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

FORM 10-Q

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

For the quarterly period ended **June 30, 2018**

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

For the transition period from __________ to __________

Commission File Number: **000-52690**

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

Texas	**86-1061005**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
710 N Post Oak, Suite 512 Houston, Texas	**77024**
(Address of principal executive offices)	(Zip Code)

(832-941-0011)
(Issuer's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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: 175,503,081 shares of common stock as of September 21, 2018**.**

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PART I

Item 1. Financial Statements

PETROLIA ENERGY CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
ASSETS		
Current assets		
Cash	$ 309,815	$ 82,593
Accounts receivable	202,649	51,026
Other current assets	13,024	8,993
Total current assets	525,488	142,612
Property & equipment		
Oil and gas, on the basis of full cost accounting		
Evaluated properties	14,312,580	14,312,580
Unproved properties not subject to amortization	9,705,590	—
Furniture, equipment & software	219,059	264,723
Less accumulated depreciation and depletion	(1,180,483)	(1,192,229)
Net property and equipment	23,056,746	13,385,074
Other Assets		
Deposits	97,997	—
Payments for acquisition of working interest	1,089,482	—
Intangible assets	49,886	49,886
Total Assets	$ 24,819,599	$ 13,577,572
LIABILITIES & STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 1,692,352	$ 413,435
Accrued liabilities	1,008,607	896,897
Notes payable	1,117,458	32,582
Derivative liability	26,845	—
Notes payable – related parties	521,627	217,100
Total current liabilities	4,366,889	1,560,014
Asset retirement obligations	485,353	473,868
Notes payable	1,100,470	24,204
Total Liabilities	5,952,712	2,058,086
Stockholders' Equity		
Preferred stock, $0.001 par value, 1,000,000 shares authorized; 199,100 and 197,100 shares issued and outstanding	$ 199	$ 197
Common stock, $0.001 par value; 400,000,000 shares authorized; 228,608,644 and 111,698,222 shares issued and outstanding	228,608	111,698
Additional paid in capital	60,861,222	22,730,974
Accumulated other comprehensive income	37,157	—
Accumulated deficit	(42,260,299)	(11,323,383)
Total Stockholders' Equity	18,866,887	11,519,486
Total Liabilities and Stockholders' Equity	$ 24,819,599	$ 13,577,572

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

PETROLIA ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Oil and gas sales				
Oil and gas sales	$ 23,761	$ 41,831	$ 53,741	$ 75,391
Total Revenue	23,761	41,831	53,741	75,391
Operating expenses				
Lease operating expense	69,318	123,118	142,880	240,672
Production tax	1,314	2,696	3,113	5,134
General and administrative expenses	1,216,630	871,106	3,113,753	1,144,774
Depreciation, depletion and amortization	12,757	19,131	31,914	37,404
Asset retirement obligation accretion	5,846	12,275	11,485	24,205
Impairment of goodwill related to Bow Energy Ltd., a related party	—	—	27,129,963	—
Total operating expenses	1,305,865	1,028,326	30,433,108	1,452,189
Loss from operations	(1,282,104)	(986,495)	(30,379,367)	(1,376,798)
Other income (expenses)				
Interest expense	(48,219)	(187,557)	(77,983)	(260,669)
Other income	—	661	—	806
Loss on related party debt settlement of accrued salaries	—	(88,755)	(203,349)	(88,755)
Loss on debt extinguishment	(260,162)	—	(260,162)	—
Foreign currency remeasurement gain	16,387	—	69,725	—
Change in fair value of derivative liabilities	3,167	—	3,167	—
Total other expenses	(288,827)	(275,651)	(468,602)	(348,618)
Net loss	(1,570,931)	(1,262,146)	(30,847,969)	(1,725,416)
Series A Preferred Dividends	(44,941)	(11,230)	(88,947)	(11,230)
Net Loss Attributable to Common Stockholders	(1,615,872)	(1,273,376)	(30,936,916)	(1,736,646)
Other comprehensive income, net of tax				
Foreign currency translation adjustments	83,804	—	37,157	—
Comprehensive loss attributable to Common Stockholders	$ (1,532,068)	$ (1,273,376)	$ (30,899,759)	$ (1,736,646)
Loss per share				
(Basic and fully diluted)	$ (0.01)	$ (0.02)	$ (0.18)	$ (0.02)
Weighted average number of shares of common stock outstanding	226,680,255	81,393,621	173,128,467	81,393,621

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

PETROLIA ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash Flows from Operating Activities		
Net loss	$ (30,847,969)	$ (1,725,416)
Adjustment to reconcile net loss to net cash provided by/(used in) operating activities:		
Depletion, depreciation and amortization	31,914	37,404
Asset retirement obligation accretion	11,485	24,205
Interest on ORRI conversion	—	128,229
Impairment of goodwill related to Bow Energy Ltd. a related party	27,129,963	—
Loss on related party debt settlement of accrued salaries	203,349	88,755
Loss on sale of vehicle	—	3,677
Change in fair value of derivative liabilities	(3,167)	—
Loss on extinguishment of debt	260,162	—
Equity settled finance fee	45,476	107,420
Warrant expense related to business combination	103,632	—
Stock-based compensation	2,462,079	560,630
Foreign currency re-measurement gain	(69,725)	—
Changes in operating assets and liabilities		
Accounts receivable	(151,623)	33,949
Deposits	240,000	—
Other current assets	732	26,722
Accounts payable and accrued liabilities	353,181	184,959
Net cash flows from operating activities	(230,511)	(529,466)
Cash Flows from Investing Activities		
Purchase of fixed asset	—	(9,256)
Net cash acquired from purchase of Bow Energy Ltd., a related party	3,784	—
Cash flows from investing activities	3,784	(9,256)
Cash Flows from Financing Activities		
Proceed from issuance of common stock	262,500	48,000
Proceeds from issuance of common stock for exercise of warrant	148,675	—
Proceed from issuance of preferred stock	20,000	241,000
Cash paid for PORRI conversion	—	(3,230)
Payments on notes payable	(31,695)	(2,484)
Repayments to related party	(47,600)	(14,000)
Proceeds from related party	42,000	206,500
Proceeds from notes payable	4,832	—
Cash flows from financing activities	398,712	475,786
Effect of exchange rate changes on cash	55,237	—
Net change in cash	227,222	(62,936)
Cash at beginning of period	82,593	68,648
Cash at end of period	$ 309,815	$ 5,712

SUPPLEMENTAL DISCLOSURES (Note 11)

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

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION:

Petrolia Energy Corporation ("we", "us", "Petrolia" and the "Company") is an oil and gas exploration, development, and production company.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America 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, 2017, as reported in Form 10-K, have been omitted.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Askarii Resources, Petrolia Canada Corporation., Bow Energy Ltd., Blue Sky Langsa Inc., Bow Energy Pte. Ltd., Renco Elang Energy Pte. Ltd. Bow Energy International Holdings Inc., Bukit Energy Central Sumatra (Mahato) Pte. Ltd., Bukit Energy Palmerah Baru Pte. Ltd., Bukit Energy Resources Palmerah Deep Pte. Ltd., Bukit Energy Bohorok Pte. Ltd., and Bukit Energy Resources North Sumatra Pte. Ltd. All significant intercompany transactions are eliminated in the consolidation process. All non-intercompany balances are included in the consolidated financial statement balances and all significant intercompany transactions are eliminated in the consolidation process.

Use of Estimates

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the interim consolidated financial statements in the period they are determined.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The Company adopted this standard on modified retroactive basis on January 1, 2018. No financial statement impact occurred upon adoption.

Revenue from Contracts with Customers

We recognize revenue when it satisfies a performance obligation by transferring control over a product to a customer. Revenue is measured based on the consideration we expect to receive in exchange for those products.

Performance Obligations and Significant Judgments

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

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

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

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

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

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

Business combinations

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

Foreign Currency Translation

The Company's functional and reporting currency is the U.S. dollar. The functional currency of Bow Energy Ltd. and Petrolia Canada Corporation is in Canadian dollars. Assets and liabilities of these entities are translated from their functional currency of Canadian dollars into the reporting currency, United States dollars, at the exchange rate in effect at the balance sheet dates. Revenue and expenses are translated at average rates in effect during the reporting periods. Equity transactions are recorded at the historical rate when the transaction occurred. The resulting translation adjustment is reflected as accumulated other comprehensive income, a separate component of stockholders' equity in the statement of stockholders' equity.

The accounts of Bow Energy Ltd. and Petrolia Canada Corporation are translated to U.S. dollars using the current rate method. Accordingly, assets and liabilities are translated into U.S. dollars at the period-end exchange rate while revenues and expenses are translated at the average exchange rates during the period. Related exchange gains and losses are included in a separate component of stockholders' equity as accumulated other comprehensive income (loss).

Recent Accounting Pronouncements

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

NOTE 3: GOING CONCERN

The Company has suffered recurring losses from operations. 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 and drilling additional wells, as needed. 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, at this time. 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 existing oil wells. Any additional wells that the Company may drill may be non-productive. Management believes that actions presently being taken to secure additional funding for the reworking of its existing infrastructure will provide the opportunity for the Company to continue as a going concern. Since the Company has an oil producing asset, its goal is to increase the production rate by optimizing its current infrastructure. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty.

NOTE 4: ACQUISITION OF BOW ENERGY LTD., A RELATED PARTY

On November 30, 2017, we signed an Arrangement Agreement (the "Arrangement") to acquire Bow Energy Ltd, a related party ("Bow" and the "Acquisition"). Bow is a Canadian company with corporate offices in Alberta, Calgary.

On February 27, 2018, the Acquisition closed and we acquired all of the issued and outstanding shares of capital stock of Bow (each a "Bow Share"). The Arrangement was approved at a special meeting of shareholders of Bow held on February 21, 2018. Final approval of the Arrangement was granted by the Court of Queen's Bench of Alberta (the "Court") on February 23, 2018.

Ilyas Chaudhary, is the father of Zel C. Khan, the Company's Chief Executive Officer. Mr. Chaudhary owned and controlled BSIH Ltd. ("BSIH")
prior to the acquisition of Bow and through the ownership and control of BSIH, Mr. Chaudhary controlled Bow. Therefore, the BOW acquisition is a related party transaction. Additionally, BSIH was the largest shareholder of the Company prior to the cancellation of the shares pursuant to the terms of a Share Exchange Agreement between the Company and Blue Sky Resources Ltd dated August 31, 2018.

Under the terms of the Arrangement, Bow shareholders are deemed to have received 1.15 Petrolia common stock shares for each Bow Share. A total of 106,156,712 shares of the Company's common stock were issued to the Bow shareholders as a result of the Arrangement, plus additional shares in connection with the rounding described below. The Arrangement provided that no fractional shares would be issued in connection with the Arrangement, and instead, each Bow shareholder otherwise entitled to a fractional interest would receive the nearest whole number of Company shares. For example, where such fractional interest is greater than or equal to 0.5, the number of shares to be issued would be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of shares to be issued would be rounded down to the nearest whole number. In calculating such fractional interests, all shares issuable in the name of or beneficially held by each Bow shareholder or their nominee as a result of the Arrangement shall be aggregated.

The Arrangement provides that any certificate formerly representing Bow common stock not duly surrendered on or before the last business day prior to the third anniversary of the closing date will cease to represent a claim by, or interest of, any former shareholder of any kind of nature against Bow or the Company and on such date all consideration or other property to which such former holder was entitled shall be deemed to have been surrendered to the Company.

The Company also assumed all of the outstanding warrants to purchase shares of common stock of Bow (the "Bow Warrants") and certain options to purchase shares of common stock of Bow (the "Bow Options") in connection with the Arrangement (i.e., each warrant/option to purchase one (1) share of Bow represents the right to purchase one (1) share of the Company following the closing).

At the closing of the Acquisition, we issued the Bow shareholders the shares described above and assumed warrants to purchase 320,000 shares of common stock valued at $103,632.

A subsidiary of Bow Energy Ltd., Bow Energy Pte. Ltd. ("BEPL"), owns 75% of the issued and outstanding shares of Renco Elang Energy Pte. Ltd. ("REE") which owns a 75% working interest in a Production Sharing Contract referred to as "South Block A" (the "Assets" or "SBA") located onshore, North Sumatra, Indonesia. REE is the operator of the Assets. Effectively, the Company has a 44.48% working interest in the Assets.

On May 24, 2017, Bow's wholly owned subsidiary, Bow Energy International Holdings Inc. ("BEIH"), acquired all of Bukit Energy Inc.'s shareholding interests (the "Subsidiary Shares") in five Singapore holding companies (the "Holding Companies") that own the interests in four Production Sharing Contracts ("PSCs") and one non-conventional joint study agreement ("JSA"), all interests are located onshore in Sumatra, Indonesia. The Holding Companies being acquired were Bukit Energy Central Sumatra (Mahato) Pte. Ltd. ("Mahato"), Bukit Energy Palmerah Baru Pte. Ltd. ("Palmerah Baru"), Bukit Energy Resources Palmerah Deep Pte. Ltd. ("Palmerah Deep"), Bukit Energy Bohorok Pte. Ltd. ("Bohorok"), and Bukit Energy Resources North Sumatra Pte. Ltd. ("Bohorok Deep"), collectively referred to as the "Bukit assets".

The Holding Companies own the following interests in the conventional and non-conventional PSCs and non-conventional JSA:

- Bohorok PSC (conventional) – operated 50% participating interest, 465,266 net acres
- Palmerah Baru PSC (conventional) – operated 54% participating interest, 98,977 net acres
- Palmerah Deep PSC (non-conventional)- operated 69.36% participating interest, 170,398 net acres
- Mahato PSC (conventional)- 20% participating interest, 167,115 net acres, non-operated
- Bohorok Deep (non-conventional)- 20.25% participating interest in a JSA, non-operated with option to become operator

The fair value of the 106,156,712 common shares issued as part of the consideration paid for Bow ($34,607,088) was determined on the volume weighted average share price of Bow's common stock for the 90 days before the transaction was complete.

The purchase price allocation can be summarized as follows:

Cash	$	3,784
Other current assets		4,763
Deposits		337,997
Furniture, equipment & software		12,059
Unproved properties and properties not subject to amortization		9,705,590
Goodwill		27,129,963
Accounts payable		(1,157,876)
Note payable		(1,429,192)

The fair values of identifiable assets acquired as reported in the table above were estimated based on information available at the time of preparation of these interim consolidated financial statements. The fair value was assessed based on the volume weighted average share price of Bow Energy Ltd. for the 90 days before the transaction was complete. Actual amounts recognized by the Company once the acquisition accounting is finalized may differ materially from these estimates. Fair value of cash, other current assets, deposits, furniture, equipment & software, accounts payable, and note payable was fair valued at the carrying value of Bow as this was deemed to be the most accurate measure of fair value. Fair value assigned to properties, which contain prospective oil and gas resources instead of reserves, was derived using market approach.

Acquisition costs included a finder's fee grant of 100,000 shares ($37,000) of common stock as a bonus for the Bow Energy acquisition at a fair value of $0.37 per share. In addition, the Company incurred $103,632 in transaction costs associated with the issuance of warrants to purchase 320,000 shares of common stock in connection with the transaction.

The amount of Bow's loss included in Petrolia's consolidated income statement for the period ended June 30, 2018, and the loss of the combined entity had the acquisition date been January 1, 2018, and January 1, 2017, are as follows.

		Revenue		Earnings (Loss)
February 28, 2018 to June 30, 2018	$	—	$	(12,525)
Supplemental pro forma from January 1, 2018 to June 30, 2018	$	53,741	$	(30,912,230)
Supplemental pro forma from January 1, 2017 to June 30, 2017	$	3,104,316	$	(1,814,334)

Impairment loss

On March 31, 2018, the Company recorded an impairment to goodwill of $27,129,963. The impairment was assessed based on future cash flow as of June 30, 2018 and no further impairment was recorded during the second period.

NOTE 5: PAYMENTS FOR ACQUISITION OF WORKING INTEREST

Effective on June 29, 2018, the Company acquired a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the "Canadian Properties" and the "Working Interest"). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres). The Canadian Properties and the Working Interest were acquired from Blue Sky Resources Ltd. ("Blue Sky"), whose President is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Mr. Chaudhary owns and controls BSIH Ltd. ("BSIH"). BSIH was the largest shareholder of the Company prior to the cancellation of the shares pursuant to the terms of a Share Exchange Agreement between the Company and Blue Sky Resources Ltd dated August 31, 2018. Blue Sky had previously acquired an 80% working interest in the Canadian Properties from Georox Resources Inc., who had acquired the Canadian Properties from Cona Resources Ltd. and Cona Resources Partnership prior to the acquisition by the Company.

The effective date of the acquisition was June 1, 2018. The acquisition of the Canadian Properties was evidenced and documented by a Memorandum of Understanding between the Company and Blue Sky dated June 29, 2018 and a Conveyance between the parties dated as of the same date, pursuant to which the Company agreed to acquire the Working Interest in consideration for $1,428,581 in Canadian dollars ("CAD") (approximately $1,089,150 in U.S. dollars) of which CAD $1,022,400 (approximately $779,478 in U.S. dollars) was paid in cash (the "Cash Payment") and CAD $406,181 (approximately $314,912 in U.S. dollars) was evidenced by a promissory note (the "Acquisition Note"). The Cash Payment was made with funds borrowed by the Company pursuant to the terms of that certain $1,530,000 May 9, 2018, Amended and Restated Loan Agreement entered into with Bow and a third party (the "Loan Agreement" and the "Lender"). The amount owed under the Loan Agreement accrues interest at the rate of 12% per annum (19% upon the occurrence of an event of default) and is due and payable on May 11, 2021.

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

The acquisition has not formally closed as the assets can only be transferred after the payment/settlement of the Acquisition Note. Payments recorded were booked to the balance sheet as Payments for acquisition of working interest.

NOTE 6: NOTES PAYABLE

	Nominal interestrate	Date of maturity	June 30, 2018 Face value	June 30, 2018 Carrying amount	December 31, 2017 Face value	December 31, 2017 Carrying amount
Truck loan (i)	5.49%	January 6, 2022	$ 59,923	$ 59,923	$ 56,786	$ 56,786
Promissory note (ii)	12%	September 30, 2018	36,830	42,350	—	—
Promissory note (iii)	12%	September 30, 2018	35,692	39,987	—	—
Bukit Energy Inc.(iv)	8.5%	December 15, 2017	470,000	519,302	—	—
Credit note (v)	12%	May 11, 2021	1,530,000	1,556,366	—	—
			$ 2,132,445	2,217,928	56,786	56,786
Long term debt						
Truck loan				20,926		24,204
Credit note (v)				1,079,544		—
Total long-term notes payable				1,100,470	24,204	24,204
Current portion of notes payable				$ 1,117,458	$ 32,582	$ 32,582

The promissory notes are repayable in full on maturity. The difference between the face value and carrying amount is attributed to accrued interest.

(i) On January 6, 2017, the Company purchased a truck and entered into an installment note with Don Ringer Toyota in the amount of $59,923 for a term of five years at 5.49% APR. Current portion of this note is $38,997.

(ii) The note was extended and matures on September 30, 2018 and carries interest at 12% per annum.

(iii) The note was extended and matures on September 30, 2018 and carries interest at 12% per annum.

(iv) In conjunction with the closing of the purchase of the Bukit assets, Bow issued a note payable to Bukit Energy Inc. of $500,000 with interest at the rate of 8.5% per annum, calculated monthly, not in advance, on the principal amount. The note matured on August 31, 2017. The note was extended to December 15, 2017. The note is in default and remained in default at the time of issuance of these financial statements. The Company repaid $30,000 of principal during the period ended June 30, 2018. The note is currently under negotiation for settlements and is in default.

(v) 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 ($1,530,000) 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 give the Lender 10 days' notice of our intent to repay and pay the Lender the interest which would have been due through the maturity date at the time of repayment. The Company is also required to make a payment of principal and interest in the amount of $50,818 per month for a period of 36 months towards the amount owed beginning on July 15, 2018; these payments were extended to begin on September 15, 2018. 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 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"). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres). The acquisition agreement was entered on June 29, 2018 with an effective date of June 1, 2018.

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 when the Loan Agreement is repaid; (b) 500,000 shares of common stock have an exercise price of $0.12 per share in U.S. dollars, and expire on May 15, 2021; and (c) 1,500,000 shares of common stock have an exercise price of $0.10 per share in U.S. dollars and expire on May 15, 2020.

The fair value of the 500,000 common shares issued were assessed at the market price of the stock on the date of issuance and fair valued at $47,500. In connection with warrants issued in Canadian dollars, the Company has assessed an initial derivative liability of $30,401. The derivative is fair valued at the end of each reporting period. The Company recorded a gain for the period ended June 30, 2018 of $3,556 to adjust the liability to its fair value at the end of the reporting period of $26,845.

The fair value of the warrants issued were assessed at $182,650. The Company determined the debt modification to be an extinguishment of debt and recorded a total loss on extinguishment of debt of $260,162.

NOTE 7: 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).

On February 5, 2018, one accredited investor subscribed and purchased 2,000 shares of Series A Preferred Stock by remitting payment of $20,000. As of June 30, 2018, there were 199,100 Series A Preferred Stock shares outstanding.

In accordance with the terms of the Series A Preferred Stock, a dividend was declared of $88,947 for the six months ended June 30, 2018.

Common Stock

During the six months ended June 30, 2018, the Company issued an aggregate of 116,910,422 shares of common stock. As of June 30, 2018, there were 228,608,644 shares of common stock outstanding.

On January 24, 2018, 350,000 shares of common stock, valued at $59,500, were issued in accordance with Mr. James Burns' common stock related salary compensation.

On January 24, 2018, Mr. James Burns was issued 616,210 shares of restricted common stock in consideration for 2017 deferred salary of $61,621. A debt settlement loss of $203,349 was recorded.

On February 1, 2018, a law firm was granted 100,000 shares (valued at $37,000) of common stock as a bonus for the Bow Energy acquisition at a fair value of $0.37 per share.

On February 1, 2018, a geologist consultant in Oklahoma, was issued 150,000 shares of common stock (valued at $18,000) at a deemed fair value of $0.12 per share (valued based on the Company's stock trading price in 2017 when the obligation occurred), in exchange for his professional consulting services.

On February 1, 2018, director, Joel Oppenheim subscribed for half of one unit (discussed below) resulting in the issuance of 208,333 shares of common stock and one warrant for gross proceeds of $25,000 at a price of $0.12 per unit.

On February 1, 2018, a Director exercised warrants to purchase 1,110,000 shares of common stock by settling $102,590 of Accounts Payable to a company controlled by the director at an average share price of $0.092 per share. No gain or loss was recorded on settlement.

From January 1, 2018 to June 30, 2018, the Company closed private placements at $0.12 per unit for a total of 2,187,500 units and gross proceeds of $262,500. Units were comprised of one common share and one warrant entitling the holder to exercise for one common share for a period of two years from the date of issuance.

On February 27, 2018, the Company closed the Acquisition and acquired all of the issued and outstanding shares of capital stock of Bow in consideration for 106,156,712 shares (valued at $34,607,088, less $27,129,963 relating to the impairment of the goodwill of Bow) of the Company's common stock as disclosed in Note 4. The shares were valued on the volume weighted average share price of Bow's common stock for the 90 days before the transaction was complete.

On February 28, 2018, one warrant holder exercised warrants to purchase a total of 360,000 shares of common stock by remitting payment of $36,875 at an average share price of $0.102 per share.

On February 28, 2018, Director Joel Oppenheim exercised warrants to purchase 630,000 shares of common stock by remitting payment of $61,800 at an average share price of $0.098 per share.

On March 31, 2018, 350,000 shares, valued at $35,000, were issued in accordance with Mr. Burns common stock related salary compensation.

On April 18, 2018, a Separation and Release Agreement between the former President of the Company, James Burns and the Company became effective, whereby Mr. Burns ceased to be an employee of the Company. Pursuant to the terms of the agreement, the Company paid Mr. Burns $33,000, and granted Mr. Burns warrants to purchase 3,000,000 shares of common stock at an exercise price of $0.10 per share. The Company also issued 2,000,000 shares of restricted common stock to Mr. Burns pursuant to the agreement of the Company on May 14, 2018. The fair value of the warrants ($221,401), was calculated using a Black Scholes model and the restricted shares were valued at the closing price of Petrolia's stock, or $180,000 and recorded to stock compensation expense.

On April 20, 2018, the Company entered into an agreement to offer the position of Chairman of the Board of Directors to James Burns. Mr. Burns accepted and became Chairman of the Board effective May 1, 2018. Pursuant to the terms of the offer, Mr. Burns will be paid an annual salary of $65,000 and up to $25,000 in health benefits for Mr. Burns and his family. The Company issued 500,000 shares of restricted common stock to Mr. Burns on May 14, 2018. An additional 500,000 shares of restricted common stock will be issued upon a successful listing of the Company on the NASDAQ or NYSE exchanges. Mr. Burns was granted warrants to purchase 2,000,000 shares of common stock exercisable at $0.10 per share, expiring in 36 months, which were fully-vested upon their grant. The fair value of the warrants was calculated using a Black Scholes model ($147,600) and the restricted shares were valued at the closing price of Petrolia on the date of the agreement ($45,000) and were recorded to stock compensation expense.

On April 26, 2018, the Company issued 200,000 shares of restricted common stock as a bonus to a vendor valued at $20,000 based on the closing price of the Company's common stock.

On April 26, 2018, an officer exercised warrants to purchase 500,000 shares of common stock at a strike price of $0.10 for gross proceeds of $50,000.

On May 9, 2018, in conjunction with the debt financing disclosed under the Note 6 (v), the Company issued 500,000 shares, fair valued at $47,456 as a financing fee.

On May 22, 2018, 500,000 shares of common stock were issued to an officer as part of his compensation package. These shares were fair valued based on the value of the closing price of Petrolia's stock, or $50,000.

On June 25, 2018, the Company issued 600,000 shares of restricted common stock to consultants for services rendered. These shares had a fair value of $45,000.

Warrants

Summary information regarding common stock warrants granted and outstanding as of June 30, 2018, is as follows:

	Warrants	Weighted Average Exercise Price	Weighted average remaining contractual life (years)
Outstanding at year ended December 31, 2017	35,087,198	$ 0.24	2.15
Granted	14,714,666	0.11	2.32
Exercised	(2,600,000)	0.10	—
Expired	—	—	—
Outstanding at six months ended June 30, 2018	47,201,864	$ 0.21	1.94

The intrinsic value of warrants as of June 30, 2018 is $91,143 and as of December 31, 2017: $1,106,583.

The table below summarizes the warrants granted during the six month period ended June 30, 2018:

	Number of Warrants		Exercise Price
Board of Director Service	3,750,000	$	0.10
Pursuant to acquisition of Bow Energy Ltd., a related party	368,000	$	0.18
Note payable issuance	2,320,000	$	0.10
Private placements	2,187,500	$	0.20
Pursuant to employment termination agreement	3,000,000	$	0.10
Pursuant to consulting agreement	2,000,000	$	0.10
Pursuant to employment termination agreement	250,000	$	0.20
Deferred salary – CEO, former CFO	339,166	$	0.14
Pursuant to settlement of loan from director (Joel Oppenheim)	500,000	$	0.14
	14,714,666		

The 3,750,000 warrants granted to directors and the advisory board for the six months ended June 30, 2018 were fair valued at $329,438. In conjunction with the acquisition of Bow, warrants to purchase 320,000 shares of common stock were assumed for a total of $368,000. The warrants are exercisable at CDN $0.10, mature upon repayment of a debt agreement and were fair valued at $103,632.

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 ($1,530,000) 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 give the Lender 10 days' notice of our intent to repay and pay the Lender the interest which would have been due through the maturity date at the time of repayment. The Company is also required to make a payment of principal and interest in the amount of $50,818 per month towards the amount owed beginning on July 15, 2018. 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 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"). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres). The acquisition agreement was entered on June 29, 2018 with an effective date of June 1, 2018.

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 when the Loan Agreement is repaid; (b) 500,000 shares of common stock have an exercise price of $0.12 per share in U.S. dollars, and expire on May 15, 2021; and (c) 1,500,000 shares of common stock have an exercise price of $0.10 per share in U.S. dollars and expire on May 15, 2020.

The fair value of the 500,000 common shares issued were assessed at the market price of the stock on the date of issuance and fair valued at $47,500. In connection with warrants issued in Canadian dollars, the Company has assessed an initial derivative liability of $30,401. The derivative is fair valued at the end of each reporting period. The Company recorded a gain for the period ended June 30, 2018 of $3,556 to adjust the liability to its fair value at the end of the reporting period of $26,845.

The fair value of the warrants issued were assessed at $182,650 and recorded a total loss on extinguishment of debt of $260,162.

Pursuant to a termination agreement with the Company's former CFO, the Company issued 250,000 warrants exercisable at $0.20 expiring in 36 months. The fair value of warrants issued was $109,021.

On March 31, 2018, 350,000 shares, valued at $35,000, were issued in accordance with Mr. Burns common stock related salary compensation.

Pursuant to a termination agreement with Mr. Burns, warrants to purchase 3,000,000 shares of common stock were issued at an exercise price of $0.10 per share; the warrants were fair valued using a Black Scholes model for $221,401.

James Burns was granted fully vested warrants to purchase 2,000,000 shares of common stock exercisable at $0.10 per share expiring in 36 months. The warrants were fair valued at $147,600.

The warrants to purchase 339,166 shares of common stock granted as deferred salary for the six month ended June 30, 2018 were fair valued at $34,478.

Pursuant to the loan agreement with director Joel Oppenheim, warrants to purchase 250,000 shares of common stock each were granted at March 31 and June 30, 2018. The warrants issued at March 31, 2018 were issued at an exercise price of $0.23 per share and fair valued at $24,623. The warrants issued at June 30, 2018 were issued at an exercise price of $0.10 per share and fair valued at $20,853.

Stock options

Upon closing of the acquisition, the Company granted stock options to purchase 3,500,000 shares of common stock to former Bow employees and directors exercisable at $0.12 per share, expiring February 27, 2021. The stock options were valued at $1,131,639 using the Black Scholes options pricing model with volatility of 283%, discount rate of 2.42%, and a call option value of $0.32.

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Company, as a lessee of oil and gas properties, is subject to various federal, state and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the Company for the cost of pollution clean-up resulting from operations and subject the Company to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. The Company is not aware of any environmental claims existing as of June 30, 2018 which have not been provided for, or covered by insurance or which may have a material impact on its financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change, or past noncompliance with environmental laws will not be discovered on the Company's properties.

Office Lease – The Company has a one year office lease in Houston at a cost of $2,012 per month. The lease expires January 31, 2019 with two, one year renewal options.

NOTE 9: RELATED PARTY TRANSACTIONS

On January 15, 2018, Paul Deputy, the former CFO, terminated his employment with the Company. The Company has agreed to pay severance of $192,521 amortized over a 30 month period beginning April 15, 2018 at a 5% annual percentage rate, $5,000 per month for January, February and March of 2018 and issue warrants to purchase 250,000 shares of common stock exercisable at $0.20 per share expiring in 36 months. The fair value of warrants granted was $109,021.

On January 12, 2018, the Company entered into an employment agreement with Tariq Chaudhary, the Company's CFO, for a period of one year. The CFO will be paid a salary of $7,500 a month during the first 90 days of the probationary period. Upon successful completion of the probationary period, the salary will be $120,000 per year. Also, the CFO will be given a signing bonus of 500,000 shares of common stock, and was granted warrants to purchase 500,000 shares of common stock exercisable at $0.12 per share equally vesting over 36 months upon successful completion of the probationary period.

On February 1, 2018, a Director exercised warrants to purchase 1,110,000 shares of common stock by settling $102,590 of Accounts Payable to a company controlled by director, Quinton Beasley, at an average share price of $0.092 per share. No gain or loss was recorded at settlement. On February 1, 2018, director, Joel Oppenheim subscribed for half of one unit resulting in the issuance of 208,333 shares of common stock and warrants to purchase 208,333 shares of common stock for gross proceeds of $25,000 at a price of $50,000 per unit.

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, a company controlled by a Director of the Company. The initial agreement is for a period of 6 months and 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. The Company repaid $47,600 on the LOC. As at June 30, 2018, $41,000 was outstanding on the LOC and the balance was recorded to related party notes payable.

On February 26, 2018, Mr. Oppenheim was issued 630,000 shares of common stock. These shares were the result of exercising warrants to purchase 630,000 shares of common stock, at an average exercise price of $0.098 per share, which included the remittance of $61,800 as the aggregate exercise price.

On February 27, 2018, the transactions contemplated by the November 30, 2017, Arrangement (the "Arrangement") entered into to acquire Bow
Energy Ltd ("Bow" and the "Acquisition"), a Canadian company with corporate offices in Alberta, Calgary, closed and the Company acquired Bow Energy Ltd., a related party and all of the issued and outstanding shares of capital stock of Bow (each a "Bow Share"). Under the terms of the Arrangement, Bow shareholders are deemed to have received 1.15 common stock shares for each Bow Share. A total of 106,156,712 shares of the Company's common stock were issued to the Bow shareholders as a result of the Arrangement, plus additional shares in connection with rounding. Prior to the acquisition of Bow, BSIH Ltd. ("BSIH") controlled Bow. The President, Chief Executive Officer and 100% owner of BSIH is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Because Mr. Chaudhary owns and controls BSIH, the acquisition of Bow was a related party transaction.

On April 12, 2018, the Board of Directors approved (a) the entry by the Company into a $500,000 Convertible Promissory Note with Blue Sky International Holdings Inc., a related party. The note, effective April 1, 2018, is due on April 1, 2019, accrues interest at the rate of 11% per annum until paid in full, and is convertible into shares of common stock of the Company at the rate of $0.12 per share. This note was never utilized and subsequently cancelled on April 27, 2018; and (b) the entry into an Amended Revolving Line of Credit Agreement with Jovian Petroleum Corporation, a related party, which establishes a revolving line of credit in the amount of $500,000 for a period of six months (through August 9, 2018) with amounts borrowed thereunder due at the expiration of the line of credit and accruing interest at the rate of 3.5% per annum unless there is a default thereunder at which time amounts outstanding accrue interest at the rate of 7.5% per annum until paid in full, with such interest payable every 90 days. Both the BSIH Promissory Note and the Jovian Line of Credit are related party transactions. Blue Sky International Holdings Inc. is owned by Mr. Ilyas Chaudhary, father of Zel C. Khan, former Director and Officer of Jovian and current CEO and President of Petrolia.

On April 18, 2018, a Separation and Release Agreement between the former President of the Company, James Burns and the Company became effective whereby Mr. Burns ceased to be an employee of the Company. Pursuant to the terms of the agreement, the Company will pay Mr. Burns $33,000, grant him warrants to purchase 3,000,000 shares of common stock at an exercise price of $0.10 per share and also issue 2,000,000 shares of restricted common stock of the Company, which it satisfied on May 14, 2018. The warrants were granted at fair value using a Black Scholes model for $266,971 and the restricted shares were valued at the closing price of Petrolia's stock, for $180,000.

On April 20, 2018, the Company entered into an agreement to offer the position of Chairman of the Board to James Burns. Mr. Burns accepted and became Chairman of the Board effective May 1, 2018. Pursuant to the terms of the offer, Mr. Burns will be paid an annual salary of $65,000 and up to $25,000 in health benefits for Mr. Burns and his family. The Company will issue 500,000 shares of restricted common stock, which it satisfied on May 14, 2018. An additional 500,000 shares of restricted common stock will be issued upon a successful listing of the Company on the NASDAQ or NYSE exchanges. Mr. Burns will also be granted fully vested warrants to purchase 2,000,000 shares of common stock exercisable at $0.10 per share expiring in 36 months. The warrants were granted at fair value using a Black Scholes model for $147,600 and the restricted shares were valued at the closing price of Petrolia on the date of the agreement for $45,000.

May 14, 2018. An additional 500,000 shares of restricted common stock will be issued upon a successful listing of the Company on the NASDAQ or NYSE exchanges. Mr. Burns will also be granted fully vested warrants to purchase 2,000,000 shares of common stock exercisable at $0.10 per share expiring in 36 months. The warrants were granted at fair value using a Black Scholes model for $147,600 and the restricted shares were valued at the closing price of Petrolia on the date of the agreement for $45,000.

On May 22, 2018, 500,000 shares of common stock were issued to (CFO) Tariq Chaudhary as per his employment offer letter.

Effective on June 29, 2018, the Company acquired a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the "Canadian Properties" and the "Working Interest"). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres).

The Canadian Properties and the Working Interest were acquired from Blue Sky Resources Ltd. ("Blue Sky"), whose President is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Mr. Chaudhary owns and controls BSIH Ltd. ("BSIH"). BSIH was the largest shareholder of the Company prior to the cancellation of the shares pursuant to the terms of a Share Exchange Agreement between the Company and Blue Sky Resources Ltd dated August 31, 2018. Blue Sky had previously acquired an 80% working interest in the Canadian Properties from Georox Resources Inc., who had acquired the Canadian Properties from Cona Resources Ltd. and Cona Resources Partnership prior to the acquisition by the Company.

The effective date of the acquisition was June 1, 2018. The acquisition of the Canadian Properties was evidenced and documented by a Memorandum of Understanding between the Company and Blue Sky dated June 29, 2018 and a Conveyance between the parties dated as of the same date, pursuant to which the Company agreed to acquire the Working Interest in consideration for $1,428,581 in Canadian dollars ("CAD") (approximately $1,089,150 in U.S. dollars) of which CAD $1,022,400 (approximately $779,478 in U.S. dollars) was paid in cash (the "Cash Payment") and CAD $406,181 (approximately $314,912 in U.S. dollars) was evidenced by a promissory note (the "Acquisition Note").

The Cash Payment was made with funds borrowed by the Company pursuant to the terms of that certain $1,530,000 May 9, 2018, Amended and Restated Loan Agreement entered into with Bow and a third party (the "Loan Agreement" and the "Lender"). The amount owed under the Loan Agreement accrues interest at the rate of 12% per annum (19% upon the occurrence of an event of default) and is due and payable on May 11, 2021. The Working Interest will be held in the name of the Company's newly formed wholly-owned Alberta, Canada, subsidiary, Petrolia Canada Corporation. The Acquisition Note, which was dated June 8, 2018, bears interest at the rate of 9% per annum, beginning on August 1, 2018 and is due and payable on November 30, 2018, provided that we have the right to extend the maturity date for a period six months with 10 days' notice to Blue Sky, in the event we pay 25% of the principal amount of the Acquisition Note at the time of extension.

The acquisition has not formally closed as the assets can only be transferred after the payment/settlement of the Acquisition Note.

On August 17, 2018, the Company sold an aggregate of $90,000 in Convertible Promissory Notes (the "Director Convertible Notes"), to the
Company's directors, Ivar Siem ($20,000) through an entity that he is affiliated with; Leo Womack ($60,000); and Joel Oppenheim ($10,000). The Director Convertible Notes accrue interest at the rate of 12% per annum until paid in full and are due and payable on October 17, 2018. The amount owed may be prepaid at any time without penalty. The outstanding principal and interest owed under the Director Convertible Notes are convertible into common stock of the Company, from time to time, at the option of the holders of the notes, at a conversion price of $0.10 per share. As additional consideration for entering into the notes, the Company agreed to grant one-year warrants to purchase one share of the Company's common stock at an exercise price of $0.10 per share for each dollar loaned pursuant to the Director Convertible Notes (the "Bridge Note Warrants"). As such, the Company granted (a) 20,000 Bridge Note Warrants to an entity affiliated with Ivar Siem; (b) 60,000 Bridge Note Warrants to Leo Womack; and (c) 10,000 Bridge Note Warrants to Joel Oppenheim. The Director Convertible Notes contain standard and customary events of default. It is contemplated that up to an additional $160,000 in Director Convertible Notes will be sold to affiliates of the Company in the next several months.

Effective on August 31, 2018, the Company entered into and closed the transactions contemplated by a Share Exchange Agreement with Blue Sky Resources Ltd. ("Blue Sky" and the "Exchange Agreement"). The President, Chief Executive Officer and 100% owner of Blue Sky is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Chaudhary indirectly owns and controls BSIH Ltd. ("BSIH"), which is a significant shareholder of the Company. Additionally, prior to the acquisition of Bow Energy Ltd. ("Bow") (which we acquired pursuant to an Arrangement Agreement dated November 30, 2017, which acquisition closed on February 27, 2018), BSIH, and as a result of his ownership and control of BSIH, Mr. Chaudhary, controlled Bow.

Pursuant to the Exchange Agreement, we exchanged 100% of the ownership of Bow, in consideration for:

(a) 70,807,417 shares of the Company's common stock owned and controlled by Mr. Chaudhary and BSIH (the "Blue Sky Shares");
(b) $100,000 in cash (less certain advances paid by Blue Sky or Bow to the Company since April 1, 2018);
(c) the assumption of certain payables owed by Bow totaling $1,696,332 (which includes $730,000 owed under the terms of a Loan Agreement, as amended, originally entered into by Bow, but not the subsequent $800,000 borrowed by Bow pursuant to the amendment to the Loan Agreement dated May 9, 2018 (which obligation is documented by a Debt Repayment Agreement));
(d) 20% of Bow Energy International Holdings, Inc, which is wholly-owned by Bow ("Bow EIH")(which entity's subsidiaries own certain Production Sharing Contracts (the "PSC") and certain other participating assets), pursuant to an Assignment Agreement;
(e) certain carry rights described in greater detail in the Exchange Agreement, providing for Blue Sky to carry the Company for up to the next $10 million of aggregate costs in BOW EIH and the PSC assets, with any profits from BOW EIH being distributed 80% to Bow and 20% to the Company, pursuant to a Petrolia Carry Agreement (the "Carry Agreement"); and
(f) a 3% royalty, after recovery of (i) the funds expended by Bukit Energy Bohorok Pte Ltd, which is wholly-owned by BOW EIH in the Bohorok, Indonesia PSC (the "Bohorok PSC") since July 1, 2018, plus (ii) $3,546,450 (i.e., ½ of Bow's share of the prior sunk cost of the Bohorok PSC), which royalty is evidenced by an Assignment of Petrolia Royalty (the "Royalty Assignment").

The Exchange Agreement closed on August 31, 2018 and has an effective date of July 1, 2018. The Exchange Agreement contains customary and standard representations and warranties of the parties, indemnification obligations (which survive for six months following the closing) and closing conditions. The Company is in the process of cancelling the Blue Sky Shares and returning such shares to the status of authorized but unissued shares of common stock.

NOTE 10: SUPPLEMENTAL DISCLOSURES – CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Interest Paid	$	25,452	$	22,782
NON-CASH INVESTING AND FINANCIAL DISCLOSURES				
Issued common shares for purchase Bow Energy, goodwill and assets	$	34,607,088	$	—
Settlement of accrued salaries with common shares		61,621		—
Settlement of account payable for common shares, related party		102,590		—
Initial recognition of asset retirement obligation		—		101,405
Preferred shares issued for purchase of related party’s equipment		—		30,000
Settlement of accounts receivable and other assets for oil and gas properties		—		465,798
Settlement of debt with preferred shares		—		154,000
Settlement of debt with preferred shares – related parties		—		375,900
Settlement of ORRI investments with preferred shares		—		405,000
Settlement of related party debt with shares of common stock and warrants		—		2,033,152
Sale of vehicle to related party		—		8,677
Note payable for vehicle purchase		—		35,677
Series A preferred dividend		88,947		—
Proceeds from notes payable paid directly by the third-party creditor to seller for acquisition of working interests		800,000		—
Proceeds from notes payable paid directly by the related party creditor to seller for acquisition of working interests		314,412		—

NOTE 11: SUBSEQUENT EVENTS

<u>Luseland working interest</u>

Effective on June 29, 2018, the Company acquired a 25% working interest in approximately 41,526 acres located in the Luseland, Hearts Hill, and Cuthbert fields, located in Southwest Saskatchewan and Eastern Alberta, Canada (collectively, the “Canadian Properties” and the “Working Interest”). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres).

The Canadian Properties and the Working Interest were acquired from Blue Sky Resources Ltd. ("Blue Sky"), whose President is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Mr. Chaudhary owns and controls BSIH Ltd. ("BSIH"). BSIH was the largest shareholder of the Company prior to the cancellation of the shares pursuant to the terms of a Share Exchange Agreement between the Company and Blue Sky Resources Ltd dated August 31, 2018. Blue Sky had previously acquired an 80% working interest in the Canadian Properties from Georox Resources Inc., who had acquired the Canadian Properties from Cona Resources Ltd. and Cona Resources Partnership prior to the acquisition by the Company.

The effective date of the acquisition was June 1, 2018. The acquisition of the Canadian Properties was evidenced and documented by a Memorandum of Understanding between the Company and Blue Sky dated June 29, 2018 and a Conveyance between the parties dated as of the same date, pursuant to which the Company agreed to acquire the Working Interest in consideration for $1,428,581 in Canadian dollars ("CAD") (approximately $1,089,150 in U.S. dollars) of which CAD $1,022,400 (approximately $779,478 in U.S. dollars) was paid in cash (the "Cash Payment") and CAD $406,181 (approximately $314,412 in U.S. dollars) was evidenced by a promissory note (the "Acquisition Note").

The Cash Payment was made with funds borrowed by the Company pursuant to the terms of that certain $1,530,000 May 9, 2018, Amended and Restated Loan Agreement entered into with Bow and a third party (the "Loan Agreement" and the "Lender"). The amount owed under the Loan Agreement accrues interest at the rate of 12% per annum (19% upon the occurrence of an event of default) and is due and payable on May 11, 2021. The Working Interest will be held in the name of the Company's newly formed wholly-owned Alberta, Canada, subsidiary, Petrolia Canada Corporation. The Acquisition Note, which was dated June 8, 2018, bears interest at the rate of 9% per annum, beginning on August 1, 2018 and is due and payable on November 30, 2018, provided that we have the right to extend the maturity date for a period six months with 10 days' notice to Blue Sky, in the event we pay 25% of the principal amount of the Acquisition Note at the time of extension. The acquisition has not formally closed as the assets can only be transferred after the payment/settlement of the Acquisition Note.

Slick Unit Exploration and Development Agreement

On July 24, 2018, the Company announced the signing of the Slick Unit Exploration and Development Agreement (the "Agreement") with Boone Operating Inc. ("Boone"), a private Exploration & Production company, to explore and develop the Misener and Simpson Formations at the Slick Unit Dutcher Sands Field ("SUDS Field"). Under the terms of the Agreement, the development area consists of 480 Acres where Boone will carry the cost of drilling the first well and will earn a 75% Working Interest ("WI") position in that well. If the first well is successful, Boone will have the right to further develop the zone and Petrolia will maintain the right to participate in further drills, up to a 25% WI in each new well. The current producing Dutcher Sands formation is excluded from this Agreement, which Petrolia will continue developing.

The SUDS Field is a 2600-acre lease located in Creek County, 36 miles SW of Tulsa, Oklahoma. The field was first discovered in 1918 by SOHIO Oil Company utilizing over 100 wells with the primary objective to produce from the Dutcher Sands at an average well depth of 3100 ft.

Director Convertible Notes

On August 17, 2018, the Company sold an aggregate of $90,000 in Convertible Promissory Notes (the " Director Convertible Notes"), to the Company's directors, Ivar Siem ($20,000) through an entity that he is affiliated with; Leo Womack ($60,000); and Joel Oppenheim ($10,000). The Director Convertible Notes accrue interest at the rate of 12% per annum until paid in full and are due and payable on October 17, 2018. The amount owed may be prepaid at any time without penalty. The outstanding principal and interest owed under the Director Convertible Notes are convertible into common stock of the Company, from time to time, at the option of the holders of the notes, at a conversion price of $0.10 per share. As additional consideration for entering into the notes, the Company agreed to grant one-year warrants to purchase one share of the Company's common stock at an exercise price of $0.10 per share for each dollar loaned pursuant to the Director Convertible Notes (the "Bridge Note Warrants"). As such, the Company granted (a) 20,000 Bridge Note Warrants to an entity affiliated with Ivar Siem; (b) 60,000 Bridge Note Warrants to Leo Womack; and (c) 10,000 Bridge Note Warrants to Joel Oppenheim. The Director Convertible Notes contain standard and customary events of default. It is contemplated that up to an additional $160,000 in Director Convertible Notes will be sold to affiliates of the Company in the next several months.

Bow Energy/Blue Sky Share Exchange

Effective on August 31, 2018, the Company entered into and closed the transactions contemplated by a Share Exchange Agreement with Blue Sky Resources Ltd. ("Blue Sky" and the "Exchange Agreement"). The President, Chief Executive Officer and 100% owner of Blue Sky is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Chaudhary indirectly owns and controls BSIH Ltd. ("BSIH"), which is a significant shareholder of the Company. Additionally, prior to the acquisition of Bow Energy Ltd. ("Bow") (which we acquired pursuant to an Arrangement Agreement dated November 30, 2017, which acquisition closed on February 27, 2018), BSIH, and as a result of his ownership and control of BSIH, Mr. Chaudhary, controlled Bow.

Pursuant to the Exchange Agreement, we exchanged 100% of the ownership of Bow, in consideration for:

(a) 70,807,417 shares of the Company's common stock owned and controlled by Mr. Chaudhary and BSIH (the "Blue Sky Shares");
(b) $100,000 in cash (less certain advances paid by Blue Sky or Bow to the Company since April 1, 2018);
(c) (c) the assumption of certain payables owed by Bow totaling $1,696,332 (which includes $730,000 owed under the terms of a Loan Agreement, as amended, originally entered into by Bow, but not the subsequent $800,000 borrowed by Bow pursuant to the amendment to the Loan Agreement dated May 9, 2018 (which obligation is documented by a Debt Repayment Agreement));
(d) 20% of Bow Energy International Holdings, Inc, which is wholly-owned by Bow ("Bow EIH")(which entity's subsidiaries own certain Production Sharing Contracts (the "PSC") and certain other participating assets), pursuant to an Assignment Agreement;
(e) certain carry rights described in greater detail in the Exchange Agreement, providing for Blue Sky to carry the Company for up to the next $10 million of aggregate costs in BOW EIH and the PSC assets, with any profits from BOW EIH being distributed 80% to Bow and 20% to the Company, pursuant to a Petrolia Carry Agreement (the "Carry Agreement"); and
(f) a 3% royalty, after recovery of (i) the funds expended by Bukit Energy Bohorok Pte Ltd, which is wholly-owned by BOW EIH in the Bohorok, Indonesia PSC (the "Bohorok PSC") since July 1, 2018, plus (ii) $3,546,450 (i.e., ½ of Bow's share of the prior sunk cost of the Bohorok PSC), which royalty is evidenced by an Assignment of Petrolia Royalty (the "Royalty Assignment").

The Exchange Agreement closed on August 31, 2018 and has an effective date of July 1, 2018. The Exchange Agreement contains customary and standard representations and warranties of the parties, indemnification obligations (which survive for six months following the closing) and closing conditions. The Company is in the process of cancelling the Blue Sky Shares and returning such shares to the status of authorized but unissued shares of common stock.

FORWARD LOOKING STATEMENTS

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

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

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

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

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

Please see the “Glossary of Oil and Gas Terms” on page 9 of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on April 17, 2018 (the “2017 Annual Report”) for a list of abbreviations and definitions used throughout this report.

This information should be read in conjunction with the interim unaudited financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the unaudited financial statements and notes thereto and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our 2017 Annual Report.

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

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

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

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

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

Background

We were incorporated in Colorado on January 16, 2002.

In February 2012 we decided it would be in the best interests of our shareholders to no longer pursue our original business plan and, in April 2012 we became active in the exploration and development of oil and gas properties.

Effective September 2, 2016, we formally changed our name to Petrolia Energy Corporation, pursuant to the filing of a Statement of Conversion with the Secretary of State of Colorado and a Certificate of Conversion with the Secretary of State of Texas, authorized by the Plan of Conversion which was approved by our stockholders at our April 14, 2016, annual meeting of stockholders, each of which are described in greater detail in the Definitive Proxy Statement on Schedule 14A, which was filed with the Securities and Exchange Commission on March 23, 2016. In addition to the Certificate of Conversion filing, we filed a Certificate of Correction filing with the Secretary of State of Texas (correcting certain errors in our originally filed Certificate of Formation) on August 24, 2016.

As previously reported, although the stockholders approved the Plan of Conversion at the annual meeting, pursuant to which our corporate jurisdiction was to be changed from the State of Colorado to the State of Texas by means of a process called a "Conversion" and our name was to be changed to "Petrolia Energy Corporation", those filings were not immediately made and the Conversion did not become legally effective until September 2, 2016. Specifically, on June 15, 2016, the Company filed a Certificate of Conversion with the Texas Secretary of State, affecting the Conversion and the name change, and including a Certificate of Formation as a converted Texas corporation; however, the Statement of Conversion was not filed with the State of Colorado until a later date. As a result, and because FINRA and the Depository Trust Company (DTC) had advised us that they would not recognize the Conversion or name change, or update such related information in the marketplace until we became current in our periodic filings with the Securities and Exchange Commission and they had a chance to review and approve such transactions, we took the position that the Conversion and name change were not legally effective until September 2, 2016.

As a result of the filings described above, and FINRA and the Depository Trust Company (DTC) formally recognizing and reflecting the events described above in the marketplace, the Company has formally converted from a Colorado corporation to a Texas corporation, and has formally changed its name to "Petrolia Energy Corporation".

Two significant acquisitions were made in 2015 and additional working interests in the same properties were acquired in 2016 and 2017, as described in greater detail in the "Plan of Operation" section below. Additionally, in February 2018, we acquired Bow Energy Ltd and its assets, as discussed below, provided that in September 2018, as discussed under "Subsequent Events" above, we divested Bow.

Plan of Operation

Since 2015, we have established a clearly defined strategy to acquire, enhance and redevelop high-quality, resource in place assets. The Company has been focusing on acquisitions in the Southwest United States and Indonesia (as described below) while actively pursuing our strategy to offer low-cost operational solutions in established Oil and Gas regions. We believe our mix of assets-oil-in-place conventional plays, low-risk resource plays and the redevelopment of our late-stage plays is a solid foundation for continued growth and future revenue growth.

Our strategy is to acquire low risk, conventionally producing oil fields. This strategy allows us to incorporate new technology to minimize risk and maximize the recoverability of existing reservoirs. This approach allows us to minimize the environmental impact caused by exploratory development.

Our activities will primarily be dependent upon available financing.

Oil and gas leases are considered real property. Title to properties which we may acquire will be subject to landowner's royalties, overriding royalties, carried working and other similar interests and contractual arrangements customary in the oil and gas industry, to liens for current taxes not yet due, liens for amounts owing to persons operating wells, and other encumbrances. As is customary in the industry, in the case of undeveloped properties little investigation of record title will be made at the time of acquisition (other than a preliminary review of local records). However, drilling title opinions may be obtained before commencement of drilling operations.

Minerva-Rockdale Field

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

In April 2013, the Company entered into a lease pertaining to a 423 acre tract in Milam County, Texas, which is adjacent to the Company's original 200 acre lease. The Company issued 500,000 shares of its common stock as consideration for a 100% working interest (75% net revenue interest) in such lease.

In August 2013, we became an oil and gas operator and took over the operation of 100% of our wells. As such, we terminated our relationship with RTO Operating, LLC for the day-to-day operations and monitoring of our wells. During 2014, the Company continued to operate its own lease. During the fourth quarter of 2014, the Company hired Jovian Petroleum Corporation (Jovian) to survey the operations and well performance at the Noack field. Their report identified paraffin buildup problems in the well bores and gathering lines as the main production issue for the Company to overcome. In December 2014, the Company signed an operating agreement with Jovian to assume full operational responsibility for the Noack field under a fixed fee agreement of $10,000 per month for full operating field services. On March 1, 2015, the Company hired Zel C. Khan, our current CEO and director, who is the largest stockholder of Jovian, as well as several former employees of Jovian Petroleum. This allowed for the fixed fee agreement with Jovian. The CEO of Jovian is Quinten Beasley, our director, and the largest shareholder of Jovian is Zel C. Khan, our CEO and director.

During the period from our inception to December 31, 2011, we did not drill any oil or gas wells. During the year-ended December 31, 2012, we drilled and completed six (6) oil wells and during 2013 the Company drilled and completed three (3) wells of which one (1) was converted to an injection well. During 2014, the Company drilled seven (7) new wells. In 2015, six (6) of the wells were completed, five (5) wells produced, one (1) did not produce, and one (1) well was not completed. During 2016 and through the second quarter ended June 30, the Company had two (2) wells producing, six (6) wells to workover, with one (1) injection well, one (1) that did not produce, and one (1) well not completed.

Slick Unit Dutcher Sands ("SUDS") Field

The SUDS oilfield consists of 2,600 acres located in Creek County, Oklahoma and carries a 76.5% net revenue interest (NRI). The first oil producer was completed in 1918 by Standard Oil of Ohio ("Sohio"), which at that time was owned by John D. Rockefeller. By 1959, approximately 14,000,000 barrels of oil had been recovered at an average well depth of 3,100 feet and over 100 wells in production. Through a series of events, the infrastructure had deteriorated and the field suffered a lot of neglect. Since 2011, Jovian has invested an estimated $1.6 million into the restoration of the field; rebuilding the infrastructure and putting wells back in production. To date, 22 wells have been worked over and 9 are fully operational with considerable reserves remaining.

The Company has approved the SUDS well #1 and has approved and filed for two new infill wells to be drilled. The Company expects to drill the first well in the 3rd quarter of 2018, funding permitting.

SUDS 10% Acquisition

The Company acquired a 10% working interest in the SUDS field located in Creek County, Oklahoma on September 23, 2015, in exchange for 10,586,805 shares of restricted common stock. Based on the then current market value of our common stock, $0.068 per share, the price paid was $719,903 or $4.77 dollars per barrel of oil (Bbl). Through this transaction, the Company increased its reserve base by approximately 151,000 Bbls of (1P) proven reserves. Concurrently with the purchase, Jovian agreed to assign to the Company the right to be the operator of record of the SUDS field, governed by an American Association of Professional Landmen (AAPL) standard Joint Operating Agreement (JOA).

SUDS 90% Acquisition

On the effective date of September 28 2016, the Company acquired a 90% net working interest in the SUDS field as a result of two separate agreements, Purchase and Sale Agreement and the Share Exchange Agreement, both between the Company and Jovian.

The Company issued two notes for a combined value of $4,000,000 in exchange for a cumulative 50% working interest in SUDS. A Promissory Note to Jovian for $1,000,000 was executed bearing interest at 5% and due on December 31, 2016 related to the acquisition of a 50% working interest in the SUDS field. The Promissory Note was secured by a 12.5% undivided working interest in the SUDS field. In addition, a Production Payment Note was executed for the same 50% working interest in the SUDS field. This note was for $3,000,000, paid out of twenty percent (20%) of the 50% undivided interest of net revenues received by the Purchaser that is attributable to the SUDS field assets. The Production Payment Note was secured by a 12.5% undivided working interest in the SUDS field.

The Company issued 24,308,985 shares of its restricted common stock to Jovian to acquire an additional 40% working interest ownership of SUDS. The purchase price of the shares equates to a $4,373,186 value, based on the $0.1799/share market price of our common stock on September 28, 2016 (the effective date of the transaction).

Jovian Petroleum Corporation converted its outstanding $4,000,000 of debt in two tranches, a $2,000,000 first tranche on May 30, 2017 and a $2,000,000 second tranche on July 19, 2017. Although the two transactions occurred in different reporting periods, the two transactions were contemplated together, and they were accounted for as one extinguishment that was accomplished in two tranches, the first in May 2017 and the second in July 2017.

Tranche 1 - On May 30, 2017, Jovian Petroleum Corporation converted $2 million of its $4 million debt into 10 million shares of the Company's common stock. The $2 million debt included a $1 million Promissory Note and $1 million of the $3 million Production Payment Note as well as interest payable of $33,151.

Tranche 2 - On July 19, 2017, Jovian Petroleum Corporation converted $2 million of its remaining debt (outstanding under a Production Payment Note) into 12,749,286 shares of the Company's common stock and 21,510 shares of the Company's Preferred Stock.

The consideration for the debt extinguished consisted of the following:

- 10 million shares of common stock which were valued using the market price on the date of issuance of $0.14 per share ($1,400,000)
- Warrants to purchase 6 million shares of common stock with an exercise price of $0.20 per share based on a $0.12 valuation, volatility of 293%, a discount rate of 1.09% and warrants to purchase 4 million shares of common stock with an exercise price of $0.35 per share based on a $0.12 valuation, volatility of 293%, and a discount rate of 1.09%. All warrants expire in 3 years. The 6 million warrants were valued at $709,776 while the 4 million warrants were valued at $471,104, totaling $1,180,880.
- 12,749,286 shares of common stock which were valued using the market price on the date of issuance of $0.104 per share ($1,325,926).
- The Preferred Stock was valued at $10.00 per share, the cash price paid by third party investors for the same stock with an aggregate value of $215,100.

The combination of the two transactions resulted in an $88,755 loss which was recognized in the second quarter of 2017. The extinguishment of tranche 2 was recognized in the third quarter, with no impact on the consolidated statement of operations.

Twin Lakes San Andres Unit ("TLSAU") Field

TLSAU is located 45 miles from Roswell, Chavez County, New Mexico and consists of 4,864 acres with 130 wells. The last independent reserve report prepared by MKM Engineering on December 31, 2017, reflects approximately 1.6 million barrels of proven oil reserves remaining for the 100% working interest. During 2017, the Company took control of thirty-eight (38) wells of which twenty-one (21) were re-worked, of this eight (8) wells remained producing, five (5) wells were dedicated for injection purpose, and the remaining await additional workover and a secondary. During 2017 and through the second quarter ended June 30, 2018, the field had ninety (90) total wells, six (6) were producing, and twenty-one (21) are producible after certain workovers, and five (5) have been designated as injection wells and are awaiting permits. As of December 31, 2017, and continuing through the filing date of this report, Petrolia had filed its Operator bond and assigned an Operator designation to become the operator of the field. As of the date of this report, Petrolia owns a 100% working interest in the field.

<u>TLSAU 15% Acquisition</u>

On November 4, 2015, the Company acquired a 15% net working interest in the TLSAU field located in Chavez County, New Mexico (the "Net Working Interest") and all operating equipment on the field. Through this transaction, the Company increased its reserve base by approximately 384,800 Bbls of (1P) proven reserves. The Company was also assigned all rights to be the operator of the TLSAU unit under a standard operating agreement.

The total purchase price for the acquisition of the Net Working Interest and equipment rights was $196,875 or $0.52 per barrel of oil (Bbl) and was paid to Blue Sky NM, Inc. ("BSNM"). The Company paid $50,000 in cash and gave a promissory note in the amount of $146,875. The $50,000 was paid by the CEO of the Company for the benefit of the Company and recorded as a shareholder advance. Subsequently, the $50,000 advance was converted into 800,000 shares of common stock at $0.06 per share and warrants to purchase 800,000 shares of common stock that expire in three (3) years. In addition, a $1.3 million face value note payable to BSNM was purchased for $316,800 (the "BSNM Note") (6,000,000 shares of common stock at $0.0528 per share). With the inclusion of the note receivable, the price per barrel would be $1.33 dollars per barrel oil (Bbl).

<u>TLSAU 25% Acquisition</u>

On September 1, 2016, the Company acquired an additional 25% working interest ownership in the TLSAU field through the issuance of 3,500,000 shares of its restricted common stock to an unrelated party. The purchase price of the shares equates to a $350,000 value, based on the $0.10 per share market price of Petrolia's shares on September 1, 2016. After the purchase, the Company owns a total working interest ownership of 40%. The final purchase price allocation of the transaction is as follows: oil and gas properties acquired $392,252, and asset retirement obligations assumed of $42,252.

TLSAU 60% Acquisition

Effective February 12, 2017, the Company acquired an additional 60% working interest ownership in the TLSAU field (the "Net Working Interest") resulting from the execution of a Settlement Agreement on February 12, 2017. The agreement assigned Dead Aim Investments' ("Dead Aim") 60% ownership interests to the Company. As a result of this transaction, Petrolia now owns a 100% working interest in TLSAU. Consideration of $465,788 was given in exchange for Dead Aim's working interest. The consideration includes the forgiveness of the BSNM Note of $316,800 (with a $1.3 million face value) which we acquired in November 2015 and the write-off of $148,988 of Dead Aim's outstanding accounts receivable to Petrolia. Dead Aim assumed liability (prior to the acquisition) for the OPBE note that the Company purchased.

Askarii Resources, LLC

Effective February 1, 2016, the Company acquired 100% of the issued and outstanding interests in Askarii Resources LLC ("Askarii"), a private Texas based oil & gas service company. The Company acquired Askarii by issuing one (1) million restricted shares of common stock. Based on the then market value of the Company's common stock at $0.05 per share, the aggregate value of the transaction was $50,000.

Askarii, while dormant for the last few years, has a significant history with major oil companies providing services both onshore and offshore- Gulf of Mexico. Using Askarii, the Company plans to engage in the oil field service business as well as the leasing of field related heavy equipment. It is also contemplated that Askarii will research various enhanced oil recovery (EOR) technologies and methods which it can use for the benefit of the Company's oil fields.

Bow Energy Ltd., a related party

On February 27, 2018, the Acquisition closed, and Petrolia Energy Corporation acquired all of the issued and outstanding shares in Bow Energy Ltd. Bow Energy Ltd. has contracts covering a total land position in Indonesia of 948,029 net acres as described in greater detail below.

Effective on August 31, 2018, the Company entered into and closed the transactions contemplated by a Share Exchange Agreement with Blue Sky Resources Ltd. ("Blue Sky" and the "Exchange Agreement").

The President, Chief Executive Officer and 100% owner of Blue Sky is Ilyas Chaudhary, the father of Zel C. Khan, the Company's Chief Executive Officer. Mr. Chaudhary indirectly owns and controls BSIH Ltd. ("BSIH"), which was a significant shareholder of the Company prior to the consummation of the cancellation discussed below. Additionally, prior to the acquisition of Bow Energy Ltd. ("Bow") (which we acquired pursuant to an Arrangement Agreement dated November 30, 2017, which acquisition closed on February 27, 2018), BSIH, and as a result of his ownership and control of BSIH, Mr. Chaudhary, controlled Bow.

Pursuant to the Exchange Agreement, we exchanged 100% of the ownership of Bow, in consideration for:

(a) 70,807,417 shares of the Company's common stock owned and controlled by Mr. Chaudhary and BSIH (the "Blue Sky Shares");

(b) $100,000 in cash (less certain advances paid by Blue Sky or Bow to the Company since April 1, 2018);

(c) the assumption of certain payables owed by Bow totaling $1,696,332 (which includes $730,000 owed under the terms of a Loan Agreement, as amended, originally entered into by Bow, but not the subsequent $800,000 borrowed by Bow pursuant to the amendment to the Loan Agreement dated May 9, 2018 (which obligation is documented by a Debt Repayment Agreement));

(d) 20% of Bow Energy International Holdings, Inc, which is wholly-owned by Bow ("Bow EIH")(which entity's subsidiaries own certain Production Sharing Contracts (the "PSC") and certain other participating assets), pursuant to an Assignment Agreement;

(e) certain carry rights described in greater detail in the Exchange Agreement, providing for Blue Sky to carry the Company for up to the next $10 million of aggregate costs in BOW EIH and the PSC assets, with any profits from BOW EIH being distributed 80% to Bow and 20% to the Company, pursuant to a Petrolia Carry Agreement (the "Carry Agreement"); and

(f) a 3% royalty, after recovery of (i) the funds expended by Bukit Energy Bohorok Pte Ltd, which is wholly-owned by BOW EIH in the Bohorok, Indonesia PSC (the "Bohorok PSC") since July 1, 2018, plus (ii) $3,546,450 (i.e., ½ of Bow's share of the prior sunk cost of the Bohorok PSC), which royalty is evidenced by an Assignment of Petrolia Royalty (the "Royalty Assignment").

The Exchange Agreement closed on August 31, 2018 and has an effective date of July 1, 2018.

The Exchange Agreement contains customary and standard representations and warranties of the parties, indemnification obligations (which survive for six months following the closing) and closing conditions. The Exchange Agreement may be terminated by either party for any reason prior to closing.

The Company is in the process of cancelling the Blue Sky Shares and returning such shares to the status of authorized but unissued shares of common stock. To date, a total of 53,105,563 of the shares have been cancelled.

South Block A

South Block A ("SBA") is located onshore North Sumatra, Indonesia. Bow is the operator of the 421 kilometer (km) block with a 44.48% Working Interest. The block has a proven petroleum system on trend with the Arun, Pase, Rantu and Kual Simpang gas fields. There are multiple prospects and leads with the potential for stacked pay. The block has existing infrastructure leading to a high demand oil and gas market. The SBA is part of the Ductch vintage oil field known as Paya Bili. The block was purchased on July 2, 2015.

The Company has advanced a total of $1,971,491 to Bow's subsidiary Renco Elang Energy Pte. Ltd. ("REE") which holds Bow's interest in SBA. These advances are interest free loans. As part of the REE shareholder's agreement, all after-tax proceeds from the operations of SBA are first paid against the shareholder loans, prior to any distributions relative to each party's share interests.

REE's partner PT. Prosys Oil and Gas International ("POGI") defaulted on cash call requirements to fund SBA as part of its 14% working interest. The deadline to remedy the defaults was on October 23, 2016. POGI's interest in SBA was subsequently transferred in the following proportions: REE: 8.3% and KRX Energy (SBA) Pte Ltd.: 5.7%. The proportionate interests in SBA are now: 59.3% for REE and 40.7% for Lion Energy Limited, an Australian publicly-traded company.

The Indonesian regulatory authority, BPMA, granted an additional 4-year extension, effective as of January 19, 2017, to the exploration term for SBA. The extension was granted following the drilling of the Amanah Timur-1 discovery well. This completed the work commitments for the block. Following the extension, REE is reviewing results from the discovery to identify commercialization options and work towards filing a Plan of Development for approval by the regulatory authority. As per the government requirements, following relinquishment the remaining area of the SBA PSC is 421 km^2. REE has selected the remaining area to ensure remaining acreage contains previously identified prospects and leads. The work program for the new extension is comprised of 50 km^2 of 3D seismic and planned drilling of 3 wells. After 2 years, the regulator will review progress on the block. During that time, the work commitment requires REE and its partner to either complete the work program or submit a Plan of Development. Failure to meet either target may result in expiration of the PSC, without financial penalty. The program is anticipated to take several years to complete and is subject to fulfillment of meeting various requirements as well as sufficient availability of funds.

Bukit

In the Bukit region, there are four Production Sharing Contracts ("PSCs") and one non-conventional joint study agreement ("JSA"), all interests are located onshore in Sumatra, Indonesia. Bukit Energy Inc.'s shareholding interests (the "Bukit Assets") are in five Singapore holding companies (the "Holding Companies") that own the interests. The Holding Companies held by BEIH own the following interests in the conventional and non-conventional PSCs and the non-conventional JSA:

- Bohorok PSC (conventional) – operated 50% participating interest, 465,266 net acres
  - Drill ready step-out location with resource potential
- Palmerah Baru PSC (conventional) – operated 54% participating interest, 98,977 net acres
  - Several light oil play trends, shallow and deep analogues in surrounding PSC's with prolific production
- Palmerah Deep PSC (non-conventional)- operated 69.36% participating interest, 170,398 net acres
  - Area underlies conventional PSC
- Mahato PSC (conventional)- 20% participating interest, 167,115 net acres, non-operated
  - 2 drill ready locations adjacent to producing fields
- Bohorok Deep (non-conventional)- 20.25% participating interest in a JSA, non-operated with option to become operator
  - Area of JSA underlies the Bohorok PSC and adjacent to Pertamina's nonconventional PSC

Results of Operations

Revenues

Our oil and gas revenue reported for the six months ended June 30, 2018 was $53,741, a decrease of $21,650 from the prior year's period of $75,391. Our decreased revenue for the six months ended June 30, 2018 as compared with the prior year's period is due to decreased production at the Noack field and Suds field. Production decreased from 2,128 bbls of oil for the six months ended June 30, 2018, compared to 775 bbls of oil for the six months ended June 30, 2017.

For the three months ended June 30, 2018, revenue decreased comparatively $18,070 year over year to $23,761 from $41,831 for the three months ended June 30, 2018. Production decreased from 313 bbls of oil for the three months ended June 30, 2018, compared to 1,190 bbls of oil for the three months ended June 30, 2017.

Over the comparative periods, the market price for oil has improved, which partially offset the decrease in production. The average market price received was $57.53 per barrel of oil for the six months ended June 30, 2018 compared to $35.43 per barrel of oil over the prior six month period.

Operating Expenses

Operating expenses increased by $29,095,513 to $30,636,457 for the six months ended June 30, 2018 from $1,540,944 for the six months ended June 30, 2017. At March 31, 2018, the Company recognized an impairment of goodwill of $27,129,963 after assessing the fair value of the Bow acquisition, which accounted for the majority of the increase. Other period over period changes are due to non-cash accounting items in the period ended June 30, 2018, which included $103,632 of transaction costs associated with the Bow acquisition, $2,462,079 of stock-based compensation and a loss on debt settlement of $203,349, which in total accounted for $2,769,060 of the total operating expenses and year over year those costs increased by $2,012,255 over the comparative period.

Operating expenses increase by $277,539, to $1,305,865 for the three month period ended June 30, 2018 compared to $1,028,326 for the three months ended June 30, 2017. Operating expenses increased over the comparative period due to additional finance fees incurred and stock compensation fees associated with the new contracts.

Other income (expense)

Interest expense decreased for the three month period ended June 30, 2018 compared to the three months ended June 30, 2017, by $182,686, due to an increase in debt carried during the six month period from June 30, 2017 to June 30, 2018. The Company acquired significant debt in the acquisition of Bow Energy Ltd. and issued new debt thereafter, so this expense is expected to normalize over the remainder of the fiscal year. Interest expense was $48,219 and $187,557 for the three months ended June 30, 2018 and June 30, 2017, respectively.

The Company incurred an exchange gain of $69,725 for the six months ended June 30, 2018 and an exchange gain of $16,387 for the three months ended June 30, 2018. There was no exchange gain or loss for the three and six months ended June 30, 2017. Exchange loss during 2018 was related to Bow's operations as it conducts its business in Canadian dollars (CDN).

The Company recorded a loss on extinguishment of debt of $260,162 from the increase and reissuance of debt.

During the six months ended June 30, 2018, the Company recognized an impairment of goodwill of $27,129,963 after assessing the fair value of the Bow acquisition. The impairment occurred during the three months ended March 31, 2018.

The Company incurred a loss of $3,167 from the change in fair value of derivative liabilities. A derivative liability was incurred upon the issuance of the CDN priced warrants issued to a debt holder.

Net Loss

Net loss for the six months ended June 30, 2018 was $30,847,969 compared to a net loss of $1,725,416 for the six months ended June 30, 2017. This significant difference is due to the impairment of $27,129,963 recognized pursuant to the acquisition of Bow and to other factors as described above.

Changes in Financial Condition

The financial condition of the entity changed significantly from December 31, 2017 to June 30, 2018 as the Company completed the acquisition of Bow.

The net acquired assets of $34,607,088 in the Bow transaction are summarized as follows:

Cash	$ 3,784
Other current assets	4,763
Deposits	337,997
Furniture, equipment & software	12,059
Unproved properties and properties not subject to amortization	9,705,590
Goodwill	27,129,963
Accounts payable	(1,157,876)
Note payable	(1,429,192)

Incurred in the acquisition, were several notes payable. Collectively, the following are outstanding obligations:

			June 30, 2018		December 31, 2017	
	Nominal interest rate	Date of maturity	Face value	Carrying amount	Face value	Carrying amount
Truck loan (i)	5.49%	January 6, 2022	$ 59,923	$ 59,923	$ 56,786	$ 56,786
Promissory note (ii)	12%	September 30, 2018	36,830	42,350	—	—
Promissory note (iii)	12%	September 30, 2018	35,692	39,987	—	—
Bukit Energy Inc.(iv)	8.5%	December 15, 2017	470,000	519,302	—	—
Credit note (v)	12%	May 11, 2021	1,530,000	1,556,366	—	—
			$ 2,132,445	2,217,928	56,786	56,786
Long term debt						
Truck loan				20,926		24,204
Credit note (v)				1,079,544		—
Total long-term notes payable				1,100,470	24,204	24,204
Current portion of notes payable				$ 1,117,458	$ 32,582	$ 32,582

The promissory notes are repayable in full on maturity. The difference between the face value and carrying amount is attributed to accrued interest.

(i) On January 6, 2017, the Company purchased a truck and entered into an installment note with Don Ringer Toyota in the amount of $59,923 for a term of five years at 5.49% annual percentage rate.

(ii) The note matures on September 30, 2018 and carries interest at 12% per annum.

(iii) The note matures on September 30, 2018 and carries interest at 12% per annum.

(iv) In conjunction with the close of the purchase of the Bukit assets, Bow issued a note payable to Bukit Energy Inc. of $500,000 with interest at the rate of 8.5% per annum, calculated monthly, not in advance, on the principal amount. The note matured on August 31, 2017. The note was extended to December 15, 2017. The note is in default and remained in default at the time of issuance of these financial statements. The Company repaid 30,000 of principle during the period ended June 30, 2018.

(v) 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 ($1,530,000) 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 give the Lender 10 days' notice of our intent to repay and pay the Lender the interest which would have been due through the maturity date at the time of repayment. The Company is also required to make a payment of principal and interest in the amount of $50,818 per month for a period of 36 months towards the amount owed beginning on July 15, 2018; these payments were extended to begin on September 15, 2018. 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 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"). The Canadian Properties currently encompass 64 sections, with 240 oil and 12 natural gas wells currently producing on the properties. Additionally, there are several idle wells with potential for reactivation and 34 sections of undeveloped land (approximately 21,760 acres). The acquisition agreement was entered on June 29, 2018 with an effective date of June 1, 2018.

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 when the Loan Agreement is repaid; (b) 500,000 shares of common stock have an exercise price of $0.12 per share in U.S. dollars, and expire on May 15, 2021; and (c) 1,500,000 shares of common stock have an exercise price of $0.10 per share in U.S. dollars and expire on May 15, 2020.

The fair value of the 500,000 common shares issued were assessed at the market price of the stock on the date of issuance and fair valued at $47,500. In connection with warrants issued in Canadian dollars, the Company has assessed an initial derivative liability of $30,401. The derivative is fair valued at the end of each reporting period. The Company recorded a gain for the period ended June 30, 2018 of $3,556 to adjust the liability to its fair value at the end of the reporting period of $26,845.

The fair value of the warrants issued were assessed at $182,650 and the Company recorded a total loss on extinguishment of debt of $260,162.

(vi) For the purposes of the acquisition of the 25% working interest in a producing oil and gas property, the Company issued a promissory note dated June 8, 2018 for CAD $406,181 ($308,454). The note bears 9% simple interest. The note matures on November 30, 2018.

Liquidity

As of June 30, 2018, we had total current assets of $1,614,970 and total assets in the amount of $24,819,599. Our total current liabilities as of June 30, 2018, were $4,366,889 and our total liabilities as of June 30, 2018 were $5,952,712. We had negative working capital of $3,841,401 as of June 30, 2018.

Our material asset balances are made up of oil and gas properties and related equipment. Our most significant liabilities are notes payable of $2,217,928 (see the table above and Note 6 to the Interim Consolidated Financial Statements for information regarding outstanding debt obligations) and accounts payable and accrued liabilities of $ 2,700,959, mainly consisting of accrued officer salaries.

Our sources and (uses) of funds for the six months ended June 30, 2018 were:

Cash provided (used) in operations	$	(230,511)
Net cash acquired from purchase of Bow Energy Ltd., a related party		3,784
Proceeds from issuance of preferred stock		20,000
Proceeds from issuance of common stock		411,175)

Net cash used by operating activities was $230,511 and $529,466 for the six months ended June 30, 2018 and 2017, respectively.

Net cash provided by financing activities was $398,712 and $475,786 for the six months ended June 30, 2018 and 2017, respectively. The decrease was due to an increase in year over year repayments of $59,581. To finance the operational losses for the six months ended June 30, 2018, the Company obtained proceeds from issuance of common stock in the amount of $411,175, $20,000 from preferred stock and proceeds from related party of $42,000. These proceeds were offset by repayments to related party of $47,600 and principal payments on notes payable of $31,695. During the six months ended on June 30, 2017, the Company received gross proceeds of $48,000 from the issuance of common stock, proceeds from shareholder advances of $206,500 which were offset by payments for advances on notes payable of totaling $19,714. During the six months ended June 30, 2018, the Company also received gross proceeds of $20,000 from the issuance of preferred stock compared to $241,000 during the six months ended June 30, 2017.

The Company continues to operate at a negative cash flow of approximately $90,000 per month and our auditors have raised a going concern in their latest audit report. Management is pursuing several initiatives to secure funding to increase production at both the SUDS Field and TLSAU field which together with anticipated increases in the price of crude oil may reduce the Company's monthly cash shortfall. The total amount required by the Company to accomplish this objective is approximately $1,000,000, which funding may not be available on favorable terms, if at all.

The Company has suffered recurring losses from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. We plan to generate profits by working over existing wells and drilling productive oil or gas wells. However, we will need to raise additional funds to workover or drill new wells through the sale of our securities, through loans from third parties or from third parties willing to pay our share of drilling and completing the wells. We do not have any commitments or arrangements from any person to provide us with any additional capital. If additional financing is not available when needed, we may need to cease operations. There can be no assurance that we will be successful in raising the capital needed to drill oil or gas wells nor that any such additional financing will be available to us on acceptable terms or at all. Any wells which we may drill may not be productive of oil or gas. Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. The accompanying financial statements have been prepared assuming the Company will continue as a going concern; no adjustments to the financial statements have been made to account for this uncertainty. Moving forward we may sell certain of our oil and gas properties in an effort to raise funds to support our operations and future planned oil and gas operations.

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.

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

A decline in oil and gas prices (i) will reduce the cash flow internally generated by the Company which in turn will reduce the funds available for exploring for and replacing oil and gas reserves, (ii) will increase the difficulty of obtaining equity and debt financing and worsen the terms on which such financing may be obtained, (iii) will reduce the number of oil and gas prospects which have reasonable economic terms, (iv) may cause us to permit leases to expire based upon the value of potential oil and gas reserves in relation to the costs of exploration, (v) may result in marginally productive oil and gas wells being abandoned as non-commercial, and (vi) may increase the difficulty of obtaining financing. However, price declines reduce the competition for oil and gas properties and correspondingly reduce the prices paid for leases and prospects. During the last 5 months oil prices have trended upward to approximately $60.00 per barrel.

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

Critical Accounting Policies and New Accounting Pronouncements

See Note 2 to the financial statements included in the 2017 Annual Report for a description of our critical accounting policies and the potential impact of the adoption of any new accounting pronouncements.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

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

Item 4 Controls and Procedures

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act , is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Principal Executive and Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of June 30, 2018, our Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective. Such disclosure controls and procedures were deemed ineffective due to material weaknesses in connection with disclosure and related issues associated with related party transactions involving the Company and its officers and directors, and recording, presentation and disclosure issues associated with acquisition transactions.

(b) *Changes in Internal Controls*. There were no changes in our internal controls over financial reporting during the quarter ended June 30, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1 Legal Proceedings

We are periodically named in legal actions arising from normal business activities. We evaluate the merits of these actions and, if we determine that an unfavorable outcome is probable and can be reasonably estimated, we will establish the necessary reserves. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

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, 2017, filed with the Commission on April 17, 2018, 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, 2017, 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.

Future conditions might require us to make write-downs in our assets, which would adversely affect our balance sheet and results of operations.

We review our long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We also test our goodwill and indefinite-lived intangible assets for impairment at least annually on December 31 of each year, or when events or changes in the business environment indicate that the carrying value of a reporting unit may exceed its fair value. If conditions in any of the businesses in which we compete were to deteriorate, we could determine that certain of our assets were impaired and we would then be required to write-off all or a portion of our costs for such assets. Any such significant write-offs would adversely affect our balance sheet and results of operations. On March 31, 2018, the Company recorded an impairment to goodwill of $27,129,963. The impairment was assessed based on future cash flow as of March 31, 2018.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Below is a summary of all equity securities sold by the Company during the period covered by this report and through the date of filing of this report, that were not registered under the Securities Act, which has not previously has been included in a Current Report on Form 8-K or the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

Effective April 12, 2018, the Board of Directors approved the issuance of 616,210 shares of restricted common stock to Mr. James E. Burns in consideration for 2017 deferred salary of $61,621.

Also on April 12, 2018, the Board of Directors approved (a) the entry by the Company into a $500,000 Convertible Promissory Note with Blue Sky International Holdings Inc. The note, effective April 1, 2018, is due on April 1, 2019, accrues interest at the rate of 11% per annum until paid in full, and is convertible into shares of common stock of the Company at the rate of $0.12 per share; and (b) the entry into an Amended Revolving Line of Credit Agreement with Jovian Petroleum Corporation, a related party, which establishes a revolving line of credit in the amount of $500,000 for a period of six months (through August 9, 2018) with amounts borrowed thereunder due at the expiration of the line of credit and accruing interest at the rate of 3.5% per annum unless there is a default thereunder at which time amounts outstanding accrue interest at the rate of 7.5% per annum until paid in full, with such interest payable every 90 days.

On April 18, 2018, a Separation and Release Agreement between the former President of the Company, James Burns and the Company became effective, whereby Mr. Burns ceased to be an employee of the Company. Pursuant to the terms of the agreement, the Company paid Mr. Burns $33,000, and granted Mr. Burns warrants to purchase 3,000,000 shares of common stock at an exercise price of $0.10 per share. The Company also issued 2,000,000 shares of restricted common stock to Mr. Burns pursuant to the agreement of the Company on May 14, 2018.

On April 20, 2018, the Company entered into an agreement to offer the position of Chairman of the Board of Directors to James Burns. Mr. Burns accepted and became Chairman of the Board effective May 1, 2018. Pursuant to the terms of the offer, Mr. Burns will be paid an annual salary of $65,000 and up to $25,000 in health benefits for Mr. Burns and his family. The Company issued 500,000 shares of restricted common stock to Mr. Burns on May 14, 2018. An additional 500,000 shares of restricted common stock will be issued upon a successful listing of the Company on the NASDAQ or NYSE exchanges. Mr. Burns was granted warrants to purchase 2,000,000 shares of common stock exercisable at $0.10 per share, expiring in 36 months, which were fully-vested upon their grant.

On April 26, 2018, the Company issued 200,000 shares of common stock as a bonus to a vendor valued at $14,000 based on the closing price of $0.07 per share.

On April 26, 2018, a warrant holder exercised his 500,000 warrants at a strike price of $0.10 for gross proceeds of $50,000 and was issued 500,000 shares of common stock.

On April 26, 2018, a warrant holder exercised his warrants to purchase 500,000 shares of common stock at a strike price of $0.10 for gross proceeds of $50,000.

On May 9, 2018, Bow, entered into an Amended and Restated Loan Agreement with a third party (the "Loan Agreement" and the "Lender"). 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 ($1,530,000) 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 we give the Lender 10 days' notice of our intent to repay and pay the Lender the interest which would have been due through the maturity date at the time of repayment. We are also required to make a payment of principal and interest in the amount of $50,818 per month towards the amount owed beginning on July 15, 2018. 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 additional $800,000 borrowed in connection with the entry into the Loan Agreement can only be used by the Company for the future acquisition of oil and gas properties, which the Company is currently in discussions regarding, and will be secured by such assets, when/if the transaction closes. In the event the acquisition (or another mutually agreed upon acquisition), for any reason does not close, the $800,000 in additional funds are anticipated to be immediately repaid to the Lender.

In order to induce the Lender to enter into the Loan Agreement, we agreed to issue the Lender 500,000 shares of restricted common stock (the "Loan Shares") and warrants to purchase 2,320,000 shares of common stock (the "Loan Warrants"), of which warrants to purchase (a) 320,000 shares of common stock have an exercise price of $0.10 per share in Canadian dollars, and expire on the date the Loan Agreement has been repaid; (b) 500,000 shares of common stock have an exercise price of $0.12 per share in U.S. dollars, and expire on May 15, 2021; and (c) 1,500,000 shares of common stock have an exercise price of $0.10 per share in U.S. dollars and expire on May 15, 2020.

During the six months ended June 30, 2018, Company issued 600,000 shares of restricted common stock to consultants for services rendered.

During the six months ended March 31, 2018, the Company closed a private placement of two units for $100,000, with each unit having a price of $50,000, each of which is comprised of 416,667 shares of common stock and one warrant to purchase an additional 416,667 shares of common stock at a price of $0.20 per share at any time prior to October 1, 2020.

The table below summarizes the warrants granted during the six month period ended June 30, 2018:

	Number of Warrants		**Exercise Price**
Board of Director Service	3,750,000	$	0.10
Pursuant to acquisition of Bow Energy Ltd., a related party	368,000	$	0.18
Note payable issuance	2,320,000	$	0.10
Private placements	2,187,500	$	0.20
Pursuant to employment termination agreement	3,000,000	$	0.10
Pursuant to consulting agreement	2,000,000	$	0.10
Pursuant to employment termination agreement	250,000	$	0.20
Deferred salary – CEO, former CFO	339,166	$	0.14
Pursuant to settlement of loan from director (Joel Oppenheim)	500,000	$	0.14
	14,714,666		

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

None

Item 6 Exhibits

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

SIGNATURES

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

	PETROLIA ENERGY CORPORATION
September 26, 2018	By: /s/ Zel C. Khan Zel C. Khan Chief Executive Officer (Principal Executive Officer
	PETROLIA ENERGY CORPORATION
September 26, 2018	By: /s/ Tariq Chaudhary Tariq Chaudhary Chief Financial Officer (Principal Financial and Accounting Officer

EXHIBIT INDEX

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference Form	Exhibit Number	Filing Date/ Period End Date	File No.
2.1	Arrangement Agreement, dated November 30, 2017 by and between the Company and Bow Energy Ltd.		8-K	10.1	12/5/2017	000-52690
2.2	Bukit Energy Inc. Share Purchase Agreement Dated May 16, 2017		10-Q	2.2	3/31/2018	000-52690
2.3	Share Exchange Agreement by and between Petrolia Energy Corporation and Blue Sky Resources Ltd, dated August 31, 2018 and effective July 1, 2018		8-K	2.1	9/5/2018	000-52690
3.1	Certificate of Amendment to Certificate of Formation to Increase the Company's Authorized Shares of Common Stock to 400,000,000 Shares and to amend the par value of the Preferred Stock to $0.001 per share, filed with the Secretary of State of Texas on November 9, 2017		10-Q	3.1	3/31/2018	000-52690
10.1	$500,000 Convertible Promissory Note dated April 1, 2018 entered into with Blue Sky International Holdings Inc.		10-K	10.28	12/31/2017	000-52690
10.2	Amended Revolving Line of Credit Agreement with Jovian Petroleum Corporation dated February 9, 2018 and amended April 12, 2018		10-K	10.29	12/31/2017	000-52690
10.3	Separation and Release Agreement dated April 19, 2018, by and between James E. Burns and Petrolia Energy Corporation		8-K	10.1	5/1/2018	000-52690
10.4	Chairman Offer Letter dated April 20, 2018, by and between James E. Burns and Petrolia Energy Corporation		8-K	10.2	5/1/2018	000-52690
10.5	Warrant to Purchase Common Stock, evidencing warrants to purchase 5,000,000 shares of common stock granted to James E. Burns on April 19, 2018		8-K	10.3	5/1/2018	000-52690
10.6	Tariq Chaudhary Offer Letter dated January 12, 2018		10-Q	10.6	3/31/2018	000-52690
10.7	Bukit Energy Inc. $500,000 Promissory Note dated August 31, 2017 and amendment		10-Q	10.7	3/31/2018	000-52690
10.8	Memorandum of Understanding between Blue Sky Resources Ltd. and Petrolia Energy Corporation dated June 29, 2018		8-K	10.1	7/6/2018	000-52690
10.9	Conveyance between Blue Sky Resources Ltd. and Petrolia Energy Corporation dated June 29, 2018		8-K	10.2	7/6/2018	000-52690
10.10	CAD $406,181 Promissory Note by Petrolia Energy Corporation in favor of Blue Sky Resources Ltd. dated June 8, 2018		8-K	10.3	7/6/2018	000-52690
10.11	EJL Debt Repayment Agreement effective July 31, 2018, by and between Petrolia Energy Corporation and Blue Sky Resources Ltd (incorporated by reference to Schedule 2A of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.1	9/5/2018	000-52690
10.12	Assignment of 20% BOW EIH effective July 31, 2018, by and between Petrolia Energy Corporation and Bow Energy Ltd. (incorporated by reference to Schedule 3 of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.2	9/5/2018	000-52690
10.13	Assignment of Petrolia Royalty effective July 31, 2018, by and between Petrolia Energy Corporation and Bow Energy Ltd. (incorporated by reference to Schedule 4 of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.3	9/5/2018	000-52690

10.14	Petrolia Carry Agreement, by and between Petrolia Energy Corporation and Bow Energy Ltd. (incorporated by reference to Schedule 5 of the Share Exchange Agreement incorporated by reference herewith as Exhibit 2.3)		8-K	10.4	9/5/2018	000-52690
10.5	Form of 12% Bridge Note – 2018		8-K	10.5	9/5/2018	000-52690
14.1	Whistleblower Protection Policy		8-K	14.1	5/24/2018	000-52690
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	X				
32.2**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act	X				
99.1	Charter of the Audit Committee		8-K	99.1	5/24/2018	000-52690
99.2	Charter of the Compensation Committee		8-K	99.2	5/24/2018	000-52690
99.3	Charter of the Nominating and Corporate Governance Committee		8-K	99.3	5/24/2018	000-52690
101.INS*	XBRL Instance Document	X				
101.SCH*	XBRL Taxonomy Extension Schema Document	X				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE*	XBRL Taxonomy Presentation Linkbase Document	X				

* Filed herewith.

** Furnished herewith.

EXHIBIT 31.1

CERTIFICATION

I, Zel C. Khan, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q of Petrolia Energy Corporation;

2. Based on my knowledge, this report, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 26, 2018

By: /s/ Zel C. Khan
Zel C. Khan
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Tariq Chaudhary, certify that;

1. I have reviewed this Quarterly Report on Form 10-Q of Petrolia Energy Corporation;

2. Based on my knowledge, this report, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 26, 2018

By: /s/ Tariq Chaudhary
Tariq Chaudhary
Chief Financial Officer
(Principal Financial/Accounting Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the "Company") on Form 10-Q for the quarter ending June 30, 2018 as filed with the Securities and Exchange Commission (the "Report"), Zel C. Khan, the Principal Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects the financial condition and results of operations of the Company.

September 26, 2018

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of Petrolia Energy Corporation (the “Company”) on Form 10-Q for the quarter ending June 30, 2018 as filed with the Securities and Exchange Commission (the “Report”), Tariq Chaudhary, the Principal Financial and Accounting Officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects the financial condition and results of operations of the Company.

September 26, 2018

By: /s/ Tariq Chaudhary
Tariq Chaudhary
Chief Financial Officer
(Principal Financial/Accounting Officer)