows from operations and access to capital are subject to a number of variables, including: our estimated proved oil and natural gas reserves; the amount of oil and natural gas we produce from existing wells; the prices at which we sell our production; the costs of developing and producing our oil and natural gas reserves; our ability to acquire, locate and produce new reserves; the ability and willingness of banks to lend to us; and our ability to access the equity and debt capital markets. In addition, future events, such as terrorist attacks, wars or combat peace-keeping missions, financial market disruptions, general economic recessions, inflation, oil and natural gas industry recessions, large company bankruptcies, accounting scandals and disruptions in the financial and capital markets have caused financial institutions, credit rating agencies and the public to more closely review the financial statements, capital structures and earnings of public companies, including energy companies. Such events have constrained the capital available to the energy industry in the past, and such events or similar events could adversely affect our access to funding for our operations in the future.

If our revenues decrease as a result of lower oil and natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels, further develop and exploit our current properties or invest in additional exploration opportunities.

Alternatively, a significant improvement in oil and natural gas prices or other factors could result in an increase in our capital expenditures, and we may be required to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of production payments, the sale or farm out of interests in our assets, the borrowing of funds or otherwise to meet any increase in capital needs. If we are unable to raise additional capital from available sources at acceptable terms, our business, financial condition, and results of operations could be adversely affected. Further, future debt financings may require that a portion of our cash flows provided by operating activities be used for the payment of principal and interest on our debt, thereby reducing our ability to use cash flows to fund working capital, capital expenditures and acquisitions.

Debt financing may involve covenants that restrict our business activities. If we succeed in selling additional equity securities to raise funds, at such time the ownership percentage of our existing shareholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing shareholders. If we choose to farm-out interests in our prospects, we may lose operating control over such prospects.

#### *Terrorist Attack*

We cannot assess the extent of either the threat or the potential impact of future terrorist attacks on the energy industry in general, and on us in particular, either in the short-term or in the long-term. Uncertainty surrounding such hostilities may affect our operations in unpredictable ways, including the possibility that infrastructure facilities, including pipelines, and gathering systems, production facilities, processing plants and refineries, could be targets of, or indirect casualties of, an act of terror, a cyber-attack or electronic security breach, or an act of war.

#### *Production Growth*

In addition, there is an inherent risk of incurring significant environmental costs and liabilities in the performance of our operations, some of which may be material, due to our handling of petroleum hydrocarbons and wastes, our emissions to air and water, the underground injection or other disposal of our wastes, the use of hydraulic fracturing fluids and historical industry operations and waste disposal practices.

The rate of production from our oil and natural gas properties will decline as our reserves are depleted. Our future oil and natural gas reserves and production and, therefore, our income and cash flow, are highly dependent on our success in (a) efficiently developing and exploiting our current reserves on properties owned by us or by other persons or entities and (b) economically finding or acquiring additional oil and natural gas producing properties. In the future, we may have difficulty acquiring new properties. During periods of low oil and/or natural gas prices, it will become more difficult to raise the capital necessary to finance expansion activities. If we are unable to replace our production, our reserves will decrease, and our business, financial condition and results of operations would be adversely affected.

#### *Technology and Innovation*

Our industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies and databases. As our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, many of our competitors will have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. One or more of the technologies that we will use or that we may implement in the future may become obsolete, and we may be adversely affected.

#### *Consumer Confidence*

Our results of operations may be materially affected by the conditions of the global economies and the credit, commodities, and stock markets. Among other things, we may be adversely impacted if consumers of oil and gas are not able to access sufficient capital to continue to operate their businesses or to operate them at prior levels. A decline in consumer confidence or changing patterns in the availability and use of disposable income by consumers can negatively affect the demand for oil and gas and as a result our results of operations.

#### *Alternative Energy*

Because our operations depend on the demand for oil, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels) that increase the use of alternative forms of energy and reduce the demand for oil, gas and oil and gas related products could have a material adverse impact on our business, financial condition, and results of operations.

#### *Non-operated Assets*

Some of the properties in which we have an interest are operated by other companies and involve third-party working interest owners. As a result, we have limited ability to influence or control the operation or future development of such properties, including compliance with environmental, safety and other regulations, or the amount of capital expenditures that we will be required to fund with respect to such properties. Additionally, a third-party operator could also decide to shut-in or curtail production from wells or plug and abandon marginal wells. These limitations and our dependence on the operator and third-party working interest owners for these projects could cause us to incur unexpected future costs, lower production and materially and adversely affect our financial condition and results of operations.

#### *Unfavorable Currency Exchange*

The reporting currency for our financial statements is the U.S. dollar. However, certain of our subsidiaries are located in countries other than the U.S. and have functional currencies other than the U.S. dollar. The assets, liabilities, revenues and expenses of these foreign subsidiaries are denominated in currencies other than the U.S. dollar. To prepare our consolidated financial statements, we must translate those assets, liabilities, revenues and expenses into U.S. dollars at then-applicable exchange rates. Consequently, increases and decreases in the value of the U.S. dollar versus other currencies will affect the amount of these items in our consolidated financial statements.

#### *Reserve Valuation*

The process of estimating oil reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and the calculation of the present value of our reserves. To prepare our year-end reserve estimates, our independent petroleum consultant projected our production rates and timing of development expenditures. Our independent petroleum consultant also analyzed available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary and may not be under our control. The process also requires economic assumptions about matters such as oil and natural gas prices, operating expenses, capital expenditures, taxes, and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

You should not assume that the present value of future net revenues from our proved oil and natural gas reserves is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we base the estimated discounted future net cash flows from our proved reserves on the 12-month un-weighted first-day-of-the-month average price for each product and costs in effect on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate.

#### *Future Regulations*

Our operations and facilities are subject to extensive federal, state, province and local laws and regulations relating to the exploration, development, production and transportation of oil and natural gas and operational safety. Future laws or regulations, any adverse change in the interpretation of existing laws and regulations or our failure to comply with such legal requirements may harm our business, results of operations and financial condition.

#### *Employee Retention*

To a large extent, we depend on the services of our senior management. The loss of the services of any of our senior management could have a negative impact on our operations. We do not maintain or plan to obtain for the benefit of the Company any insurance against the loss of any of these individuals.

### *Equity Dilution*

Our board of directors may use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of shares of our common stock, preferred stock or warrants to purchase shares of our common stock. Our board of directors has authority, without action or vote of the shareholders to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing shareholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control, because the shares may be issued to parties or entities committed to supporting existing management.

### *Illiquid and Volatile Equity Environment*

On September 27, 2022, the Financial Industry Regulatory Authority ("FINRA") pulled the Company's stock symbol due to inactivity in the Company's security for a year. As such, there is no public market for our common stock. The Company is taking steps to become current in its filings with the Securities and Exchange Commission and upon becoming current in its filings with the Securities and Exchange Commission, it plans to engage a market maker to file a Form 15c2-11 with FINRA and obtain a stock symbol. There can be no assurance that FINRA will approve the Form 15c2-11 or that the Company's common stock will be publicly quoted again. In the event our common stock is publicly traded in the future, variables that could affect our future stock price or result in fluctuations in the market price or trading volume of our common stock include:

- our actual or anticipated operating and financial performance and drilling locations, including reserves estimates;
- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income, and cash flows, or those of companies that are perceived to be similar to us;
- changes in revenue, cash flows or earnings estimates or publication of reports by equity research analysts.
- public reaction to our press releases, announcements, and filings with the SEC;
- sales of our common stock by us or other shareholders, or the perception that such sales may occur;
- the limited amount of our freely tradable common stock available in the public marketplace;
- general financial market conditions and oil and natural gas industry market conditions, including fluctuations in commodity prices;
- the realization of any of the risk factors presented in this Annual Report;
- the recruitment or departure of key personnel;
- commencement of, or involvement in, litigation;
- the prices of oil and natural gas;
- the success of our exploration and development operations, and the marketing of any oil and natural gas we produce;
- changes in market valuations of companies similar to ours; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

If and when our stock trades again, of which there is no assurance, our future stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. The stock markets in general have experienced volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the future trading price of our common stock. Additionally, general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Due to the historical limited volume of our shares which trade, we believe that our future stock prices (bid, ask and closing prices) may not be related to our actual value, and not reflect the actual value of our common stock. Shareholders and potential investors in our common stock should exercise extreme caution before making any future investment in our Company.

Additionally, as a result of the historical illiquidity of our common stock, investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. Such illiquidity could have an adverse effect on the market price of our common stock. In addition, a shareholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. We cannot assure you that a future trading market for our common stock will develop or, if one develops, be sustained. Extreme caution should be taken when considering the future purchase of Petrolia's common stock.

### *Administrative Proceedings; Lack of Public Market for Common Stock*

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. There can be no assurance that FINRA will approve the Form 15c2-11 or that the Company's common stock will be publicly quoted again. In the event our common stock is not publicly quoted in the future, shareholders will be forced to hold their shares indefinitely, and our securities may have no value.

On September 27, 2022, the Financial Industry Regulatory Authority (“FINRA”) pulled the Company’s stock symbol due to inactivity in the Company’s security for a year. The Company is taking steps to become current in its filings with the Securities and Exchange Commission and upon becoming current in its filings with the Securities and Exchange Commission, it plans to engage a market maker to file a Form 15c2-11 with FINRA and obtain a stock symbol.

*Unanticipated problems at, or downtime effecting, our facilities and those operated by third parties on which we rely, could have a material adverse effect on our results of operations.*

The occurrence of significant unforeseen conditions or events in connection with the operation or maintenance of our facilities, such as the need to refurbish such facilities, complete capital projects at such facilities, shortages of workers or materials, adverse weather, including, but not limited to lightning strikes, floods, hurricanes, tornadoes and earthquakes, equipment failures, fires, explosions, oil or other leaks, damage to or destruction of property and equipment associated therewith, environmental releases and/or damage, government regulation changes affecting the use of such facilities, terrorist attacks, mechanical or physical failures of equipment, acts of God, or other conditions or events, could prevent us from operating our facilities, or prevent such third parties from operating their facilities, or could force us or such third parties to shut such facilities down for repairs, maintenance, refurbishment or upgrades for a significant period of time.

For example, on May 5, 2023, the Company was notified by BSR, the operator of our Utikuma asset that the Province of Alberta has declared a state of emergency due to wildfires in Alberta. We were informed that because of wildfires in the vicinity of our oilfield assets, the field was shut in and all personnel were evacuated, and that the highway to the Slave Lake area has been closed. Early assessments of the situation indicate that our Utikuma facilities may have incurred major damage.

While the Company believes that it maintains adequate insurance coverage in connection with its facilities, insurance may not cover all damages/losses, and/or such coverages may not apply to specific damages/losses.

In the event any of our facilities or those of third parties on which we rely are offline for an extended period of time (including, but not limited to our Utikuma facilities), it could have a material adverse effect on our results of operations and consequently the price of our securities. Furthermore, any material damage/loss at any facility not covered by insurance may have a material adverse effect on our results of operations and consequently the price of our securities.

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

Not applicable to the Company as a “smaller reporting”/“non-accelerated filer”.

#### **ITEM 2. PROPERTIES.**

Our principal office is located at 710 N. Post Oak Rd., Suite 400, Houston, Texas 77024.

On December 31, 2020, we entered into an executive office sharing agreement which allows the Company to use approximately 800 square feet of work space, on an as needed basis. The space costs \$100 per month and is contracted on a month-to-month basis. The contract is still in effect.

The Company’s oil and gas properties are described under “Item 1. Business”, above, and below under “Note 4. “Evaluated Properties” in the consolidated audited financial statements attached hereto.

#### **ITEM 3. LEGAL PROCEEDINGS.**

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.

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 April 18, 2023, the Company was ordered to submit a brief by May 16, 2023, regarding the Company’s remedial efforts since these proceedings were instituted. Among other things, the Company is asked to address “the extent of the issuer’s efforts to remedy its past violations and ensure future compliance” and “the credibility of its assurances, if any, against further violations.” In addition, the Company is asked to explain why it failed to comply with its proposed schedule and its representation that it would “immediately acquiesce” to revocation of its registration if it failed to do so. The Company plans to submit such brief by May 16, 2023.

The Company and Petrolia Canada Corporation (“Petrolia Canada”), an affiliate of Petrolia, filed a lawsuit in the 133<sup>rd</sup> Judicial District Court, Harris County Texas (Cause No. 2022-15278), against Jovian Petroleum Corporation, Zel Khan (“Khan”) and Quinten Beasley (“Beasley”) (collectively, the “Defendants”).

In the petition against the Defendants, Petrolia and Petrolia Canada alleged causes of action for fraud and breach of contract against all the named Defendants and 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 demanded a jury trial and are seeking monetary relief of more than \$1 million against the Defendants.

In April and May 2022, each of the Defendants filed an Original Answer, generally denying all of the allegations of Petrolia and Petrolia Canada.

Subsequently, in September 2022, Defendants filed an amended answer and counterclaims. Pursuant to the amended answer, Defendants generally denied the allegations of Petrolia and Petrolia Canada and are seeking indemnification under the Company's governing documents and statutory provisions.

Beasley is seeking repayment of the outstanding balance of \$5,000 plus accrued interest (\$4,710) allegedly owed to him by the Company in connection with a promissory note entered into with the Company on July 14, 2016.

In September 2022, Joel Oppenheim ("Oppenheim") and Critical Update, Inc., owned by Beasley ("Critical Update" and collectively with Oppenheim, the "Intervenors"), filed a Petition in Intervention. Oppenheim alleges that he advanced at least \$797,000 to the Company from 2015 to 2019 (including \$416,900 alleged owed under a loan agreement) and that he also provided various certificates of deposit to the Company in the aggregate amount of \$258,251. Oppenheim is seeking return of amounts advanced with interest, a declaratory judgment establishing the amount of Company stock and warrants owed to him, and attorney's fees. Separately, Critical Update is seeking \$120,000 CAD alleged owed to it in consideration for services rendered to Petrolia Canada, plus interest and attorney's fees.

On October 11, 2022, Petrolia and Petrolia Canada filed a general denial of all the Defendants' counterclaims.

Subsequently, on December 6, 2022, Oppenheim filed a motion for severance asking the court to sever his breach of loan agreement claim from the other claims in this lawsuit and adjudicate the claim as Cause No. 2022-15278-B. The same day, Oppenheim also filed a motion for partial summary judgment on his breach of loan agreement claim. On December 22, 2022, Oppenheim filed a separate lawsuit and application for temporary injunction (Cause No. 2022-83054) in the 157<sup>th</sup> Judicial District Court, Harris County Texas against the Company and Petrolia Canada and their individual board members. That action is a shareholder derivative lawsuit filed against the Company alleging, among other things, breach of duty of loyalty and breach of duty of obedience, as well as seeking to compel a shareholder meeting and seeking expedited discovery. On December 30, 2022, Jovian Petroleum Corporation filed a petition in intervention to join this newly filed lawsuit.

In January 2023, Petrolia and Petrolia Canada filed a motion to strike the intervention of Oppenheim and on February 3, 2023, Oppenheim filed a response to that motion arguing that such intervention is proper. Such motions are still pending with the court.

On February 9, 2023, Edna Meyer-Nelson, Suzanne Klein, and Laura S. Ward (the "First Additional Intervenors"), each a shareholder of the Company, filed a separate Petition in Intervention to join in Oppenheim's derivative suit against the Company.

On March 2, 2023, Dr. Marvin Chasen and Billie Mae Chasen (the "Second Additional Intervenors", and together with the First Additional Intervenor), filed a separate Petition in Intervention to join in Oppenheim's derivative suit against the Company.

The Additional Intervenors are seeking an order compelling an annual shareholder meeting of the Company; a temporary injunction requiring the Defendants to hold an annual and special meeting of the shareholders of the Company within 30 days to elect directors of the Company and conduct such other proper business as may come before it; a temporary injunction enjoining the Defendant Directors from voting their Series B Preferred Shares; an order combining the hearing on the temporary injunction with a trial on the merits; expedited discovery; and upon final trial, the Additional Intervenors are requesting: (i) rescission of the Series B Preferred Stock; (ii) forfeiture of all compensation paid to the Defendant Directors by the Company after the Series B Preferred Stock issuance; (iii) actual damages in an amount to be proven at trial; (iv) exemplary damages sufficient to deter the directors of other Texas corporations from disenfranchising a corporation's shareholders, as alleged by the Additional Intervenors; (v) attorneys' fees and expenses; and (vi) such other and further relief to which Additional Intervenors are entitled.

The outcome of the above litigation is currently unknown; however, the Company disputes the Defendants' counterclaims and the allegations of the Intervenors and intends to defend the matter vigorously, while also continuing to seek all damages which it is due.

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 31, 2023, Petrolia Canada Corporation filed a Statement of Claim in the Calgary Court of King's Bench of Alberta naming Blue Sky Resources, Ltd. as a defendant in a lawsuit. On March 24, 2023, Blue Sky Resources, Ltd. filed a Statement of Defense and Counterclaim in the Calgary Court of King's Bench of Alberta. The Court File Number is 2301-01310.

On April 20, 2023, Petrolia Canada Corporation filed a Statement of Defense to Counterclaim, Reply to Defense, and Amended Statement of Claim, adding Zel Khan and Quinten Beasley as defendants in the Court File Number 2301-01310 matter filed in the Calgary Court of King's Bench of Alberta.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

##### Market Information

On September 27, 2022, the Financial Industry Regulatory Authority ("FINRA") pulled the Company's stock symbol due to inactivity in the Company's security for a year. The Company is taking steps to become current in its filings with the Securities and Exchange Commission and upon becoming current in its filings with the Securities and Exchange Commission, it plans to engage a market maker to file a Form 15c2-11 with FINRA and obtain a stock symbol. There can be no assurance that FINRA will approve the Form 15c2-11 or that the Company's common stock will be publicly quoted again.

When allowed to be traded, our common stock has historically been quoted under the symbol "BBLS" on the OTC Pink Sheet market operated by OTC Markets Group.

Historically, only a limited market exists for our securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in our company. Extreme caution should be taken when evaluating the future purchase of Petrolia Energy common stock.

The following tables set forth the historical range of high and low sales prices for our common stock for the periods indicated as reported by the OTC Pink Sheet market operated by the OTC Markets Group. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. Our stock was last traded in 2021, so there are no prices to report for the current year.

Quarter Ended	High	Low
March 31, 2022	\$ —	\$ —
June 30, 2022	\$ —	\$ —
September 30, 2022	\$ —	\$ —
December 31, 2022	\$ —	\$ —

  

Quarter Ended	High	Low
March 31, 2021	\$ 0.0475	\$ 0.0200
June 30, 2021	\$ 0.0570	\$ 0.0212
September 30, 2021	\$ 0.0397	\$ 0.0003
December 31, 2021	\$ 0.0030	\$ 0.0030



## **Penny Stock**

On September 27, 2022, the Financial Industry Regulatory Authority (“FINRA”) pulled the Company’s stock symbol due to inactivity in the Company’s security for a year. The Company is taking steps to become current in its filings with the Securities and Exchange Commission and upon becoming current in its filings with the Securities and Exchange Commission, it plans to engage a market maker to file a Form 15c2-11 with FINRA and obtain a stock symbol.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer’s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Petrolia Energy Corporation is currently not being actively traded because of SEC Rule 15c2-11 and because FINRA pulled the Company’s stock symbol due to inactivity in the Company’s security for a year.

## **Holders of Our Common Stock**

As of December 31, 2022, we had 176,988,322 outstanding shares of common stock and approximately 279 shareholders of record.

## **Preferred Stock**

Our Certificate of Formation authorizes our Board of Directors to issue up to 1,000,000 shares of preferred stock. The provisions in the Certificate of Formation, relating to the preferred stock, allow our directors to issue preferred stock with multiple votes per share and dividend rights which would have priority over any dividends paid with respect to the holders of our common stock. The issuance of preferred stock with these rights may make the removal of management difficult even if the removal would be considered beneficial to shareholders generally and will have the effect of limiting shareholder participation in certain transactions such as mergers or tender offers if these transactions are not favored by our management.

As of December 31, 2022, there are 199,100 shares of Series A Preferred outstanding with 21 preferred shareholders of record.

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, in consideration for services rendered to the Company as members of the Board of Directors. These shares vote in aggregate sixty percent of the total vote on all shareholder matters. These shares were valued at \$50,799 per share by an independent specialist. As of December 31, 2022, there are 3 Series B preferred shares outstanding with 3 preferred shareholders of record.

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. As of December 31, 2022, there are 11,000 Series C preferred shares outstanding with 3 preferred shareholders of record.

#### **Recent Sales of Unregistered Securities**

In October and November of 2021, and January 2022, the Company entered into various subscription agreements with certain accredited investors, pursuant to which the Subscribers agreed, subject to certain conditions in the Subscription Agreements, to purchase an aggregate amount of 11,000 shares of the Company's newly designated shares of Series C Convertible Preferred Stock, par value \$0.10 per share at \$10.00 per share. 8,500 shares of Series C Convertible Preferred Stock were sold in 2021. 2,500 shares of Series C Convertible Preferred Stock were sold in 2022.

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. (RESERVED)**

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Annual Report. The following discussion contains “forward-looking statements” that reflect our future plans, estimates, beliefs and expected performance. We caution you that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. See “Risk Factors” and “Forward Looking Statements.”

Petrolia Energy Corporation explores for, develops, and produces crude oil, natural gas liquids (NGLs) and natural gas in producing basins in the United States of America and Canada. PEC’s principal oil and gas assets are further described in “Plan of Operation”. Maintaining the lowest possible operating cost structure, coupled with efficient and safe operations is integral in the implementation of the Company’s strategy.

##### **Results of Operations**

###### *Revenues*

Revenue for the year ended December 31, 2022 was \$6,847,800, an increase of \$952,572 from the prior year. The increase was primarily due to increased oil prices. In 2022, our Canadian asset (Utikuma) produced 80,332 BOE, which sold at an average price of \$86.16 per barrel. 2021 production for Utikuma and CONA was 97,084 BOE, sold at an average price of \$58.63 per barrel.

###### *Operating Expenses*

Operating expenses for the year ended December 31, 2022 were \$7,899,275, an increase of \$592,250 from the prior year. Lease operating expense contributed \$1,443,753 to the increase, due to more activity in our Utikuma field from repairs and maintenance. General and administrative expenses were reduced by \$410,507 because our staff was smaller. This was partially offset by increased legal expenses. After the sale of the CONA asset in 2021, depletion expense was reduced by \$164,961, because of the smaller base for depletion. Asset retirement accretion was also reduced by \$143,270, due to the sale of the CONA asset in October 2021.

###### *Other Income/Expenses*

Other income/expenses for the year ended December 31, 2022 was other net expense of \$434,605, compared to other net income of \$3,340,701 for the year ended December 31, 2022. The primary cause for the change was the gain on the disposition of the Cona asset in 2021, in the amount of \$3,919,323. The change in fair market value of derivative liabilities was reduced by \$138,690, as these liabilities had reached the end of their amortization period. Interest expense was reduced by \$149,082 as the principal on some loans was reduced by payments made during the year.

###### *Net Income*

The net loss for the year ended December 31, 2022 was \$1,486,080, compared to net income of \$1,928,904 for the year ended December 31, 2021, a change of \$3,414,984 from the prior year for the reasons described above, primarily the disposition of the Cona asset, offset by our increased operating expenses.

## **Liquidity and Capital Resources**

As of December 31, 2022, we had total current assets of \$1,431,266 and total assets of \$8,774,113. Our total current liabilities as of December 31, 2022 were \$9,242,317 and our total liabilities were \$11,561,366. We had negative working capital of \$7,811,051 as of December 31, 2022.

Our material asset balances are made up of oil and gas properties and related equipment. Our most significant liabilities include asset retirement obligations of \$2,301,335, combined accrued liabilities and related party accrued liabilities of \$2,687,575, notes payable of \$398,837 and related party notes payable of \$3,460,815.

Operating activities provided \$1,798,257 in cash for the year ended December 31, 2022. The increase in net cash provided by operating activities was due to our election to take our product in kind from the Utikuma asset early in 2022, rather than net it with the costs incurred by the operator of that asset. Net cash provided by investing activities for the year ended December 31, 2022 was \$1,500, from the sale of some unused equipment on our Oklahoma property.

Cash used by financing activities during the year ended December 31, 2022 was \$388,313 and consisted of \$25,000 of proceeds from the sale of Series C Preferred Stock, which was offset by \$413,313 of repayments of notes payable.

During the year ended December 31, 2022, the Company operated at a positive cash flow from operations of approximately \$150,000 per month. However, our auditors have raised a going concern in their audit report as contained herein. Management also plans to minimize general and administrative expenses and optimize cashflow from the Company's assets.

The Company has suffered recurring losses from operations. These conditions raise doubt about the Company's ability to continue as a going concern. We plan to generate profits by reducing general and administrative expenses, managing litigation costs, and optimizing our cashflow. 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, if needed, 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.

## **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 sold 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 may heighten the competition for oil and gas prospects and may increase the costs of exploration and development.

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.

## **Critical Accounting Policies**

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

*Going concern* – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of \$63,013,127 since its inception and may require 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 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.

## **Recently Issued Accounting Pronouncements**

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position, or cash flow.

## **ITEM 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The consolidated audited financial statements and supplementary data required by this Item are presented beginning on page F-1 of this Annual Report on Form 10-K, which follows “Signatures” below.

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

None.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s chief executive officer and interim chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

An evaluation was carried out under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this annual report on Form 10-K. Based on that evaluation, our management concluded that, as of December 31, 2022, our disclosure controls and procedures were not effective.

## **Management's Report on Internal Control over Financial Reporting**

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, 2022, 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, 2022.

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, the lack of a formalized and complete set of policy and procedure documentation evidencing our system of internal controls over financial reporting, and the possibility that Company employees were also contracted to perform the accounting of affiliated parties. These factors led to certain adjustments which have been reflected in our audited financial statements. Certain of these weaknesses may not be 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. 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, (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, (iv) the elimination of employees or contractors also being employed by affiliated parties and/or (v) 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.

## **Changes in Internal Control Over Financial Reporting**

Except as noted above, there was no change in our internal control over financial reporting that occurred during the three months ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION.**

None.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

### PART III

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

The following information sets forth the names, ages, and positions of our directors and executive officers as of December 31, 2022.

Name	Age	Position	Director/Officer Since
Mark Allen	56	Chief Executive Officer	September 1, 2020
Heather Monk	52	Interim Chief Financial Officer	June 15, 2022
Leo Womack	80	Director	August 2014
James Edward Burns	54	Chairman	April 2017
Ivar Siem	77	Director	April 2019

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors:

**Mark Allen** is an executive in the oil and gas industry with over 30 years of experience in the global energy markets, previously as Global Vice President, Oil and Gas Consulting for Wipro Limited, a leading global consulting and information technology services firm. Prior to Wipro Limited, Mr. Allen was Vice President, Exploration and Production Services for SAIC, a Fortune 500 company. Mr. Allen has also held leadership roles at Shell Oil Company. For the past 10 years Mr. Allen has been the President of Contango Energy, a family held energy company. Mr. Allen holds a BS in Accounting from Brigham Young University and an MBA from the University of St. Thomas. In September 2021, Mr. Allen was appointed as the Chief Executive Officer of the Company.

**Heather Monk** is a Certified Public Accountant with over 20 years of experience. After starting out in public accounting, she spent 13 years at Enterprise Products Partners. In March of 2017, she left Enterprise Products Partners to start her own accounting firm, specializing in taxes and business planning for small to mid-sized businesses. Ms. Monk holds a BBA in Accounting and an MBA from The University of Houston. She joined Petrolia in October of 2021 and was appointed the Interim Chief Financial Officer in June 2022.

**Leo Womack** has over 40 years of experience in advising and serving as Director of small micro-capitalization public and private companies. Mr. Womack has been the President of Gulf Equities Realty Advisors, Inc., a diversified real estate portfolio management company, since 1986. For more than five (5) years, from March 1986 to the present, Mr. Womack has been and continues to be employed as the President of Gulf Equities Realty Advisors Inc. He has been the Chairman of Fairway Medical Technologies, Inc., a medical device company and a portfolio company of the Baylor College of Medicine Venture Fund since 1996. From 1969 to 1978, he was the managing partner of a local and later national CPA firm. He has served on the Board and as Chairman of the Houston Angel Network and on National Committees of the Angel Capital Association. Prior to its acquisition by ITT Corporation in 2010, he served as a board member and the audit committee chair for OI Corporation (NASDAQ:OICO). Mr. Womack continues to serve on the Boards of Directors of five early-stage companies that he or his Family Trust have invested in. Mr. Womack earned a Bachelor of Business Administration in Accounting from Texas A&M University-Kingsville in 1965. Mr. Womack is also a licensed Certified Public Accountant (CPA).

**James Edward Burns** is an executive who brings more than 25 years of experience to Petrolia Energy's Board. He currently serves on a number of public and private company boards including Bon Natural Life Ltd, (NASDAQ: BON), TMT Acquisition Corp (NASDAQ: TMTC), Playmaker IQ, Dry States Water Solutions and Hearthstone Capital Inc. He served as President of BLU LNG, a domestic LNG provider until 2016. Prior to his role at BLU LNG, Mr. Burns was President of Fortress Energy Partners a division of Fortress Investment Group and worked in various executive roles globally at Royal Dutch Shell and Texaco. He holds a BS in Business Administration from California State University and an Executive MBA from the University of Houston.

**Ivar Siem** is the Chairman of American Resources Inc. (“American”). Mr. Siem previously also served as the Chairman and CEO of American and its predecessor from September 2000 to August 1, 2017. Mr. Siem has broad experience from both the upstream and the service segments of the oil and gas industry. He has been the founder of several companies and involved in multiple roll-ups and restructuring processes throughout his career. These include Fred Olsen, Inc., Dolphin International, Inc., Blue Dolphin Energy, Seateam Technology ASA, DI Industries/Grey Wolf Drilling, American Resources Offshore, Inc., and Equimavenca SA. He has served on a number of public and private company boards including Frupor SA, Avenir ASA, Wellcem AS, and Siem Industries, Inc. Since July 2018, Mr. Siem has served as a member of the Board of Directors of PEDEVCO Corp. (NYSE American:PED), a company with securities registered under the Exchange Act.

#### **Term of Office**

Our directors are appointed to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

#### **CORPORATE GOVERNANCE**

The Company promotes accountability for adherence to honest and ethical conduct; endeavors to provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the SEC and in other public communications made by the Company; and strives to be compliant with applicable governmental laws, rules and regulations.

#### **Board Leadership Structure**

The roles of Chairman and Chief Executive Officer of the Company are currently held separately. Mr. Burns serves as Chairman and Mr. Allen serves as Chief Executive Officer. The Board of Directors does not have a policy as to whether the Chairman should be an independent director, an affiliated director, or a member of management.

Our Board believes that the Company’s current leadership structure is appropriate because it effectively allocates authority, responsibility, and oversight between management and the members of our Board. It does this by giving primary responsibility for the operational leadership and strategic direction of the Company to its Chief Executive Officer, while enabling our Chairman to facilitate our Board’s oversight of management, promote communication between management and our Board, and support our Board’s consideration of key governance matters. The Board believes that its programs for overseeing risk, as described below, would be effective under a variety of leadership frameworks and therefore do not materially affect its choice of structure.

#### **Risk Oversight**

Effective risk oversight is an important priority of the Board of Directors. Because risks are considered in virtually every business decision, the Board of Directors discusses risk throughout the year generally or in connection with specific proposed actions. The Board of Directors’ approach to risk oversight includes understanding the critical risks in the Company’s business and strategy, evaluating the Company’s risk management processes, allocating responsibilities for risk oversight, and fostering an appropriate culture of integrity and compliance with legal responsibilities. The directors exercise direct oversight of strategic risks to the Company.

#### **Family Relationships**

None of our directors are related by blood, marriage, or adoption to any other director, executive officer, or other key employees.

#### **Arrangements Between Officers and Directors**

To our knowledge, there is no arrangement or understanding between any of our officers and any other person, including directors, pursuant to which the officer was selected to serve as an officer.



## **Other Directorships**

No directors of the Company are also directors of issuers with a class of securities registered under Section 12 of the Exchange Act (or which otherwise are required to file periodic reports under the Exchange Act), except as discussed in their bios above.

## **Director Qualifications**

The Board believes that each of our directors is highly qualified to serve as a member of the Board. Each of the directors has contributed to the mix of skills, core competencies and qualifications of the Board. When evaluating candidates for election to the Board, the Board seeks candidates with certain qualities that it believes are important, including integrity, an objective perspective, good judgment, and leadership skills. Our directors are highly educated and have diverse backgrounds and talents and extensive track records of success in what we believe are highly relevant positions.

## **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our executive officers or directors has been involved in any of the following events during the past ten years:

- (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) any conviction in a criminal proceeding or being a named subject to a pending criminal proceeding (excluding traffic violations and minor offenses);
- (3) being subject to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;
- (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law;
- (5) being the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (i) any Federal or State securities or commodities law or regulation; (ii) any law or regulation respecting financial institutions or insurance companies, including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (6) being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section (1a)(40) of the Commodity Exchange Act), or any equivalent exchange, association, entity, or organization that has disciplinary authority over its members or persons associated with a member.

## **Board of Directors Meetings**

The Company had four (4) official meetings of the Board of Directors during the fiscal year 2022 and four (4) during the previous fiscal year ending December 31, 2021. All directors attended at least 75% of the meetings of the Board of Directors and meetings of Committees of the Board of Directors, for committees on which they served. The Company has not adopted a policy requiring its directors to attend its annual meeting.

## **Hedging, Clawbacks and Insider Trading Policies**

The Company does not currently hedge any oil and gas products.

Insider trading includes the trading of our stock and options (put and call), based on material, non-public information about the Company. The Company prohibits any insider trading shares based on insider information and could be exposed to potential civil and/or criminal penalties. It also prohibits the sharing of that information with other non-insider individuals. This policy applies to the purchase/sale of common stock and preferred stock. The Company prohibits the trading of options at any time, irrespective of stock trading restrictions. This policy applies to all directors, officers, employees, and consultants of the Company, as well as their family members. This policy imposes special additional temporary trading restrictions applicable to directors and officers of the Company.

## COMMITTEES OF THE BOARD

### *Board Committee Membership*

	Independent	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
James E. Burns (1)			C	
Leo Womack	X	C		M
Ivar Siem	X	M		C

(1) Chairman of Board of Directors.

C - Chairman of Committee.

M - Member.

The charter for each committee of the Board identified below is available on our website at [www.petrolienergy.com](http://www.petrolienergy.com). Copies of the committee charters are also available for free upon written request to our Corporate Secretary. Additionally, the committee charters are filed as exhibits to our Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 24, 2018 (the "Form 8-K").

### *Audit Committee*

The Audit Committee, which is comprised exclusively of independent directors, has been established by the Board to oversee our accounting and financial reporting processes and the audits of our financial statements.

The Board has selected the members of the Audit Committee based on the Board's determination that the members are financially literate (as required by NASDAQ rules) and qualified to monitor the performance of management and the independent auditors and to monitor our disclosures so that our disclosures fairly present our business, financial condition, and results of operations.

The Board has also determined that Mr. Womack, is an "audit committee financial expert" (as defined in the SEC rules) because he has the following attributes: (i) an understanding of generally accepted accounting principles in the United States of America ("GAAP") and financial statements; (ii) the ability to assess the general application of such principles in connection with accounting for estimates, accruals and reserves; (iii) experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements; (iv) an understanding of internal control over financial reporting; and (v) an understanding of audit committee functions. Mr. Womack has acquired these attributes by means of having held various positions that provided relevant experience, as described in his biographical above.

The Audit Committee has the sole authority, at its discretion and at our expense, to retain, compensate, evaluate and terminate our independent auditors and to review, as it deems appropriate, the scope of our annual audits, our accounting policies and reporting practices, our system of internal controls, our compliance with policies regarding business conduct and other matters. In addition, the Audit Committee has the authority, at its discretion and at our expense, to retain special legal, accounting, or other advisors to advise the Audit Committee.

The Audit Committee was formed on May 21, 2018.

The Audit Committee Charter is filed as Exhibit 99.3 to the Form 8-K filed on May 24, 2018.

### ***Compensation Committee***

The Compensation Committee is responsible for the administration of our stock compensation plans, approval, review and evaluation of the compensation arrangements for our executive officers and directors and oversees and advises the Board on the adoption of policies that govern the Company's compensation and benefit programs. In addition, the Compensation Committee has the authority, at its discretion and at our expense, to retain special legal, accounting or other advisors to advise the Compensation Committee.

The Compensation Committee was formed on May 21, 2018.

The Compensation Committee Charter is filed as Exhibit 99.4 to the Form 8-K filed on May 24, 2018.

James Burns is the Chairman of the Compensation Committee.

### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee, which is comprised exclusively of independent directors, is responsible for identifying prospective qualified candidates to fill vacancies on the Board, recommending director nominees (including chairpersons) for each of our committees, developing and recommending appropriate corporate governance guidelines and overseeing the self-evaluation of the Board.

In considering individual director nominees and Board committee appointments, our Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and Board committees and to identify individuals who can effectively assist the Company in achieving our short-term and long-term goals, protecting our stockholders' interests and creating and enhancing value for our stockholders. In so doing, the Nominating and Governance Committee considers a person's diversity attributes (e.g., professional experiences, skills, background, race and gender) as a whole and does not necessarily attribute any greater weight to one attribute. Moreover, diversity in professional experience, skills and background, and diversity in race and gender, are just a few of the attributes that the Nominating and Governance Committee takes into account. In evaluating prospective candidates, the Nominating and Governance Committee also considers whether the individual has personal and professional integrity, good business judgment and relevant experience and skills, and whether such individual is willing and able to commit the time necessary for Board and Board committee service.

While there are no specific minimum requirements that the Nominating and Governance Committee believes must be met by a prospective director nominee, the Nominating and Governance Committee does believe that director nominees should possess personal and professional integrity, have good business judgment, have relevant experience and skills, and be willing and able to commit the necessary time for Board and Board committee service. Furthermore, the Nominating and Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending individuals that can best perpetuate the success of our business and represent stockholder interests through the exercise of sound business judgment using their diversity of experience in various areas. We believe our current directors possess diverse professional experiences, skills and backgrounds, in addition to (among other characteristics) high standards of personal and professional ethics, proven records of success in their respective fields and valuable knowledge of our business and our industry.

The Nominating and Governance Committee uses a variety of methods for identifying and evaluating director nominees. The Nominating and Governance Committee also regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or other circumstances. In addition, the Nominating and Governance Committee considers, from time to time, various potential candidates for directorships. Candidates may come to the attention of the Nominating and Governance Committee through current Board members, professional search firms, stockholders or other persons. These candidates may be evaluated at regular or special meetings of the Nominating and Governance Committee and may be considered at any point during the year.

The Committee evaluates director nominees at regular or special Committee meetings pursuant to the criteria described above and reviews qualified director nominees with the Board. The Committee selects nominees that best suit the Board's current needs and recommends one or more of such individuals for election to the Board.

The Nominating and Governance Committee was formed on May 21, 2018.

The Nominating and Governance Committee Charter is filed as Exhibit 99.5 to the Form 8-K filed on May 24, 2018.

### **Stockholder Communications with the Board**

Our Company has defined policy and procedural requirements for stockholders to submit recommendations or nominations for directors as set forth in the Company's Bylaws and described below. Our Company does not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Nominating and Governance Committee will assess all candidates, whether submitted by management or stockholders, and make recommendations for election or appointment.

The Nominating and Governance Committee will consider candidates recommended by stockholders, provided the names of such persons, accompanied by relevant biographical information, are properly submitted in writing to the Secretary of the Company in accordance with the manner described below. The Secretary will send properly submitted stockholder recommendations to the Nominating and Governance Committee. Individuals recommended by stockholders in accordance with these procedures will receive the same consideration received by individuals identified to the Nominating and Governance Committee through other means. The Nominating and Governance Committee also may, in its discretion, consider candidates otherwise recommended by stockholders without accompanying biographical information, if submitted in writing to the Secretary.

Our stockholders and other interested parties may communicate with members of the Board of Directors by submitting such communications in writing to our Corporate Secretary, 710 N. Post Oak Rd., Suite 400, Houston, Texas 77024, who, upon receipt of any communication other than one that is clearly marked "Confidential," will note the date the communication was received, open the communication, make a copy of it for our files and promptly forward the communication to the director(s) to whom it is addressed. Upon receipt of any communication that is clearly marked "Confidential," our Corporate Secretary will not open the communication, but will note the date the communication was received and promptly forward the communication to the director(s) to whom it is addressed. If the correspondence is not addressed to any particular Board member or members, the communication will be forwarded to a Board member to bring to the attention of the Board.

### **Code of Conduct**

We have adopted a Code of Ethical Business Conduct ("Code of Conduct") that applies to all of our directors, officers and employees.

Any stockholder who so requests may obtain a free copy of our Code of Conduct by submitting a written request to our Corporate Secretary. Additionally, the Code of Conduct was filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed with the SEC on November 23, 2015, as Exhibit 14.1.

We intend to disclose any amendments to our Code of Conduct and any waivers with respect to our Code of Conduct granted to our principal executive officer, our principal financial officer, or any of our other employees performing similar functions on our website at [www.petrolienergy.com](http://www.petrolienergy.com) within four business days after the amendment or waiver. In such case, the disclosure regarding the amendment or waiver will remain available on our website for at least 12 months after the initial disclosure. There have been no waivers granted with respect to our Code of Conduct to any such officers or employees.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Pursuant to SEC rules, we are not required to disclose in this filing any failure to timely file a Section 16(a) report that has been disclosed by us in a prior annual report or proxy statement.

## ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation of (i) all individuals serving as our principal executive officer (PEO) or acting in a similar capacity during the last completed fiscal year, regardless of compensation level; (ii) our two most highly compensated executive officers other than the PEO who were serving as executive officers at the end of the last completed fiscal year and who were paid more than \$100,000 of total compensation; and (iii) up to two additional individuals for whom disclosure would have been provided pursuant to paragraph (ii) but for the fact that the individual was not serving as an executive officer at the end of the last completed fiscal year (collectively, the “Named Executive Officers”).

The following table summarizes all compensation paid or accrued to our former or current executive officers during the years ended December 31, 2022, and December 31, 2021:

Name and Principal Position	Fiscal Year	Compensation (1)	Bonus (2)	Stock Awards (3)	Option and Warrant Awards (4)	All Other Compensation (5)	Total
Mark Allen							
(Chief Executive Office (former President) (6)	2022	\$ 180,000	\$ —	\$ —	\$ —	\$ 27,704	\$207,704
	2021	\$ 180,000	\$ —	\$ —	\$ —	\$ 23,847	\$203,847
Paul Deputy (Interim Chief Financial Officer) (7)	2022	\$ 13,500	\$ —	\$ —	\$ —	\$ —	\$ 13,500
	2021	\$ 124,863	\$ —	\$ —	\$ —	\$ —	\$124,863
Heather Monk (Interim Chief Financial Officer) (8)	2022	\$ 116,846	\$ —	\$ —	\$ —	\$ —	\$116,846
	2021	\$ 15,000	\$ —	\$ —	\$ —	\$ —	\$ 15,000

Does not include perquisites and other personal benefits unless the aggregate amount of such compensation is more than \$10,000. None of our executive officers received any change in pension value and nonqualified deferred compensation earnings during the periods presented.

- (1) The dollar value of compensation (cash and non-cash) earned. In 2021, compensation of \$127,500 was paid in cash and \$192,363 was accrued. In 2022, compensation of 217,419 was paid in cash and \$91,500 was accrued.
- (2) The dollar value of bonus (cash and non-cash) earned.
- (3) The fair value of stock issued for services computed in accordance with ASC 718 on the date of grant.
- (4) The fair value of options and warrants granted computed in accordance with ASC 718 on the date of grant.
- (5) All other compensation received that we could not properly report in any other column of the table.
- (6) On September 1, 2020, the Board of Directors approved a contractual Consulting Agreement between the Company and Mark Allen to appoint him as the new President of the Company. In September of 2021 he was appointed Chief Executive Officer.
- (7) Paul Deputy was appointed interim Chief Financial Officer on February 1, 2021. He left the position on April 15, 2022.
- (8) Heather Monk joined the Company as a part-time consultant in October of 2021. She became a full-time consultant in April 2022 and was promoted to interim Chief Financial Officer in June 2022.

We do not provide our officers or employees with pension, stock appreciation rights, long-term incentive, profit sharing, retirement, or other plans, although we may adopt one or more of such plans in the future.

We do not maintain any life or disability insurance on any of our officers.

## Employment Agreements

### Mark Allen (CEO)

On September 1, 2020, the Board of Directors approved a Consulting Agreement between the Company and Mark Allen to appoint him as the new President of the Company. Mr. Allen's contract term is 6 months, with a cash payment of \$90,000 in equal monthly installments of \$15,000, including an option to extend. In addition, Mr. Allen is due to receive incentive compensation of 2,000,000 shares of common stock (1,000,000 at signing and the remaining at the end of the contract period). He also is to receive 1,000,000 warrants at \$0.08 per share that expire in 36 months and vest over a two-year period.

On September 1, 2021, the Board of Directors approved a Consulting Agreement between the Company and Mark Allen to appoint him as the CEO of the Company at a continued rate of \$15,000 per month. This agreement is still in force.

### Director Compensation

The table below summarizes all compensation of our directors for the year ended December 31, 2022.

Name	Fees Earned or Paid in Cash (1)	Stock Awards	Option and Warrant Awards	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings	All Other Compensation (2)	Total (\$)
James E. Burns	\$ 71,000	\$ —	\$ —	\$ —	\$ —	\$ 25,868	\$ 96,868
Leo Womack	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ivar Siem	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The notes below summarize all compensation of our directors for the year ended December 31, 2022.

- (1) Fees earned due to retainers, meetings, committees, and chairman services. These fees were not paid in cash to date but were accrued.
- (2) Payment for health insurance benefits was included in James Burns employment agreement.

The fair value of stock issued for services computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 on the date of grant.

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

The following table sets forth certain information regarding the beneficial ownership of our common stock and preferred stock by (i) each person who is known by the Company to own beneficially more than five percent (5%) of our outstanding voting stock; (ii) each of our directors and director nominees; (iii) each of our executive officers and significant employees; and (iv) all of our current executive officers, significant employees and directors as a group, as of May 12, 2023 (the “Date of Determination”).

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investing power with respect to securities. These rules generally provide that shares of common stock subject to options, warrants or other convertible securities that are currently exercisable or convertible, or exercisable or convertible within 60 days of the Date of Determination, are deemed to be outstanding and to be beneficially owned by the person or group holding such options, warrants or other convertible securities for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

We believe that, except as otherwise noted and subject to applicable community property laws, each person named in the following table has sole investment and voting power with respect to the shares of common stock shown as beneficially owned by such person. Unless otherwise indicated, the address for each of the officers or directors listed in the table below is 710 N. Post Oak Rd., Suite 400, Houston, Texas 77024.

	Number of Common Stock Shares (1)	Percent of Common Stock (2)	Number of Series A Convertible Preferred Stock Shares	Percent of Series A Convertible Preferred Stock (2)	Number of Series C Convertible Preferred Stock Shares	Percent of Series C Convertible Preferred Stock (2)	Total Beneficial Ownership	Percent of Total Voting Shares (3) (12)
<b>Named Executive Officers and Directors</b>								
Leo Womack	4,612,500(4)	2.6%	8,400	4.2%	5,000	45.5%	5,712,500(4)	3.0%
James E. Burns	6,654,566(5)	3.8%	16,400	8.2%			7,825,995(5)	4.1%
Ivar Siem	3,604,167(6)	2.0%					3,604,167(6)	1.9%
Mark Allen	17,935,778(7)	10.1%					17,935,778(7)	9.5%
Heather Monk	—	—					—	—
<b>All Named Executive Officers and Directors as a Group (4 persons)</b>	<b>32,807,011</b>	<b>18.5%</b>	<b>24,800</b>	<b>12.4%</b>	<b>5,000</b>	<b>45.5%</b>	<b>35,078,440</b>	<b>18.5%</b>
<b>5% Stockholders</b>								
<b>Common Stock</b>								
Quinten Beasley	9,706,172(8)	5.5%					9,706,172(8)	5.1%
Zel Khan	46,365,575(9)	26.2%	24,410	12.3%			46,365,575(9)	24.5%
Joel Oppenheim	12,271,613(10)	6.9%	20,490	10.3%			12,271,613(10)	6.5%
<b>Series A Convertible Preferred Stock</b>								
Rick Wilber	3,070,000(11)	1.7%	55,000	27.6%	5,000	45.5%	6,998,571(11)	3.7%

Under Rule 13d-3 of the Exchange Act, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares, and/or (ii) investment power, which includes the power to dispose or direct the disposition of shares. Also under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the number of shares is deemed to include the number of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the above table does not necessarily reflect the person's actual voting power at any particular date.

- (1) Not including shares of common stock issuable upon conversion of outstanding shares of Series A Preferred Stock and Series C Preferred Stock held by each holder.
- (2) Except as otherwise indicated, all shares are owned directly, and the percentage shown is based on 176,988,322 shares of common stock and 199,100 shares of Series A Convertible Preferred Stock and 11,000 shares of Series C Convertible Preferred Stock issued and outstanding as of the Date of Determination. The Series A Preferred Stock (and accrued and unpaid dividends thereon) are convertible into shares of common stock of the Company on a 71.429-for-one basis. The Series A and C Preferred Stock includes a blocker prohibiting the conversion of the Series A or C Preferred Stock into common stock of the Company, if upon such conversion/exercise the holder thereof would beneficially own more than 4.999% of the Company's then outstanding common stock, provided such limitation shall not apply in the event of an automatic conversion of the Series A or C Preferred Stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation also limits the voting rights of any holders of the Series A or C Preferred Stock, the effects of which have been reflected in the table above. The Beneficial Ownership Limitation may be waived by any holder with 61 days prior written notice to the Company.
- (3) Includes all shares of common stock beneficially owned by each named person, all shares of common stock issuable upon exercise of warrants which have vested, or which will vest within 60 days of the Date of Determination to the named person, and all shares of common stock issuable upon conversion of Series A and C Preferred Stock held by the named person, subject to the Beneficial Ownership Limitation.



- (4) Includes all shares of common stock beneficially owned by Mr. Womack and the Leo B. Womack Family Trust, which Mr. Womack is deemed to beneficially own (the “Trust”), all shares of common stock issuable upon exercise of warrants which have vested or which will vest within 60 days of the Date of Determination to Mr. Womack and the Trust, and for the “Total Beneficial Ownership” column, shares of common stock issuable upon conversion of outstanding shares of Series A and C Preferred Stock held by Mr. Womack and the Trust, subject to the Beneficial Ownership Limitation.
- (5) Includes all shares of common stock beneficially owned by Mr. Burns, all shares of common stock issuable upon exercise of warrants which have vested, or which will vest within 60 days of the Date of Determination to Mr. Burns, and for the “Total Beneficial Ownership” column, shares of common stock issuable upon conversion of outstanding shares of Series A Preferred Stock held by Mr. Burns, subject to the Beneficial Ownership Limitation.
- (6) Includes all shares of common stock beneficially owned by Mr. Siem and American Resources Offshore Inc. (“American Resources”) and all shares of common stock issuable upon exercise of warrants which have vested, or which will vest within 60 days of the Date of Determination to Mr. Siem and American Resources. Mr. Siem is deemed to beneficially own the securities held by American Resources due to his position as Director and CEO of American Resources.
- (7) Includes all shares of common stock and warrants to purchase shares of common stock held by Mr. Allen, which have vested, or which will vest within 60 days of the Date of Determination.
- (8) Address: 7941 Katy Fwy, Suite 522, Houston, Texas 77024. Includes all shares of common stock beneficially owned by Mr. Beasley, Critical Communication LLC (“Critical”), all shares of common stock issuable upon exercise of warrants which have vested, or which will vest within 60 days of the Date of Determination to Mr. Beasley, Critical. Mr. Beasley is deemed to beneficially own the securities held by Critical due to his position as Managing Director of Critical Communications.
- (9) Address: 7941 Katy Fwy, Suite 522, Houston, Texas 77024. Includes all shares of common stock beneficially owned by Mr. Khan and Jovian Petroleum Corporation (“Jovian”), all shares of common stock issuable upon exercise of warrants which have vested or which will vest within 60 days of the Date of Determination to Mr. Khan and Jovian, and for the “Total Beneficial Ownership” column, shares of common stock issuable upon conversion of outstanding shares of Series A Preferred Stock held by Mr. Khan and Jovian, subject to the Beneficial Ownership Limitation. Mr. Khan is deemed to beneficially own the securities held by Jovian due to his position as President of Jovian.
- (10) Includes all shares of common stock beneficially owned by Mr. Oppenheim, all shares of common stock issuable upon exercise of warrants which have vested, or which will vest within 60 days of the Date of Determination to Mr. Oppenheim, and for the “Total Beneficial Ownership” column, shares of common stock issuable upon conversion of outstanding shares of Series A Preferred Stock held by Mr. Oppenheim, subject to the Beneficial Ownership Limitation.
- (11) Address: 10360 Kestrel Street, Plantation, Florida, 33324.
- (12) On October 25, 2021, the Board of Directors of the Company approved the filing of a Certificate of Designations of Petrolia Energy Corporation Establishing the Designations, Preferences, Limitations, and Relative Rights of its Series B Preferred Stock with the Secretary of State of Texas, which designation was filed with, and became effective with, the Secretary of State of Texas on October 25, 2021. The Series B Designation designated three shares of Series B Preferred Stock. The Company issued one share of its newly designated shares of Series B Preferred Stock to each of the three members of its then Board of Directors, (1) James E. Burns, (2) Leo Womack and (3) Ivar Siem, in consideration for services rendered to the Company as members of the Board of Directors. Such shares of Series B Preferred Stock vote in aggregate sixty percent (60%) of the total vote on all shareholder matters, voting separately as a class.

## Changes in Control

The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information, as of December 31, 2022, with respect to our compensation plans under which common stock is authorized for issuance.

### Equity Compensation Plan Information

Plan Category	(A)	(B)	(C)
	Number of securities to issue upon exercise of outstanding options and warrants	Weighted-average exercise price of outstanding options and warrants	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans approved by shareholders (1)	—	N/A	40,000,000
Equity compensation plans not approved by shareholders	23,970,000	\$ 0.13	—
<b>Total</b>	<b>23,970,000</b>	<b>\$ 0.13</b>	<b>40,000,000</b>

(1) The Company's 2015 Stock Incentive Plan, as amended (the "Plan") provides for up to 40,000,000 shares of awards. At present, no shares have been issued from the Plan.

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

Except as discussed below or otherwise disclosed above under "[Item 11. Executive Compensation](#)," Note 7 – Related Party Notes Payable, Note 10 - Equity and Note 11 - Related Party Transactions, of the consolidated audited financial statements included herein, all of which information is incorporated by reference into this Item 13, there have been no transactions since the beginning of the Company's last fiscal year, and there is not currently any proposed transaction, in which the Company was or is to be a participant, where the amount involved exceeds the lesser of \$120,000 or one percent of the average of the Company's total assets at year end, for the last two completed fiscal years, and in which any officer, director, or any stockholder owning greater than five percent (5%) of our outstanding voting shares, nor any member of the above referenced individual's immediate family, had or will have a direct or indirect material interest.

On October 25, 2021, the Board of Directors of the Company approved the filing of a Certificate of Designations of Petrolia Energy Corporation Establishing the Designations, Preferences, Limitations, and Relative Rights of its Series B Preferred Stock with the Secretary of State of Texas, which designation was filed with, and became effective with, the Secretary of State of Texas on October 25, 2021. The Series B Designation designated three shares of Series B Preferred Stock. The Company issued one share of its newly designated shares of Series B Preferred Stock to each of the three members of its then Board of Directors, (1) James E. Burns, (2) Leo Womack and (3) Ivar Siem, in consideration for services rendered to the Company as members of the Board of Directors. Such shares of Series B Preferred Stock vote in aggregate sixty percent (60%) of the total vote on all shareholder matters, voting separately as a class.

In October and November of 2021, and January 2022, the Company entered into various subscription agreements with certain accredited investors, pursuant to which the Subscribers agreed, subject to certain conditions in the Subscription Agreements, to purchase an aggregate amount of 11,000 shares of the Company's newly designated shares of Series C Convertible Preferred Stock, par value \$0.10 per share at \$10.00 per share. Investors in the offering include the Company's director, Leo Womack, who purchased \$50,000 in shares of Series C Preferred Stock (5,000 shares) in 2021, and \$25,000 in shares of Series C Preferred Stock (2,500 shares) in 2022.

### Review, Approval and Ratification of Related Party Transactions

On August 22, 2018, the Company adopted a formal related party transaction policy (the "Policy") for the review, approval, or ratification of transactions, such as those described above, with our directors, nominees for director, executive officers and significant shareholders or certain entities or persons related to them.

Under the terms of the Policy, the Audit Committee shall review the material facts of all related party transactions and may approve or disapprove of the entry into the related party transaction. Where advance Audit Committee review of a related party transaction is not feasible or has otherwise not been obtained, then the related party transaction shall be reviewed subsequently by the Audit Committee (and such transaction may be ratified subsequently by the Audit Committee). The Audit Committee may also disapprove of a previously entered into related party transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the related party transaction. The Audit Committee shall be authorized to review in advance and provide standing pre-approval in advance of certain related party transactions or categories of related party transactions which include employment of executive officers, director compensation and others. The Audit Committee or the Board of Directors may recommend the creation of a special Audit Committee to review any related party transaction.

Each officer and/or director who is a related party with respect to a particular related party transaction shall disclose all material information to the Audit Committee concerning such related party transaction and his or her interest in such transaction. Any member of the Audit Committee who has a potential interest in any related party transaction shall recuse himself or herself and abstain from voting on the approval or ratification of the related party transaction but may participate in all or a portion of the Audit Committee's discussions of the related party transaction, if requested by the Audit Committee.

In connection with its review of a related party transaction, the Audit Committee shall take into account, among other factors it deems appropriate, including the following factors, among others, to the extent relevant to the related party transaction:

- Whether the terms of the related party transaction are fair to the Company and would apply on the same basis if the transaction did not involve a related party, i.e., whether the terms of the transaction would be the same if the transaction was undertaken on an arms-length basis;
- Whether there are any compelling business reasons for the Company to enter into the related party transaction and the nature of alternative transactions, if any;
- Whether the related party transaction would impair the independence of an otherwise independent director or nominee for director;
- Whether the Company was notified about the related party transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- Whether the related party transaction would present an improper conflict of interest for any related party, taking into account the size of the transaction, the overall financial position of the related party, the direct or indirect nature of the related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant.

If a related party transaction will be ongoing, the Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the related party. Thereafter, the Audit Committee shall periodically review and assess ongoing relationships with the related party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under the Policy shall also be subject to subsequent review under the Policy.

In addition to guidelines for ongoing related party transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time-to-time guidelines regarding the review of other related party transactions including those that (i) involve de minimus amounts, (ii) do not require public disclosure, or (iii) involve transactions that have primarily a charitable purpose.

#### **Director Independence**

Our common stock was quoted for trading on the OTC Pink Sheet market operated by OTC Markets Group and we are not required to have independent members of our Board of Directors pursuant to OTC Pink Sheet market rules. Notwithstanding that we currently consider Leo Womack and Ivar Siem as independent directors.

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

Our independent public accounting firm is M&K CPAS, PLLC, Houston, Texas, PCAOB Auditor ID #2738.

M&K CPAS, PLLC (“M&K”) served as our independent registered public accounting firm for the years ended December 31, 2022, and December 31, 2021. The following table shows the aggregate fees billed to us for these years by M&K.

	Year Ended December 31,	
	2022	2021
Audit Fees	\$ 54,000	\$ 40,000
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$ 54,000	\$ 40,000

Audit fees represent amounts billed for professional services rendered for the audit of our annual consolidated financial statements and the reviews of the financial statements included in our Form 10-Q reports.

Audit related fees represent fees billed for services related to review of our regulatory filings, including registration statements, periodic reports and audit related consulting.

Tax fees represent professional services for tax compliance, tax advice and tax planning.

Other fees are any other services provided.

It is the policy of our Board of Directors that all services be provided by our independent registered public accounting firm, including audit services, and permitted audit-related and non-audit services, must be pre-approved by our Board of Directors. Our Board of Directors pre-approved all services, audit and non-audit related, provided to us by M&K for 2021 and 2022.

To assure continuing auditor independence, the Board of Directors periodically considers the independent auditor’s qualifications, performance and independence and whether there should be a regular rotation of our independent external audit firm.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

INDEX TO FINANCIAL STATEMENTS

(1) Audited Financial Statements for Years Ended December 31, 2022 and 2021

<a href="#">Report of Independent Registered Public Accounting Firms (PCAOB ID: 2738)</a>	F-1
<a href="#">Consolidated Balance Sheets as of December 31, 2022 and 2021</a>	F-2
<a href="#">Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2022 and 2021</a>	F-3
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021</a>	F-4
<a href="#">Consolidated Statement of Changes in Stockholders' Equity (Deficit) and Comprehensive Loss for the Years Ended December 31, 2022 and 2021</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7

(2) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits required by Item 601 of Regulation S-K

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit Number	Filing Date	File No.
3.1	<a href="#">Original Colorado Articles of Incorporation</a>		SB-2	3.1	7/25/2006	333-136012
3.2	<a href="#">Amended and Restated Colorado Articles of Incorporation</a>		SB-2	3.2	7/25/2006	333-136012
3.3	<a href="#">Amendment to Colorado Articles of Incorporation</a>		S-1	3.3	10/24/2012	333-184575
3.4	<a href="#">Texas Certificate of Conversion Converting From Rockdale Resources Corporation (Colorado) to Petrolia Energy Corporation (Texas) filed with the Secretary of State of Texas on June 15, 2016</a>		8-K	3.1	9/12/2016	000-52690
3.5	<a href="#">Certificate of Correction to Texas Certificate of Formation filed with the Secretary of State of Texas on August 24, 2016</a>		8-K	3.2	9/12/2016	000-52690
3.6	<a href="#">Statement of Conversion as filed with the Secretary of State of Colorado on August 30, 2016</a>		8-K	3.3	9/12/2016	000-52690
3.7	<a href="#">Certificate of Designations of Series A Convertible Preferred Stock of Petrolia Energy Corporation, filed with the Secretary of State of Texas on May 3, 2017</a>		10-Q	3.1	5/15/2017	000-52690
3.8	<a href="#">Certificate of Amendment to Certificate of Formation to Increase the Company's Authorized Shares of Common Stock to 400,000,000 Shares and to amend the par value of the Preferred Stock to \$0.001 per share, filed with the Secretary of State of Texas on November 9, 2017</a>		10-Q	3.1	6/28/2018	000-52690

3.9	<a href="#">Certificate of Designations of s Series B Preferred Stock of Petrolia Energy Corporation, filed with the Secretary of State of Texas on October 25, 2021</a>	8-K	3.1	10/25/2021	000-52690
3.10	<a href="#">Certificate of Designation of Series C Convertible Preferred Stock of Petrolia Energy Corporation, filed with the Secretary of State of Texas on October 12, 2021</a>	8-K	3.1	3/3/2022	000-52690
3.11	<a href="#">Bylaws of Petrolia Energy Corporation (Texas)</a>	8-K	3.4	9/12/2016	000-52690
4.1	<a href="#">Description of Securities of the Company</a>	X			
10.1	<a href="#">\$500,000 Convertible Promissory Note dated April 1, 2018 entered into with Blue Sky International Holdings Inc.</a>	10-K	10.28	4/17/2017	000-52690
10.2	<a href="#">Amended Revolving Line of Credit Agreement with Jovian Petroleum Corporation dated February 9, 2018 and amended April 12, 2018</a>	10-K	10.29	4/17/2017	000-52690
10.3#	<a href="#">Separation and Release Agreement dated April 19, 2018, by and between James E. Burns and Petrolia Energy Corporation</a>	8-K	10.1	5/1/2018	000-52690
10.4#	<a href="#">Chairman Offer Letter dated April 20, 2018, by and between James E. Burns and Petrolia Energy Corporation</a>	8-K	10.2	5/1/2018	000-52690
10.5#	<a href="#">Warrant to Purchase Common Stock, evidencing warrants to purchase 5,000,000 shares of common stock granted to James E. Burns on April 19, 2018</a>	8-K	10.3	5/1/2018	000-52690
10.6	<a href="#">Bukit Energy Inc. \$500,000 Promissory Note dated August 31, 2017 and amendment</a>	10-Q	10.7	3/31/2018	000-52690
10.7	<a href="#">Memorandum of Understanding between Blue Sky Resources Ltd. and Petrolia Energy Corporation dated June 29, 2018</a>	8-K	10.1	7/6/2018	000-52690
10.8	<a href="#">Conveyance between Blue Sky Resources Ltd. and Petrolia Energy Corporation dated June 29, 2018</a>	8-K	10.2	7/6/2018	000-52690
10.9	<a href="#">CAD \$406,181 Promissory Note by Petrolia Energy Corporation in favor of Blue Sky Resources Ltd. dated June 8, 2018</a>	8-K	10.3	7/6/2018	000-52690
10.10	<a href="#">EJL Debt Repayment Agreement effective July 31, 2018, by and between Petrolia Energy Corporation and Blue Sky Resources Ltd (see Schedule 2A)</a>	8-K	2.1	9/5/2018	000-52690
10.11	<a href="#">Assignment of 20% BOW EIH effective July 31, 2018, by and between Petrolia Energy Corporation and Bow Energy Ltd. (see Schedule 3)</a>	8-K	2.1	9/5/2018	000-52690

10.12	<a href="#">Assignment of Petrolia Royalty effective July 31, 2018, by and between Petrolia Energy Corporation and Bow Energy Ltd. (see Schedule 4)</a>	8-K	2.1	9/5/2018	000-52690
10.13	<a href="#">Petrolia Carry Agreement, by and between Petrolia Energy Corporation and Bow Energy Ltd. (see Schedule 5)</a>	8-K	2.1	9/5/2018	000-52690
10.14	<a href="#">Form of 12% Bridge Note – 2018</a>	8-K	10.5	9/5/2018	000-52690
10.15	<a href="#">Purchase and Sale Agreement dated and effective November 1, 2018, by and between Petrolia Energy Corporation and Crossroads Petroleum L.L.C. \$240,000 Promissory Note dated November 2, 2018, by Crossroads Petroleum L.L.C. in favor of Petrolia Energy Corporation</a>	10-Q	10.16	5/10/2019	000-52690
10.16	<a href="#">Loan Agreement dated September 17, 2018 with Emmett Lescroart</a>	10-Q	10.17	5/10/2019	000-52690
10.17	<a href="#">Purchase and Sale Agreement dated and effective August 6, 2019, by and between Petrolia Energy Corporation and FlowTex Energy LLC</a>	10-Q	10.18	5/10/2019	000-52690
10.18	<a href="#">Jovian Petroleum Corporation Line of Credit Extension, dated December 31, 2019</a>	10-Q	10.19	5/27/2021	000-52690
10.19	<a href="#">Employment Agreement - Mark Allen dated September 1, 2020</a>	10-Q	10.20	5/27/2021	000-52690
10.20#	<a href="#">Executive Salary Payment Agreement – Zel Khan dated January 11, 2021</a>	10-Q	10.22	5/27/2021	000-52690
10.21#	<a href="#">Utikuma Letter Agreement between BSR and Petrolia dated June 29, 2020</a>	10-Q	10.23	5/27/2021	000-52690
10.22	<a href="#">Executive Salary Payable Agreement – Mark Allen dated March 30, 2021</a>	10-Q	10.24	5/27/2021	000-52690
10.23#	<a href="#">Debt to Equity Conversion Agreement – Mark Allen dated March 30, 2021</a>	10-Q	10.25	5/27/2021	000-52690
10.24#	<a href="#">Settlement and Mutual Release Agreement – Paul Deputy dated January 29, 2021</a>	10-Q	10.26	5/27/2021	000-52690
10.25#	<a href="#">Settlement with Argonaut Insurance Company dated December 2021</a>	10-Q	10.27	5/27/2021	000-52690
10.26	<a href="#">Purchase and Sale Agreement and Debt Settlement with Prospera Energy, Inc. dated January 27, 2022</a>	8-K	1.2	1/14/2022	000-52690
10.27		8-K	1.1	2/28/2022	000-52690

10.28	<a href="#">Notice of Assignment - Emmett Lescroart loan to Petrolia Canada Corporation dated February 11, 2022</a>		10-Q	10.31	06/15/2021	000-52690
10.29	<a href="#">Amended Loan Agreement – Emmett Lescroart – The Prospera/Cona Assets – dated January 27, 2021</a>		10-Q	10.32	06/15/2021	000-52690
10.30	<a href="#">Amended Loan Agreement – Emmett Lescroart – The Utikuma Asset – dated January 27, 2021</a>		10-Q	10.33	06/15/2021	000-52690
10.31#	<a href="#">Amended Loan Agreement – Joel Oppenheim – dated February 12, 2021</a>		10-Q	10.34	06/15/2021	000-52690
10.32#	<a href="#">Amended Loan Agreement – Ivar Siem/American Resources/Drillmar – dated January 1, 2021</a>		10-Q	10.35	06/15/2021	000-52690
10.33#	<a href="#">Amended Loan Agreement – Mark Allen – dated January 1, 2021</a>		10-Q	10.36	06/15/2021	000-52690
10.34	<a href="#">Letter Agreement entered on June 11, 2022, by and between Blue Sky Resources Ltd. and Petrolia Energy Corporation</a>		8-K	1.0	06/24/2022	000-52690
14.1	<a href="#">Code of Ethical Business Conduct</a>		10-Q	14.1	9/30/2015	000-52690
21.1*	<a href="#">Subsidiaries</a>	X				
23.1*	<a href="#">Consent of MKM Engineering dated April 21, 2023</a>	X				
31.1*	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31.2*	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32.1**	<a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act</a>	X				
32.2**	<a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act</a>	X				
99.1*	<a href="#">Appraisal of certain Oil and Gas interests owned by Petrolia Energy Corporation located in Alberta Canada as of December 31, 2022, dated April 21, 2023</a>	X				
99.2*	<a href="#">Appraisal of certain Oil and Gas interests owned by Petrolia Energy Corporation located in Chaves County, New Mexico as of December 31, 2022, dated April 12, 2023</a>	X				
99.3	<a href="#">Charter of the Audit Committee</a>		8-K	99.1	5/24/2018	000-52690
99.4	<a href="#">Charter of the Compensation Committee</a>		8-K	99.2	5/24/2018	000-52690
99.5	<a href="#">Charter of the Nominating and Corporate Governance Committee</a>		8-K	99.3	5/24/2018	000-52690
99.6*	<a href="#">Appraisal of certain Oil and Gas interests owned by Petrolia Energy Corporation located in Creek County, Oklahoma as of December 31, 2022, dated April 17, 2023</a>	X				
99.7	<a href="#">Whistleblower Protection Policy</a>		8-K	14.1	5/24/2018	000-52690
99.8	<a href="#">Insider Trading Policy</a>		10-Q	14.3	5/27/2021	000-52690
99.9	<a href="#">Related Party Transaction Policy</a>		10-Q	14.4	5/27/2021	000-52690
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 Presentation Linkbase Document	X				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X				

\* Filed herewith.

\*\* Furnished herewith.

# Indicates management contract or compensatory plan or arrangement.

#### ITEM 16. FORM 10-K SUMMARY.

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

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

Date: May 12, 2023

By: /s/ Heather Monk  
Heather Monk  
Interim Chief Financial Officer  
(Principal Financial/Accounting Officer)

Date: May 12, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mark Allen</u> Mark Allen	Chief Executive Officer (Principal Executive Officer)	May 12, 2023
<u>/s/ Heather Monk</u> Heather Monk	Interim Chief Financial Officer (Principal Financial/Accounting Officer)	May 12, 2023
<u>/s/ Leo Womack</u> Leo Womack	Director	May 12, 2023
<u>/s/ James E. Burns</u> James E. Burns	Director	May 12, 2023
<u>/s/ Ivar Siem</u> Ivar Siem	Director	May 12, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Petrolia Energy Corporation

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Petrolia Energy Corporation (the Company) as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity/(deficit), and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying consolidated financial statements have been prepared assuming the company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the company has an accumulated deficit at December 31, 2022 and 2021 and has a working capital deficit at December 31, 2022, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### Going Concern

As discussed in Note 3, the Company has an accumulated deficit at December 31, 2022 and 2021 and has a working capital deficit at December 31, 2022, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 3. Auditing management's estimates of a going concern can be a significant judgment given the fact that the Company uses management estimates on future revenues and expenses, which are difficult to substantiate. To evaluate the appropriateness of the going concern, we examined and evaluated the consolidated financial information along with management's plans to mitigate the going concern. In addition, we evaluated the Company's disclosure in relation to this matter included in Note 3 to the consolidated financial statements.

s/ M&K CPAS, PLLC

M&K CPAS, PLLC

We have served as the Company's auditor since 2019

Houston, TX

May 12, 2023

**PETROLIA ENERGY CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,425,335	\$ 14,058
Accounts receivable	290	5,942
Other current assets	5,641	5,641
<b>Total current assets</b>	<b>1,431,266</b>	<b>25,641</b>
<b>Property &amp; equipment</b>		
Oil and gas, on the basis of full cost accounting:		
Evaluated Properties	6,638,037	6,797,025
Furniture, equipment & software	155,293	155,293
Less accumulated depreciation & depletion	(807,047)	(603,135)
<b>Net property and equipment</b>	<b>5,986,283</b>	<b>6,349,183</b>
<b>Other assets</b>		
Operating Lease Right-of-Use Asset	23,086	12,821
Other assets	1,333,478	1,450,841
<b>Total Assets</b>	<b>\$ 8,774,113</b>	<b>\$ 7,838,486</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 223,453	\$ 320,088
Accounts payable - related parties	2,466,155	57,363
Operating Lease Liability	5,482	13,909
Accrued liabilities	1,151,328	1,149,012
Accrued liabilities - related parties	1,536,247	862,158
Notes payable - short term	398,837	3,438,162
Notes payable - related party	3,460,815	779,373
<b>Total current liabilities</b>	<b>9,242,317</b>	<b>6,620,065</b>
Asset retirement obligations	2,301,335	2,257,027
Operating Lease Liability	17,714	—
Derivative liability	—	22,554
<b>Total Liabilities</b>	<b>11,561,366</b>	<b>8,899,646</b>
<b>Stockholders' Equity (Deficit)</b>		
Preferred Series A stock, \$0.001 par value; 1,000,000 shares authorized; 199,100 and 199,100 shares issued and outstanding	199	199
Preferred Series B stock, \$0.001 value; 3 shares authorized; 3 and 3 shares issued and outstanding	152,397	152,397
Preferred Series C stock, \$0.10 par value, 50,000 shares authorized, 11,000 and 8,500 shares issued and outstanding	1,100	850
Common stock, \$0.001 par value; 400,000,000 shares authorized; 176,988,322 and 176,988,322 shares issued and outstanding	176,988	176,988
Additional paid in capital	60,244,255	60,216,722
Accumulated other comprehensive income (loss)	(349,065)	(269,155)
Accumulated deficit	(63,013,127)	(61,339,161)
<b>Total Stockholders' Equity (Deficit)</b>	<b>(2,787,253)</b>	<b>(1,061,160)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 8,774,113</b>	<b>\$ 7,838,486</b>

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

**PETROLIA ENERGY CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	Year ended December 31, 2022	Year ended December 31, 2021
<b>Oil and gas sales</b>	\$ 6,847,800	\$ 5,895,228
<b>Total revenue</b>	6,847,800	5,895,228
<b>Operating expenses</b>		
Lease operating expense	6,790,040	5,346,287
Production tax	438	1,203
General and administrative expenses	697,010	1,107,517
Depreciation, depletion and amortization	238,184	403,145
Asset retirement obligation accretion	173,603	316,873
Loss on forfeiture	—	132,000
<b>Total operating expenses</b>	7,899,275	7,307,025
<b>Loss from operations</b>	(1,051,475)	(1,411,797)
<b>Other income (expenses)</b>		
Interest expense	(489,487)	(638,569)
Change in fair value of derivative liabilities	22,554	161,244
Other income (expense)	30,828	(101,297)
Gain on sale of assets	1,500	3,919,323
<b>Total other income (expenses)</b>	(434,605)	3,340,701
<b>Net income (loss) before taxes</b>	(1,486,080)	1,928,904
<b>Income tax provision (benefit)</b>	—	—
<b>Net income (loss)</b>	\$ (1,486,080)	\$ 1,928,904
Series A preferred dividends	(179,190)	(179,190)
Series C preferred dividends	(8,696)	(779)
Net income (loss) attributable to common stockholders	(1,673,966)	1,748,935
<b>Other comprehensive income, net of tax</b>		
Foreign currency translation adjustments	(79,910)	(2,723)
<b>Comprehensive income (loss)</b>	\$ (1,753,876)	\$ 1,746,212
<b>Gain (loss) per share</b>		
(Basic and diluted)	\$ (0.01)	\$ 0.01
Weighted average number of common shares outstanding, basic and diluted	176,988,322	175,434,139

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

**PETROLIA ENERGY CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31, 2022	Year Ended December 31, 2021
<b><i>Cash Flows from Operating Activities</i></b>		
Net income (loss)	\$ (1,486,080)	\$ 1,928,904
Adjustment to reconcile net loss to net cash used in operating activities:		
Depletion, depreciation and amortization	238,184	403,145
Asset retirement obligation accretion and well plugging costs	125,603	316,873
Operating Lease Accrual	(978)	(2,783)
Amortization of debt discount	55,430	217,699
Change in fair value of derivative liabilities	(22,554)	(161,244)
Warrants as finance fees	2,783	18,061
Stock-based compensation expense	—	211,481
PPP loan forgiven	—	(56,680)
Gain on sale of assets	(1,500)	(3,919,323)
Loss on forfeiture	—	132,000
Accounts receivable	5,640	(1,097)
Prepays and other current assets	24,597	33,802
Accounts payable	(90,254)	88,190
Accounts payable – related parties	2,451,946	56,776
Accrued liabilities	(41,974)	178,194
Accrued liabilities – related parties	537,414	450,424
Net cash provided by (used in) operating activities	1,798,257	(105,578)
<b><i>Cash Flows from Investing Activities</i></b>		
Sale of equipment	1,500	—
Cash provided by (used in) investing activities	1,500	—
<b><i>Cash Flows from Financing Activities</i></b>		
Proceeds from issuance of Series C preferred stock	25,000	85,000
Repayments of notes payable	(408,498)	(120,890)
Repayments of related party notes payable	(4,815)	—
Cash provided by financing activities	(388,313)	(35,890)
Foreign currency remeasurement	(167)	481
Net change in cash	1,411,277	(140,987)
Cash at beginning of period	14,058	155,045
Cash at end of period	\$ 1,425,335	\$ 14,058

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 128,209	\$ 239,384
Income taxes paid	—	—
NON-CASH INVESTING AND FINANCIAL DISCLOSURES		
Settlement of related party accrued liabilities for common shares	—	527,520
Settlement of notes payable related party for common shares	—	144,888
Modification of related party debt	—	181,791
Accrued Series A preferred dividends	179,190	179,190
Accrued Series C preferred dividends	8,696	779
Series B Preferred Stock issued to directors	—	152,397
Utikuma acquisition – extra cost triggered by WTI	—	787,250
Capitalized accrued interest	—	238,768

**PETROLIA ENERGY CORPORATION**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

	Preferred stock Series A		Preferred stock Series B		Preferred stock Series C		Common stock		Additional paid-in capital	Shares to be Issued	Accumulated Other Comprehensive income	Accumulated deficit	Stockholders' equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
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	—	—	3	152,397	—	—	—	—	59,084	—	—	—	211,481
Series A preferred dividends	—	—	—	—	—	—	—	—	—	—	—	(179,190)	(179,190)
Series C preferred dividends	—	—	—	—	—	—	—	—	—	—	—	(779)	(779)
Preferred Series C issued for cash	—	—	—	—	8,500	850	—	—	84,150	—	—	—	85,000
Warrants issued as financing fee	—	—	—	—	—	—	—	—	18,061	—	—	—	18,061
Common shares issued for conversion of debt	—	—	—	—	—	—	2,700,000	2,700	96,288	—	—	—	98,988
Common shares issued for settlement of related party fees	—	—	—	—	—	—	5,592,096	5,592	158,895	—	—	—	164,487
Warrants issued for conversion of debt	—	—	—	—	—	—	—	—	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)	—	—	—	—	—	—	—	—	—	—	(2,723)	—	(2,723)
Net income	—	—	—	—	—	—	—	—	—	—	—	1,928,904	1,928,904
Balance at December 31, 2021	199,100	\$ 199	3	\$ 152,397	8,500	\$ 850	\$ 176,988,322	\$ 176,988	\$ 60,216,722	\$ —	\$ (269,155)	\$ (61,339,161)	\$ (1,061,160)
Series A preferred dividends	—	—	—	—	—	—	—	—	—	—	—	(179,190)	(179,190)
Series C preferred dividends	—	—	—	—	—	—	—	—	—	—	—	(8,696)	(8,696)
Preferred Series C issued for cash	—	—	—	—	2,500	250	—	—	24,750	—	—	—	25,000
Warrants issued as financing fee	—	—	—	—	—	—	—	—	2,783	—	—	—	2,783
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(79,910)	—	(79,910)
Net income	—	—	—	—	—	—	—	—	—	—	—	(1,486,080)	(1,486,080)
Balance at December 31, 2022	199,100	\$ 199	3	\$ 152,397	11,000	\$ 1,100	\$ 176,988,322	\$ 176,988	\$ 60,244,255	\$ —	\$ (349,065)	\$ (63,013,127)	\$ (2,787,253)

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

**PETROLIA ENERGY CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the accounting and disclosure rules and regulations of the United States Securities and Exchange Commission (“SEC”). A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Principles of consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Askarii Resources and Petrolia Canada Corporation. All significant intercompany balances and transactions have been eliminated upon consolidation.

The Company accounts for its investment in companies in which it has significant influence by the equity method. The Company’s proportionate share of earnings is included in earnings and added to or deducted from the cost of the investment.

***Foreign currency translation***

The functional and reporting currency of the Company is the United States dollar. The functional currencies of the Company’s wholly-owned subsidiaries, Askarii Resources and Petrolia Canada Corporation are the United States dollar and the Canadian dollar, respectively. Transactions involving foreign currencies are converted into the Company’s functional currency using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the Company’s functional currency are translated using exchange rates at that date. Exchange gains and losses are included in net earnings. On consolidation, Petrolia Canada Corporation’s income statement amounts are translated at average exchange rates for the year, while the assets and liabilities are translated at year-end exchange rates. Translation adjustments are accumulated as a separate component of stockholders’ equity in other comprehensive income.

***Management estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made in preparing these financial statements include depreciation of furniture, equipment and software, asset retirement obligations (“AROs”) (Note 9), income taxes (Note 13) and the estimate of proved oil and gas reserves and related present value estimates of future net cash flows therefrom (Note 15).

***Cash and cash equivalents***

The Company considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents. As of December 31, 2022, the Company did not hold any cash equivalents.

***Receivables and allowance for doubtful accounts***

Oil revenues receivable do not bear any interest. These receivables are primarily comprised of joint interest billings. Management regularly reviews collectability and establishes or adjusts an allowance for uncollectible amounts as necessary using the specific identification method. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that a reserve for uncollectible amounts was not required in the periods presented.



### *Oil and gas properties*

The Company follows the full cost accounting method to account for oil and natural gas properties, whereby costs incurred in the acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include lease acquisition, geological and geophysical activities, rentals on nonproducing leases, drilling, completing and equipping of oil and gas wells and administrative costs directly attributable to those activities and asset retirement costs. Disposition of oil and gas properties are accounted for as a reduction of capitalized costs, with no gain or loss recognized unless such adjustment would significantly alter the relationship between capital costs and proved reserves of oil and gas, in which case the gain or loss is recognized to operations.

The capitalized costs of oil and gas properties, excluding unevaluated and unproved properties, are amortized as depreciation, depletion and amortization expense using the units-of-production method based on estimated proved recoverable oil and gas reserves.

The costs associated with unevaluated and unproved properties, initially excluded from the amortization base, relate to unproved leasehold acreage, wells and production facilities in progress and wells pending determination of the existence of proved reserves, together with capitalized interest costs for these projects. Unproved leasehold costs are transferred to the amortization base with the costs of drilling the related well once a determination of the existence of proved reserves has been made or upon impairment of a lease. Costs associated with wells in progress and completed wells that have yet to be evaluated are transferred to the amortization base once a determination is made whether or not proved reserves can be assigned to the property. Costs of dry wells are transferred to the amortization base immediately upon determination that the well is unsuccessful.

All items classified as unproved property are assessed on a quarterly basis for possible impairment or reduction in value. Properties are assessed on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of various factors, including, but not limited to, the following: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; assignment of proved reserves; and economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and become subject to amortization.

Under full cost accounting rules for each cost center, capitalized costs of evaluated oil and gas properties, including asset retirement costs, less accumulated amortization and related deferred income taxes, may not exceed an amount (the "cost ceiling") equal to the sum of (a) the present value of future net cash flows from estimated production of proved oil and gas reserves, based on current prices and operating conditions, discounted at ten percent (10%), plus (b) the cost of properties not being amortized, plus (c) the lower of cost or estimated fair value of any unproved properties included in the costs being amortized, less (d) any income tax effects related to differences between the book and tax basis of the properties involved. If capitalized costs exceed this limit, the excess is charged to operations. For purposes of the ceiling test calculation, current prices are defined as the un-weighted arithmetic average of the first day of the month price for each month within the 12 month period prior to the end of the reporting period. Prices are adjusted for basis or location differentials. Unless sales contracts specify otherwise, prices are held constant for the productive life of each well. Similarly, current costs are assumed to remain constant over the entire calculation period.

Given the volatility of oil and gas prices, it is reasonably possible that the estimate of discounted future net cash flows from proved oil and gas reserves could change in the near term. If oil and gas prices decline in the future, even if only for a short period of time, it is possible that impairments of oil and gas properties could occur. In addition, it is reasonably possible that impairments could occur if costs are incurred in excess of any increases in the present value of future net cash flows from proved oil and gas reserves, or if properties are sold for proceeds less than the discounted present value of the related proved oil and gas reserves.

### ***Furniture, equipment and software***

Furniture, equipment, and software are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related asset, generally three to five years. Fully depreciated assets are retained in property and accumulated depreciation accounts until they are removed from service. Management performs ongoing evaluations of the estimated useful lives of the property and equipment for depreciation purposes. Maintenance and repairs are expensed as incurred. Management periodically reviews long-lived assets, other than oil and gas property, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

### ***Derivative financial instruments***

The Company's derivative financial instruments consist of warrants with an exercise price denominated in the Company's functional currency. These derivative financial instruments are measured at their fair value at the end of each reporting period. Changes in fair value are recorded in net income.

### ***Asset retirement obligations***

The Company records a liability for Asset Retirement Obligations ("AROs") associated with its oil and gas wells when those assets are placed in service. The corresponding cost is capitalized as an asset and included in the carrying amount of oil and gas properties and is depleted over the useful life of the properties. Subsequently, the ARO liability is accreted to its then-present value.

Inherent in the fair value calculation of an ARO are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental, and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance. Settlements greater than or less than amounts accrued as ARO are recorded as a gain or loss upon settlement.

### ***Debt issuance costs***

Costs incurred in connection with the issuance of long-term debt are presented as a direct deduction from the carrying value of the related debt and amortized over the term of the related debt.

### ***Revenue recognition***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which includes (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue as each performance obligation is satisfied. The Company adopted this standard on a modified retroactive basis on January 1, 2018. No financial statement impact occurred upon adoption.

#### ***Revenue from contracts with customers***

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer. Revenue is measured based on the consideration the Company expects to receive in exchange for those products.

#### ***Performance obligations and significant judgments***

The Company sells oil and natural gas products in the United States through a single reportable segment. The Company enters into contracts that generally include one type of distinct product in variable quantities and priced based on a specific index related to the type of product.

The oil and natural gas is typically sold in an unprocessed state to processors and other third parties for processing and sale to customers. The Company recognizes revenue at a point in time when control of the oil or natural gas passes to the customer or processor, as applicable, discussed below. For oil sales, control is typically transferred to the customer upon receipt at the wellhead or a contractually agreed upon delivery point. Under our natural gas contracts with processors, control transfers upon delivery at the wellhead or the inlet of the processing entity's system. For our other natural gas contracts, control transfers upon delivery to the inlet or to a contractually agreed upon delivery point. In the cases where the Company sells to a processor, management has determined that the Company is the principal in the arrangement and the processors are customers. The Company recognizes the revenue in these contracts based on the net proceeds received from the processor.

Transfer of control drives the presentation of transportation and gathering costs within the accompanying consolidated statements of operations. Transportation and gathering costs incurred prior to control transfer are recorded within the transportation and gathering expense line item on the accompanying consolidated statements of operations, while transportation and gathering costs incurred subsequent to control transfer are recorded as a reduction to the related revenue.

A portion of our product sales are short-term in nature. For those contracts, the Company uses the practical expedient in Accounting Standards Codification ("ASC") 606-10-50-14 exempting us from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

For our product sales that have a contract term greater than one year, the Company has utilized the practical expedient in ASC 606-10-50-14(a) which states the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to an unsatisfied performance obligation. Under these sales contracts, each unit of product represents a separate performance obligation; therefore, future volumes are unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required. The Company has no unsatisfied performance obligations at the end of each reporting period.

Management does not believe that significant judgments are required with respect to the determination of the transaction price, including any variable consideration identified. There is a low level of uncertainty due to the precision of measurement and use of index-based pricing with predictable differentials. Additionally, any variable consideration identified is not constrained.

#### ***Stock-based compensation***

The Company accounts for stock-based compensation to employees in accordance with FASB ASC 718. *Stock-based compensation* to employees is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The Company accounts for stock-based compensation to other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments, and is recognized as expense over the service period. The Company estimates the fair value of stock-based payments using the Black-Scholes Option Pricing Model for common stock options and warrants and the closing price of the Company's common stock for common share issuances. The Company may grant stock to employees and non-employees in exchange for goods, services or for settlement of liabilities. Shares granted to employees in exchange for goods, services or settlement of liabilities are measured based on the fair value of the shares issued. Shares granted to non-employees in exchange for goods or services are measured based on the fair value of the consideration received or the fair value of the shares issued, whichever is more reliably measurable.

#### ***Income taxes***

Income taxes are accounted for pursuant to ASC 740, *Income Taxes*, which requires recognition of deferred income tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The Company provides for deferred taxes on temporary differences between the financial statements and tax basis of assets using the enacted tax rates that are expected to apply to taxable income when the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Uncertain tax positions are recognized in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in the income tax provision. There are currently no unrecognized tax benefits that if recognized would affect the tax rate. There was no interest or penalties recognized for the twelve months ended December 31, 2022 and 2021.

The Company is required to file federal income tax returns in the United States and Canada, and in various state and local jurisdictions. The Company's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction.

#### ***Earnings (loss) per share***

Basic earnings (loss) per share have been calculated based on the weighted-average number of common shares outstanding. The treasury stock method is used to compute the dilutive effect of the Company's share-based compensation awards. Under this method, the incremental number of shares used in computing diluted earnings per share ("EPS") is the difference between the number of shares assumed issued and purchased using assumed proceeds. Diluted EPS amounts would include the effect of outstanding stock options, warrants, and other convertible securities if including such potential shares of common stock is dilutive. Basic and diluted earnings per share are the same in all periods presented as all outstanding instruments are anti-dilutive.

#### ***Concentration of credit risk***

The Company is subject to credit risk resulting from the concentration of its oil receivables with significant purchasers. Three purchasers accounted for all of the Company's oil sales revenues for 2022 and 2021. The Company does not require collateral. While the Company believes its recorded receivables will be collected, in the event of default the Company would follow normal collection procedures. The Company does not believe the loss of a purchaser would materially impact its operating results as oil is a fungible product with a well-established market and numerous purchasers.

At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

#### ***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.

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

<b>December 31, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative liabilities	\$ —	\$ —	\$ 22,554	\$ 22,554
ARO liabilities	\$ —	\$ —	2,257,027	\$ 2,257,027
<b>December 31, 2022</b>				
Derivative liabilities	\$ —	\$ —	\$ —	\$ —
ARO liabilities	\$ —	\$ —	2,301,335	\$ 2,301,335

The carrying value of cash, accounts receivable, other current assets, accounts payable, accounts payable – related parties, accrued liabilities and accrued liabilities – related parties, as reflected in the consolidated balance sheets, approximate fair value, due to the short-term maturity of these instruments. The carrying value of notes payable approximates their fair value due to immaterial changes in market interest rates and the Company’s credit risk since issuance of the instruments or due to their short-term nature. Derivative liabilities are remeasured at fair value every reporting period. Our derivative liabilities are considered level 3 financial instruments.

#### ***Related parties***

The Audit Committee approves all material related party transactions. The Audit Committee is provided with the details of each new, existing or proposed related party transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and the relevant related party. In determining whether to approve a related party transaction, the following factors are considered: (1) if the terms are fair to the Company, (2) if there are business reasons to enter into the transaction, (3) if the transaction would impair independence of an outside Director, or (4) if the transaction would present an improper conflict of interest for any Director or executive officer. Any member of the Audit Committee who has an interest in the transaction will abstain from voting on the approval of the related party transaction.

#### ***Business combinations***

In January 2017, the FASB issued ASU 2017-01 *Business Combinations* (Topic 805): *Clarifying the Definition of a Business*. The ASU provides an updated model for determining if acquired assets and liabilities constitute a business. In a business combination, the acquired assets and liabilities are recognized at fair value and goodwill could be recognized. In an asset acquisition, the assets are allocated value based on relative fair value and no goodwill is recognized. The ASU narrows the definition of a business. The Company adopted this standard on January 1, 2018. ASU 2017-01 did not have a material impact on our financial statements on adoption.

#### ***Reclassifications***

Certain amounts previously presented for prior periods have been reclassified to conform to the current presentation. The reclassifications had no effect on net loss, working capital or equity previously reported.

#### ***Recent accounting pronouncements***

The Company has evaluated all the recent accounting pronouncements through the filing date and believes that none of them will have a material effect on the Company.

### 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 reducing overhead costs and reworking its existing oil or gas wells, as needed, funding permitting. The Company may 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.

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 assets 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 acquired properties and current properties can be summarized as follows:

<b>Cost</b>	<b>Canadian properties</b>	<b>US properties</b>	<b>Total</b>
As of December 31, 2020	\$ 4,314,805	\$ 4,304,622	\$ 8,619,427
Additions	787,250	—	787,250
Dispositions	(2,563,434)	—	(2,563,434)
Foreign currency translation	(46,218)	—	(46,218)
As of December 31, 2021	\$ 2,492,403	\$ 4,304,622	\$ 6,797,025
Additions	—	—	—
Dispositions	—	375	375
Foreign currency translation	(159,363)	—	(159,363)
As of December 31, 2022	\$ 2,333,040	\$ 4,304,997	\$ 6,638,037
<b>Accumulated depletion</b>			
As of December 31, 2020	2,631,749	\$ 61,551	\$ 2,693,300
Dispositions	(2,629,672)	—	(2,629,672)
Depletion	378,306	—	378,306
Foreign currency translation	7,026	—	7,026
As of December 31, 2021	\$ 387,409	\$ 61,551	\$ 448,960
Depletion	237,067	—	237,067
Foreign currency translation	(34,273)	—	(34,273)
As of December 31, 2022	\$ 590,203	\$ 61,551	\$ 651,754
Net book value as at December 31, 2022	\$ 1,742,837	\$ 4,243,446	\$ 5,986,283
Net book value as at December 31, 2021	\$ 2,104,994	\$ 4,243,071	\$ 6,348,065

#### ***U.S. Properties – Minerva-Rockdale Field (“NOACK”) Field***

On November 1, 2018, the Company sold 83% leasehold net revenue interest and 100% working interest in the NOACK Field Assets, i.e., the Company’s leasehold in the Noack Farms, Minera Lease and all related leases and assets located in Milam County, Texas (the “NOACK Assets”) to Crossroads Petroleum LLC (“CP”) for \$375,000. The terms of this agreement included \$260,000 to be paid as a deposit with the balance of \$115,000 to be paid by December 31, 2018. On April 15, 2019, the Company foreclosed on the property since CP did not satisfy all of the contractual payment requirements. On April 15, 2019, the remaining unpaid receivable balance was \$120,000 which was written off as a loss on sale of property. Note that previous payments of \$255,000 were forfeited to the Company and no reimbursement to CP was made.

On August 6, 2019, the Company entered into a Purchase and Sale Agreement (“PSA”) for the sale of the same NOACK property with Flowtex Energy LLC. (“FT”). The purchaser agreed to pay \$400,000 for the NOACK Assets including a \$20,000 deposit that was received on August 15, 2019, and the remaining balance of \$380,000 to be received by September 30, 2019. By December 31, 2020, FT had made cumulative payments of \$375,000, resulting in a \$25,000 account receivable to the Company at December 31, 2020 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 purchaser remitting 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.

#### ***U.S. Properties – Slick Unit Dutcher Sand (“SUDS”) Field***

The Slick Unit Dutcher Sand (SUDS) field is located in Creek County, Oklahoma. Petrolia owns a 100% working interest (WI) with an approximately 76.5% net revenue interest (NRI) in the 2,530 acre field. The SUDS West unit is approximately 1,670 acres and the SUDS East unit is approximately 860 acres.

As of December 31, 2022, SUDS total estimated net proved reserves were approximately 346 thousand barrels of oil equivalent (MBoe) and total estimated net probable reserves were approximately 153 thousand barrels of oil equivalent (MBoe).

On January 13, 2023, the Company received an Incident and Complaint Investigation Report issued by the Oklahoma Corporation Commission (OCC) due to a mineral owner complaint. The OCC issued a plug or produce order for SUDS West unit and SUDS East unit. The Company has received two extensions of time and is working with the OCC to implement a production plan to bring both units into compliance.

The SUDS field is currently shut-in while the Company completes a review of the land and lease records currently being conducted by a petroleum landman. PEC has also initiated a detailed reservoir and historical waterflood sweeping pattern analysis. The Company is currently awaiting the outcome of the review of the SUDS subsurface geology. PEC is finalizing a SUDS capital budget with the intent to commence further field development in Q3 2023.

The SUDS field is still burdened with the Lazy D Ranch Slick, LLC (Plaintiff) vs. Petrolia Energy Corporation (Defendant) litigation, including the Statement of Judgment dated February 20, 2020 and the Settlement Agreement and Release dated August 2020.

#### ***U.S. Properties – Twin Lakes San Andres Unit (“TLSAU”) Field***

The Twin Lakes San Andres Unit (TLSAU) field is located in Chaves County, New Mexico. As of December 31, 2022, it was determined that PEC does not own any TLSAU leases, and therefore has no reserves.

It is estimated that PEC has 29 wells that need to be plugged and abandoned, plus surface remediated. The estimated cost of the TLSAU well plugging and abandonment, and surface remediation obligations are approximately \$1.2 million.

#### ***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. The working interest was acquired from Blue Sky (a related party). Blue Sky had previously acquired an 80% working interest in the Canadian Properties from Georox Resources Inc., who had acquired the Canadian Properties from Cona Resources Ltd. and Cona Resources Partnership prior to the acquisition by the Company.

The effective date of the acquisition was June 1, 2018. The acquisition of the Canadian Properties was evidenced and documented by a Memorandum of Understanding between the Company and Blue Sky dated June 29, 2018 and a Conveyance between the parties dated as of the same date, pursuant to which the Company agreed to acquire the Working Interest in consideration for \$1,428,581 in Canadian dollars (“CAD”) (approximately \$1,096,216 in U.S. dollars) of which CAD \$1,022,400 (approximately \$782,441 in U.S. dollars) was paid in cash (the “Cash Payment”) and CAD \$406,181 (approximately \$313,775 in U.S. dollars) was evidenced by a promissory note (the “Acquisition Note”). The Cash Payment was made with funds borrowed by the Company pursuant to the terms of that certain \$1,530,000 May 9, 2018, Amended and Restated Loan Agreement entered with Bow and a third party (the “Loan Agreement” and the “Lender”). 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.

The Working Interest will be held in the name of the Company’s wholly-owned Alberta, Canada, subsidiary, Petrolia Canada Corporation. The Acquisition Note which was dated June 8, 2018, bears interest at the rate of 9% per annum, beginning on August 1, 2018 and is due and payable on November 30, 2018, provided that the Company has the right to extend the maturity date for a period six months with 10 days’ notice to Blue Sky, in the event the Company pays 25% of the principal amount of the Acquisition Note at the time of extension.

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

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 \$2,061,614 CAD in accounts payable from the Company, arising from joint interest billings. Prospera will also issue a \$510,000 CAD convertible debenture to Petrolia Canada, which can be converted to common share units. Lastly, Prospera will pay the Company \$75,000 CAD in five equal installments. The original purchase price of the assets was \$1,622,756 CAD, with an additional \$1,711,142 CAD of Asset Retirement Cost recognized at the time of purchase. On the effective date of the sale, the Asset Retirement Obligation was \$2,312,897 CAD and the Accumulated Depletion was \$3,333,898 CAD. The transaction resulted in a gain of \$4,959,512 CAD (\$3,919,323 USD) See Form 8-K reference in Exhibits section below. The agreement was effective on October 1, 2021.

#### ***Utikuma 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 approximately 500 bpd 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 CAD. In addition, at the time WTI price exceeded \$57/bbl the Company would pay an additional \$250,000 CAD (for a cumulative contingent total of \$1,000,000 CAD). 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 \$763,754 CAD (\$563,904 USD), necessary for the wells to continue in production after the acquisition. Additional funds in the amount of \$490,624 CAD (\$362,245 USD) remain in the other current asset balance for future payments to BSR, related to the acquisition.

On December 2, 2020, Petrolia Canada Corporation received \$602,404.84 CAD from the proceeds of a secured royalty interest loan between Blue Sky Resources and Prairie Sky Royalty related to the Utikuma asset.



On August 21, 2021, the Company signed a Letter Agreement to divest the Company's wholly owned Canada subsidiary, Petrolia Canada Corporation (PCC) and its assets in consideration for \$6,500,000 in Canadian dollars (approximately \$5,150,000 in U.S. dollars) less any contingent liabilities. The buyer is Blue Sky Resources Ltd. ("Blue Sky"), an affiliated party to Zel C. Khan, the Company's former Chief Executive Officer. Petrolia Canada Corporation assets include a 50% working interest in approximately 28,000 acres located in the Utikuma Lake area in Alberta, Canada, and 28% working interest in the Luseland, Hearts Hill, and Cuthbert fields located in Southwest Saskatchewan and Eastern Alberta. The Company received a non-refundable deposit of \$200,000 CAD on August 31, 2021. The remaining payment schedule is as follows: \$2,000,000 CAD on the Closing Date (scheduled for September 30, 2021), \$1,000,000 CAD on October 31, 2021, less Petrolia's contingent liabilities associated with the acquisition of Utikuma, and \$3,300,000 CAD on December 31, 2021. See Form 8-K reference in Exhibits section below. This transaction did not close, and the \$200,000 CAD has been added to other payables to Blue Sky Resources.

On May 5, 2023, the Company was notified by Blue Sky Resources (BSR), the operator of our Utikuma asset that the Province of Alberta has declared a state of emergency due to wildfires in Alberta. We were informed that because of wildfires in the vicinity of our oilfield assets, the field was shut in and all personnel were evacuated, and that the highway to the Slave Lake area has been closed. Early assessments of the situation indicate that our Utikuma facilities may have incurred major damage.

#### NOTE 5. NOTES PAYABLE

	Interest rate	Date of maturity	December 31, 2022	December 31, 2021
Truck loan <sup>(ii)</sup>	5.49%	January 20, 2022	\$ —	\$ 4,021
Credit note I <sup>(iii)</sup>	10%	January 01, 2020	426,909	831,387
Discount on credit note I			(41,572)	(97,001)
Credit note II <sup>(iv)</sup>	10%	December 31, 2022	—	2,085,432
Lee Lytton		On demand	3,500	3,500
Credit note III <sup>(v)</sup>	10%	December 31, 2021	—	416,900
Quinten Beasley <sup>(vi)</sup>	10%	October 14, 2016	—	5,000
Jovian Petroleum Corporation <sup>(vii)</sup>	3.5%	December 31, 2021	—	178,923
M. Horowitz	10%	October 14, 2016	10,000	10,000
			<u>\$ 398,837<sup>(1)</sup></u>	<u>\$ 3,438,162</u>

(i) All notes are current (due within one year or less from December 31, 2022.)

(ii) On January 6, 2017, the Company purchased a truck and entered into an installment note in the amount of \$35,677 for a term of five years and interest at 5.49% per annum. Payments of principal and interest in the amount of \$683 were due monthly. This note was satisfied in 2022.

(iii) 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 matured 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.

- (iv) On December 1, 2021, the Company signed an amended loan agreement with a third party for \$2,085,432, which combined prior credit notes and accrued interest on those amounts. The loan bears interest at 10% per annum and had a maturity date of December 31, 2022. The note held a security interest against the 25% Working Interest in the Cona assets and a security guarantee of a working interest in the Utikuma oil field and a working interest in the TLSAU field. The note was assigned to Blue Sky Resources on February 11, 2022, and moved to Related Party Notes Payable. See Note 7. Related Party Notes Payable.
- (v) Various shareholder advances were provided by Joel. 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. On August 31, 2021, this loan was in default due to missed interest payments, and a default interest rate was applied to the principal balance. On February 3, 2022, \$150,000 of this note was assigned to Blue Sky Resources. All balances of this note have been moved to Related Party Notes Payable. See Note 7. Related Party Notes Payable.
- (vi) This note was reclassified to Notes Payable – Related Party, due to Mr. Beasley’s beneficial ownership of our common stock. See Note 7. Related Party Notes Payable.
- (vii) 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. As of September 1, 2021, Zel Khan and Quinten Beasley resigned from their positions at Petrolia Energy, so this note has been removed from the related party section. On February 2, 2022, the LOC was assigned to Blue Sky Resources, and moved to Related Party Notes Payable. See note 7. Related Party Notes Payable. Also, see Note 16. Subsequent Events regarding the dispute of this value.

The following is a schedule of future minimum repayments of notes payable as of December 31, 2022:

2023	\$	440,409
Thereafter		—
	\$	440,409

#### NOTE 6. 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 December 31, 2022 and 2021, we did not have any short-term leases.

The tables below present financial information associated with our lease.

	Balance Sheet Classification	December 31, 2022	December 31, 2021
Right-of-use assets	Other long-term assets	23,086	12,821
Current lease liabilities	Other current liabilities	5,482	13,909
Non-current lease liabilities	Other long-term liabilities	17,714	—

As of December 31, 2022, our maturities of our lease liability are as follows:

2023	\$	5,482
2024		5,714
2025		6,539
2026		5,400
Total	\$	23,196
Less: Imputed interest		(110)
Present value of lease liabilities	\$	23,086

#### NOTE 7. RELATED PARTY NOTES PAYABLE

The chart below summarizes the related party Notes Payable as of December 31, 2022 and 2021.

	Interest rate	Date of maturity	December 31, 2022	December 31, 2021
Quinten Beasley	10%	October 14, 2016	5,000	—
Blue Sky Resources <sup>(i)</sup>	3.5%	December 31, 2021	178,923	—
Blue Sky Resources <sup>(ii)</sup>	10%	December 31, 2021	150,000	—
Blue Sky Resources <sup>(iii)</sup>	10%	December 31, 2022	2,085,432	—
Ivar Siem <sup>(iv)</sup>	9%	December 31, 2021	278,435	278,435
Mark Allen <sup>(v)</sup>	9%	September 2, 2021	55,000	55,000
Mark Allen <sup>(vi)</sup>	12%	June 30, 2020	200,000	200,000
Mark Allen <sup>(vii)</sup>	9%	June 30, 2021	241,125	245,938
Joel Oppenheim <sup>(viii)</sup>	10%	December 31, 2021	266,900	—
			\$ 3,460,815	\$ 779,373

- (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. On September 1, 2021, Zel Khan and Quinten Beasley resigned from their positions at Petrolia Energy, so this note had been removed from the related party section. On February 2, 2022, the LOC was assigned to Blue Sky Resources and moved to Related Party Notes Payable.

- (ii) On February 3, 2022, Joel Oppenheim assigned \$150,000 of his note, shown as Credit Note II in Note 5. Notes Payable to Blue Sky Resources.
- (iii) On December 1, 2021, the Company signed an amended loan agreement with a third party for \$2,085,432, which combined prior credit notes and accrued interest on those amounts. The loan bears interest at 10% per annum and had a maturity date of December 31, 2022. The note holds a security interest against the 25% Working Interest in the Cona assets and a security guarantee of a working interest in the Utikuma oil field and a working interest in the TLSAU field. The note was assigned to Blue Sky Resources on February 11, 2022, and moved to Related Party Notes Payable.
- (iv) 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 noteholder 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 noteholder 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 expired on March 1, 2022. The warrants vest and were 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 matured on December 31, 2021.
- (v) 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 matured on September 2, 2021.
- (vi) 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 matured on June 30, 2020. 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.
- (vii) 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 matured 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 expired 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 matured on June 30, 2021.
- (viii) Various shareholder advances were provided by Joel. 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. On August 31, 2021, this loan was in default due to missed interest payments, and a default interest rate was applied to the principal balance. On February 3, 2022, \$150,000 of this note was assigned to Blue Sky Resources. The remaining balance has been moved to Notes Payable – Related Party due to Mr. Oppenheim's beneficial ownership of our common stock.

The following is a schedule of future minimum repayments of related party notes payable as of December 31, 2022:

2023	\$	3,460,815
Thereafter		—
	\$	<u>3,460,815</u>

## 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 6, 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.

As of December 31, 2022, all of the above warrants were expired, so no further derivative value exists.

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

Balance, December 31, 2021	\$	22,554
Additions		—
Fair value adjustments		(22,554)
As of December 31, 2022	\$	—

Derivative liability classified warrants in the years ended December 31, 2022 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.

	December 31, 2022
Risk-free interest rate	4.12%
Expected life	0 years
Expected dividend rate	0%
Expected volatility	267%

## NOTE 9. ASSET RETIREMENT OBLIGATIONS

The Company has a number of oil and gas wells in production and will have 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.

Petrolia Energy Corporation (“Petrolia” or the “Company”) is the operator of certain wells located in New Mexico, at the Twin Lakes San Andres Unit (“TLSAU”) Field. TLSAU is located 45 miles from Roswell, Chaves County, New Mexico.

On March 4, 2021, the Company received a letter from the Commissioner of Public Lands of the State of New Mexico, which was sent to us and certain other parties notifying such parties of certain non-compliance with the laws and regulations that it administers. The deficiencies are currently in the process of being settled by a third party agreeing to plug six wells, including at least two Company operated wells (TLSAU wells #316 and #037). The scope of the matter above included only 240 acres of the 640 acres of The New Mexico State Land Office (SLO) lease. The Commissioner of Public Lands of the State of New Mexico could still file suit and require the plugging and surface remediation of all wells in section 36.

On April 8, 2021, the State of New Mexico Energy, Minerals and Natural Resources Department 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 (the “NMAC”), associated with required reporting, inactive wells and financial assurance requirements, plugging certain abandoned wells, providing required financial assurance in connection with plugging expenses, and proposing to assess certain civil penalties in the amount of an aggregate of approximately \$35,100.

As previously reported and in Petrolia’s Form 8-K dated October 25, 2021 (reference to which is hereby made), on April 8, 2021, the State of New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division (the “OCD”) issued a Notice of Violation (the “NOV”) to Petrolia alleging that the Company violated four regulations under Title 19, Chapter 15 of the New Mexico Administrative Code (the “NMAC”) by: (i) failing to file production reports for certain wells, (ii) exceeding the number of inactive wells allowed, (iii) failing to provide financial assurance in the amount required, and (iv) failing to provide additional financial assurance in the amount required.

The Company acknowledged the violations alleged in the NOV and requested an informal resolution. On December 30, 2021, to resolve this matter, Petrolia entered into a Stipulated Final Order ( the “SFO”) in Case No. 21982 with the OCD whereby Petrolia among other things agreed to: (i) submit appropriate forms for wells identified on the SFO Inactive Well List, (ii) plug the specific TLSAU wells listed in section 8 (c) and (d) of the SFO, as well as submit all required information and forms specified in the SFO, (iii) open an escrow account meeting the terms listed in the SFO, (iv) deposit funds into an escrow account within the timeframe described in the SFO, and (v) provide the OCD with a report proposing deadlines for bringing all remaining wells into compliance. The company recognized an additional liability of \$792,000 to plug these wells.

The Company entered into a settlement agreement on July 27, 2020 with Moon Company, Trustee of the O’Brien Mineral Trust pursuant to which nine leases totaling approximately 3,800 acres of the 4,880 acre Twin Lakes San Andres Unit were terminated as a part of the settlement agreement. Pursuant to this settlement agreement, 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 of the O’Brien Mineral Trust.

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.

	<b>December 31, 2022</b>
Inflation rate	1.92 - 2.15%
Estimated asset life	12 - 22 years

The following table shows the change in the Company’s ARO liability for the years ended December 31, 2022, and 2021:

	<b>Canadian properties</b>	<b>United States properties</b>	<b>Total</b>
Asset retirement obligations, December 31, 2020	\$ 2,711,909	\$ 912,225	\$ 3,624,133
Plugging liability at Twin Lakes	—	152,000	132,000
Accretion expense	290,367	26,506	316,873
Disposition	(1,824,339)	—	(1,824,339)
Foreign currency translation	8,360	—	8,360
Asset retirement obligations, December 31, 2021	\$ 1,186,297	\$ 1,070,730	\$ 2,257,027
Plugging liability at Twin Lakes	—	—	—
Accretion expense	145,191	28,412	173,603
Disposition	—	(47,624)	(47,624)
Foreign currency translation	(81,671)	—	(81,671)
Asset retirement obligations, December 31, 2022	<u>\$ 1,249,816</u>	<u>\$ 1,051,518</u>	<u>\$ 2,301,335</u>

## 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 Series A Preferred Stock, cumulative dividends of \$179,190 and \$179,190 were accrued for the year ended December 31, 2022, and December 31, 2021, respectively.

The holders of Series B Preferred Stock do not accrue dividends and have no conversion rights. For so long as any shares of Series B Preferred Stock remain issued and outstanding, the holders thereof, voting separately as a class, have the right to vote on all shareholder matters (including, but not limited to at every meeting of the stockholders of the Company and upon any action taken by stockholders of the Company with or without a meeting) equal to sixty percent (60%) of the total vote. No shares of Series B Preferred Stock held by any person who is not then a member of Board of Directors of the Company shall have any voting rights. For more information, see Form 8-K reference in the Exhibits section.

The holders of Series C Preferred Stock are entitled to receive cumulative dividends at a rate of 8% per annum. If any shares of Series C Preferred Stock remain outstanding as of December 31, 2023, the dividend rate will increase to 11% per annum. The Series C Preferred Stock will automatically convert into common stock upon any registered public offering of the Company's common stock. At conversion, the value of each dollar of Series C Preferred Stock (based on a \$10 per share price) will convert into 100 common shares (which results in a \$0.01 per common share conversion rate).

In accordance with the terms of the Series C Preferred Stock, cumulative dividends of \$8,696 and \$779 were accrued for the year ended December 31, 2022, and December 31, 2021, respectively.

### *Common stock*

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 obligations were 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. Two payments were made in 2021 and \$45,000 of this payable is remaining on December 31, 2022.

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 and \$9,888 of accrued interest 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 traded.

### ***Warrants***

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

	<b>Warrants</b>	<b>Weighted average exercise price</b>
Outstanding at year ended December 31, 2020	40,764,666	\$ 0.13
Granted	9,400,000	0.09
Expired	(20,464,666)	0.11
Outstanding at year ended December 31, 2021	29,700,000	0.13
Granted	1,000,000	0.10
Expired	(6,730,000)	0.11
Outstanding at year ended December 31, 2022	23,970,000	0.13

As of December 31, 2022, the weighted-average remaining contractual life of warrants outstanding was 0.81 years (2021 – 1.71 years).

As of December 31, 2022, the intrinsic value of warrants outstanding is \$0 (2021 - \$0).

The table below summarizes warrant issuances during the years ended December 31, 2022, and 2021:

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Warrants granted:		
Board of directors and advisory board service	—	3,000,000
Pursuant to financing arrangements	1,000,000	1,000,000
Pursuant to loan agreements	—	5,400,000
Total	1,000,000	9,400,000

Warrants granted in the years ended December 31, 2022, and 2021 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.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Risk-free interest rate	2.49% – 4.22%	0.16% to 0.97%
Expected life	3.0 years	2.0 - 3.0 years
Expected dividend rate	0%	0%
Expected volatility	267% to 299%	277% to 356%



On October 30, 2020, a third-party debtor was issued warrants to purchase 5,000,000 shares of common stock at an exercise price of \$0.05 per share. The warrants have a 3-year expiration date. The warrants were issued in exchange of an agreement to extend a debt principal payment deadline. The fair value of the warrants is calculated using the Black Scholes Option Pricing Model and recorded as a debt discount. See Note 7 for more details.

On March 31, 2021, Mark Allen was issued warrants to purchase 5,400,000 shares of common stock at an exercise price of \$0.08 per share. The warrants have a 3-year expiration date. The warrants were issued as part of an agreement releasing the company of an outstanding loan of \$135,000 and outstanding guaranteed return on that loan. See Note 11 for more details.

#### **NOTE 11. RELATED PARTY TRANSACTIONS**

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 525 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 USD, 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 \$765,752 CAD (\$563,904 USD), necessary for the wells to continue in production after the acquisition. Additional funds in the amount of \$490,624 CAD (\$362,245 USD) remain in the other current asset balance for future payments to BSR, related to the acquisition.

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 Interim 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. A conversion price of \$0.09 per share was used to determine the number of shares. 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 with \$9,888 of accrued interest 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 \$98,690 that was recorded as a reduction to additional paid in capital, due to the related party nature of the transaction.

On August 21, 2021, the Company signed a Letter Agreement to divest the Company's wholly-owned Canada subsidiary, Petrolia Canada Corporation (PCC) and its assets in consideration for \$6,500,000 in Canadian dollars (approximately \$5,150,000 in U.S. dollars) less any contingent liabilities. The buyer is Blue Sky Resources Ltd. ("Blue Sky"), an affiliated party to Zel C. Khan, the Company's former Chief Executive Officer. Petrolia Canada Corporation assets include a 50% working interest in approximately 28,000 acres located in the Utikuma Lake area in Alberta, Canada, and 28% working interest in the Luseland, Hearts Hill, and Cuthbert fields located in Southwest Saskatchewan and Eastern Alberta. The Company received a non-refundable deposit of \$200,000 CAD on August 31, 2021. The remaining payment schedule is as follows: \$2,000,000 CAD on the Closing Date (scheduled for September 30, 2021), \$1,000,000 CAD on October 31, 2021, less Petrolia's contingent liabilities associated with the acquisition of Utikuma, and \$3,300,000 CAD on December 31, 2021. See Form 8-K reference in Exhibits section. This transaction did not close, and the \$200,000 CAD was added to other payables due to Blue Sky Petroleum in the fourth quarter of 2021.

On October 25, 2021, Petrolia Energy Corporation issued one share of its newly designated shares of Series B Preferred Stock to each of the three members of its then Board of Directors, (1) James E. Burns, (2) Leo Womack and (3) Ivar Siem, in consideration for services rendered to the Company as members of the Board of Directors. Such shares of Series B Preferred Stock vote in aggregate sixty percent (60%) of the total vote on all shareholder matters, voting separately as a class. This stock was valued by an independent party at \$50,799 per share. For further information, see Form 8-K reference in Exhibits section.

In October and November of 2021, Board Member Leo Womack purchased an aggregate of 2,500 shares of Series C Preferred Stock for cash of \$25,000.

## **NOTE 12. COMMITMENTS AND CONTINGENCIES**

*Environmental Matters* – The Company, as a lessee of oil and gas properties, is subject to various federal, provincial, state and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. There can be no assurance, however, that current regulatory requirements will not change, or past noncompliance with environmental laws will not be discovered on the Company's properties.

As mentioned in Note 6, the Company held a lease for acreage at SUDS Field from Joel Oppenheim. On November 4, 2022, this property was acquired by Flying M. Real Estate, and a new lease was signed by Petrolia Energy. The lease is for four years, starting at \$500 per month for the first 12 months, then increasing by 7% annually.

## **NOTE 13. INCOME TAXES**

There was no provision for income taxes for 2022 and 2021 due to net operating losses and loss carry forwards and doubt as to the entity's ability to continue as a going concern resulting in a 100% valuation allowance. Years from 2016 forward are open to examination by tax authorities in the United States. Years from 2019 forward are open to examination by Canadian tax authorities.

The provision for income taxes differs from the amount computed by applying the federal statutory income tax rate of 21% (2021 – 21%) on operations due primarily to permanent differences attributable to organizational expenses.

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2021
Income tax (benefit) expense computed at statutory rates	\$ (384,000)	\$ 405,000
Non-deductible items	(4,000)	49,000
Change in statutory, foreign tax, foreign exchange rates and other	(384,000)	(559,000)
Change in valuation allowance	24,000	105,000
Total	<u>\$ —</u>	<u>\$ —</u>

The significant components of the net deferred tax asset were as follows:

	December 31,	
	2022	2021
Deferred tax assets		
Net operating loss carryforwards	\$ 6,226,000	\$ 6,038,000
Asset retirement obligation	508,000	498,000
Oil and gas properties	(739,000)	(593,000)
Property and equipment	—	—
Other	—	—
Total deferred tax assets (liabilities)	<u>5,995,000</u>	<u>5,943,000</u>
Less: Valuation allowance	(5,995,000)	(5,943,000)
Net deferred tax assets (liabilities)	<u>\$ —</u>	<u>\$ —</u>

A valuation allowance has been established to offset deferred tax assets. The Company's accumulated net operating losses in the United States were approximately \$28.5 million on December 31, 2022 and begin to expire if not utilized beginning in the year 2033. The Company's accumulated non-capital tax losses in Canada were approximately \$1 million on December 31, 2022 and will expire in 2039. The Tax Cuts and Jobs Act was signed into law on December 22, 2017 and reduced the corporate income tax rate from 34% to 21%. The Company's deferred tax assets, liabilities, and valuation allowance have been adjusted to reflect the impact of the new tax law.

#### NOTE 14. 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 for the years ended December 31, 2022 and 2021:

	Canada	United States	Total
<b>Year ended December 31, 2021</b>			
Revenue	\$ 5,882,499	\$ 12,729	\$ 5,895,228
Production costs	(5,281,740)	(65,750)	(5,347,490)
Depreciation, depletion, amortization and accretion	(668,672)	(51,346)	(720,018)
Results of operations from producing activities	<u>\$ (67,913)</u>	<u>\$ (104,367)</u>	<u>\$ (172,280)</u>
Total long-lived assets	<u>\$ 2,104,993</u>	<u>\$ 4,244,189</u>	<u>\$ 6,349,182</u>
<b>Year ended December 31, 2022</b>			
Revenue	\$ 6,841,721	\$ 6,079	\$ 6,847,800
Production costs	(6,651,673)	(138,805)	(6,790,478)
Depreciation, depletion, amortization and accretion	(382,258)	(29,529)	(411,787)
Results of operations from producing activities	<u>\$ (192,210)</u>	<u>\$ (162,255)</u>	<u>\$ (354,465)</u>
Total long-lived assets	<u>\$ 1,742,837</u>	<u>\$ 4,243,466</u>	<u>\$ 5,986,283</u>

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

	December 31, 2022	December 31, 2021
Customer A	\$ —	\$ 796,176
Customer B	6,079	12,729
Customer C	4,793,138	5,086,323
Customer D	2,048,583	—
Total revenues	<u>\$ 6,847,800</u>	<u>\$ 5,895,228</u>

**NOTE 15. SUPPLEMENTAL INFORMATION RELATING TO OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)**

***Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development***

Amounts reported as costs incurred include both capitalized costs and costs charged to expense during the year for oil and gas property acquisition, exploration and development activities. Costs incurred also include new ARO established in the current year, as well as increases or decreases to the ARO resulting from changes to cost estimates during the year. Exploration costs presented below include the costs of drilling and equipping successful exploration wells, as well as dry hole costs, leasehold impairments, geological and geophysical expenses, and the costs of retaining undeveloped leaseholds. Development costs include the costs of drilling and equipping development wells, and construction of related production facilities.

In 2020, the Company purchased 50% working interest in the Utikuma field in Alberta, Canada for an aggregate purchase price of \$678,765. In connection with the acquisition, Company recognized an asset retirement obligation of \$906,146. An additional \$1,000,000 CAD 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 CAD. In addition, at the time WTI price exceeded \$57/bbl the Company would pay an additional \$250,000 CAD (for a cumulative contingent total of \$1,000,000 CAD). 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.

	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2021
Property acquisitions	\$ —	\$ 787,250
Unevaluated	—	—
Evaluated	—	—
Exploration	—	—
Development	—	—
Total costs incurred	<u>\$ —</u>	<u>\$ 787,250</u>

***Capitalized costs***

Capitalized costs include the cost of properties, equipment and facilities for oil and natural-gas producing activities, excluding any asset retirement obligations. Capitalized costs for proved properties include costs for oil and natural-gas leaseholds where proved reserves have been identified, development wells, and related equipment and facilities, including development wells in progress. Capitalized costs for unproved properties include costs for acquiring oil and gas leaseholds and geological and geophysical expenses where no proved reserves have been identified.

	December 31, 2022	December 31, 2021
Capitalized costs:		
Unevaluated properties	\$ —	\$ —
Evaluated properties	<u>5,414,771</u>	<u>5,511,480</u>
	5,414,771	5,511,480
Less: Accumulated DD&A	<u>-651,754</u>	<u>(448,960)</u>
Net capitalized costs	<u>\$ 4,763,017</u>	<u>\$ 5,062,520</u>

## Oil and Gas Reserve Information

MKM Engineering (“MKM”), an independent engineering firm, prepared the estimates of the proved reserves, future production, and income attributable to the Chaves County, New Mexico and Creek County, Oklahoma and Canadian property leasehold interests as of December 31, 2022 and the estimates of the proved reserves, future production, and income attributable to the Milam County, Texas, Chaves County, New Mexico and Creek County, Oklahoma leasehold interests as of December 31, 2021. The estimated proved net recoverable reserves presented below include only those quantities that were expected to be commercially recoverable at prices and costs in effect at the balance sheet dates under the then existing regulatory practices and with conventional equipment and operating methods. Proved Developed Reserves represent only those reserves estimated to be recovered through existing wells. Proved Undeveloped Reserves include those reserves that may be recovered from new wells on undrilled acreage or from existing wells on which a relatively major expenditure for recompletion or secondary recovery operations is required. All of the Company’s Proved Reserves are located onshore in the continental United States of America and Canada.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider unproved reserves, anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is subjective and imprecise.

The following table sets forth estimates of the proved oil and gas reserves (net of royalty interests) for the Company and changes therein, for the periods indicated.

	<b>BOE</b>
<b>December 31, 2020</b>	1,311,672
Revisions of prior estimates	292,335
Purchases of reserves in place	—
Disposition of mineral in place	(57,070)
Production	(97,084)
<b>December 31, 2021</b>	1,449,853
Revisions of prior estimates	(232,950)
Purchases of reserves in place	—
Disposition of mineral in place	(71,380)
Production	(80,333)
<b>December 31, 2022</b>	1,065,190

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Estimated quantities of proved developed reserves – BOE	1,043,830	1,449,853
Estimated quantities of proved undeveloped reserves – BOE	21,360	—

Proved developed and proved undeveloped reserves decreased from December 31, 2021 to December 31, 2022, primarily due the revision of prior estimates and production, and the removal of all Twin Lakes reserves.

The following table sets forth estimates of the proved developed and proved undeveloped oil and gas reserves (net of royalty interests) for the Company and changes therein, for the period indicates.

<b>Proved developed producing and non-producing reserve</b>	<b>BOE</b>
<b>December 31, 2021</b>	1,449,853
Revision of prior estimates	(325,690)
Production	(80,334)
<b>December 31, 2022</b>	1,043,830

Proved undeveloped reserves	BOE
December 31, 2021	—
Revisions to prior estimates	21,360
December 31, 2022	21,360

**Standardized Measure of Discounted Future Net Cash Flows**

The Standardized Measure related to proved oil and gas reserves is summarized below. Future cash inflows were computed by applying a twelve-month average of the first day of the month prices to estimated future production, less estimated future expenditures (based on year end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expense. Future income tax expenses are calculated by applying appropriate year-end tax rates to future pretax net cash flows, less the tax basis of properties involved. Future net cash flows are discounted at a rate of 10% annually to derive the standardized measure of discounted future net cash flows. This calculation procedure does not necessarily result in an estimate of the fair market value or the present value of the Company.

**Standardized Measure of Oil and Gas**

The following table sets forth the changes in standardized measure of discounted future net cash flows relating to proved oil and gas reserves for the periods indicated.

	December 31, 2022	December 31, 2021
Future cash inflows	\$ 95,454,352	\$ 93,082,624
Future production costs	(49,218,382)	(45,892,778)
Future development costs	(2,622,876)	(1,867,485)
Future income taxes	—	—
Future net cash flows	43,613,094	45,322,361
Discount of future net cash flows at 10% per annum <sup>***</sup>	(20,782,000)	(27,929,984)
Standardized measure of discounted future net cash flows	\$ 22,831,094	\$ 17,392,377

**Changes in standardized measure of discounted future cash flows**

	December 31, 2022	December 31, 2021
Beginning of year	\$ 17,392,377	\$ 7,956,920
Sales and transfers of oil & gas produced, net of production costs	(660,629)	(539,927)
Net changes in prices and production costs	(1,278,130)	(865,805)
Changes in estimated future development costs	537,696	(565,870)
Acquisitions/dispositions of minerals in place, net of production costs	(367,027)	(231,470)
Revision of previous estimates	(11,820,528)	1,194,016
Change in discount	—	—
Change in production rate or other	19,027,334	10,444,513
End of year	\$ 22,831,094	\$ 17,392,377

#### **NOTE 16. SUBSEQUENT EVENTS**

On January 11, 2023, PEC and PCC filed a motion to strike the petition in intervention by Joel Oppenheim, disclosed in Item 3. Legal Proceedings On February 3, 2023, Joel Oppenheim filed an opposition to the motion to strike.

On January 31, 2023, Petrolia Canada Corporation filed a Statement of Claim in the Calgary Court of King's Bench of Alberta naming Blue Sky Resources, Ltd. as a defendant in a lawsuit.

On February 9, 2023, Edna Meyer-Nelson, Suzanne Klein, and Laura S. Ward, each a shareholder of the Company, filed a separate Petition in Intervention to join in Oppenheim's derivative suit against the Company.

On March 2, 2023, Dr. Marvin Chasen and Billie Mae Chasen, filed a separate Petition in Intervention to join in Oppenheim's derivative suit against the Company.

On January 31, 2023, Petrolia Canada Corporation filed a Statement of Claim in the Calgary Court of King's Bench of Alberta naming Blue Sky Resources, Ltd. as a defendant in a lawsuit. On March 24, 2023, Blue Sky Resources, Ltd. filed a Statement of Defense and Counterclaim in the Calgary Court of King's Bench of Alberta. The Court File Number is 2301-01310.

On April 20, 2023, Petrolia Canada Corporation filed a Statement of Defense to Counterclaim, Reply to Defense, and Amended Statement of Claim, adding Zel Khan and Quinten Beasley as defendants in the Court File Number 2301-01310 matter filed in the Calgary Court of King's Bench of Alberta.

On May 5, 2023, the Company was notified by Blue Sky Resources (BSR), the operator of our Utikuma asset that the Province of Alberta has declared a state of emergency due to wildfires in Alberta. We were informed that because of wildfires in the vicinity of our oilfield assets, the field was shut in and all personnel were evacuated, and that the highway to the Slave Lake area has been closed. Early assessments of the situation indicate that our Utikuma facilities may have incurred major damage.

**DESCRIPTION OF SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

The following summary describes the common stock of Petrolia Energy Corp., a Texas corporation (“Petrolia” or the “Company”), which common stock is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Only the Company’s common stock is registered under Section 12 of the Exchange Act.

**DESCRIPTION OF COMMON STOCK**

The following description of our common stock is a summary and is qualified in its entirety by reference to our Certificate of Formation, as amended and our Bylaws, as amended, which are incorporated by reference as exhibits to this Annual Report on Form 10-K, and by applicable law. For purposes of this description, references to “Petrolia,” “we,” “our” and “us” refer only to Petrolia and not to its subsidiaries.

**Authorized Capitalization**

The total number of authorized shares of our common stock is 400,000,000 shares, \$0.001 par value per share.

The total number of “blank check” authorized shares of our preferred stock is 1,000,000 shares, \$0.001 par value per share. The total number of designated shares of our Series A Convertible Preferred Stock is 400,000; the total number of designated shares of Series B Preferred Stock is 3; the total number of designated shares of Series C Convertible Preferred Stock is 50,000. The terms of our preferred stock are not included herein as such preferred stock is not registered under Section 12 of the Exchange Act.

**Common Stock**

***Voting Rights.*** Each share of our common stock is entitled to one vote on all stockholder matters. Shares of our common stock do not possess any cumulative voting rights.

Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, Texas law, our Certificate of Formation, as amended or Bylaws, as amended. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we have designated, or may designate and issue in the future.

***Dividend Rights.*** Each share of our common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by our Board of Directors, subject to any preferential or other rights of any outstanding preferred stock.

***Liquidation and Dissolution Rights.*** Upon liquidation, dissolution or winding up, our common stock will be entitled to receive pro rata on a share-for-share basis, the assets available for distribution to the stockholders after payment of liabilities and payment of preferential and other amounts, if any, payable on any outstanding preferred stock.

***Fully Paid Status.*** All outstanding shares of the Company’s common stock are validly issued, fully paid and non-assessable.

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**Other Matters.** No holder of any shares of our common stock has a preemptive right to subscribe for any of our securities, nor are any shares of our common stock subject to redemption or convertible into other securities.

### **Business Combinations under Texas Law**

A number of provisions of Texas law, our Certificate of Formation and Bylaws could make it more difficult for the acquisition of our company by means of a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions are intended to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of our company to negotiate first with our board of directors.

We are subject to the provisions of Title 2, Chapter 21, Subchapter M of the Texas Business Organizations Code (the “Texas Business Combination Law”). That law provides that a Texas corporation may not engage in specified types of business combinations, including mergers, consolidations and asset sales, with a person, or an affiliate or associate of that person, who is an “affiliated shareholder”, for a period of three years from the date that person became an affiliated shareholder, subject to certain exceptions (described below). An “affiliated shareholder” is generally defined as the holder of 20% or more of the corporation’s voting shares. The law’s prohibitions do not apply if the business combination or the acquisition of shares by the affiliated shareholder was approved by the board of directors of the corporation before the affiliated shareholder became an affiliated shareholder; or the business combination was approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the corporation not beneficially owned by the affiliated shareholder, at a meeting of shareholders called for that purpose, not less than six months after the affiliated shareholder became an affiliated shareholder.

Because we have more than 100 of record shareholders, we are considered an “issuing public corporation” for purposes of this law. The Texas Business Combination Law does not apply to the following:

- the business combination of an issuing public corporation: where the corporation’s original charter or bylaws contain a provision expressly electing not to be governed by the Texas Business Combination Law; or that adopts an amendment to its charter or bylaws, by the affirmative vote of the holders, other than affiliated shareholders, of at least two-thirds of the outstanding voting shares of the corporation, expressly electing not to be governed by the Texas Business Combination Law and so long as the amendment does not take effect for 18 months following the date of the vote and does not apply to a business combination with an affiliated shareholder who became affiliated on or before the effective date of the amendment;
- a business combination of an issuing public corporation with an affiliated shareholder that became an affiliated shareholder inadvertently, if the affiliated shareholder divests itself, as soon as possible, of enough shares to no longer be an affiliated shareholder and would not at any time within the three-year period preceding the announcement of the business combination have been an affiliated shareholder but for the inadvertent acquisition;
- a business combination with an affiliated shareholder who became an affiliated shareholder through a transfer of shares by will or intestacy and continuously was an affiliated shareholder until the announcement date of the business combination; or
- a business combination of a corporation with its wholly owned Texas subsidiary if the subsidiary is not an affiliate or associate of the affiliated shareholder other than by reason of the affiliated shareholder’s beneficial ownership of voting shares of the corporation.

Neither our Certificate of Formation, nor our Bylaws contain any provision expressly providing that we will not be subject to the Texas Business Combination Law. The Texas Business Combination Law may have the effect of inhibiting a non-negotiated merger or other business combination involving our company, even if that event would be beneficial to our shareholders.

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## Anti-Takeover Provisions of Our Charter Documents

Our Certificate of Formation and Bylaws contain various provisions intended to promote the stability of our stockholder base and render more difficult certain unsolicited or hostile attempts to take us over, that could disrupt us, divert the attention of our directors, officers and employees and adversely affect the independence and integrity of our business. These provisions include:

- *Special Meetings of Stockholders* — Our Bylaws provide that special meetings of the stockholders may only be called by our Board, the Chairman, our President, a majority of the Board or a committee if designated with such power to call a meeting, or upon written notice to our board of directors by our stockholders holding not less than 25% of our outstanding voting capital stock.
  - *Amendment of Bylaws* — Our Bylaws may be amended by our Board of Directors alone.
  - *Advance Notice Procedures* — Our Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders. At an annual meeting, our stockholders elect a Board of Directors and transact such other business as may properly be brought before the meeting. By contrast, at a special meeting, our stockholders may transact only the business for the purposes specified in the notice of the meeting.
  - *No cumulative voting* — Our Certificate of Formation and Bylaws do not include a provision for cumulative voting in the election of directors.
  - *Vacancies* — Our Bylaws provide that vacancies on our Board may be filled by a majority of directors in office, although less than a quorum, and not by the stockholders.
  - *Preferred Stock* — Our Certificate of Formation allows us to issue up to 10,000,000 shares of preferred stock, of which 400,000 shares have been designated as Series A Convertible Preferred Stock; 3 shares have been designated as Series B Preferred Stock is; and 50,000 shares have been designated as Series C Convertible Preferred Stock. The undesignated preferred stock may have rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights, of the holders of common stock. In some circumstances, this issuance could have the effect of decreasing the market price of the common stock as well as having an anti-takeover effect.
  - *Authorized but Unissued Shares* — Our Board of Directors may cause us to issue our authorized but unissued shares of common stock in the future without stockholders' approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.
-

SUBSIDIARIES

Askarii Resources, LLC, wholly-owned  
Petroliia Canada Corporation, wholly-owned

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CONSENT OF PETROLEUM ENGINEER

We consent to the references to our firm in the form and context in which they appear in the Annual Report on Form 10-K of Petrolia Energy Corporation (the “Company”) for the year ended December 31, 2022 (including, but not limited to, the notes to the financial statements included therein) (the “Annual Report”).

We further consent to the inclusion and use in the Annual Report of our reports dated December 31, 2022, relating to an estimate of certain hydrocarbon reserves owned by Petrolia Energy Corporation (the “Reports”), and the information from our report contained in the Annual Report and the filing of the Reports as Exhibit 99.1, Exhibit 99.2, and Exhibit 99.6 to the Annual Report and all references to our firm and the Reports in the Annual Report.

MKM ENGINEERING  
State of Texas Registration No. F-009733

By: /s/ Michele Mudrone

Name: Michele Mudrone, P.E.

Title: Petroleum Engineer

Date: April 21, 2023

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## CERTIFICATION

I, Mark Allen, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or cause 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(s) and I have disclosed, based on my most recent evaluation of the 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 significant role in the registrant's internal control over financial reporting.

May 12, 2023

/s/ Mark Allen

Mark Allen, Chief Executive Officer  
(Principal Executive Officer)

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## CERTIFICATION

I, Heather Monk, certify that:

1. I have reviewed this annual report on Form 10-K 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 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or cause 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(s) and I have disclosed, based on my most recent evaluation of the 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 significant role in the registrant's internal control over financial reporting.

May 12, 2023

/s/ Heather Monk

Heather Monk, Interim Chief Financial Officer  
(Principal Financial/Accounting Officer)

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

In connection with the Annual Report of Petrolia Energy Corporation (the “Company”) on Form 10-K for the period ending December 31, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Mark Allen certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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 the Company at the date and for the periods indicated.

May 12, 2023

*/s/ Mark Allen*

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Mark Allen, Chief Executive Officer  
(Principal Executive Officer)

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

In connection with the Annual Report of Petrolia Energy Corporation (the “Company”) on Form 10-K for the period ending December 31, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Heather Monk certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (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 the Company at the date and for the periods indicated.

May 12, 2023

*/s/ Heather Monk*

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Heather Monk, Interim Chief Financial Officer  
(Principal Finance/Accounting Officer)

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APPRAISAL OF  
CERTAIN  
OIL AND GAS INTERESTS  
OWNED BY  
PETROLIA ENERGY CORPORATION  
LOCATED IN  
ALBERTA CANADA  
AS OF DECEMBER 31, 2022

PREPARED FOR  
PETROLIA ENERGY CORPORATION  
SEC Parameters

MKM ENGINEERING  
F-009377

*Michele K. Mudrone*

Michele K. Mudrone, P.E.  
April 21, 2023



**MKM ENGINEERING**  
Oil and Gas Consulting Services  
3905 Sagamore Hill Court  
Plano, Texas 75025

April 21, 2023

Mr. Mark Allen  
Petrolia Energy Corporation  
710 N. Post Oak Road, Suite 400  
Houston, TX 77024

Dear Mr. Allen:

As requested, we are submitting our estimates of proved and probable reserves and our forecasts of the resulting economics attributable to the interests of Petrolia Energy Corporation as of December 31, 2022, in certain properties located in Alberta Canada. We completed our evaluation on April 21, 2023. It is our understanding that the proved and probable reserves estimated in this report constitute approximately 100% of all proved and probable reserves owned by Petrolia Energy Corporation in Canada.

This report has been prepared for Petrolia Energy Corporation use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose. Composite reserve estimates and economic forecasts are summarized below:

		<u>Proved</u>	<u>Proved Developed Producing</u>	<u>Proved Non- Producing</u>
<u>Net Reserves</u>				
Oil/Condensate	MBbl	714.5	612.5	102.0
Gas	MMcf	29.3	20.0	9.3
<u>Revenue</u>				
Oil/Condensate	M\$	63,472.4	54,411.1	9,061.3
Gas	M\$	283.2	193.6	89.6
Crown Royalties	M\$	1,563.2	1,335.3	227.9
Operating Expenses	M\$	39,211.9	34,395.3	4,816.6
Investments	M\$	294.9	0.0	294.9
Operating Income (BFTT)	M\$	22,685.5	18,874.0	3,811.5
Discounted @ 10%	M\$	13,058.7	11,564.2	1,494.5

Composite proved reserve estimates and economic forecasts are summarized below:

		Probable	Probable Producing	Probable Non- Producing
<u>Net Reserves</u>				
Oil/Condensate	MBbl	176.0	156.8	19.2
Gas	MMcf	4.3	3.6	0.7
<u>Revenue</u>				
Oil/Condensate	M\$	15,642.8	13,933.4	1,709.4
Gas	M\$	41.1	34.2	6.9
Crown Royalties	M\$	382.5	340.5	42.0
Operating Expenses	M\$	7,320.8	6,398.6	922.2
Investments	M\$	0.0	0.0	0.0
Operating Income (BFTT)	M\$	7,980.7	7,228.6	752.1
Discounted @ 10%	M\$	3,417.6	3,193.1	224.5

In accordance with the Securities and Exchange Commission guidelines, the operating income (BFTT) has been discounted at an annual rate of 10% to determine its "present worth". The discounted value, "present worth", shown above should not be construed to represent an estimate of the fair market value by MKM Engineering.

As requested, hydrocarbon pricing of \$93.67 per barrel of oil/condensate (WTI Cushing) and \$6.36 per MMBtu of gas (Henry Hub) was used. In accordance with the Securities and Exchange Commission guidelines, these prices were determined as an unweighted arithmetic average of the first-day-of-the-month price for each month of 2022. The oil and gas prices were held constant and were adjusted for gravity, heating value, quality, transportation and marketing. The adjusted volume-weighted average product prices over the life of the properties are \$88.85 per barrel of oil and \$9.67 per mcf of gas.

Operating costs were based on operating expense records of Petrolia Energy Corporation. Development costs were furnished to us by Petrolia and are based on authorization for expenditures for the proposed work or actual costs of similar projects. The development costs furnished to us were accepted as factual data and reviewed by MKM Engineering for their reasonableness; however, we have not conducted an independent verification of these costs. There is no severance tax or ad valorem tax in Canada. Crown royalties were specified by the individual property based on published rates. As per the Securities and Exchange Commission guidelines, neither expenses nor investments were escalated. The expenditures for plugging, abandonment, and reclamation of the properties at the end-of-project life were not included in this report.

The proved and probable reserve classifications conform to criteria of the Securities and Exchange Commission. The reserves and economics are predicted on the regulatory agency classifications, rules, policies, laws, taxes, and royalties in effect on the date of this report except as noted herein. In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be legal or accounting, rather than engineering and geosciences. Therefore, the possible effects of changes in legislation or other Federal or State restrictive actions have not been considered. An on-site field inspection of these properties has not been made nor have the wells been tested by MKM Engineering. Possible environmental liability related to the properties has not been investigated nor considered.

The reserves were estimated using a combination of the production performance, volumetric and analogy methods, in each case as we considered to be appropriate and necessary to establish the conclusions set forth herein. All reserve estimates represent our best judgment based on data available at the time of preparation and assumptions as to future economic and regulatory conditions. It should be realized that the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

The process of estimated reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices, and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions, and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information, and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices, and reservoir performance. Such revisions can be positive or negative.

The reserve estimates were based on interpretations of factual data furnished by Petrolia Energy Corporation. Ownership interests were supplied by Petrolia Energy Corporation and were accepted as furnished. To some extent, information from public records has been used to check and/or supplement this data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data.

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Petrolia Energy Corporation  
April 21, 2023  
Page 4

MKM Engineering is independent with respect to Petrolia Energy Corporation as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers ("SPE Standards"). Neither MKM Engineering nor any of its employees has any interest in the subject properties. Neither the employment to make this study nor the compensation is contingent on the results of our work or the future production rates for the subject properties.

Our work papers and related data are available for inspection and review by authorized parties.

Respectfully submitted,

MKM ENGINEERING  
Texas Registered Engineering Firm F-009733

*Michele K. Mudrone*

Michele K. Mudrone, P.E.

Attachments



APPRAISAL OF  
CERTAIN  
OIL AND GAS INTERESTS  
OWNED BY  
PETROLIA ENERGY CORPORATION  
LOCATED IN  
CHAVES COUNTY, NEW MEXICO  
AS OF DECEMBER 31, 2022

PREPARED FOR  
PETROLIA ENERGY CORPORATION

MKM ENGINEERING  
F-009377

*Michele K. Mudrone*

Michele K. Mudrone, P.E.  
April 12, 2023



**MKM ENGINEERING**  
Oil and Gas Consulting Services  
3905 Sagamore Hill Court  
Plano, Texas 75025

April 12, 2023

Mr. Mark Allen  
Petrolia Energy Corporation  
710 N. Post Oak Road, Suite 400  
Houston, TX 77024

Dear Mr. Allen:

As requested, we are submitting our estimates of proved reserves and our forecasts of the resulting economics attributable to the interests of Petrolia Energy Corporation as of December 31, 2022, in certain properties located in Chaves County, New Mexico. We completed our evaluation on April 12, 2023.

This report has been prepared for Petrolia Energy Corporation use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose. Composite reserve estimates and economic forecasts are summarized below:

		Proved	Proved Non- Producing	Proved Shut-In
<u>Net Reserves</u>		<u>Proved</u>	<u>Producing</u>	<u>Shut-In</u>
Oil/Condensate	MBbl	0.0	0.0	0.0
Gas	MMcf	0.0	0.0	0.0
<u>Revenue</u>				
Oil/Condensate	M\$	0.0	0.0	0.0
Gas	M\$	0.0	0.0	0.0
Severance and Ad				
Valorem Taxes	M\$	0.0	0.0	0.0
Operating Expenses	M\$	0.0	0.0	0.0
Investments	M\$	1,199.0	287.0	912.0
Operating Income (BFTT)	M\$	(1,199.0)	(287.0)	(912.0)
Discounted @ 10%	M\$	(1,027.6)	(223.8)	(803.8)

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In accordance with the Securities and Exchange Commission guidelines, the operating income (BFIT) has been discounted at an annual rate of 10% to determine its "present worth". The discounted value, "present worth", shown above should not be construed to represent an estimate of the fair market value by MKM Engineering.

As requested, hydrocarbon pricing of \$93.67 per barrel of oil/condensate (WTI Cushing) and \$6.358 per MMBtu of gas (Henry Hub) was used. In accordance with the Securities and Exchange Commission guidelines, these prices were determined as an unweighted arithmetic average of the first-day-of-the-month price for each month of 2022. The oil and gas prices were held constant and were adjusted for gravity, heating value, quality, transportation and marketing. The adjusted volume-weighted average product prices over the life of the properties are \$93.67 per barrel of oil and \$6.358 per mcf of gas.

Operating costs were based on operating expense records of Petrolia Energy Corporation. Development costs were furnished to us by Petrolia and are based on authorization for expenditures for the proposed work or actual costs of similar projects. The development costs furnished to us were accepted as factual data and reviewed by MKM Engineering for their reasonableness; however, we have not conducted an independent verification of these costs. As per the Securities and Exchange Commission guidelines, neither expenses nor investments were escalated. The expenditures for plugging, abandonment, and reclamation of the properties at the end-of-project life were included in this report.

The proved reserve classifications conform to criteria of the Securities and Exchange Commission. The reserves and economics are predicted on the regulatory agency classifications, rules, policies, laws, taxes, and royalties in effect on the date of this report except as noted herein. In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be legal or accounting, rather than engineering and geosciences. Therefore, the possible effects of changes in legislation or other Federal or State restrictive actions have not been considered. An on-site field inspection of these properties has not been made nor have the wells been tested by MKM Engineering. Possible environmental liability related to the properties has not been investigated nor considered.

The reserves were estimated using a combination of the production performance, volumetric and analogy methods, in each case as we considered to be appropriate and necessary to establish the conclusions set forth herein. All reserve estimates represent our best judgment based on data available at the time of preparation and assumptions as to future economic and regulatory conditions. It should be realized that the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

The process of estimated reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The

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reserve estimates contained herein are based on current production forecasts, prices, and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions, and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information, and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices, and reservoir performance. Such revisions can be positive or negative.

The reserve estimates were based on interpretations of factual data furnished by Petrolia Energy Corporation. Ownership interests were supplied by Petrolia Energy Corporation and were accepted as furnished. To some extent, information from public records has been used to check and/or supplement this data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data.

MKM Engineering is independent with respect to Petrolia Energy Corporation as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers ("SPE Standards"). Neither MKM Engineering nor any of its employees has any interest in the subject properties. Neither the employment to make this study nor the compensation is contingent on the results of our work or the future production rates for the subject properties.

Our work papers and related data are available for inspection and review by authorized parties.

Respectfully submitted,

MKM ENGINEERING  
Texas Registered Engineering Firm F-009733

*Michele K. Mudrone*

Michele K. Mudrone, P.E.

Attachments



APPRAISAL OF  
CERTAIN  
OIL AND GAS INTERESTS  
OWNED BY  
PETROLIA ENERGY CORPORATION  
LOCATED IN  
CREEK COUNTY, OKLAHOMA  
AS OF DECEMBER 31, 2022

PREPARED FOR  
PETROLIA ENERGY CORPORATION  
SEC Pricing

MKM ENGINEERING  
F-009377

*Michele K. Mudrone*

Michele K. Mudrone, P.E.  
April 17, 2023



**MKM ENGINEERING**  
Oil and Gas Consulting Services  
3905 Sagamore Hill Court  
Plano, Texas 75025

April 17, 2023

Mr. Mark Allen  
Petrolia Energy Corporation  
710 N. Post Oak Road, Suite 400  
Houston, TX 77024

Dear Mr. Allen:

As requested, we are submitting our estimates of proved and probable reserves and our forecasts of the resulting economics attributable to the interests of Petrolia Energy Corporation as of December 31, 2022, in certain properties located in Creek County, Oklahoma. We completed our evaluation on April 17, 2023. It is our understanding that the proved and probable reserves estimated in this report constitute approximately 100% of all proved and probable reserves owned by Petrolia Energy Corporation in the United States.

This report has been prepared for Petrolia Energy Corporation use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose. Composite reserve estimates and economic forecasts are summarized below:

			Proved Non- Producing	Proved Undeveloped
<u>Net Reserves</u>		<u>Proved</u>		
Oil/Condensate	MBbl	345.8	324.4	21.4
Gas	MMcf	0.0	0.0	0.0
<u>Revenue</u>				
Oil/Condensate	M\$	31,698.8	29,741.3	1,957.5
Gas	M\$	0.0	0.0	0.0
Severance and Ad				
Valorem Taxes	M\$	2,249.1	2,110.2	138.9
Operating Expenses	M\$	6,194.2	5,970.6	223.6
Investments	M\$	1,129.0	809.0	320.0
Operating Income (BFTI)	M\$	22,126.6	20,851.6	1,275.0
Discounted @ 10%	M\$	10,800.0	9,925.0	875.0

Composite probable reserve estimates and economic forecasts are summarized below:

		<u>Probable</u>	<u>Probable Undeveloped</u>
<u>Net Reserves</u>			
Oil/Condensate	MBbl	152.8	152.8
Gas	MMcf	0.0	0.0
<u>Revenue</u>			
Oil/Condensate	M\$	14,006.5	14,006.5
Gas	M\$	0.0	0.0
Severance and Ad Valorem Taxes	M\$	993.8	993.8
Operating Expenses	M\$	1,536.9	1,536.9
Investments	M\$	480.0	480.0
Operating Income (BFIT)	M\$	10,995.8	10,995.8
Discounted @ 10%	M\$	6,831.0	6,831.0

In accordance with the Securities and Exchange Commission guidelines, the operating income (BFIT) has been discounted at an annual rate of 10% to determine its "present worth". The discounted value, "present worth", shown above should not be construed to represent an estimate of the fair market value by MKM Engineering.

As requested, hydrocarbon pricing of \$93.67 per barrel of oil/condensate (WTI Cushing) and \$6.358 per MMBtu of gas (Henry Hub) was used. In accordance with the Securities and Exchange Commission guidelines, these prices were determined as an unweighted arithmetic average of the first-day-of-the-month price for each month of 2022. The oil and gas prices were held constant and were adjusted for gravity, heating value, quality, transportation and marketing. The adjusted volume-weighted average product prices over the life of the properties are \$91.66 per barrel of oil and \$6.358 per mcf of gas.

Operating costs were based on operating expense records of Petrolia Energy Corporation. Development costs were furnished to us by Petrolia and are based on authorization for expenditures for the proposed work or actual costs of similar projects. The development costs furnished to us were accepted as factual data and reviewed by MKM Engineering for their reasonableness; however, we have not conducted an independent verification of these costs. As per the Securities and Exchange Commission guidelines, neither expenses nor investments were escalated. The expenditures for plugging, abandonment, and reclamation of the properties were included in this report.

The proved and probable reserve classifications conform to criteria of the Securities and Exchange Commission. The reserves and economics are predicted on the regulatory agency classifications, rules, policies, laws, taxes, and royalties in effect on the date of this report except as noted herein. In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be legal or accounting, rather than engineering and geosciences. Therefore, the possible effects of changes in legislation or other Federal or State restrictive actions have not been considered. An on-site field inspection of these properties has not been made nor have the wells been tested by MKM Engineering. Possible environmental liability related to the properties has not been investigated nor considered.

The reserves were estimated using a combination of the production performance, volumetric and analogy methods, in each case as we considered to be appropriate and necessary to establish the conclusions set forth herein. All reserve estimates represent our best judgment based on data available at the time of preparation and assumptions as to future economic and regulatory conditions. It should be realized that the reserves actually recovered, the revenue derived therefrom and the actual cost incurred could be more or less than the estimated amounts.

The process of estimated reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices, and economic conditions.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions, and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information, and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices, and reservoir performance. Such revisions can be positive or negative.

The reserve estimates were based on interpretations of factual data furnished by Petrolia Energy Corporation. Ownership interests were supplied by Petrolia Energy Corporation and were accepted as furnished. To some extent, information from public records has been used to check and/or supplement this data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data.

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MKM Engineering is independent with respect to Petrolia Energy Corporation as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers ("SPE Standards"). Neither MKM Engineering nor any of its employees has any interest in the subject properties. Neither the employment to make this study nor the compensation is contingent on the results of our work or the future production rates for the subject properties.

Our work papers and related data are available for inspection and review by authorized parties.

Respectfully submitted,

MKM ENGINEERING  
Texas Registered Engineering Firm F-009733

*Michele K. Mudrone*

Michele K. Mudrone, P.E.



Attachments

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