

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

**FORM 10-Q/A
(Amendment No. 1)**

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

For the quarterly period ended March 31, 2022

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

For the transition period from _____ to _____

Commission File Number: **000-52690**

PETROLIA ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of
incorporation or organization)

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

(Address of principal executive offices)

86-1061005

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

77024

(Zip Code)

(832-723-1266)

(Issuer's telephone number, including area code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth company

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 176,988,322 shares of common stock as of February 17, 2023.

EXPLANATORY NOTE

Petrolia Energy Corp. (the "Company") is filing this Amendment No. 1 to Form 10-Q for the fiscal quarter ended March 31, 2022 ("Amendment No. 1") to amend the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, originally filed by the Company with the Securities and Exchange Commission on February 17, 2023 (the "Original Report"): to amend "*Part I. Financial Information, Item 4 Controls and Procedures*", to disclose the conclusions of the Company's principal executive and principal financial officer, regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report, based on the evaluation of these controls and procedures required by paragraph (b) of Rule 13a-15 or 15d-15 of the Exchange Act, which were inadvertently left out of the Original Report.

Other than the changes discussed above, the filing of the currently dated Exhibit 31.1, 31.2, 32.1 and 32.2 certifications and updated XBRL data under Item 15 of Part IV of this Amendment No. 1, no changes have been made to the Original Report or the exhibits filed therewith. Information not affected by this Amendment No. 1 remains unchanged and reflects the disclosures made at the time of the Original Report. Accordingly, this Amendment No. 1 should be read in conjunction with our filings made with the Securities and Exchange Commission after the date of the Original Report.

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PART I: Financial Information

Item 1. Consolidated Financial Statements

**PETROLIA ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>March 31, 2022</u> (unaudited)	<u>December 31, 2021</u> (audited)
ASSETS		
Current assets		
Cash	\$ 105,136	\$ 14,058
Accounts receivable	229,633	5,942
Other current assets	6,397	5,641
Total current assets	<u>341,166</u>	<u>25,641</u>
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Evaluated properties	6,833,326	6,797,025
Furniture, equipment & software	155,293	155,293
Less accumulated depreciation and depletion	(661,976)	(603,135)
Net property and equipment	<u>6,326,643</u>	<u>6,349,183</u>
Other assets		
Operating lease right-of-use asset	10,156	12,821
Other assets	1,460,553	1,450,841
Total Assets	<u>\$ 8,138,518</u>	<u>\$ 7,838,486</u>
LIABILITIES & STOCKHOLDERS DEFICIT		
Current liabilities		
Accounts payable	\$ 250,797	\$ 320,088
Accounts payable – related parties	59,694	57,363
Operating lease liability – current	10,972	13,909
Accrued liabilities	1,189,817	1,149,012
Accrued liabilities – related parties	924,135	862,158
Notes payable, current portion	3,438,542	3,438,162
Notes payable – related parties, current portion	779,373	779,373
Total current liabilities	<u>6,653,330</u>	<u>6,620,065</u>
Asset retirement obligations	2,317,254	2,257,027
Derivative liability	5,069	22,554

Total Liabilities	\$ 8,975,653	\$ 8,899,646
Stockholders' Deficit		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized; 199,100 shares issued and outstanding	\$ 199	\$ 199
Preferred Series B stock, no par value; 3 shares authorized; 3 and 0 shares issued and outstanding	152,397	152,397
Preferred Series C stock, \$0.10 par value, 11,000 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	60,242,189	60,216,722
Accumulated other comprehensive income	(239,298)	(269,155)
Accumulated deficit	(61,170,710)	(61,339,161)
Total Stockholders' Deficit	(837,135)	(1,061,160)
Total Liabilities and Stockholders' Deficit	\$ 8,138,518	\$ 7,838,486

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

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Oil and gas sales		
Oil and gas sales	\$ 1,836,360	\$ 1,082,248
Total Revenue	1,836,360	1,082,248
Operating expenses		
Lease operating expense	1,275,837	535,393
Production tax	438	1,163
General and administrative expenses	147,846	331,014
Depreciation, depletion and amortization	52,516	183,139
Asset retirement obligation accretion	42,478	88,206
Total operating expenses	1,519,115	1,138,915
Gain (loss) from operations	317,245	(56,667)
Other income (expenses)		
Interest expense	(124,937)	(158,048)
Other income	5,521	—
Change in fair value of derivative liabilities	17,485	(187,716)
Total other income (expenses)	(101,931)	(345,764)
Net income (loss) before taxes	215,314	(402,431)
Series A Preferred Dividends	(44,797)	(44,675)
Series C Preferred Dividends	(2,066)	—
Net income (loss) attributable to common stockholders	168,451	(447,106)
Other comprehensive income, net of tax		
Foreign currency translation adjustments	29,857	2,327
Comprehensive income (loss)	198,308	(444,779)
Gain (loss) per share (Basic & diluted)	0.00	(0.00)
Weighted average number of common shares outstanding, basic & diluted	176,988,322	170,685,245

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

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

	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	—	—	—	—	—	—	—	—	27,639	—	—	—	27,639
Series A preferred dividends	—	—	—	—	—	—	—	—	—	—	—	(44,675)	(44,675)
Warrants issued as financing fee	—	—	—	—	—	—	—	—	9,252	—	—	—	9,252
Common shares issued for conversion of debt	—	—	—	—	—	—	2,700,000	2,700	86,400	—	—	—	89,100

Common shares issued for settlement of related party fee	—	—	—	—	—	—	5,592,096	5,592	158,895	—	—	—	164,487
Warrants issued for settlement of loans	—	—	—	—	—	—	—	—	200,378	—	—	—	200,378
Gain on modification of related party debt	—	—	—	—	—	—	—	—	181,791	—	—	—	181,791
Gain on issuance of shares for settlement of accrued related party fees	—	—	—	—	—	—	—	—	373,556	—	—	—	373,556
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	2,327	—	2,327
Net loss	—	—	—	—	—	—	—	—	—	—	—	(402,431)	(402,431)
Balance at March 31, 2021	199,100	\$ 199	—	\$ —	—	\$ —	176,988,322	\$ 176,988	\$ 60,082,160	\$ —	\$ (264,105)	\$ (63,535,202)	\$ (3,539,960)
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	—	—	—	—	—	—	—	—	—	—	—	(44,797)	(44,797)
Series C preferred dividends	—	—	—	—	—	—	—	—	—	—	—	(2,066)	(2,066)
Preferred Series C issued for cash	—	—	—	—	2,500	250	—	—	24,750	—	—	—	25,000
Warrants issued as financing fee	—	—	—	—	—	—	—	—	717	—	—	—	717
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	29,857	—	29,857
Net income	—	—	—	—	—	—	—	—	—	—	—	215,314	215,314
Balance at March 31, 2022	199,100	\$ 199	3	\$ 152,397	11,000	\$ 1,100	\$ 176,988,322	\$ 176,988	\$ 60,242,189	\$ —	\$ (239,298)	\$ (61,170,710)	\$ (837,135)

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

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash Flows from Operating Activities		
Net gain (loss)	\$ 215,314	\$ (402,431)
Adjustment to reconcile net gain (loss) to net cash provided by (used in) operating activities:		
Depletion, depreciation and amortization	52,516	183,139
Asset retirement obligation accretion	42,478	88,206
Operating lease	(272)	263
Amortization of debt discount	13,857	63,007
Change in fair value of derivative liabilities	(17,485)	187,716
Stock-based compensation expense	—	27,369
Warrants issued as financing fees	717	9,252
Changes in operating assets and liabilities		
Accounts receivable	(223,688)	(446,238)
Other current assets	(756)	—
Other assets	11,419	—
Accounts payable	(68,892)	24,483
Accounts payable – related parties	2,331	(587)
Accrued liabilities	(6,568)	(112,776)
Accrued liabilities – related parties	54,525	331,640
Net cash flows from operating activities	<u>75,496</u>	<u>(46,957)</u>
Cash Flows from Investing Activities		
Cash flows from investing activities	<u>—</u>	<u>—</u>
Cash Flows from Financing Activities		
Repayments on notes payable	(9,456)	(1,926)
Repayments on related party notes payable	—	(10,221)
Series C preferred stock	25,000	—
Cash flows from financing activities	<u>15,544</u>	<u>(12,147)</u>
Changes in foreign exchange rate	38	2,327
Net change in cash	91,078	(56,777)
Cash at beginning of period	14,058	155,045
Cash at end of period	<u>\$ 105,136</u>	<u>\$ 98,268</u>

SUPPLEMENTAL DISCLOSURES

	Three months ended March 31, 2022	Three months ended March 31, 2021
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 40,544	\$ 71,565
Income taxes paid	—	—
NON-CASH INVESTING AND FINANCIAL DISCLOSURES		
Series A preferred dividends accrued	44,797	44,765
Series C preferred dividends accrued	2,066	—
Conversion of related party debt and payables	—	527,520
Settlement of notes payable related party for common shares	—	135,000

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

PETROLIA ENERGY CORPORATION
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Unaudited)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION:

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

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the interim periods presented have been reflected herein. The results of operations for such interim periods are not necessarily indicative of operations for a full year. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the year ended December 31, 2021, as reported in Form 10-K, have been omitted.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leases

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

Lessee arrangements

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

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

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

Fair Value of Financial Instruments

Fair value of financial instruments requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. As of March 31, 2022, the amounts reported for cash, accrued interest and other expenses, notes payable, convertible notes, and derivative liability approximate the fair value because of their short maturities.

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

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

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

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows as of March 31, 2022, and December 31, 2021.

March 31, 2022	Level 1	Level 2	Level 3	Total
Derivative liabilities	—	—	5,069	5,069
ARO liabilities	—	—	2,317,254	2,317,254
December 31, 2021				
Derivative liabilities	—	—	22,554	22,554
ARO liabilities	—	—	2,257,027	2,257,027

Gain (loss) per share:

The computation of basic income (loss) per share of common stock is based on the weighted average number of shares outstanding during the period. Basic and diluted average shares outstanding during the period are the same, because there are no dilutive warrants or other instruments outstanding.

NOTE 3. GOING CONCERN

The Company has suffered recurring losses from operations and currently has a working capital deficit. These conditions raise substantial doubt about the Company’s ability to

continue as a going concern. The Company plans to generate profits by reworking its existing oil or gas wells, as needed, funding permitting. The company also needs to resolve its ongoing litigation.

The Company will need to raise funds through either the sale of its securities, issuance of corporate bonds, joint venture agreements and/or bank financing to accomplish its goals. The Company does not have any commitments or arrangements from any person to provide the Company with any additional capital.

If additional financing is not available when needed, the company may need to cease operations. The Company may not be successful in raising the capital needed to drill and/or rework its existing 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 oilfield infrastructure will provide the opportunity for the Company to continue as a going concern. Since the Company has an oil producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The company is also actively working to resolve its ongoing litigation in both the U.S. and Canada. 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.

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NOTE 4. EVALUATED PROPERTIES

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

Cost	Canadian properties	United States properties	Total
As of December 31, 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
Foreign currency translations	36,301	—	36,301
As of March 31, 2022	\$ 2,528,704	\$ 4,304,622	\$ 6,833,326
Accumulated depletion			
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	51,554	—	51,554
Foreign currency translation	6,323	—	6,323
As of March 31, 2022	\$ 445,286	\$ 61,551	\$ 506,837
Net book value as of December 31, 2021	\$ 2,104,994	\$ 4,243,071	\$ 6,348,065
Net book value as of March 31, 2022	\$ 2,083,418	\$ 4,243,071	\$ 6,326,489

On August 6, 2019, the Company entered into a Purchase and Sale Agreement ("PSA") for the sale of the NOACK property with Flowtex Energy LLC ("FT"). The purchaser agreed to pay \$400,000 for the NOACK Assets including a \$20,000 deposit that was received on August 15, 2019, and the remaining balance of \$380,000 to be received by September 30, 2019. By December 31, 2019, FT had made cumulative payments of \$375,000, resulting in a \$25,000 account receivable to the Company on June 30, 2021, which was included in other current assets. The \$400,000 was recorded as a gain on sale of properties. On July 6, 2021, the remaining \$25,000 accounts receivable was settled via the following: the purchaser remitted a cash payment of \$8,995, as well as paying (on the Company's behalf) \$16,005 of outstanding property tax invoices previously incurred by the Company.

On May 1, 2020, Petrolia Energy Corporation acquired a 50% working interest in approximately 28,000 net working interest acres located in the Utikuma Lake area in Alberta, Canada. The property is an oil-weighted asset currently producing approximately 500 bopd of light oil. The working interest was acquired from Blue Sky Resources Ltd. in an affiliated party transaction as Zel C. Khan, the Company's former Chief Executive Officer, is related to the ownership of Blue Sky. Blue Sky acquired a 100% working interest in the Canadian Property from Vermilion Energy Inc. via Vermilion's subsidiary Vermilion Resources. The effective date of the acquisition was May 1, 2020. The total purchase price of the property was \$2,000,000 (CND), with \$1,000,000 of that total due initially. The additional \$1,000,000 was contingent on the future price of WTI crude. At the time WTI price exceeded \$50/bbl, the Company would pay an additional \$750,000 (CND). In addition, at the time WTI price exceeded \$57/bbl the Company would pay an additional \$250,000 (CND) (for a cumulative contingent total of \$1,000,000). The price of WTI crude exceeded \$50/bbl on January 6, 2021 and exceeded \$57/bbl on February 8, 2021. The additional payments due were netted with the accounts receivable balance from previous Joint Interest Billing statements from BSR. The total USD value of the addition was \$787,250, using prevailing exchange rates on the respective dates. Included in the terms of the agreement, the Company also funded their portion of the Alberta Energy Regulator ("AER") bond fund requirement (\$611,197 USD), necessary for the wells to continue in production after the acquisition. Additional funds (\$392,625 USD) remain in the other current asset balance for future payments from BSR, related to the acquisition.

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On July 27, 2020, the Company entered into a settlement agreement pursuant to which nine leases totalling approximately 3,800 acres of the 4,880-acre Twin Lakes San Andres Unit were forfeited as a part of the settlement agreement. Consequently, the Company no longer has the right to produce oil, gas, or other hydrocarbons and any other minerals from the mineral estate encumbered by the leases and owned by the Trustee. The company accounted for the forfeiture of the TLSAU properties, in accordance with Reg S-W.T.Rule 4-10(c)(6). Accordingly, an analysis of multi-period reserve reports was performed to determine the percentage of the cumulative US full cost pool's reserves that were forfeited (56% or 943,820). Then that percentage was multiplied by the period end net property balance of \$1,175,456. This resulted in a write down of \$5,648,994 (\$1,175,456 * 56%) of the US cost pool, which was recorded as part of operating expenses for the year ended December 31, 2020. Note that both TLSAU and SUDS make up the US full cost pool.

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

NOTE 5. LEASES

Our adoption of ASU 2016-02, Leases (Topic 842), and subsequent ASUs related to Topic 842, requires us to recognize substantially all leases on the balance sheet as an ROU asset and a corresponding lease liability. The new guidance also requires additional disclosures as detailed below. We adopted this standard on the effective date of January 1, 2019 and used this effective date as the date of initial application. Under this application method, we were not required to restate prior period financial information or provide

Topic 842 disclosures for prior periods. We elected the ‘package of practical expedients,’ which permitted us to not reassess our prior conclusions related to lease identification, lease classification, and initial direct costs, and we did not elect the use of hindsight.

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

Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for short-term leases is recognized on a straight-line basis over the lease term. As of March 31, 2022, we did not have any short-term leases.

The tables below present financial information associated with our lease.

	<u>Balance Sheet Classification</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Right-of-use assets	Other long-term assets	10,156	12,821
Current lease liabilities	Other current liabilities	10,972	13,909
Non-current lease liabilities	Other long-term liabilities	—	—
		10	

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

2022	\$ 10,972
Less: Imputed interest	(816)
Present value of lease liabilities	<u>\$ 10,156</u>

NOTE 6. NOTES PAYABLE

The following table summarizes the Company’s notes payable:

	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Truck loan ⁽ⁱⁱ⁾	5.49%	January 20, 2022	\$ —	\$ 4,021
Credit note IV ⁽ⁱⁱⁱ⁾	10%	January 01, 2020	821,931	831,387
Discount on credit note IV			(83,144)	(97,001)
Credit note V ^(iv)	10%	December 31, 2022	2,085,432	2,085,432
Lee Lytton		On demand	3,500	3,500
Credit note VI ^(v)	10%	December 31, 2021	266,900	416,900
Credit note VII ^(vi)	10%	December 31, 2021	150,000	—
Quinten Beasley	10%	October 14, 2016	5,000	5,000
Jovian Petroleum Corporation ^(vii)	3.5%	December 31, 2021	178,923	178,923
M. Hortwitz	10%	October 14, 2016	10,000	10,000
			<u>\$ 3,438,542</u>	<u>\$ 3,438,162</u>

- (i) All notes are current liabilities (due within one year or less from March 31, 2022.)
- (ii) On January 6, 2017, the Company purchased a truck and entered into an installment note in the amount of \$5,677 for a term of five years and interest at 5.49% per annum. Payments of principal and interest in the amount of \$683 are due monthly. The note was paid off in January of 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 matures on June 30, 2020, with warrants to purchase 5,000,000 shares of common stock (the “Loan Warrants”), at an exercise price of \$0.10 per share in Canadian dollars and expire on January 2, 2023. The fair value of issued warrants were recorded as a debt discount of \$266,674 and monthly amortization of \$11,111. These funds were initially placed in escrow, then on May 29, 2020, they were used for the purchase of the Utikuma oil field. Pursuant to a loan extension agreement, on October 30, 2020, the Company issued warrants to purchase 5,000,000 of common stock, at an exercise price of \$0.05 per share, expiring on January 6, 2023. The fair value of the issued warrants was recorded as a debt discount of \$66,289 and monthly amortization of \$4,614.14.

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- (iv) On May 9, 2018, Bow entered into an Amended and Restated Loan Agreement with a third party. The Loan Agreement increased by \$ 800,000 the amount of a previous loan agreement entered into between Bow and the Lender, to \$ 1,530,000. The amount owed under the Loan Agreement accrues interest at the rate of 12% per annum (19% upon the occurrence of an event of default) and is due and payable on May 11, 2021, provided that the amount owed can be prepaid prior to maturity, beginning 60 days after the date of the Loan Agreement, provided that the Company gives the Lender 10 days’ notice of our intent to repay and pays the Lender the interest which would have been due through the maturity date at the time of repayment. The Loan Agreement contains standard and customary events of default, including cross defaults under other indebtedness obligations of us and Bow, and the occurrence of any event which would have a material adverse effect on us or Bow. The Company is required to make principal payments of \$ 10,000 per month from January through September 2019 with the remaining balance of \$710,000 due at maturity on May 11, 2021. The additional \$800,000 borrowed in connection with the entry into the Loan Agreement was used by the Company to acquire a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the “Canadian Properties” and the “Working Interest”). Upon the disposition of Bow, a total of \$ 730,000 of the obligations owed under the Loan Agreement were transferred to Blue Sky Resources Ltd. (“Blue Sky”).

In order to induce the Lender to enter into the Loan Agreement, the Company agreed to issue the Lender 500,000 shares of restricted common stock (the “Loan Shares”), which were issued on May 18, 2018, and warrants to purchase 2,320,000 shares of common stock (the “Loan Warrants”), of which warrants to purchase (a) 320,000 shares of common stock have an exercise price of \$0.10 per share in Canadian dollars and expired on May 15, 2021, (b) 500,000 shares of common stock have an exercise price of \$0.12 per share in U.S. dollars, and expired on May 15, 2021; and (c) 1,500,000 shares of common stock have an exercise price of \$0.10 per share in U.S. dollars and expire on May 15, 2020. The fair value of the 500,000 common shares issued were assessed at the market price of the stock on the date of issuance and valued at \$47,500. The fair value of the Canadian dollar denominated warrants issued were assessed at \$30,012 using the Black Scholes Option Pricing Model. The fair value of the U.S. dollar denominated warrants issued were assessed at \$182,650 using the Black Scholes Option Pricing Model. The Company determined the debt modification to be an extinguishment of debt and recorded a total loss on extinguishment of debt of \$260,162.

On September 17, 2018, the Company entered into a loan agreement with a third party for \$200,000 to acquire an additional 3% working interest in the Canadian Properties. The loan bears interest at 12% per annum and has a maturity date of October 17, 2019. Payments of principal and interest in the amount of \$6,000 are due monthly. The loan is secured against the Company's 3% working interest in the Canadian Properties and has no financial covenants. During 2020, the balance increased by \$146,000 resulting in a \$346,038 ending balance. On January 1, 2021, the Lender signed amended loan agreements, which moved the balance of this note to new credit notes.

On April 25, 2019, the Company entered into a promissory note (an "Acquisition Note") with a third-party in the amount of \$750,000 to acquire working interests in the Utikuma oil field in Alberta Canada. The Note bears interest at 9% per annum and is due in full at maturity on April 25, 2021. No payments are required on the note until maturity while interest is accrued. In addition, warrants to purchase 500,000 shares of common stock with an exercise price of \$0.12 per share expiring on May 1, 2021, were issued associated with the note. The fair value of issued warrants were recorded as a debt discount of \$38,249 and amortization of \$8,366. The notes hold a security guarantee of working interest in the Utikuma oil field and a working interest in the TLSAU field. On January 1, 2021, the Lender signed an amended loan agreement consolidating this loan with \$146,038 of another credit note and accrued interest on those amounts.

On December 1, 2021, the Company signed an amended loan agreement with third party for \$2,085,432, which combined all notes described above and accrued interest on those amounts. The loan bears interest at 10% per annum and has 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. On January 1, 2022, this note was assigned to Blue Sky Resources.

- (v) Various shareholder advances provided by a lender 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 by the holder to Blue Sky Resources, as reflected in Credit note VII.

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- (vi) On February 3, 2022, \$150,000 of Credit Note VI was assigned by the holder to Blue Sky Resources
- (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. 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 March 31, 2022:

2022	\$	3,521,686
Thereafter		—
	<u>\$</u>	<u>3,521,686</u>

NOTE 7. RELATED PARTY NOTES PAYABLE

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

	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Ivar Siem ⁽ⁱ⁾	9%	December 31, 2021	278,435	278,435
Mark Allen ⁽ⁱⁱ⁾	9%	August 15, 2021	55,000	55,000
Mark Allen ⁽ⁱⁱⁱ⁾	12%	June 30, 2020	200,000	200,000
Mark Allen ^(iv)	9%	June 30, 2021	245,938	245,938
			<u>\$ 779,373</u>	<u>\$ 779,373</u>

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

- (ii) 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 August 15, 2021.

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- (iii) 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, 2021. At the maturity date, the note holder has the right to collect the principal plus interest or convert into 2,500,000 shares of common stock at \$0.08 per share. In addition, upon conversion, the note holder will also receive 10,000,000 warrants at an exercise price of \$0.10 per share, vesting immediately with a 36-month expiration period.

(iv) On January 3, 2020, the Company entered into a loan agreement in the amount of \$100,000 with Mark Allen. The note bears interest at an interest rate of 10% per annum and matures on June 1, 2020, with warrants to purchase 400,000 shares of common stock (the "Loan Warrants"), at an exercise price of \$0.10 per share in Canadian dollars and expire on January 3, 2023. The fair value of issued warrants were recorded as a debt discount of \$31,946 and monthly amortization of \$1,775. On February 14, 2020, the Company entered into a loan agreement in the amount of \$125,000 with Mark Allen. The note bears interest at an interest rate of 10% per annum and matures on June 1, 2020, with warrants to purchase 750,000 shares of common stock (the "Loan Warrants"), at an exercise price of \$0.10 per share in Canadian dollars and expire on February 14, 2022. The fair value of issued warrants were recorded as a debt discount of \$38,249 and monthly amortization of \$1,903. On January 1, 2021, the Company entered into an amended loan agreement in the amount of \$245,938, which combined the two previous loans, along with accrued interest. The note bears an interest rate of 9% and matured on June 30, 2021.

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

2022	\$	779,373
Thereafter		—
	<u>\$</u>	<u>779,373</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 06, 2020, as an inducement to enter into a Loan Agreement, the Company issued, among other instruments, warrants to acquire 5,000,000 shares of common stock with an exercise price of \$0.10 per share. The warrants are valued using the Black Scholes Option Pricing Model and the derivative is fair valued at the end of each reporting period. The Company valued the derivative liability at initial recognition as \$144,259.

On October 30, 2020, as an inducement to extend the principal payment deadline from the previously issued Loan Agreement, the Company issued additional warrants to acquire 5,000,000 shares of common stock with an exercise price of \$0.10 per share. The warrants are valued using the Black Scholes Option Pricing Model and the derivative is fair valued at the end of each reporting period. The Company valued the derivative liability at initial recognition as \$95,352.

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

As of December 31, 2021	22,554
Additions	—
Fair value adjustment	<u>(17,485)</u>
As of March 31, 2022	<u>\$ 5,069</u>

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

	<u>March 31, 2022</u>
Risk-free interest rate	1.63%
Expected life	0.75 years
Expected dividend rate	0%
Expected volatility	229%

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.

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 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.

For the purpose of determining the fair value of AROs incurred during the years presented, the Company used the following assumptions:

	March 31, 2022
Inflation rate	1.92 - 2.15%
Estimated asset life	12-21 years

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

	Canadian properties	United States properties	Total
Asset retirement obligations, December 31, 2020	\$ 2,711,909	\$ 912,224	\$ 3,624,133
Plugging liability at Twin Lakes	—	132,000	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	<u>\$ 1,186,297</u>	<u>\$ 1,070,730</u>	<u>\$ 2,257,027</u>
Accretion expense	35,636	6,842	42,478
Foreign currency translation	17,749	—	17,749
Asset retirement obligations, March 31, 2022	<u>\$ 1,239,682</u>	<u>\$ 1,077,572</u>	<u>\$ 2,317,254</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 Preferred Stock, cumulative dividends of \$44,797 were declared for the three months ended March 31, 2022, and \$44,675 the three months ended March 31, 2021.

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.

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 \$2,066 and \$0 were declared for the three months ended March 31, 2022, and March 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 obligation was satisfied by the issuance of 1,992,272 shares of the Company on January 25, 2021.

Joel Oppenheim, former Director, was issued 316,491 shares on January 25, 2021, pursuant to a Director's Fees Payable Agreement. The agreement stated that the shares were issued in full satisfaction of all outstanding director fees payable.

Paul Deputy was reinstated Interim Chief Financial Officer and signed a Settlement and Mutual Release Agreement. In exchange for releasing the Company for any current, outstanding payroll and/or service-related liability on January 29, 2021, the Company agreed to pay Mr. Deputy \$50,000, to be paid in \$2,500 monthly increments, starting April 1, 2021. In addition, Mr. Deputy was issued 250,000 shares of Petrolia common stock on January 29, 2021. The shares were issued at the price on that date of \$0.033. This created a gain of \$134,270 that was recorded as additional paid in capital, due to the related party nature of the transaction.

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

On March 30, 2021, Mark Allen converted a defaulted secured loan of \$135,000 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 of Petrolia Energy Corporation is currently not traded.

Warrants

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

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

	Warrants	Weighted Average Exercise Price
Outstanding at year ended December 31, 2020	40,764,666	\$ 0.13
Granted	9,400,000	0.09
Expired	(20,464,666)	0.11
Outstanding at December 31, 2021	29,700,000	\$ 0.13
Granted	250,000	0.10
Expired	(2,240,000)	0.11
Outstanding at March 31, 2022	27,710,000	\$ 0.13

As of March 31, 2022, the weighted-average remaining contractual life of warrants outstanding was 1.31 years (December 31, 2021 – 1.71 years).

As of March 31, 2022, the intrinsic value of warrants outstanding is \$0.00 (December 31, 2021 - \$0.00).

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The table below summarizes warrant issuances during the three months ended March 31, 2022, and year ended December 31, 2021:

	March 31, 2022	December 31, 2021
Warrants granted:		
Board of Directors and Advisory Board service	—	3,000,000
Pursuant to financing arrangements	250,000	1,000,000
Pursuant to loan agreements	—	5,400,000
Total	250,000	9,400,000

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

	March 31, 2022	December 31, 2021
Risk-free interest rate	2.45%	0.16% to 0.97%
Expected life	3.0 years	2.0 – 3.0 years
Expected dividend rate	0%	0%
Expected volatility	299%	277% to 356%

NOTE 11. RELATED PARTY TRANSACTIONS

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 Scholes 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.

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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 Resources 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.

On January 31, 2022, Board Member Leo Womack purchased 2,500 more shares of Series C Preferred Stock for cash of \$25,000.

NOTE 12. SEGMENT REPORTING

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

	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Three months ended March 31, 2021			
Revenue	\$ 1,069,595	\$ 12,653	\$ 1,082,248
Production costs	(510,424)	(161,132)	(671,556)
Depreciation, depletion, amortization and accretion	(257,218)	(14,127)	(271,345)
Results of operations from producing activities	<u>\$ 301,953</u>	<u>\$ (162,606)</u>	<u>\$ 139,347</u>
Total long-lived assets, March 31, 2021	<u>\$ 1,527,541</u>	<u>\$ 4,261,283</u>	<u>\$ 5,788,824</u>
Three months ended March 31, 2022			
Revenue	\$ 1,830,281	\$ 6,079	\$ 1,836,360
Production costs	(1,263,889)	(12,386)	(1,276,275)
Depreciation, depletion, amortization, and accretion	(87,190)	(7,804)	(94,994)
Results of operations from producing activities	<u>\$ 479,202</u>	<u>\$ (14,111)</u>	<u>\$ (465,091)</u>
Total long-lived assets, March 31, 2022	<u>\$ 2,083,418</u>	<u>\$ 4,243,225</u>	<u>\$ 6,326,643</u>

NOTE 13. SUBSEQUENT EVENTS

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.

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On March 11, 2022, Petrolia Energy Corporation (PEC) and Petrolia Canada Corporation (PCC) filed a lawsuit against Jovian Petroleum Corporation, Zel Khan and Quinten Beasley alleging fraud, breach of contract and breach of fiduciary duty. On April 18, 2022, Jovian Petroleum Corporation filed an answer and general denial. On May 12, 2022, Zel Khan and Quinten Beasley filed an answer and general denial. On September 16, 2022, Zel Khan and Quinten Beasley filed a counterclaim against PEC and PCC claiming indemnification under the provisions of the organizing and governing documents of PEC and PCC and the applicable statutory provisions. Additionally, Quinten Beasley filed a counter claim for breach of contract for the outstanding principal balance of \$5,000 from a prior loan agreement.

On September 16, 2022, Joel Oppenheim and Critical Update, Inc. filed a petition in intervention. On January 11, 2023, PEC and PCC filed a motion to strike the petition in intervention by Joel Oppenheim. On February 3, 2023, Joel Oppenheim filed an opposition to the motion to strike.

On June 13, 2022, a Letter Agreement was signed between Blue Sky Resources Ltd. ("BSR") and Petrolia Energy Corporation whereby Petrolia Canada Corporation ("PCC") will sell to Blue Sky Resources its 50% working interest in the Utikum Lake oil field. See Form 8-K reference in Exhibits section below. This Utikum transaction didn't close.

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

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.

On November 4, 2022, forty acres at SUDS was acquired by Flying M. Real Estate, and Petrolia signed a new lease.

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 (the "Additional Intervenor"), each a shareholder of the Company, filed a separate Petition in Intervention to join in Oppenheim's derivative suit against the Defendants.

FORWARD LOOKING STATEMENTS

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

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

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

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

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

Please see the “Glossary of Oil and Gas Terms” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on May 16, 2022 (the “2020 Annual Report”) for a list of abbreviations and definitions used throughout this Report.

This information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto included in this Quarterly Report on Form 10-Q/A and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our 2020 Annual Report.

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

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

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

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

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

Background

We were incorporated in Colorado on January 16, 2002. In April 2012, we became active in the exploration and development of oil and gas properties. Effective September 2, 2016, we formally changed our name to Petrolia Energy Corporation and moved the corporation from Colorado to Texas.

Plan of Operation

Since 2015, we have established a clearly defined strategy to acquire, enhance and redevelop high-quality, resource in place oil and gas assets. The Company has been focusing on producing 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 continued growth and future revenue growth.

Slick Unit Dutcher Sands (“SUDS”) Field

The SUDS oilfield consists of approximately 2,604 acres located in Creek County, Oklahoma and Petrolia owns a 100% Working Interest (“WI”) with a 76.5% net revenue interest (NRI). Our engineering reports and analysis indicate there is still considerable recoverable reserves remaining.

The SUDS field is currently shut-in while awaiting sufficient capital to recomplete the wells and repair the flow lines that were damaged in a grass fire.

Twin Lakes San Andres Unit (“TLSAU”) Field

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

The Company is reviewing strategic options with the TLSAU asset, with a bias toward divesting the asset.

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 & gas service company for the aggregate value of \$50,000. The Company currently has no intent of further investing 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, 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 (\$611,197 USD), necessary for the wells to continue in production after the acquisition. Additional funds (\$392,625 USD) remain in the other current asset balance for future payments to BSR, related to the acquisition.

Results of Operations

Revenues

Our oil and gas revenue reported for the three months ended March 31, 2022 was \$1,836,360, an increase of \$754,112 from the three months ended March 31, 2021. The increase was due to revenue from the Utikuma field, and was offset by the sale of the CONA asset in the third quarter of 2021. Revenues associated with our US properties totaled \$6,079.

Operating Expenses

Operating expenses increased by \$380,200, to \$1,519,115 for the three-month period ended March 31, 2022, compared to \$1,138,915 for the three months ended March 31, 2021. The operating expense increase was primarily due to increased production at Utikuma Field – lease operating expense for the three months ended March 31, 2022 was \$1,275,875, compared to \$535,393 for the three months ended March 31, 2021. It was partially reduced by the sale of the CONA asset. Depreciation, depletion and amortization and the accretion of asset retirement obligations were reduced because of the small base for these items after the sale of CONA. The reduction in general and administrative costs by \$183,168 to \$147,846 for the three months ended March 31, 2022, compared to \$331,014 was caused by the decrease in employees and contractor and related overhead expenses.

Other income (expense)

The Company had net other expense of \$101,931 for the three-month period ended March 31, 2022, compared to a net other expense of \$345,764 for the three-month ended March 31, 2021. This difference was caused by changes in the fair market value of our derivatives, and a small decrease in interest expense.

Foreign exchange gain was \$29,857 for the three-month period ended March 31, 2022, compared to a loss of \$2,327 for the three-month period ended March 31, 2021. The increase resulted from fluctuations in the value of the United States dollar against the Canadian dollar.

Net Income (Loss)

Net income for the three months ended March 31, 2022, was \$215,314, compared to a net loss of \$402,431 for the three months ended March 31, 2021. The primary reasons for the change was increased production from the Utikuma field, the reduced general and administrative expense, and the change in the fair value of our derivative liabilities.

Liquidity and Capital Resources

The financial condition of the Company has improved slightly throughout the period from December 31, 2021 to March 31, 2022.

As of March 31, 2022, we had total current assets of \$341,166 and total assets of \$8,138,518. Our total current liabilities as of March 31, 2022 were \$6,653,330 and our total liabilities as of March 31, 2022 were \$8,975,653. We had negative working capital of \$6,312,164 as of March 31, 2022.

Our material asset balances are made up of oil and gas properties and related equipment. Our most significant liabilities are notes payable and notes payable related party of \$4,217,915 along with accounts payable and accrued liabilities. Our largest accounts payable balances are with administrative and operations contractors. The largest accrued liabilities are \$857,498 of accrued dividends on our preferred stock and \$796,110 owed to related parties for board fees and other compensation.

Net cash generated (used) by operating activities was \$75,496 and \$(46,947) for the three months ended March 31, 2022, and 2021, respectively. The primary cause for the decrease was a reduction in general and administrative expenses.

Net cash from investing activities was \$0.00 for the three months ended March 31, 2022, and the three months ended March 31, 2021.

Net cash provided by financing activities was \$15,544 for the three months ended March 31, 2022; net cash used by financing activities was \$12,147 for the three months ended March 31, 2021. The increase was caused by proceeds from issuance of preferred stock in 2022.

During the three months ended March 31, 2022, the Company operated at a positive cash flow from operations of approximately \$25,000 per month however our auditors have raised a going concern in their audit report as contained herein.

The Company has suffered recurring losses from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. We plan to generate profits by working over existing wells, reducing general and administrative expenses and resolving ongoing litigation. However, we may need to raise additional funds to workover wells through the sale of our securities, through loans from third parties or from third parties willing to pay our share of drilling and completing the wells. We do not have any commitments or arrangements from any person to provide us with any additional capital.

If additional financing is not available when needed, we may need to cease operations. There can be no assurance that we will be successful in raising the capital needed to recomplete oil or gas wells nor that any such additional financing will be available to us on acceptable terms or at all.

Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

Off-Balance Sheet Arrangements

As of March 31, 2022, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, liquidity or capital resources or change our financial condition.

Trends Affecting Future Operations

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

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

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

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

The company is actively working to resolve ongoing litigation in the U.S. and Canada.

Critical Accounting Policies and New Accounting Pronouncements

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

Going concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of \$61,170,710 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company’s ability to raise additional capital through the future sales of common stock is unknown. The obtaining of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

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

Item 4 Controls and Procedures

(a) *Disclosure Controls and Procedures.* The Company’s Chief Executive Officer (the principal executive officer) and Interim Chief Financial Officer (principal financial/accounting officer) have evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2022. Based upon such evaluation, the Chief Executive Officer and the Interim Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in our reports filed with the Commission pursuant to the Exchange Act, is recorded properly, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and that such information is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

(b) *Changes in Internal Controls.* There were no changes in our internal controls over financial reporting during the quarter ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1 Legal Proceedings

On 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.

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As previously disclosed, the Company and Petrolia Canada Corporation (“Petrolia Canada”), an affiliate of Petrolia, filed a lawsuit in the 133rd 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) alleged 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 157th 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 “Additional Intervenors”), each a shareholder of the Company, filed a separate Petition in Intervention to join in Oppenheim’s derivative suit against the Defendants. 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.

Item 1A Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Commission on May 15, 2022 under the heading “Risk Factors”, except as set forth below and investors should review the risks provided in the Form 10-K and below, prior to making an investment in the Company. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in the Form 10-K for the year ended December 31, 2021 under “Risk Factors” and below, any one or more of which could, directly or indirectly, cause the Company’s actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price.

We are currently behind in our SEC filing obligations.

This Form 10-Q filing is being filed well past the due date. As of the date of this filing, we are deficient in filing our quarterly reports on Form 10-Q for the calendar year 2022. Shareholders may have less information to determine the value of our common stock if we fail to timely make filings with the SEC and/or fail to make such filings with the SEC.

Administrative Proceedings

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

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

There were no securities sold by the Company during the period covered by this report and through the date of filing of this report, that were not registered under the Securities Act, which has not previously been included in a Current Report on Form 8-K or the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

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

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

Not Applicable.

Item 5 Other Information

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

Item 6 Exhibits

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

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SIGNATURES

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

PETROLIA ENERGY CORPORATION

July 28, 2023

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

July 28, 2023

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

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EXHIBIT INDEX

Exhibit Number	Filed or Furnished Herewith	Incorporated by Reference			
		Form	Exhibit Number	Filing Date/ Period End Date	File No.
04.01	Exhibit 4.1 - Description of Company's Capital Stock	10-Q	04.01	06/30/2019	000-52690
10.01	Purchase and Sale Agreement dated and effective November 1, 2018, by and between Petrolia Energy Corporation and Crossroads Petroleum L.L.C.	10-Q	10.16	09/30/2018	000-52690
10.02	\$240,000 Promissory Note dated November 2, 2018, by Crossroads Petroleum L.L.C. in favor of Petrolia Energy Corporation	10-Q	10.17	09/30/2018	000-52690
10.03	Loan Agreement dated September 17, 2018 with Emmett Lescroart	10-Q	10.18	09/30/2018	000-52690
10.04	Purchase and Sale Agreement dated and effective August 6, 2019, by and between Petrolia Energy Corporation and FlowTex Energy LLC	10-Q	10.19	06/30/2019	000-52690
10.05	Jovian Petroleum Corporation Line of Credit Extension, dated December 31, 2019	10-Q	10.20	06/30/2019	000-52690
10.06	Employment Agreement - Mark M Allen dated September 1, 2020	8-K	10.06	09/01/2020	000-52690
10.07	Executive Salary Payment Agreement - Zel Khan dated January 11, 2021	10-Q	10.23	06/30/2019	000-52690
10.08	Utikuma Letter Agreement between BSR and Petrolia dated June 29, 2020	10-Q	10.24	06/30/2019	000-52690
10.09	Executive Salary Payable Agreement - Mark M Allen dated March 30, 2021	10-Q	10.25	06/30/2019	000-52690
10.10	Debt to Equity Conversion Agreement - Mark M Allen dated March 30, 2021	10-Q	10.26	06/30/2019	000-52690
10.11	Settlement and Mutual Release Agreement - Paul Deputy dated January 29, 2021	10-Q	10.27	06/30/2019	000-52690

10.12	M Allen \$120,000 Loan Agreement @ 10% – dated 1/3/20	10-Q	10.12	03/31/20	000-52690
10.13	M Allen \$125,000 Loan Agreement @10% - dated February 14, 2020	10-Q	10.13	03/31/20	000-52690
10.14	Reinhart \$1,000,000 Loan Agreement @ 10% - dated January 6, 2020	10-Q	10.14	03/31/20	000-52690
10.15	SUDS Consulting Agreement (Funding)– M Allen \$62,000 @ 10% - dated 2/29/20	10-Q	10.15	03/31/20	000-52690
10.16	American Resources Loan Agreement \$50,000 – non interest bearing dated 02/28/20	10-Q	10.16	03/31/20	000-52690
10.17	SUDS Development Funding-Allen \$25K	10-Q	10.17	06/30/20	000-52690
10.18	PPP Loan Agreement-\$56K-04/23/20	10-Q	10.18	06/30/20	000-52690
10.19	Letter Agreement for sale of PCC to BSR for \$6.5M, effective 08/31/21	8-K	10.19	09/02/21	000-52690
10.20	Resignation of Z Khan as CEO effective 09/01/21	8-K	10.20	09/03/21	000-52690
10.21	Promotion of M Allen from President to CEO effective 09/01/21	8-K	10.21	09/03/21	000-52690
10.22	Lazy D Ranch Loan Agreement 09/02/20 - \$75K	10-Q	10.22	09/30/21	
10.23	8-K Lazy D Ranch Settlement (SUDS)	8-K	10.22	11/21/21	000-52690

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10.24	TLSAU Notice of Violation from the New Mexico OCD	8-K	10.24	10/25/21	000-52690
10.25	Series B Preferred Stock	8-K	10.25	10/25/21	000-52690
10.26	TLSAU Stipulated Final Order	8-K	10.26	01/14/22	000-52690
10.27	Settlement with Argonaut Insurance Company	8-K	10.27	01/14/22	000-52690
10.28	Purchase and Sale Agreement and Debt Settlement with Prospera Energy	8-K	10.28	02/28/22	000-52690
10.29	Series C Convertible Preferred Stock	8-K	10.29	03/03/22	000-52690
10.30	Lawsuit against Jovian Petroleum, Zel Khan and Quinten Beasley	8-K	10.30	03/18/22	000-52690
10.31	Notice of Assignment - Emmett Lesroart loan to Petrolia Canada Corporation	10-Q	10.31	03/31/2021	000-52690
10.32	Amended Loan Agreement – Emmett Lesroart – The Prospera/Cona Assets – dated January 27, 2021	10-Q	10.32	03/31/2021	000-52690
10.33	Amended Loan Agreement – Emmett Lesroart – The Utikuma Asset – dated January 27, 2021	10-Q	10.33	03/31/2021	000-52690
10.34	Amended Loan Agreement – Joel Oppenheim – dated February 12, 2021	10-Q	10.34	03/31/2021	000-52690
10.35	Amended Loan Agreement – Ivar Siem/American Resources/Drillmar – dated January 1, 2021	10-Q	10.35	03/31/2021	000-52690
10.36	Amended Loan Agreement – Mark Allen – dated January 1, 2021	10-Q	10.36	03/31/2021	000-52690
14.1	Code of Ethical Business Conduct	10-Q	14.1	09/30/2015	000-52690
14.2	Whistleblower Protection Policy	8-K	14.1	05/24/2018	000-52690
14.3	Insider Trading Policy	10-Q	14.3	06/30/2019	000-52690
14.4	Related Party Transaction Policy	10-Q	14.4	06/30/2019	000-52690
16.1	Letter to Securities and Exchange Commission from MaloneBailey, LLP, LLP, dated February 22, 2019	8-K	16.1	02/25/2019	000-52690
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*				X
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*				X
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act**				X
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act**				X
101.INS	Inline XBRL Instance Document*				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document*				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)*				X

* Filed herewith.

** Furnished herewith.

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CERTIFICATION

I, Mark M. Allen, certify that;

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

July 28, 2023

By: /s/ Mark M Allen

Mark M. Allen
Chief Executive Officer
(Principal Executive)

CERTIFICATION

I, Heather M. Monk, certify that;

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

July 28, 2023

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

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q/A for the quarter ending March 31, 2022 as filed with the Securities and Exchange Commission (the "Report"), Mark M Allen, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

July 28, 2023

By: /s/ Mark M Allen

Mark M. Allen
Chief Executive Officer
(Principal Executive)

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q/A for the quarter ending March 31, 2022 as filed with the Securities and Exchange Commission (the "Report"), Heather M. Monk, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

July 28, 2023

By: /s/ Heather M Monk

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