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

FORM 10-K

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

For the Fiscal Year EndedAugust 31, 2021

or

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

Commission File Number: 000-55991

PETROTEQ ENERGY INC.
(Exact name of registrant as specified in its charter)

Ontario	**None**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
15315 W. Magnolia Blvd, Suite 120 Sherman Oaks, California	**91403**
(Address of principal executive offices)	*(Zip code)*

(866) 571-9613
(Registrant's telephone number, including area code)

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

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
N/A	N/A	N/A

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

Common Shares, without par value
(Title of Class)

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

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

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

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

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth 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 Act). Yes☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on the TSX Venture Exchange as of the last business day of the registrant's most recently completed second fiscal quarter (CAD$0.07 converted to US$0.0552 on February 28, 2021) was approximately: $17,419,452.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Number of shares of common stock outstanding as of December 14, 2021 was646,053,821.

Documents incorporated by reference: None.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, statements contained in this Annual Report on Form 10-K, including but not limited to, statements regarding the sufficiency of our cash, our ability to finance our operations and business initiatives and obtain funding for such activities; our future results of operations and financial position, business strategy and plan prospects are forward looking statements. These forward-looking statements relate to our future

plans, objectives, expectations and intentions and may be identified by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “seeks,” “goals,” “estimates,” “predicts,” “potential” and “continue” or similar words. Readers are cautioned that these forward-looking statements are based on our current beliefs, expectations and assumptions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under Part I, Item 1A. “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Therefore, actual results may differ materially and adversely from those expressed, projected or implied in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

NOTE REGARDING COMPANY REFERENCES

Throughout this Annual Report on Form 10-K, “Petroteq,” the “Company,” “we,” “us” and “our” refer to Petroteq Energy Inc.

PETROTEQ ENERGY INC.

FORM 10-K

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PART I

ITEM 1. BUSINESS.

BUSINESS OVERVIEW

We are a holding company organized under the laws of Ontario, Canada, that is engaged in various aspects of the oil and gas industry. Our primary focus is on the development and implementation of our proprietary oil sands mining and processing technology to recover oil from surface mined bitumen deposits. Our wholly-owned subsidiary, Petroteq Energy CA, Inc., a California corporation (“PCA”), conducts our oil sands extraction business through two wholly owned operating companies, Petroteq Oil Recovery, LLC, a Utah limited liability company (“POR”), and TMC Capital, LLC, a Utah limited liability company (“TMC Capital”). Another subsidiary, Petrobloq LLC, a California limited liability company (“Petrobloq”), also wholly owned by Petroteq, is currently dormant.

Oil Sands & Processing

Through PCA, our wholly-owned subsidiary, and PCA’s two subsidiaries POR and TMC Capital, we are in the business of exploring for, extracting and producing oil and hydrocarbon products from oil sands deposits and sediments located in the Asphalt Ridge Are of Uintah County, Utah, utilizing our proprietary extraction technology (the “Petroteq Clean Oil Recovery Technology” or “Extraction Technology”). Our primary oil sands extraction and processing operations are conducted at our Asphalt Ridge processing facility (herein the “Asphalt Ridge Plant” or “Plant”), which is owned by POR.

Petroteq owns the intellectual property rights to the Petroteq Clean Oil Recovery Technology which is used at our Asphalt Ridge Plant to extract and produce crude oil from oil sands utilizing a closed-loop solvent based extraction system.

The Asphalt Ridge Plant initially commenced operations as a pilot plant in 2015 at a site near Maeser, Utah, but was relocated in 2017 to a site near our Asphalt Ridge Mine #1 located on lands a Mining and Mineral Lease Agreement dated as of July 1, 2013, between Asphalt Ridge, Inc., as lessor, and TMC, as lessee, (the “TMC Mineral Lease”). The relocation of the Plant near our existing mine site was designed to improve logistical and processing efficiencies in the oil sands recovery process. The relocation of the Plant occurred during a temporary suspension of our mining and processing operations in 2016 that resulted from a sharp decline in world oil prices. We restarted operations at the end of May 2018 and completed expansion work on the Plant to increase production capacity to 400-500 barrels of oil per day during the last quarter of fiscal 2019 (the quarter ended August 31, 2019). During our testing of the Plant and its increased production capacity during the first quarter of fiscal 2020 (the quarter ending November 30,

2019), we determined that a number of equipment upgrades were required to support continuous operation of the Plant. As discussed below, these upgrades were completed in December 2020.

We had expected to generate revenue from the sale of hydrocarbon products from the Asphalt Ridge Plant commencing in the third quarter ending May 31, 2020. However, due to the COVID-19 pandemic and volatility in oil prices, we reduced operations to a single shift per day during the quarter ending February 29, 2020 and ultimately suspended operations at the Plant during the quarter ending May 31, 2020.

In July 2020, Greenfield Energy LLC ("Greenfield"), a joint venture company formed by TomCo Energy PLC, a UK energy company, and Valkor LLC ("Valkor"), a Texaco limited liability company, assumed the management and operation of the Asphalt Ridge Plant. Under a Technology License Agreement dated July 2, 2019, Petroteq granted to Valkor a non-exclusive license and right to use Petroteq's Clean Oil Recovery Technology in operations conducted at the Plant. Since July 2020, Greenfield has implemented various upgrades to the Plant to improve operating capacity and reliability and began testing to assess the commerciality of the Plant and Petroteq's proprietary technology. To improve operational capability during winter months, Greenfield also arranged for buildings to be erected over the nitrogen system and the vapor recovery system and for wind-walls were erected at the mixing tank area and decanter deck at the Plant.

Following the startup of the Plant in January 2021, we determined that certain additional equipment would be required to improve the process of extracting bitumen from oil sands ore and the removal of clay fines from produced oil. The additional equipment was required to transition the plant to commercialization and to demonstrate the commerciality of both the Plant and Petroteq's Clean Oil Recovery Technology. The required equipment was installed and commissioned and the Plant was restarted in April 2021.

The first full load of oil produced by the Plant was sold in June 2021 by Valkor. The production and sale of the first load of oil from the Plant following a series of upgrades was an important milestone as it demonstrated that heavy oil from Utah oil sands can be produced economically using Petroteq's Clean Oil Recovery Technology without the use of water and without any requirement for a tailings pond. The buyer paid West Texas Intermediate Crude Oil ("WTI") benchmark pricing of $70.91 per barrel for the 10.2° API heavy sweet crude oil produced by the Plant. The fact that we received WTI pricing for the oil produced by the Plant demonstrates that the heavy sweet (low sulfur) oil produced from Utah's oil sands in the Asphalt Ridge area will likely command a premium price relative to other heavy oils.

The 2021 FEED Design Platform

In July 2021, Crosstrails Engineering LLC completed a Front End Engineering Design (the "2021 FEED") for a 5,000 barrel per day ("BPD") production train that could be constructed either at the site of the Asphalt Ridge Plant or as a separate oil sands processing facility at an undeveloped site. The 2021 FEED describes the design data, design requirements, detailed major equipment requirement, and general operating philosophies for the development of a 5,000 BPD production train, including a Class 3 (± 25%) cost estimate of approximately $110 million for construction of a new commercial plant as a separate facility. The cost estimates in the 2021 FEED suggest a capital cost of $22,000 per daily barrel of production. A new oil sands processing facility based on the 2021 FEED will consist of an initial 5,000 BPD production train but provides for a possible future expansion to 10,000 BPD through the addition of a second parallel 5,000 BPD train. The capital cost of $22,000 per daily barrel for an initial 5,000 BPD production train installed either as an adjunct to the existing Asphalt Ridge Plant or as a separate processing facility on an undeveloped site compares very favorably with the construction costs of plants and facilities that deploy more traditional methods of extracting bitumen and heavy oil from oil sands.

Preliminary estimates for the longest lead time for procuring equipment for a new 5,000 BPD production train under the 2021 FEED are approximately 48-54 weeks. The overall engineering, procurement and construction of a 5,000 BPD plant are estimated to require 54-62 weeks, barring any significant supply chain upsets or adverse weather conditions during construction and commissioning of the plant. Once constructed and operating, it is estimated that each production train will employ 40-50 persons between mining and plant operations.

Petroteq anticipates that the 2021 FEED may provide the basis for a standard design package for 5,000 BPD production trains constructed by Petroteq or by its technology licensees in Utah and in other parts of the United States and other countries having oil sands and other structures holding substantial bitumen and heavy oil resources. Any standard design package developed from the 2021 Feed may require a certain amount of customization for local site conditions and ore characteristics, but the differences are not expected to be significant.

Status of Mining & Processing Operations

After the April 2021 restart, the Asphalt Ridge Plant was operated intermittently until August 2021, when operations were suspended to allow the Company and its engineering firms to conduct a detailed inspection of the Plant for the purpose of determining whether the Plant's equipment, and the configuration of its units, would permit the integration or auxiliary construction of a new 5,000 BPD production training based on the 2021 FEED. During this period, exploratory core sampling and testing was conducted of the oil sands resources at Asphalt Mine #1.

Based on the inspections of the Plant's units and equipment and evaluations of core data taken from areas at and around Asphalt Ridge Mine #1, the Company preliminarily decided, subject to further study and evaluation, to (a) construct a separate 5,000 BPD oil sands processing plant, with the option of adding a second 5,000 BPD production train, on an undeveloped site in the Asphalt Ridge area (and not as an expansion to the existing Plant), (b) continue to operate the Asphalt Ridge Plant where economic conditions support commercial operations, and (c) to augment the supply of oil sands ore from Asphalt Mine #1 as feedstock for the Plant to higher quality oil sands ores and sediments mined or produced from other leases and properties in the Asphalt Ridge area.

In September 2021, we initiated discussions with Valkor for the purpose of developing a long term oil sands ore supply contract with Greenfield for the purchase of oil sands ores produced from mineral leases held or managed by Greenfield in the Asphalt Ridge Northwest area.

The Plant is currently in a winterized shut-down, although it may be restarted and operated upon short notice for demonstration purposes and for the purpose of testing and evaluating different oil sands ores and materials sources from different leases and properties in the Asphalt Ridge area. We currently anticipate that the Asphalt Ridge Plant will resume processing and production operations in February-March 2022. Upon resuming operations, the Plant will be operated primarily for the purpose of processing oil sands ores and bituminous sands sourced from both Asphalt Mine #1 and from Asphalt Ridge leases held or managed by Greenfield or Valkor, and potentially from other sources in the Asphalt Ridge area. The Plant will also be used for demonstration purposes for potential investors and prospective technology licensees and for the purpose of testing and evaluating oil sands and heavy oil source material produced from areas within the Uintah Basin in Utah and in other regions of the United States and other countries as such materials are made available to us.

Research and Development

The Asphalt Ridge Plant has proved that Petroteq's Clean Oil Recovery Technology, including our redesigned extraction and production process, is capable of producing oil

in marketable quantities and that a substantial portion of the "post processed" sand generated by our extraction and production operations may be sold for various uses. Petroteq continued to test ore from various oil sands deposits and resources in the Asphalt Ridge area of Utah, with varying degrees of oil quality and with oil saturations in the range of 5 to 10 percent by weight. Petroteq's proprietary technology and extraction process has been successful in extracting oil from the different oil sands ores that we have tested, confirming that our oil extraction technology can accommodate a wide range of ore specifications.

During the fiscal year ending August 31, 2021, we engaged Kahuna Ventures LLC, an energy-focused project execution firm, to review the POSP operating data, process simulation data, and our 5,000 BPD FEED study. The technical evaluation conducted by Kahuna Ventures indicated extraction costs of approximately $13.50 per barrel of oil produced. With mining and ore transport costs adding another $8.50 per barrel, this suggests an estimated operating cost of approximately $22 per barrel of oil produced (prior to adjustment for corporate overhead, production related taxes and royalties). The estimated operating cost of $22 per produced barrel of oil does not take into account the reduction in net operating costs that may result from the sale of commercial marketable sand generated during our extraction and production operations, which we estimate could reduce our net operating costs, measured on a per barrel of oil produced basis, by as much as $10-15 per barrel.

Several barrels of produced oil from the Asphalt Ridge Plant have now been tested by Quadrise Fuels International plc in the United Kingdom for the purpose of assessing the suitability of the heavy sweet oil produced by the POSP for their MSAR® technology. MSAR® is a low viscosity oil-in-water emulsified synthetic heavy fuel oil ("HFO"). It is manufactured using Quadrise's proprietary technology to mix heavy oils with small amounts of specialist chemicals and water to a bespoke formulation. According to Quadrise, the resulting emulsion contains approximately 30% water and less than 1% chemicals. The emulsion is a low viscosity liquid at room temperature, which makes it easier to handle and reduces the heating costs for storing, transportation and use in comparison to HFOs.

In September 2021, Quadrise reported that the testing program, which was completed at the Quadrise Research Facility ("QRF") in Essex, in the United Kingdom, confirmed the ability to produce commercial MSAR® and bioMSAR™ fuels from the sample of heavy sweet oil provided by Greenfield from the POSP and that a report of the testing results has been issued to the client. Simulations of storage and handling of both MSAR® and bioMSAR™ produced were also completed during the program, which indicated that commercial production of MSAR® and bioMSAR™ fuels would be possible in Utah for potential power and marine end-user applications domestically and internationally. Quadrise further noted that this testing concluded the proof-of-concept work that was scheduled in Phase 1 of the Commercial Trial Agreement between Greenfield and Quadrise announced on August 18, 2020. Quadrise recently reported that Greenfield and Quadrise have entered into discussions regarding potential future trials and deployment of the technology to produce MSAR® and/or bioMSAR™ fuel at a commercial scale.

Petroteq continues to work with a local drilling fluids company to identify customers for the commercially marketable sand generated from the Asphalt Ridge Plant for use in oil and gas hydraulic fracturing or "fracking" operations. The fluids company has to date taken 340 tons of sand and it is expected that it will take the additional processed sand currently available, together with additional quantities of sand as and when they are produced at the Plant. The proceeds from the sale of sand are expected to be approximately $15-20 per ton ($10-15 per barrel).

As announced by Petroteq on November 17, 2020, Greenfield has executed a non-exclusive, multi-site license with Petroteq (the "Greenfield License"). The Greenfield License has been granted in consideration for $2,000,000 in funding that Greenfield has provided to date for upgrades to the Asphalt Ridge Plant. The Greenfield License will allow Greenfield to use Petroteq's Clean Oil Recovery Technology in any future oil sands processing plants built by Greenfield in the United States. The Greenfield License provides that the ownership of any intellectual property developed as a result of upgrades to or operations conducted at the POSP, including associated trials and testing, will be owned by Petroteq. At the same time, any such intellectual property, including any oil sands technologies developed by Petroteq, will be included within the scope of the Greenfield License and may be used by Greenfield under the terms of the license.

For any future oil sands plants built by Greenfield utilizing the Greenfield License, Greenfield will pay Petroteq a 5% royalty of net revenues received from crude oil and other hydrocarbon products produced from oil sand resources.

In October 2021, Petroteq and Big Sky Resources LLC ("Big Sky"), a company based in Rye, New York, entered into a technology license agreement under which Petroteq granted to Big Sky a non-exclusive, non-transferable license and right to use Petroteq's proprietary technology to design, construct, operate and finance oil sands extraction plants at up to two locations in the continental United States. Under the agreement, Big Sky has agreed to pay Petroteq a one-time, non-refundable license fee of $2 million, which will become payable upon commencing construction of its first plant. The agreement further provides that Big Sky will pay Petroteq a 5% royalty on the net revenue received by Big Sky from the production, sale or other disposition of licensed product from the plants for as long as Petroteq continues to hold enforceable and protected intellectual property rights in the licensed technology in the United States.

Pursuant to the licensing agreement, Big Sky is obligated to engage Valkor LLC (or an affiliate named by Valkor) as the sole and exclusive provider of engineering, planning, and construction services for all oil sands plants built by Big Sky or under its direction. Big Sky has indicated it will work closely with Valkor to identify plant locations in the State of Utah.

ASPHALT RIDGE PROCESSING PLANT

In June 2011, Petroteq commenced the development of the Asphalt Ridge Plant at a site near Maeser, Utah and entered into construction and equipment fabrication contracts for the purpose of evaluating Petroteq's Clean Oil Recovery Technology in extracting, processing and producing crude oil from oil sands mined from the TMC Mineral Lease and from other deposits located in the Asphalt Ridge area of Utah. By January 2014, our initial processing facility, designed as a pilot plant having processing capacity of 250 barrels per day, was fully permitted and construction was completed by October 1, 2014. Operations conducted at the pilot plant during 2015 allowed us to test and evaluate our proprietary technology at or near the Plant's capacity. During 2015, the Plant produced approximately 10,000 (gross) barrels of oil from the local oil sands ores, including oil sands deposits located within our TMC Mineral Lease. From this production, 7,777.33 barrels of finished crude oil were sold to an oil and gas distributor for resale to its refinery customers, with the balance of the produced oil used internally to power generators for the Plant. The initial processing plant was flexible in that it had the ability to produce both high quality heavy crude oil as well as lighter oil if needed.

In 2015, with the sharp decline in world oil prices, we determined that the transportation costs incurred in hauling mined ore from our mine site to pilot processing facility, a distance of approximately 17 miles, were adversely affecting the economics of our processing operations. For that reason, we temporarily suspended operations in 2016, and, in 2017, the Plant was disassembled and moved from its original location to the site of our Temple Mountain mining site (referred to as Asphalt Ridge Mine #1) located within the TMC Mineral Lease. During the reassembly of the Plant, additional equipment was installed to increase the Plant's capacity from 250 barrels per day to 400-500 barrels per day. In May 2018, mining operations at Asphalt Ridge Mine #1 recommenced, and the new upgraded Asphalt Ridge Plant commenced a test production phase of heavy crude oil from oil sands deposits at this site. Work to increase the Plant's capacity to 400-500 barrels per day was completed during the last quarter of fiscal 2019 (the quarter ended August 31, 2019). Testing, which continued into the first quarter of fiscal 2020 (the quarter ended November 30, 2019), determined that a number of equipment upgrades were required to support continuous operation of the Plant.

Greenfield, a joint venture company established by TomCo and Valkor, assumed responsibility for the management and operations of our Asphalt Ridge Plant in July 2020.

Greenfield has made certain upgrades to the Plant to improve its capacity and reliability. During the ensuing year, we anticipate that the Plant will be operated for the purpose of (a) extracting, processing and producing crude oil and other hydrocarbon products from oil sands ores supplied by our Asphalt Mine #1, from Greenfield and potentially from other sources and properties located in the Asphalt Ridge area, (b) evaluating and testing oil sands from varying sources that are impregnated with oils having different qualities and characteristics, and (c) demonstrating the capabilities of Petroteq's Clean Oil Recovery Technology to potential investors and prospective licensees. Recent budgets for the Plant prepared by Valkor estimate that, during the ensuing year, the Plant will require approximately $3.8 million in capital expenditures and operating expenses and should be able to generate revenue in the range of $4 million.

RESOURCES AND MINING OPERATIONS

Through its acquisition of TMC Capital in June 2015, Petroteq indirectly acquired certain mineral rights under the TMC Mineral Lease, which encompassed approximately 1,229.82 acres of land in the Temple Mountain area of Asphalt Ridge in Uintah County, Utah. In June 2018, Petroteq, acting through POSR, acquired the record lease title and all of the operating rights to produce oil from oil sands resources under two mineral leases entitled "Utah State Mineral Lease for Bituminous-Asphaltic Sands", each dated June 1, 2018, between the State of Utah's School and Institutional Trust Land Administration ("SITLA"), as lessor, and POSR, as lessee, covering lands consisting of approximately 1,351.91 acres that largely adjoin the lands covered by the TMC Mineral Lease ("the Temple Mountain SITLA Leases"). In March 2019, a third SITLA Lease was acquired by Petroteq that added 39.97 acres to the mix in the Temple Mountain area of Asphalt Ridge.

In April 2019 and in July 2019, in two separate transactions, TMC Capital acquired an initial 50% and then the remaining 50% of the oil sands operating rights under five (5) federal (U.S.) oil and gas leases administered by the (U.S.) Department of Interior's Bureau of Land Management ("BLM"), covering lands located in eastern and south-eastern Utah ("BLM Leases"). The BLM Leases have been included in applications, filed decades ago with the BLM under the (U.S.) Combined Hydrocarbon Lease Act of 1981, for conversion to new "Combined Hydrocarbon Leases" that will eventually allow the development of oil sands resources in the federal lands included within the BLM Leases and in surrounding areas,

As described in more detail below, the TMC Mineral Lease in its original form was terminated effective August 10, 2020, and a new Short-Term Mining Lease, dated the same date, was entered into between Asphalt Ridge, Inc., as lessor, and Valkor, as lessee. Valkor and TMC Capital thereafter entered into a Short-Term Mining and Mineral Sublease dated August 20, 2020 (the "TMC Mineral Sublease") in which all of Valkor's rights and interests under the Short-Term Mining Lease were subleased to TMC Capital. As of August 31, 2021, Petroteq (through its subsidiaries) held mineral leases (or the operating rights under leases) covering approximately 7,631.91 net acres within the State of Utah, consisting of approximately 320 acres held under the TMC Mineral Sublease, 1,351.91 acres held under the Temple Mountain SITLA Leases, and 5,960 acres under the BLM Leases.

Between March 14, 2019 and May 31, 2020, we made cash deposits of $1,907,000, included in prepaid expenses and other current assets on the consolidated balance sheets for the acquisition of 100% of the operating rights under U.S. federal oil and gas leases, administered by the BLM in Garfield and Wayne Counties, covering approximately 8,480 gross acres in P.R. Springs and the Tar Sands Triangle within the State of Utah. The total consideration of $3,000,000 has been partially settled by the $1,907,000 cash deposit, with the balance of $1,093,000 still outstanding.

In a letter agreement dated April 17, 2020 between the transferor of the oil and gas leases and TMC Capital, as transferee, the parties, due to uncertainty as to whether all of the 10 leases for which the Company had initially paid deposits would be considered active by BLM and included in new Combined Hydrocarbon Leases (CHLs) under the Combined Hydrocarbon Act of 1981 - agreed to adjust the purchase price as follows: (a) should all 10 of the leases be available and included in CHL's, the Company will pay the additional $1,093,000 for the rights under the leases; (b) if only a portion of the leases ranging from 4 to 9 of the leases are available and included in CHL's, the final purchase price of the leases will be between $1.5 million and $2.5 million; and (c) notwithstanding the above, if after a period of 7 years from April 17, 2020, at least six of the leases are not determined to be active and are not included in CHLs the Company shall be entitled to demand a refund of $1.2 million or instruct the Seller to acquire other leases in the same area for up to $1.2 million.

The following table sets forth the gross/net developed and undeveloped acreage held under the TMC Mineral Sub-Lease.

TMC Mineral Lease
Developed/Undeveloped Acreage (Gross/Net)

Total Acreage	
Gross Acres	1,229.82 acres
Net Acres	1,229.82 acres
Developed Acreage	
Asphalt Ridge Mine #1/Permit Boundaries	
Gross Acres	174.00 acres
Net Acres	174.00 acres
Undeveloped Acreage	
Acreage Outside Asphalt Ridge Mine #1/Permit Boundaries	
Gross Acres	1,055.82 acres
Net Acres	1,055.82 acres

The TMC Mineral Sublease covers lands situated in or near Utah's Asphalt Ridge, an area located along the northern edge of the Uintah Basin and containing oil sands deposits located at or near the surface. Most of the oil-impregnated reservoirs or deposits in the Asphalt Ridge area are found in the Rimrock Sandstone (Mesaverde Group Formations) and in the (Tertiary) Duchense River Formation. Substantial bitumen deposits in the Rimrock and Duchense River Formations extend from the northwest in a southeasterly direction through the lands included in the TMC Mineral Sublease, including the lands included in T5S-R22E (Section 31) where our Asphalt Ridge Mine #1 is located. Bitumen and heavy oil saturated pay thicknesses in lands covered by the TMC Mineral Sublease generally range from 50-200 feet or more, with oil content or saturation averaging approximately 6% by weight.

As announced by Petroteq on October 29, 2020, a recent survey of Petroteq's lease properties has identified three key areas where the oil sands ore appears to have higher oil saturations than what was previously mined. Samples were taken from each location and lab assays of the samples showed that the ore was a higher quality to that mined previously. These areas are currently anticipated to be the focus of Petroteq's mining efforts during the initial operation of the Asphalt Ridge Plant following its restart. In addition, six corehole locations were staked and, subject to rig availability, will be drilled during January. This work is expected to allow Petroteq's mining consultant to develop a detailed mining plan which would direct future mining operations for extended plant operation. No additional exploratory work has been performed in the preceding three years.

The following tables set forth the gross/net undeveloped acreage held under the SITLA Leases and BLM Leases, respectively.

SITLA Leases
Developed/Undeveloped Acreage (Gross/Net)

SITLA Lease #53806	
Gross Acres	833.03 acres

Net Acres	833.03 acres
SITLA Lease #53807	
Gross Acres	478.91 acres
Net Acres	478.91 acres
SITLA Lease #53918	
Gross Acres	39.97 acres
Net Acres	39.97 acres
All Acreage is Currently Undeveloped	

BLM Leases
Developed/Undeveloped Acreage (Gross/Net)

BLM Lease #U-38071	
Gross Acres	1,920.00 acres
Net Acres	1,920.00 acres
BLM Lease #U-08291G	
Gross Acres	160.00 acres
Net Acres	160.00 acres
BLM Lease #U-17781	
Gross Acres	1,880.00 acres
Net Acres	1,880.00 acres
BLM Lease #U-17979	
Gross Acres	720.00 acres
Net Acres	720.00 acres
BLM Lease #U-20860	
Gross Acres	1,280.00 acres
Net Acres	1,280.00 acres
All Acreage is Currently Undeveloped	

The BLM Leases include lands located either in the P.R. Springs or Tar Sands Triangle Areas of Utah, geographic areas that have been designated STSAs by the (U.S.) Department of Interior.

TMC Mineral Sublease

The TMC Mineral Lease originally issued to TMC Capital in July 2013 has been terminated and replaced with (a) a new Short-Term Mining Lease dated as of August 10, 2020 between Asphalt Ridge, Inc., as lessor, and Valkor, as lessee, and (b) a TMC Mineral Sublease in which all of the rights and interests of Valkor under the Short-Term Mining Lease were subleased to TMC Capital. Under the TMC Mineral Lease, TMC Capital was granted the exclusive right to explore for, mine and produce oil and other minerals associated with oil sands, subject to certain depth limits. The lands covered by and included within the TMC Mineral Sublease include both our Asphalt Mine #1 and the Asphalt Ridge Plant owned by POSR

Previously, TMC Capital was the direct lessee under the TMC Mineral Lease, which was amended on October 1, 2015, March 1, 2016, February 1, 2018, and most recently on November 21, 2018. The primary term of the TMC Mineral Lease originally commenced July 1, 2013 and continued for approximately seven years until August 20, 2020,

The TMC Mineral Sublease has a term that is co-extensive with the term of the Short-Term Mining Lease between Asphalt Ridge, Inc. and Valkor, and originally included an expiration date of June 30, 2021. On July 1, 2021 Asphalt Ridge, Inc. and Valkor amended the Short-Term Mining Lease to extend the term of the lease until December 31, 2021, which in turn extended the term of the TMC Mineral Sublease to December 31, 2021 as well. We anticipate that additional extensions will be agreed upon by December 31, 2021 that will extend the term of the Short Term Mining Lease and the TMC Mineral Sublease as may be required to continue operations under the lease and at the Asphalt Ridge Plant during the ensuing year.

Upon entering into the TMC Mineral Sublease, TMC Capital paid Valkor an initial rental fee in the amount of $25,000 and is required to pay Valkor a monthly rental fee of $15,000 during the term of the TMC Mineral Sublease. TMC Capital is also obligated to pay production royalties consisting of (a) eight percent (8%) of the gross revenue received from the sale or disposition of bitumen or from oil and other minerals derived from processing bitumen extracted from oil sands deposits within the lands covered by the Sublease.

During the year ending August 31, 2020, we received (gross) proceeds of $290,809 from the sale of upgraded or finished oil produced at the Asphalt Ridge Plant from oil sands mined under the TMC Mineral Lease. During our fiscal years ending August 31, 2019 we had sales of $59,335 and for the years ended August 31, 2018 and 2017 and 2016, we had no sales of produced oil since, during this period, we temporarily suspended our mining and processing operations during the relocation, reassembly and expansion of the Plant to a new site located within the TMC Mineral Lease.

During the last five (5) months of 2015, we produced approximately 10,000 barrels of oil, with 2,222 barrels consumed as fuel in plant operations and 7,777.33 barrels sold and delivered to an independent purchaser at the Plant. Our use of produced oil as a fuel source for plant generators in 2015 is no longer necessary since the Plant's power supply is now provided by a local power company.

The costs associated with extraction and processing operations at the Asphalt Ridge Plant that are used in determining our "Average Production Costs" include the costs of oil sands ore, natural gas liquids, aromatic solvent, operator labor, electricity, propane, nitrogen, water, diesel fuel and rental equipment. The primary costs are the costs of mining

oil sands ore, natural gas liquids, aromatic solvents, and labor costs. Other than the aromatic solvents, the condensate used as both a solvent and a feedstock in the processing operations at Plant is produced by processing natural gas liquids through a distillation column, with aromatic solvents then added to the distillate. In addition:

- Our fixed costs generally remain constant without regard to the API gravity of our upgraded crude oil;
- Our oil sands ore costs, which include our mining costs, the cost of transporting mined ore to our processing facility, and pre-processing costs (crushing etc.) incurred in preparing mined ore for processing, do not vary with the API gravity of the oil produced at our facility, but will decrease over time (subject to economies of scale) as our mining operations expand and oil production increases; and
- Solvent and condensate costs are based on the market prices that exist for each category of product, which are usually determined by a monthly average of prevailing prices in effect during the month of delivery. Solvent and condensate costs typically increase as the target API gravity for our finished crude oil increases.

During the period of August 2018 through December 2018, our "Average Production Costs" at the Asphalt Ridge Plant decreased to $27 per barrel of oil produced at the facility. During this period, our fixed costs did not differ materially from our August 2015 to December 2015 fixed costs. We do anticipate that any increase in production or throughput capacity at the Plant will result in any reduction of the fixed costs per barrel at the facility.

With respect to variable costs at the Asphalt Ridge Plant, our oil sands ore cost during the 2018 period increased to an average of $6.65 per barrel, due primarily to the quantity and quality of ore processed, but with cost-savings resulting from the relocation of the Plant to the site of our Asphalt Ridge Mine #1 located within the TMC Mineral Lease. In addition, during the 2018 period, our average cost of aromatic solvent decreased to $0.47 per gallon and the average cost of condensate was substantially lower at $2.75 per barrel, due primarily to our production of heavier oil with an API gravity of between 15 and 25 degrees.

The API gravity for the raw heavy oil or bitumen extracted from oil sands ores initially processed at the Asphalt Ridge Plant has averaged approximately 10 degrees. Through the application of our Crude Oil Recovery Technology at the Plant, we are able to produce a crude oil having a range of API gravity of between 10 degrees and 12 degrees. Through our solvent formulation and the select distillation capabilities, we are able to craft final crude oil products that can meet the specifications of a range of customers.

Generally, we have been able to sell the finished oil produced at our Asphalt Ridge Plant at a price representing a discount off an average of published prices for West Texas Intermediate (WTI) crude oil for a specified period. WTI crude oil is commonly used as a benchmark in pricing oil under oil sales/purchase contracts, particularly in the United States. The discount off the WTI benchmark price is based on a number of factors, including differences that may exist between the specifications of our crude oil and those of WTI crude oil together with the cost of transporting our crude oil to delivery points. Since WTI crude oil generally has an API gravity of between 37-42 degrees, a heavier oil having a lower API gravity in the range of the oil produced at our processing facility will be valued and sold at a price reflecting a discount off the WTI benchmark price. More recently, however, we have been able to sell finished oil produced at the Plant at a price that is closer to or at the WTI benchmark price, suggesting that we are increasingly able to market our produced oils at a premium due to refiner demands for domestic heavy sweet crude oil.

Acquisition of the Asphalt Ridge NW Leases

Recently, TMC Capital and POSR, Petroteq's operating subsidiaries, and Valkor entered into an "Agreement Governing Reciprocal Assignment of Mineral Leases" dated October 15, 2021 (the "Exchange Agreement"), under which (a) TMC Capital/POSR agreed to assign to Valkor all of their respective rights and interests in the TMC Mineral Lease, the Short-Term Mining Lease, and the Temple Mountain SITLA Leases, and (b) Valkor agreed to assign to TMC Capital all of its rights and interests in the following Utah state mineral leases located in the Asphalt Ridge Northwest area of Uintah County, Utah (the "Asphalt Ridge NW Leases"):

(a) Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53831), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, covering approximately 640 acres;

(b) Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53832), executed between the State of Utah, acting by and through SITLA, as lessor, and Indago Oil and Gas, Inc., as lessee, covering approximately 898.22 acres; and

(c) Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53805), executed between the State of Utah, acting by and through SITLA, as lessor, and Indago Oil and Gas, Inc., as lessee, covering approximately 1,920 acres.

The Asphalt Ridge NW Leases cover or encompass approximately 3,458.22 acres, lands that are located in an area referred to as "Asphalt Ridge Northwest" and in close proximity to mineral leases held by Greenfield. Valkor acquired the Asphalt Ridge NW Leases under an Assignment of Oil and Gas Leases dated June 29, 2021 executed between Indago Oil and Gas Inc., as assignor, and Valkor Energy Holdings, LLC, as assignee, which was approved by SITLA on or about September 10, 2021.

Under the terms of the Exchange Agreement, Valkor has executed an assignment to TMC Capital of the record lease title and all of the operating rights (working interests) under the Asphalt Ridge NW Leases, and TMC Capital has in turn executed assignments transferring to Valkor all of TMC's rights and interests in the Asphalt Ridge and SITLA Leases located in the Temple Mountain area. However, the reciprocal assignment of the SITLA Leases under the Exchange Agreement, including the assignment of the Asphalt Ridge NW Leases to TMC Capital, will not constitute final and completed transactions until the assignments have been reviewed and approved by SITLA.

Following the execution of the Exchange Agreement in October 2021, TMC Capital and Valkor also entered into the following agreements:

(1) Under an Agreement Governing Assignment of Participation Rights in Mineral Leases, Valkor granted to TMC Capital the right to participate at up to a 50% interest in any future exploration or production operations conducted by Valkor under the Short-Term Mining Lease.

(2) Under an Agreement Governing Assignment of Operating Rights (SITLA Leases), TMC Capital assigned to Valkor all of the operating rights under the Asphalt Ridge NW Leases at depths of 500 feet or more below the surface, with TMC Capital reserving the right to participate at up to a 50% working interest in any exploratory or production operation conducted by Valkor at the deeper intervals. The assignment of the deeper operating rights to Valkor, subject to TMC Capital's participation rights, is also subject to approval by SITLA.

The Exchange Agreement and the reciprocal assignment of mineral leases between and among TMC, POSR and Valkor will not affect the ownership of the Asphalt Ridge Plant, which will continue to be owned by Petroteq through POSR.

The recent transactions under the Exchange Agreement, including Valkor's assignment of lease record title and operating rights to TMC Capital in the Asphalt Ridge NW Leases, will expand Petroteq's oil sands resources in Utah and provide Petroteq with the following additional advantages and benefits:

- Based on data obtained to date, we estimate that the oil content or saturation rate for the oil sands deposits existing within the lands covered by the Asphalt Ridge NW Leases at approximately 12% by weight. In contract, the oil saturation rate in the oil sands resources under the TMC Mineral Lease and the Short-Term Mining Lease in the Temple Mountain area of Asphalt Ridge has an average oil content or saturation rate of approximately 6% by weight. The difference in oil content or saturation in the oil sands deposits contained within the Asphalt Ridge NW Leases is substantial and should significantly improve the economics of our mining and processing operations as we go forward;

- The Asphalt Ridge NW Leases contain an oil sands deposit that is contiguous within a single contained area, which will allow for greater efficiencies in our mining and transport operations. In contrast, the oil deposits contained within the original TMC Mineral Lease are contained in separate blocks running along a trend of approximately eight miles and the Temple Mountain SITLA Leases are completely undeveloped with limited exploration;

- The Asphalt Ridge NW Leases contain substantial oil sands resources in outcroppings located near the surface (with less overburden), creating new and better surface mining prospects for Petroteq and its operating subsidiaries.

Asphalt Ridge NW (SITLA) Leases

The Asphalt Ridge NW Leases acquired by TMC Capital under the Exchange Agreement are Utah state bituminous mineral leases having a primary term of ten (10) years and an extended term thereafter for as long as (a) oil and hydrocarbon products extracted from oil sands are produced in paying quantities, or (b) the mineral lessee is otherwise engaged in diligent operations, exploration or development activity and certain other conditions are satisfied. Generally, the term of the Asphalt Ridge NW Leases may not be extended beyond the twentieth year of their effective dates except by production in paying quantities. An annual minimum royalty or rental of $10 an acre must be paid during the first ten years of the leases; from and after the 11th year of the leases, the annual minimum royalty may be adjusted by the lessor based on certain "readjustment" provisions in the leases.

During the development of the Exchange Agreement that resulted in Valkor's transfer of the Asphalt Ridge NW Leases to TMC Capital, Petroteq obtained a preliminary resource evaluation report from an independent engineering firm estimating approximately 85-90 million barrels of oil in place within the oil sands deposits located within the leases.

The BLM Leases

In April 2019, TMC acquired an undivided 50% of the operating rights under the BLM Leases, consisting of the right to explore for and produce oil from oil sands formations and deposits from the surface down to a subsurface depth of 1,000 feet. The operating rights assigned and transferred to TMC under certain of the BLM Leases also grant to TMC the right, subject to similar depth limitation, to explore for and produce oil and gas from conventional sources. Each of the BLM Leases includes lands that are located within a "Special Tar Sands Area" or "STSA", a geographic area that has been designated by the (U.S.) Department of Interior as containing substantial deposits of oil sands.

The BLM Leases were originally issued by BLM under the Mineral Leasing Act of 1920 (the "MLA"). However, because the definition of "oil" in the MLA prior to 1981 did not include oil produced from oil sands, the BLM Leases (and all other federal onshore mineral leases issued prior to 1981) did not authorize the development and recovery of oil from oil sands, tar sands and bitumen-impregnated rocks and sediments. The Combined Hydrocarbon Leasing Act of 1981 ("CHL Act") expanded the definition of "oil" to include oil produced from oil sands and bitumen deposits and authorized the issuance of new "combined hydrocarbon leases" or "CHLs" that permit exploration and production of oil and gas from both conventional sources and from oil sands deposits.

For federal onshore mineral leases that were in effect on November 16, 1981 (the CHL Act's enactment date) and included lands located within an STSA, the CHL Act granted to lessees the right to convert such leases to new CHLs. Upon issuance by BLM, each CHL will constitute a new lease that will remain in effect for a primary term of ten (10) years and thereafter for as long as oil or gas is produced in paying quantities.

Each of the BLM Leases has been included in an application to BLM requesting their conversion to new CHLs. During the pendency of such applications, the term (and any operations) of the BLM Leases are in "suspension status" under BLM regulations until the new CHLs are issued.

SUMMARY OF PRODUCTION ROYALTIES

Technology Transfer Agreement

Pursuant to the terms of a technology transfer agreement dated November 7, 2011 that we entered into with Vladimir Podlipsky, the developer of Petroteq's Clean Oil Recovery Technology, we are obligated to pay Mr. Podlipsky a royalty on production from each processing plant that we own or operate that uses the technology, starting with the construction and operation of a second plant. The royalty, if and at such time as it becomes payable, will consist of 2% of gross sales if the price of heavy oil is below $60 per barrel; 3% of gross sales if the price of heavy oil is between $60 and $69.99 per barrel; 3.5% of gross sales if the price of heavy oil is between $70 and $79.99; and 4% of gross sales if the price of heavy oil is greater than $80 per barrel.

TMC Mineral Lease

Under the TMC Mineral Lease, TMC Capital held 100% of the working interests (subject to a 1.6 % overriding royalty previously granted to Temple Mountain Energy, Inc.), with production royalties under a sliding scale starting at 8% of the gross proceeds derived from the sale or disposition of oil (including bitumen) and other hydrocarbon products produced from oil deposits within the lease.

In addition, TMC was required to make certain advance royalty payments to the lessor. During the period from July 1, 2018 to June 30, 2020, the minimum payments were $100,000 per quarter. The minimum payments were to increase to $150,000 per quarter beginning July 1, 2020. The TMC Mineral Lease was terminated in August 2020 and replaced with the Short-Term Mining Lease issued to Valkor and the TMC Mineral Sublease between Valkor and TMC Capital.

Production royalties payable under the TMC Mineral Sublease are 8% of the gross sales revenue, subject to certain adjustments.

Asphalt Ridge NW (SITLA) Leases

Under the terms of the Asphalt Ridge NW Leases, TMC Capital will be required to pay: (i) an annual rent equal to the greater of $1 an acre or a fixed sum of $500 (without regard to acreage); and (ii) a production royalty of 8% of the market price received for oil and hydrocarbon products produced from the leases at the point of first sale, less reasonable actual costs of transportation to the point of first sale. After the tenth year of the leases, SITLA (the lessor) may increase the royalty rate by as much as one percent (1%) per year up to a maximum of 12.5%, subject to a proviso that production royalties under the leases shall never be less than $3.00/bbl during the term of the leases.

BLM Leases

Under the BLM Leases, production royalties are governed by BLM regulations and are payable to the U.S. Department of Interior at the rate of 12.5% of the amount or value of the production removed and sold. The interests acquired by TMC under the BLM Leases are also subject to a 6.25% overriding royalty reserved by predecessors-in-title.

PERMITS AND TAXES

On September 15, 2008, a large mining permit was granted to TME Asphalt Ridge, LLC by the State of Utah Division of Oil, Gas, and Mining ("UDOGM") for the mining and development of the Asphalt Ridge Mine #1, an open pit mine located on lands included within the TMC Mineral Lease.

On or about July 9, 2015, UDOGM approved an application filed by TMC Capital to transfer the "Notice of Intention to Commence Large Mining Operations" for the Asphalt Ridge Mine #1 (Permit # M/047/0089) from TME Asphalt Ridge LLC to TMC Capital. On October 27, 2017, UDOGM granted final approval to TMC Capital's "Amended Notice of Intention to Commence Large Mining Operations" and issued final Permit # M/047/0089 authorizing TMC Capital to conduct operations at Asphalt Ridge Mine #1.

Mining operations, including the initial development of the mine at the property and removal of a portion of the overburden soil layer, have already been performed. In addition to the mining permits, all environmental, construction, utility and other local permits necessary for the construction of the Asphalt Ridge Plant and processing oil sands ores and sediments have been granted to Petroteq's operating subsidiaries.

Specifically, a Groundwater Discharge Permit was issued by the Utah Department of Environmental Quality (Division of Water Quality, Water Quality Board) ("UDEQ"), on July 26, 2016 (expiration on July 27, 2021), covering disposal of tailings from ore sands produced from the land area encompassed by the Asphalt Ridge Mine #1. This permit, required by Utah law even though our processing facility does not use a water-based process, authorizes a return of residual sand tailings to the mine for backfill and capping. A Small Source Registration air permit was issued by UDEQ by a letter dated November 2, 2018. The letter confirms that the Asphalt Ridge Plant is exempt from any requirement of additional air quality permits since the facility produces less emissions than the level that would require a special air permit. A Conditional Use Permit ("CUP") was issued by the Uintah County (Utah) Commission to us on January 29, 2018, for the operation of the Plant. The CUP is a right/interest in land under Utah law and will continue in effect in perpetuity.

The oil and gas properties (including plants, equipment etc.) included in our private mineral leases are subject to the State of Utah's property (ad valorem) tax. The actual tax rate is established by each county in the State (and therefore may vary) and is generally assessed against the "fair market value" of the property. Under Utah Code § 59-2-1103, the oil and gas properties included in the SITLA Leases are exempt from the State's property (ad valorem) tax (although this exemption does not apply to improvements on state lands).

Under Utah Code § 59-5-120, beginning January 1, 2006 and ending June 30, 2026, no severance (production) tax will be imposed on oil and gas produced from oil sands (tar sands). Accordingly, severance tax will not be owed to the State of Utah on the production of oil and hydrocarbon substances from the TMC Mineral Sublease or our SITLA Leases until after June 30, 2026.

PETROTEQ'S PROPRIETARY EXTRACTION TECHNOLOGY

Petroteq intends to continue to develop its business and operations by (a) producing and marketing crude oil and hydrocarbon products (and sand byproduct) from oil sands resources under its mineral leases, or that may be acquired from third parties, through the use of Petroteq's Clean Oil Recovery Technology, and (b) marketing its proprietary technology through licenses and other co-venture arrangements with third parties. The centerpiece of our proprietary technology consists of a patented closed loop, continuous flow, scalable and environmentally safe extraction technology and involves a process that can extract crude oil (primarily bitumen and heavy oil) and other hydrocarbon products from a wide range of oil sands deposits and other hydrocarbon sediment types. Petroteq's oil extraction process takes place in a completely closed loop system that continuously recirculates and recycles the solvent after it has separated the bitumen and heavy oils from the oil sands. The closed loop system is capable of recovering up to 99% of all hydrocarbons from the oil sands. The only two end products that are produced through our proprietary extraction are high quality heavy oil and clean sand, making this technology environmentally benign.

Petroteq's Clean Oil Recovery Technology, which has been modified since 2015, utilizes no water in the process, is anticipated to produce minimal greenhouse gases, and is expected to extract up to 99% of all hydrocarbon content and recycle up to 95% of the solvents. The proprietary solvent composition used in the process is expected to dissolve up to 99% of heavy bitumen/asphalt and other lighter hydrocarbons from the oil sands and prevent their precipitation during the extraction process. Solvents used in this composition form an azeotropic mixture which has a low boiling point of 50 – 65 °C (degrees Celsius) and it is expected to allow recycling of over 95% of the solvent.

In the oil extraction and upgrade process utilized at the Asphalt Ridge Plant, the bitumen crude oil that is extracted from mined oil sands has an average API gravity of 9-12 degrees.

No diluents or blending agents are used to reduce the viscosity of the heavy oil extracted from bitumen saturated ores. Instead, varying amounts of solvent are introduced into an extraction tank containing raw oil sands ore that has been crushed prior to being added to the extraction tank. The solvent is designed to release the crude oil from bitumen-saturated ore during the initial extraction process.

The crude oil containing solvent is then introduced or subjected to a simple flash distillation process where virtually all of the solvent is recovered and recycled for future use.

Our oil extraction process, developed and used in the Asphalt Ridge Plant during its pilot phase, has a Feed/Bottoms heat exchanger, a Solvent Vaporizer (heat exchanger), a Solvent Scrubber (vessel), air-cooled condensers, an air-cooled product cooler, a Bitumen Product Pump, and an oil heater plus a propane tank as the energy source. The bitumen/solvent slurry is routed via a pump to the Feed/Bottoms Exchanger where it is pre-heated both to cool the exiting product as well as to integrate the heat available from the flash distillation process. This pre-heated slurry is then heated in the Solvent Vaporizer to approximately 405°F to vaporize essentially all of the solvent from the bitumen product. This two-phase stream is then flashed across a control valve and routed to the Solvent Scrubber where the gaseous solvent stream exits the vessel and is routed to air-cooled condensers where it will be liquified and returned to the storage vessel to be re-used. The resultant hot bitumen is pumped through the Feed/Bottoms exchanger via the Bitumen Product Pump and cooled prior to entering an air-cooled exchanger where it is cooled to 180°F, the temperature at which the product is stored. If it is desired that solvent be left in the bitumen for transportation purposes, the temperature of that back end flash distillation process can be controlled.

Petroteq has received patents in the United States, Canada and Russia that protect the claims and processes embodied in its Clean Oil Recovery Technology. See "Intellectual Property" below.

INTELLECTUAL PROPERTY

On March 27, 2013, Petroteq entered into an intellectual property license agreement in a private arm's length transaction with TS Energy Ltd, a Canadian company, which has

agreed to act as the sole and exclusive licensee of our Clean Oil Recovery Technology within Canada and the Republic of Trinidad and Tobago.

On July 2, 2019, Petroteq entered into an intellectual property license agreement with Valkor LLC, a company based in Katy, Texas, for the non-exclusive, non-transferable use of Petroteq's Clean Oil Recovery Technology on a worldwide basis (subject to any exclusive license agreements in effect) in the engineering, construction and operation of oil sands plants. The agreement requires Valkor to invest (or secure investment of) a minimum of $20 million towards the construction of an oil sands plant by December 2020, and to have in production a minimum of 1,000 barrels per day. The agreement also requires Valkor to pay a one-time non-refundable license fee of $2 million per oil sands plant commissioned, with 50% payable upon start of construction and the remainder payable upon first production. The agreement further provides that Valkor will pay a five percent (5%) royalty based on annual gross sales for so long as the licensed technology is covered by a valid claim in the country in which it is used.

We rely upon patents to protect our intellectual property. We have obtained patents in the United States, Canada and Russia that protect our Clean Oil Recovery Technology. The following sets forth details of our issued patents.

DOCKET	TITLE	COUNTRY	DATE FILED SERIAL NO.	DATE ISSUED PATENT NO./STATUS
1492.2	Oil From Oil Sands Extraction Process	USA	09/26/12 13/627,518 ---------- 10/07/11 61/545,034	02/06/18 9,884,997 Expires: 10/07/31

Summary: A system for extracting bitumen from oil sands includes an extractor tank which incorporates a plurality of jet injectors. Operationally, the jet injectors provide jet streams of an extractant in the extractor tank that creates a fluidized bed of the extractant. A reaction between crushed oil sands and the fluidized bed then separates bitumen from the oil sands.

Corresponding Foreign Patent Properties

DOCKET	TITLE	COUNTRY	DATE FILED SERIAL NO.	DATE ISSUED PATENT NO./STATUS
11492.2a	Oil Extraction Process	Canada	09/30/11 2,754,355	Received Notice of Allowance; patent payment submitted to Commission of Patents
11492.2d	Oil From Oil Sands Extraction Process	Russia	04/28/14 2014117162	12/20/15 2571827 Expires: 09/27/2032

THE OIL SANDS MARKET

As an unconventional hydrocarbon resource, oil sands hold hundreds of billions of barrels of oil on a worldwide basis. Although Canada is the only country that is currently extracting large quantities of oil from its oil sands deposits, the United States also has large oil sands resources that can be developed. In a 2007 Report entitled "A Technical, Economic, and Legal Assessment of North American Oil Shale, Oil Sands, and Heavy Oil Resources In Response to Energy Policy Act of 2005 Section 369(p)" (September 2007), prepared by the Utah Heavy Oil Program, Institute For Clean and Secure Energy and The University of Utah for the U.S. Department of Energy (the "2007 Report"), the authors reported the following estimates, which estimates were based upon source material published in 1979, 1987 and 1993:

- The United States has an estimated 76 billion barrels of oil-in-place ("OIP") (OIP are not estimates of reserves or recoverable resources) from bitumen and heavy oil contained in oil sands resources;
- In the United States, Utah is known to have the largest oil sands deposits, with total resource estimates ranging from 23 to 32 billion barrels of OIP from bitumen and heavy oil contained in oil sands formations and deposits; and
- Within the state of Utah, the region that has experienced the most oil sands development, both in terms of existing oil production and supporting infrastructure, is the Asphalt Ridge area located on the northern edge of the Uintah Basin in eastern Utah. In the 2007 Report, it is estimated that about one (1) billion barrels of OIP exist in the form of bitumen and heavy oil contained in oil sands formations and deposits in the Asphalt Ridge area.

From our own investigation of the oil sands deposits in the Asphalt Ridge area of Utah, we believe that a substantial part of the oil sands deposits in this area are accessible through outcroppings or in shallow depths with limited or no overburden. In our view, the location and accessibility of oil sands deposits in Asphalt Ridge create an opportunity for commercial development, supported by positive economics, using surface mining techniques and our extraction technology.

The worldwide growing demand for heavy crude oil and the recent decline in heavy crude oil production in countries such as Venezuela makes the high quality, low Sulphur, heavy oil found in oil sands deposits in the United States a valuable resource that has been underdeveloped to date. The development of "tight shale" oil plays in the United States has produced significant quantities of light, sweet crude oil reserves, but heavy oil development in the United States has lagged. To date, oil sands development has been limited by the absence of a viable technology that can extract heavy oil and bitumen from the oil sands deposits in an economical and environmentally responsible manner. To that end, Petroteq has developed and patented an extraction technology that aims to develop oil sands reserves in an economical and environmentally responsible manner. Petroteq is currently expanding its commercial oil sands extraction operations in the Asphalt Ridge area, utilizing a process that is economical, environmentally benign and produces high quality heavy oil.

We have tested our Clean Oil Recovery Technology from oil sands sourced from both the Asphalt Ridge area of Utah and from different parts of the world that have different hydrocarbon chemical compositions. To date, we have conducted tests with oil sands from Russia, China, Indonesia and the Middle East. Our tests with Russian oil sands, which were the only tests of our Extraction Technology with oil sands from different parts of the world that were conducted by third parties, were conducted in Ufa, Bashkorkostan (Russia) by a third party (KVADRA) retained by us to perform the tests using a multi-ton pilot plant, used the local oil sands ore with oil saturation in a range of 7-10%, and resulted in industrial quantities of heavy oil. From the tests conducted in Ufa, an average of 70 metric tons of raw oil sands material were processed per day resulting in 5,475 kg of heavy asphaltenic oil per day. Other tests, consisting of oil sands samples from China, Indonesia and Jordan, were conducted internally at Petroteq's laboratory in San Diego using lab bench testing with our own solvent blend that produced approximately one to two pound quantities. By introducing the solvent mixture to crushed and treated ore containing bitumen oil, the oil was separated by recycling the solvent with a laboratory-scale rotor vacuum evaporator. Sand tailings were separated by

centrifuge and dried under the vacuum.

Through our testing of oil sands sourced from different countries, we found that the efficiency and consistency of Petroteq's extraction technology are not affected by differences in the chemical composition of the oil/bitumen in the oil sands. Despite relatively significant differences in oil/bitumen chemistry, both the efficiency and consistency of our extraction technology remained intact, resulting in an oil recovery efficiency that in each test exceeded 99%. We believe that this testing demonstrates that the Extraction Process is universal in its application and does not depend on the material source or the hydrocarbon content or fingerprint.

REGULATION

Exploration and production operations are subject to various types of regulation at the federal, state and local levels. This regulation includes requiring permits to drill wells, maintaining bonding requirements to drill or operate wells, and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties on which wells are drilled, and the plugging and abandoning of wells. Full mining permits have been granted to POR from the State of Utah Division of Oil, Gas, and Mining for the mining and development of the Asphalt Ridge Mine #1 located in the Asphalt Ridge area of Utah. In addition to the mining permits, all environmental, construction, utility and other local permits necessary for the construction of the plant and the processing of the oil sands have been granted to POR. Our operations are also subject to various conservation laws and regulations.

Typically, oil enhancements such as hydraulic fracturing operations are overseen by state regulators as part of their oil and gas regulatory programs; however, the (U.S.) Environmental Protection Agency ("EPA") has asserted federal regulatory authority over certain hydraulic fracturing activities involving diesel under the Safe Drinking Water Act and has released draft permitting guidance for hydraulic fracturing activities that use diesel in fracturing fluids in those states where EPA is the permitting authority. As a result, we may be subject to additional permitting requirements for our operations. These permitting requirements and restrictions could result in delays in operations at well sites as well as increased costs to make wells productive. In addition, legislation introduced in Congress provides for federal regulation of hydraulic fracturing under the Safe Drinking Water Act and requires the public disclosure of certain information regarding the chemical makeup of hydraulic fracturing fluids. Moreover, on November 23, 2011, the EPA announced that it was granting in part a petition to initiate a rulemaking under the Toxic Substances Control Act, relating to chemical substances and mixtures used in oil and gas exploration and production. Further, on May 4, 2012, the BLM issued a proposed rule to regulate hydraulic fracturing on public and Indian land.

On August 16, 2012, the EPA published final rules that establish new air emission control requirements for natural gas and NGL production, processing and transportation activities, including New Source Performance Standards to address emissions of sulphur dioxide and volatile organic compounds, and National Emission Standards for Hazardous Air Pollutants (NESHAP) to address hazardous air pollutants frequently associated with gas production and processing activities. Among other things, these final rules require the reduction of volatile organic compound emissions from natural gas wells through the use of reduced emission completions or "green completions" on all hydraulically fractured wells constructed or refractured after January 1, 2015. In addition, gas wells are required to use completion combustion device equipment (e.g., flaring) by October 15, 2012 if emissions cannot be directed to a gathering line. Further, the final rules under NESHAP include maximum achievable control technology (MACT) standards for "small" glycol dehydrators that are located at major sources of hazardous air pollutants and modifications to the leak detection standards for valves. Compliance with these requirements, especially the imposition of these green completion requirements, may require modifications to certain of our operations, including the installation of new equipment to control emissions at the well site that could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

In addition to these federal legislative and regulatory proposals, some states such as Pennsylvania, West Virginia, Texas, Kansas, Louisiana and Montana, and certain local governments have adopted, and others are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances, including requirements regarding chemical disclosure, casing and cementing of wells, withdrawal of water for use in high-volume hydraulic fracturing of horizontal wells, baseline testing of nearby water wells, and restrictions on the type of additives that may be used in hydraulic fracturing operations. For example, the Railroad Commission of Texas adopted rules in December 2011 requiring disclosure of certain information regarding the components used in the hydraulic fracturing process. In addition, Pennsylvania's Act 13 of 2012 became law on February 14, 2012 and amended the state's Oil and Gas Act to impose an impact fee for drilling, increase setbacks from certain water sources, require water management plans, increase civil penalties, strengthen the Pennsylvania Department of Environmental Protection's (PaDEP) authority over the issuance of drilling permits, and require the disclosure of chemical information regarding the components in hydraulic fracturing fluids.

We believe that the technologies we use are cleaner and environmentally friendlier than the known fracking or tar sand technologies. Regulatory and social resistance sometimes prohibits fracking recovery methods in some states.

OSHA and Other Laws and Regulations.

We are subject to the requirements of the federal Occupational Safety and Health Act (OSHA), and comparable state laws. The OSHA hazard communication standard, the EPA community right-to-know regulations under the Title III of CERCLA and similar state laws require that we organize and/or disclose information about hazardous materials used or produced in our operations. Also, pursuant to OSHA, the Occupational Safety and Health Administration has established a variety of standards related to workplace exposure to hazardous substances and employee health and safety.

Oil Pollution Act.

The Federal Oil Pollution Act of 1990 ("OPA") and resulting regulations impose a variety of obligations on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills in waters of the United States. The term "waters of the United States" has been broadly defined to include inland water bodies, including wetlands and intermittent streams. The OPA assigns joint and several strict liability to each responsible party for oil removal costs and a variety of public and private damages. We believe that we are in compliance with the OPA and the federal regulations promulgated thereunder in the conduct of our operations.

Clean Water Act

The Federal Water Pollution Control Act (Clean Water Act) and resulting regulations, which are primarily implemented through a system of permits, also govern the discharge of certain contaminants into waters of the United States. Sanctions for failure to comply strictly with the Clean Water Act are generally resolved by payment of fines and correction of any identified deficiencies. However, regulatory agencies could require us to cease construction or operation of certain facilities or to cease hauling wastewaters to facilities owned by others that are the source of water discharges. We believe that we substantially comply with the Clean Water Act and related federal and state regulations.

COMPETITION

Competition in the oil industry is intense. We compete with other companies seeking to acquire sub economic oil fields, many with substantial financial and other resources.

We will also compete with technologies such as gas injection, polymer flooding, microbial injection and thermal methods. As a new technology, we also compete with many of the other technologies that have been proven to be economically successful in enhancing oil production in the United States. As a result of this competition, we may be unable to attract the necessary funding or qualified personnel. If we are unable to successfully compete for funding or for qualified personnel, our activities may be slowed, suspended or terminated, any of which would have a material adverse effect on our ability to continue operations. However due to the innovative nature of our technology and the ecological benefit it provides, while remaining economically efficient, we believe that competition will not be a significant impediment to our operations or expansion.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and therefore we intend to take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal controls over financial reporting audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") even if we cease to be a smaller reporting company with annual revenues of less than $100 million, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions until we are no longer an "emerging growth company." In addition, the JOBS Act provides that an "emerging growth company" can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use the extended transition period for complying with new or revised accounting standards under the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

We will remain an "emerging growth company" until the earlier of (1) the last day of the fiscal year: (a) following the fifth anniversary of the date of the first sale of our common shares pursuant to an effective registration statement filed under the Securities Act; (b) in which we have total annual gross revenue of at least $1.07 billion; or (c) in which we are deemed to be a large accelerated filer, which generally means the market value of our common shares that is held by non-affiliates exceeded $700.0 million as of the last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. References herein to "emerging growth company" have the meaning associated with that term in the JOBS Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a company incorporated in Ontario, Canada. Certain of our directors and officers named in this registration statement reside outside the U.S. In addition, some of our assets and the assets of our directors and officers are located outside of the United States. As a result, it may be difficult for investors who reside in the United States to effect service of process upon these persons in the United States. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

Furthermore, there is substantial doubt whether an action could be brought in Canada in the first instance predicated solely upon U.S. federal securities laws. Canadian courts may refuse to hear a claim based on an alleged violation of U.S. securities laws against us or these persons on the grounds that Canada is not the most appropriate forum in which to bring such a claim. Even if a Canadian court agrees to hear a claim, it may determine that Canadian law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Canadian law.

History and Development of the Company

We were incorporated as "AXEA Capital Corp." on January 4, 2008 pursuant to the *Business Corporations Act* (British Columbia). On October 15, 2012, MCW Energy Group Limited ("MCW NB"), a corporation incorporated in the Province of New Brunswick, completed a reverse acquisition of AXEA Capital Corp. (the "RTO") and as a result MCW NB became a wholly owned subsidiary of AXEA Capital Corp. which also changed its name from "AXEA Capital Corp." to "MCW Enterprises Ltd." Pursuant to articles of continuance filed on December 7, 2012, MCW NB changed its jurisdiction of governance by continuing from the Province of New Brunswick into the Province of Ontario. Pursuant to articles of continuance filed on December 12, 2012, MCW Enterprises Ltd. changed its jurisdiction of governance by continuing from the Province of British Columbia into the Province of Ontario and changed its name to MCW Enterprises Continuance Ltd. Pursuant to a certificate of amalgamation dated December 12, 2012, MCW Enterprises Continuance Ltd. and MCW NB amalgamated in the Province of Ontario and continued under the name "MCW Energy Group Limited".

We are governed by the *Business Corporations Act* (Ontario) and our registered office is located at Suite 6000, 1 First Canadian Place, PO Box 367, 100 King Street West, Toronto, Ontario M5X 1E2, Canada. Our executive office is located at 15315 W. Magnolia Blvd., Suite 120, Sherman Oaks, California 91403. Our telephone number is (866) 571-9613.

Our common shares are listed on the TSX Venture Exchange (the "TSXV") under the trading symbol "PQE" but currently suspended from trading, the Frankfurt Exchange under the trading symbol PQCF.F and on the OTC Pink under the trading symbol "PQEFF".

Pursuant to articles of amendment filed on May 5, 2017, we changed our name from "MCW Energy Group Limited" to "Petroteq Energy Inc." and we changed our TSXV trading symbol from MCW to PQE. On June 2, 2017, our OTCQX trading symbol was changed from MCW to PQEFF. Since March 15, 2018, our stock has traded on the OTC Pink market when it no longer traded on the OTCQX International Market.

On May 5, 2017, we effected a share consolidation (reverse stock split) on a 1-for-30 basis. Unless otherwise included, all shares amounts and per share amounts in this registration statement have been prepared on a pro forma basis to reflect the 1-for-30 reverse stock split of our outstanding common shares. On November 23, 2018, our shareholders approved a resolution authorizing our Board of Directors to consolidate our shares on a basis of up to ten for one. No consolidation has been effected to date.

We determined that the Company ceased to qualify as a foreign private issuer (as defined in Rule 405 under the Securities Act of 1933, as amended, and Rule 3b-4 under the Securities Exchange Act of 1934, as amended) as of February 28, 2019 (being the last business day of the second fiscal quarter of the fiscal year ended August 31, 2019), and therefore ceased to be eligible to rely on the rules and forms available to foreign private issuers on August 31, 2019.

Additional information related to our company may be found on our website at www.petroteq.energy. Information contained in our website does not form part of the registration statement and is intended for informational purposes only.

RECENT DEVELOPMENTS

Suspension of trading on the TSX Venture Exchange ("TSXV")

The Company is under a cease trade order invoked by the TSXV on August 6, 2021.

The Company filed the 2021 Q3 Filings on SEDAR and with the United States Securities and Exchange Commission (the "**SEC**") on August 19, 2021. In addition, on August 19, 2021, the Company's amended financial statements and management's discussion and analysis for the eight quarters from May 31, 2019 to February 28, 2021 were filed on SEDAR and with the SEC, as contained in the Company's amended annual reports on Form 10-K/A for the financial years ended August 31, 2019 and August 31, 2020, and in the Company's amended quarterly reports on Form 10-Q/A for the periods ended May 31, 2019, November 30, 2019, February 29, 2020, May 31, 2020, November 30, 2020 and February 28, 2021. The Company's amended financial statements and management discussion and analysis for the period ended February 28, 2019 were filed on SEDAR on August 23, 2021, and with the SEC on August 25, 2021, as exhibits to the Company's current report on Form 8-K.

As a result of the issuance of the TSXV Cease Trade Order ("CTO") on August 6, 2021, the Exchange suspended trading of the Company's Common Shares. As part of the Exchange's review of the Company's reinstatement application, the Exchange reviewed the Company's financial statements for the three and nine months ended May 31, 2021 and raised concerns over unapproved filings. As a result of an internal investigation the Company identified several transactions ("Transactions") reported in SEDAR ("Canada") and EDGAR ("United States") that had not been submitted for approval by the Toronto Stock Exchange.

Based on the Company's initial review of the Transactions, it is estimated that a total of 54,370,814 Common Shares were issued as a result of the Transactions. While some of the issued Common Shares, namely, 4,336,972, are estimated to have been issued at prices above what the Exchange would have otherwise approved, 50,033,842 are estimated to have been issued at share prices below what the Exchange generally approves for convertible securities. While the Company is now making the necessary submissions to the Exchange for the Transactions, they may not all be accepted for approval by the Exchange and as a condition to reinstatement of trading on the Exchange the Company may need to take remedial action to ensure that Transactions are in compliance with the Exchange.

The net proceeds of the Transactions that resulted in new funds to the Company were used for expansion of the Company's oil sands processing plant in Utah and for working capital.

The Company continues to work with the Exchange on a reinstatement of trading and will update the market as developments warrant. However, the Exchange has indicated that these matters and their review of the Transactions may take some time to resolve and that a reinstatement to trading is not expected in the near term.

Unsolicited takeover bid by Viston United Swiss AG

On October 27, 2021, 2869889 Ontario Inc., an indirect, wholly-owned subsidiary of Viston United Swiss AG commenced a conditional, unsolicited takeover bid (the "Offer") to acquire all of the issued and outstanding Common Shares of the Company. Viston filed a Tender Offer Statement with the SEC relating to the Offer on Schedule TO under section 14(d)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on October 25, 2021, and an amendment to the Tender Offer Statement on October 27, 2021. As set forth in the Solicitation/Recommendation Statement on Schedule 14D-9 under section 14(d)(4) of the Exchange Act filed with the SEC on November 9, 2021, shareholders were advised that the Board of Directors was not yet in a position to make a recommendation to shareholders to accept or reject the Offer, and that the Company has retained Haywood Securities Inc. as financial advisor to the Company and the Board of Directors.

Exchange of mineral leases

Under the terms of an agreement dated October 15, 2021 between Petroteq Oil Recovery, LLC and TMC Capital, LLC, two of the Company's U.S. subsidiaries, and Valkor Energy, LLC (the "Exchange Agreement"), Petroteq Oil and TMC Capital agreed to assign to Valkor all of their respective rights and interests in the TMC Mineral Lease located near Temple Mountain in the Asphalt Ridge area of Uintah County, Utah, including interests under a sublease to a Short-Term Mining Lease obtained by Valkor in August 2020, and in three Utah state oil sands leases that are contiguous to or in close proximity to the lands encompassed by the TMC Mineral Lease.

In a separate agreement, Valkor granted to provide TMC Capital the right to participate, at up to a 50% working interest, in any future operations conducted by Valkor under the TMC Mineral Lease or the Short-Term Mining Lease held by Valkor covering acreage formerly included in the TMC Mineral Lease, or on any of the lands covered by either of the leases.

To complete the exchange under the Exchange Agreement, Valkor agreed to assign to TMC Capital all of its rights and interests in three Utah state oil sands leases located in Uintah County, Utah, in an area referred to as Asphalt Ridge Northwest (the "Asphalt Ridge NW Leases"), including the "record lease title" and all of the operating rights (i.e. working interests) under the leases.

In a separate agreement, TMC Capital agreed to assign to Valkor the operating rights under the three Asphalt Ridge NW Leases at subsurface depths below 500 feet, with TMC Capital retaining a right to participate, at up to a 50% working interest, in any operation conducted by Valkor at the deeper intervals. Under this agreement, each party will have the right to participate, at up to a 50% joint ownership basis, in any new oil sands processing plant constructed on lands covered by the Asphalt Ridge NW Leases.

As of October 28, 2021, each of the agreements and assignments required to consummate the reciprocal assignment of leases between the Company's subsidiaries and Valkor has been executed and all of the transactions have been tentatively completed, subject to the approvals that must be obtained from the State of Utah's School and Institutional Trust Lands Administration (SITLA).

The exchange of mineral properties between the Company's subsidiaries and Valkor - resulting in the Company's acquisition of record title and all interests under the Asphalt Ridge NW Leases - creates substantial benefits and opportunities for the Company, including:

(a) The Asphalt Ridge NW leases contain an oil sands deposit that is contiguous within a single contained area. This will allow for greater efficiencies in mining and in ore transport operations. By contrast, the original TMC Mineral Lease in the Temple Mountain area of Asphalt Ridge encompasses three separate deposits running along a trend over about 8 miles, a structural outlay requiring substantial development and transport costs.

(b) Based on historical well data from deposits adjacent to and surrounding the Asphalt Ridge NW Leases, the oil content or saturation in the deposit of oil sands within the Asphalt Ridge NW Leases is expected to average in the range of 12% by weight. In contrast, the oil sands ores mined or produced from lands within the TMC Mineral Lease in the Temple Mountain area have an average oil content or saturation in the range of 6% by weight. The higher oil content in the oil sands deposit located within the Asphalt NW Leases should provide for better yields per ton of bulk oil sand processed and improved project economics for a 5,000 barrel per day commercial plant that is being considered by the Company in this area.

(c) Because a substantial part of the oil sands deposit within the Asphalt Ridge NW Leases is close to the surface and extends into various outcroppings, extraction and production may be conducted by surface mining where less overburden will need to be removed before initiating mining operations.

ITEM 1A. RISK FACTORS.

The following risks relate specifically to our business and should be considered carefully. Our business, financial condition and results of operations could be harmed by any of the following risks. As a result, the trading price of our common shares could decline and the holders could lose part or all of their investment.

We face business disruption and related risks resulting from the recent outbreak of the novel coronavirus 2019 ("COVID-19"), which could have a material adverse effect on our business and results of operations.

In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States and Canada, have imposed restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The pandemic has had a material adverse effect on our operations.

Significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our operations, and on the global economy as a whole. Government-imposed restrictions on travel and other "social-distancing" measures such restrictions on assembly of groups of persons, have the potential to disrupt supply chains for parts and sales channels for our products, and may result in labor shortages.

It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. We will continue to monitor the COVID-19 situation closely, and intend to follow health and safety guidelines as they evolve.

We expect the ultimate significance of the impact of these disruptions, including the extent of their adverse impact on our financial and operational results, will be dictated by the length of time that such disruptions continue, which will, in turn, depend on the currently unknowable duration of the COVID-19 pandemic and the impact of governmental regulations that might be imposed in response. Our business could also be impacted should the disruptions from COVID-19 lead to changes in commercial behavior. The COVID-19 impact on the capital markets could impact our cost of borrowing. There are certain limitations on our ability to mitigate the adverse financial impact of these items, including the fixed costs of our operations. COVID-19 also makes it more challenging for management to estimate future performance of our businesses, particularly over the near to medium term.

We have a limited operating history, and may not be successful in developing profitable business operations.

Our oil extraction segment has a limited operating history. We have generated limited revenue from our oil sands mining and processing activities, and do not anticipate generating any significant revenue from these activities until our Asphalt Ridge processing facility is fully operational. Even once we are fully operational, our business operations must be considered in light of the risks, expenses and difficulties frequently encountered in establishing a business in the oil extraction business.

We have an insufficient history at this time on which to base an assumption that our oil sands mining and processing operations will prove to be successful in the long-term. Our future operating results will depend on many factors, including:

- our ability to raise adequate working capital;
- the success of our development and exploration;
- the demand for oil;
- the level of our competition;
- our ability to attract and maintain key management and employees; and
- our ability to efficiently explore, develop, produce or acquire sufficient quantities of marketable gas or oil in a highly competitive and speculative environment while maintaining quality and controlling costs.

To achieve profitable operations in the future, we must, alone or with others, successfully manage the factors stated above, as well as continue to develop ways to enhance or increase the efficiency of our mining and processing operations that are being conducted in the Asphalt Ridge area in eastern Utah. Despite our best efforts, we may not be successful in our exploration or development efforts or obtain the regulatory approvals required to conduct our operations.

We have suffered operating losses since inception and we may not be able to achieve profitability.

At August 31, 2021, August 31, 2020 and August 31, 2019, we had an accumulated deficit of $(100,138,592), $(90,664,349), and $(78,285,282), respectively and we expect to continue to incur increasing expenses in the foreseeable future as we develop our oil extraction business. We incurred a net loss of $(9,474,243) and ($12,379,067) for the years ended August 31, 2021 and August 31, 2020, respectively. As a result, we are sustaining substantial operating and net losses, and it is possible that we will never be able to develop or sustain the revenue levels necessary to attain profitability.

Our ability to be profitable will depend in part upon our ability to manage our operating costs and to generate revenue from our extraction operations. Operating costs could be impacted by inflationary pressures on labor, volatile pricing for natural gas used as an energy source in transportation of fuel and in oil sands processes, and planned and unplanned maintenance.

We have concluded that certain of our previously issued financial statements should not be relied upon and have restated certain of our previously issued financial statements which was time-consuming and expensive and could expose us to additional risks that could have a negative effect on our Company.

We had concluded that certain of our previously issued financial statements should not be relied upon. We have restated our previously issued audited consolidated financial statements and related note disclosures as of and for the year ended August 31, 2020 and 2019. We do not intend to restate our unaudited condensed consolidated financial statements and related note disclosures as of and for the three and six months ended February 28, 2019 and 2018 which were included in our initial registration statement on Form 10 originally filed with the SEC on May 22, 2019, and amended by Amendment No. 1 thereto filed with the SEC on June 24, 2019 and by Amendment No. 2 thereto filed with the SEC on July 5, 2019, and such unaudited condensed consolidated financial statements and related note disclosures should not be relied on. The restatement process was time consuming and expensive and, along with the failure to file our quarterly report on Form 10-Q for the period ended May 31, 2021 with the SEC in a timely manner, could expose us to additional risks that could have a negative effect on our Company. In particular, we incurred substantial unanticipated expenses and costs, including audit, legal and other professional fees, in connection with the restatement of our previously issued financial statements. Our management's attention was also diverted from some aspects of the operation of our business in connection with the restatement.

The restatement of our financial statements may in the future lead to, among other things, future stockholder litigation, loss of investor confidence, negative impacts on our stock price and certain other risks.

There can be no assurance that litigation against the Company and/or its management or Board of Directors might not be threatened or brought in connection with matters related to our restatements. As a result of the circumstances giving rise to the restatements, we have become subject to certain additional risks and uncertainties, including unanticipated costs for accounting and legal fees in connection with or related to the restatements, potential stockholder litigation, government investigations, and potential claims by Redline Capital Management S.A. as described under Part I, Item 3. - *Legal Proceedings*. Any such proceeding could result in substantial defense costs regardless of the outcome of the litigation or investigation. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs. In addition, the restatements and related matters could impair our reputation and could cause our counterparties to lose confidence in us. Each of these occurrences could have an adverse effect on our business, results of operations, financial condition and stock price.

We expect that our revenues will be limited until our Asphalt Ridge processing facility has become fully operational and we are at full production.

The losses from continuing operations over the past four fiscal years have been largely due to the relocation, reassembly and expansion or our processing facility, and we have faced additional challenges with the onset of the COVID-19 pandemic. As described elsewhere in this Annual Report, the relocation of our Asphalt Ridge processing facility from its original site near Maeser, Utah, to its present site on the TMC Mineral Lease in 2017 occurred during a temporary suspension of our oil sands mining and processing operations that we had initiated in 2016 in the face of a sharp decline in world oil prices, and our resulting inability to operate profitably at low volumes of output. We restarted operations at the end of May 2018, and completed expansion work on the processing facility to increase production during the last quarter of fiscal 2019. We had expected to generate revenue from the sale of hydrocarbon products commencing in the third quarter ended May 31, 2020. However, due to the COVID-19 pandemic, we had suspended production of hydrocarbon products. Even once we resume production, we anticipate that our revenue will be limited until we are at full production. We expect that we will require additional capital to continue our operations and planned growth.

The failure to comply with the terms of our secured notes could result in a default under the terms of the note and, if uncured, it could potentially result in action against the pledged assets.

As of August 31, 2021, we had issued and outstanding convertible notes in the principal amount of $10,126,246 to certain private investors which mature between September 1, 2021 and July 21, 2025 and are secured by a pledge of all of our assets. If we fail to comply with the terms of the notes, the note holder could declare a default under the notes and if the default were to remain uncured, as secured creditors they would have the right to proceed against the collateral secured by the loans. Any action by secured creditors to proceed against our assets would likely have a serious disruptive effect on our operations.

We have limited capital and will need to raise additional capital in the future.

We do not currently have sufficient capital to fund both our continuing operations and our planned growth. We will require additional capital to meet the terms of the TMC Mineral Lease and to continue to grow our business via acquisitions and to further expand our exploration and development programs. We may be unable to obtain additional capital when required. Future acquisitions and future exploration, development, processing and marketing activities, as well as our administrative requirements (such as salaries, insurance expenses and general overhead expenses, as well as legal compliance costs and accounting expenses) will require a substantial amount of additional capital and cash flows.

We may pursue sources of additional capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. We may not be successful in identifying suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. If we do not succeed in raising additional capital, our resources may not be sufficient to fund our planned operations and may force us to curtail operations or cancel planned projects.

Our ability to obtain financing, if and when necessary, may be impaired by such factors as the capital markets (both generally and in the oil and gas industry in particular), our limited operating history, the location of our oil and gas properties and prices of oil and gas on the commodities markets (which will impact the amount of asset-based financing available to us, if any) and the departure of key employees. Further, if oil or gas prices on the commodities markets decline, our future revenues, if any, will likely decrease and such decreased revenues may increase our requirements for capital. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs (even to the extent that we reduce our operations), we may be required to cease our operations, divest our assets at unattractive prices or obtain financing on unattractive terms.

Any additional capital raised through the sale of equity may dilute the ownership percentage of our shareholders. Raising any such capital could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding equity. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect.

Any additional debt financing may include conditions that would restrict our freedom to operate our business, such as conditions that:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital, growth and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

The incurrence of additional indebtedness could require acceptance of covenants that, if violated, could further restrict our operations or lead to acceleration of the indebtedness that would necessitate winding up or liquidation of our company. In addition to the foregoing, our ability to obtain additional debt financing may be limited and there can be no assurance that we will be able to obtain any additional financing on terms that are acceptable, or at all.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, which may adversely impact our financial condition.

There is substantial doubt about our ability to continue as a going concern.

At August 31, 2021, we had not yet achieved profitable operations, had accumulated losses of $(100,138,592) since our inception and a working capital deficit of

$(6,264,427) and expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. We have incurred net losses for the past five years. As at August 31, 2020 and August 31, 2019, we had an accumulated deficit of $(90,664,349) and $(78,285,282), respectively and a working capital deficit of $(12,955,134) and $(9,268,763), respectively. The opinion of our independent registered accounting firm on our audited financial statements for the years ended August 31, 2021 and 2020 draws attention to our notes to the financial statements, which describes certain material uncertainties regarding our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management's plan to address our ability to continue as a going concern includes (1) obtaining debt or equity funding from private placement or institutional sources, (2) obtaining loans from financial institutions, where possible, or (3) participating in joint venture transactions with third parties. Although management believes that it will be able to obtain the necessary funding to allow us to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Strategic relationships upon which we may rely are subject to change, which may diminish our ability to conduct our operations.

Our ability to successfully acquire oil and gas interests, to establish reserves, and to identify and enter into commercial arrangements with customers will depend on developing and maintaining close working relationships with industry participants and our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. These realities are subject to change and our inability to maintain close working relationships with industry participants or continue to acquire suitable property may impair our ability to execute our business plan.

To continue to develop our business, we will endeavor to use the business relationships of our management to enter into strategic relationships, which may take the form of joint ventures with other private parties and contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that we will use in our business. We may not be able to establish these strategic relationships or, if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

We may not be able to successfully manage our growth, which could lead to our inability to implement our business plan.

Our growth is expected to place a significant strain on our managerial, operational and financial resources, especially considering that we currently only have a small number of executive officers, employees and advisors. Further, as we enter into additional contracts, we will be required to manage multiple relationships with various consultants, businesses and other third parties. In addition, once we commence operations at our oil extraction facility, our strain on management will further increase. These requirements will be exacerbated in the event of our further growth or in the event that the number of our drilling and/or extraction operations increases. There can be no assurance that our systems, procedures and/or controls will be adequate to support our operations or that our management will be able to achieve the rapid execution necessary to successfully implement our business plan. If we are unable to manage our growth effectively, our business results of operations and financial condition will be adversely affected, which could lead to us being forced to abandon or curtail our business plan and operations.

Our operations are dependent upon us maintaining access to mineral leases.

TMC, one of our wholly owned operating subsidiaries, holds certain mining and mineral production rights under the TMC Mineral Lease, covering lands consisting of approximately 1,229.82 acres located in the Asphalt Ridge area in Uintah County, Utah. The Company has entered into an agreement with Valkor Energy to exchange our TMC Mineral Leases for certain STLA leases situated nearby, subject to the approval of SITLA.

Any relocation or construction of a new processing facility from the TMC Mineral Lease, or the acquisition of other mineral leases for our operations, would require extensive plant relocation and construction work and new regulatory permits to allow our processing facilities at a new lease or mine site to becoming operational. There can be no assurance that we could economically relocate our processing facility to other leases or that we would be able to obtain new or substitute mineral leases, if necessary, upon or under acceptable terms, or that any new or substitute leases would permit us to relocate our processing facility to a site within such leases.

The loss of key personnel would directly affect our efficiency and profitability.

Our future success is dependent, in a large part, on retaining the services of our current management team. Our executive officers possess a unique and comprehensive knowledge of our industry, our technology and related matters that are vital to our success within the industry. The knowledge, leadership and technical expertise of these individuals would be difficult to replace. The loss of one or more of our officers could have a material adverse effect on our operating and financial performance, including our ability to develop and execute our long term business strategy. We do not maintain key-man life insurance with respect to any employees. We do not have employment agreements with any of our executive officers other than our Chief Executive Officer. There can be no assurance that any of our officers will continue to be employed by us.

In the future, we may incur significant increased costs as a result of operating as a U.S reporting company, and our management may be required to devote substantial time to new compliance initiatives.

In the future, we may incur significant legal, accounting and other expenses as a result of operating as a public company. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as well as new rules subsequently implemented by the U.S. Securities and Exchange Commission (the "SEC"), have imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these new compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage.

We have identified weaknesses in our internal controls, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Sarbanes-Oxley Act. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

We are required requires, among other things, to maintain effective disclosure controls and procedures, and internal control over financial reporting.

We do not yet have effective disclosure controls and procedures, or internal controls over all aspects of our financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. We will be required to expend time and resources to further improve our internal controls over financial reporting, including by expanding our staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. The material weaknesses identified to date include insufficient number of staff to maintain optimal segregation of duties and levels of oversight. As such, our internal controls over financial reporting were not designed or operating effectively.

We will be required to expend time and resources to further improve our internal controls over financial reporting, including by expanding our staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

We have not yet retained sufficient staff or engaged sufficient outside consultants with appropriate experience in GAAP presentation, especially of complex instruments, to devise and implement effective disclosure controls and procedures, or internal controls. We will be required to expend time and resources hiring and engaging additional staff and outside consultants with the appropriate experience to remedy these weaknesses. We cannot assure you that management will be successful in locating and retaining appropriate candidates; that newly engaged staff or outside consultants will be successful in remedying material weaknesses thus far identified or identifying material weaknesses in the future; or that appropriate candidates will be located and retained prior to these deficiencies resulting in material and adverse effects on our business.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, including increased complexity resulting from our international expansion. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our common stock.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results, and cause a decline in the market price of our common stock.

Our operations are currently geographically concentrated and therefore subject to regional economic, regulatory and capacity risks.

All of our production is anticipated to be derived from our properties in the Asphalt Ridge area. As a result of this geographic concentration, we may be disproportionately exposed to the effect of regional supply and demand factors, delays or interruptions of production from ore sands in this area caused by governmental regulation, processing or transportation capacity constraints, market limitations, weather events or interruption of the processing or transportation of crude oil or natural gas. Additionally, we may be exposed to additional risks, such as changes in laws and regulations that could cause us to permanently cease mining operations at Asphalt Ridge.

In addition, the Exchange Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. Further, we are required to perform system and process evaluation and testing on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Licenses and permits are required for our company to operate in some jurisdictions, and the loss of or failure to renew any or all of these licenses and permits or failure to comply with applicable laws and regulations could prevent us from either completing current projects or obtaining future projects, and thus, materially adversely affect our business.

Our operations will require licenses, permits and in some cases renewals of licenses and permits from various governmental authorities. Our ability to obtain, sustain or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments, among other factors. Our inability to obtain, or our loss of or denial of extension of, any of these licenses or permits could hamper our ability to produce revenues from our operations.

We may be required to make significant capital expenditures to comply with laws and the applicable regulations and standards of governmental authorities and organizations.

We are subject to various national, state, and local laws and regulations in the various countries in which we operate, including those relating to the renewable energy industry in general, and may be required to make significant capital expenditures to comply with laws and the applicable regulations and standards of governmental authorities and organizations. Moreover, the cost of compliance could be higher than anticipated. On the effective date hereof, our operations will become subject to compliance with the U.S. Foreign Corrupt Practices Act in addition to certain international conventions and the laws, regulations and standards of other foreign countries in which we operate.

In addition, many aspects of our operations are subject to laws and regulations that relate, directly or indirectly, to the renewable energy industry. Existing and proposed new governmental conventions, laws, regulations and standards, including those related to climate and emissions of "greenhouse gases," may in the future add significantly to our operating costs or limit our activities or the activities and levels of capital spending by our customers. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and even criminal penalties, the imposition of remedial obligations, and the issuance of injunctions that may limit or prohibit our operations. The application of these requirements, the modification of existing laws or regulations or the adoption of new laws or regulations which impose substantial new regulatory requirements on our oil extraction operations could also harm our business, results of operations, financial condition and prospects.

We could be subject to litigation that could have an adverse effect on our business and operating results.

We are, from time to time, involved in litigation. The numerous operating hazards inherent in our business increase our exposure to litigation, which may involve, among other things, contract disputes, personal injury, environmental, employment, warranty and product liability claims, tax and securities litigation, patent infringement and other intellectual property claims and litigation that arises in the ordinary course of business. Our management cannot predict with certainty the outcome or effect of any claim or other litigation matter. Litigation may have an adverse effect on us because of potential negative outcomes such as monetary damages or restrictions on future operations, the costs associated with defending the lawsuits, the diversion of management's resources and other factors.

Global political, economic and market conditions could negatively impact our business.

Our company's operations are affected by global political, economic and market conditions. The recent economic downturn has generally reduced the availability of liquidity and credit to fund business operations worldwide and has adversely affected our customers, suppliers and lenders. Our limited capital resources have negatively impacted our activity levels and, in turn, our financial condition and results of operations. A sustained or deeper recession in regions in which we operate could limit overall demand for our renewable energy solutions and could further constrain our ability to generate revenues and margins in those markets and to grow overall.

War, terrorism, geopolitical uncertainties, public health issues, and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our suppliers, logistics providers and customers. Our business operations are subject to interruption by, among others, natural disasters (including, without limitation, earthquakes), fire, power shortages, nuclear power plant accidents, terrorist attacks and other hostile acts, labor disputes, public health issues, and other events beyond our control. Such events could decrease demand for our services and products, make it difficult or impossible for us to make and deliver crude oil and hydrocarbon products to our buyers and customers, or to receive necessary supplies from our suppliers, and create delays and inefficiencies in our supply chain. Should major public health issues, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products, and disruptions in the operations of our customers and suppliers. The majority of our business operations, our corporate headquarters, and other critical business operations, including suppliers and customers, are in locations that could be affected by natural disasters. In the event of a natural disaster, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

We do not carry business interruption insurance, and any unexpected business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by earthquake, fire, power failure and power shortages, hardware and software failure, floods, computer viruses, and other events beyond our control. In addition, we do not carry business interruption insurance to compensate us for losses that may occur as a result of these kinds of events, and any such losses or damages incurred by us could disrupt our projects and our other operations without reimbursement. Because of our limited financial resources, such an event could threaten our viability to continue as a going concern and lead to dramatic losses in the value of our common shares.

Certain Factors Related to Oil Sands Exploration

The Nature of Oil Sands Exploration and Development involves many risks.

Oil sands exploration and development are very competitive and involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. As with any exploration property, there can be no assurance that commercial deposits of bitumen will be produced from oil sands exploration licenses and our permit lands in Utah.

The Extraction Technology has never been implemented on a large commercial basis as an oil and gas recovery technology before and our assumptions and expectations may not be accurate causing actual results of the implementation of the Extraction Technology to be significantly different form our current expectations. As a result, our operations may not generate any significant revenues from the development of the bitumen resources. In addition, there is no assurance that reserve engineers or lenders will determine that the production resulting from the application of the Extraction Technology can be used to establish reserves.

Furthermore, the marketability of any resource will be affected by numerous factors beyond our control. These factors include, but are not limited to, market fluctuations of prices, proximity and capacity of pipelines and processing equipment, equipment and labor availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas, land use and environmental protection). The extent of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital.

Supply risk is a function of the unavailability of oil sands ores containing heavy oil and bitumen, whether from our mineral leases or from third parties; poor ore grade quality or density, and solvents and condensates that we acquire from third parties. Unplanned mine equipment and extraction plant maintenance, storage costs and in situ reservoir and equipment performance could also impact our production targets. Our oil extraction activities will be dependent upon having an available supply of mined oil sands ores and sandstones containing heavy oil and bitumen.

The viability of our business plan, business operations, and future operating results and financial condition are and will be exposed to fluctuating prices for oil, gas, oil products and chemicals.

Prices of oil, gas, oil products and chemicals are affected by supply and demand, which can fluctuate significantly. Factors that influence supply and demand include operational issues, natural disasters, weather, political instability or conflicts, economic conditions and actions by major oil-exporting countries. Price fluctuations can have a material effect on our ability to raise capital and fund our exploration activities, our potential future earnings, and our financial condition. For example, in a low oil and gas price environment oil sands exploration and development may not be economically or financially viable or profitable. Prolonged periods of low oil and gas prices, or rising costs, could result in our mining and processing projects being delayed or cancelled, as well as the impairment of certain assets.

Environmental and regulatory compliance may impose substantial costs on us.

Our operations are or will be subject to stringent federal, state and local laws and regulations relating to improving or maintaining environmental quality. Environmental laws often require parties to pay for remedial action or to pay damages regardless of fault. Environmental laws also often impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago.

Our mining, production and processing activities are or will be subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, land use, protection and remediation of the environment, protection of endangered and protected species, operational safety, toxic substances and other matters. Generally, oil and gas exploration and production, including our oil sands mining and processing operations, are subject to risks and liabilities associated with pollution of the environment and disposal of waste products. Compliance with these laws and regulations will impose substantial costs on us and will subject us to significant potential liabilities. In addition, should there be changes to existing laws or regulations, our competitive position within the oil sands industry may be adversely affected, as many industry players have greater resources than we do.

We are required to obtain various regulatory permits and approvals in order to explore and develop our properties. There is no assurance that regulatory approvals for exploration and development of our properties will be obtained at all or with terms and conditions acceptable to us.

We may be exposed to third party liability and environmental liability in the operation of our business.

Our operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damage. We could be liable for environmental damages caused by previous owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, and the payment of such liabilities could have a material adverse effect on our financial condition and results of operations. The release of harmful substances in the environment or other environmental damages caused by our activities could result in us losing our operating and environmental permits or inhibit us from obtaining new permits or renewing existing permits. We currently have a limited amount of insurance and, at such time as we commence additional operations, we expect to be able to obtain and maintain additional insurance coverage for our operations, including limited coverage for sudden environmental damages, but we do not believe that insurance coverage for environmental damage that occurs over time is available at a reasonable cost. Moreover, we do not believe that insurance coverage for the full potential liability that could be caused by environmental damage is available at a reasonable cost. Accordingly, we may be subject to liability or may lose substantial portions of our properties in the event of certain environmental damage. We could incur substantial costs to comply with environmental laws and regulations which could affect our ability to operate as planned.

American climate change legislation could negatively affect markets for crude and synthetic crude oil

Environmental legislation regulating carbon fuel standards in the United States (or elsewhere) could adversely affect companies that produce, refine, transport, process and sell crude oil and refined products, including our oil sands mining and processing operations, and could result in increased costs and/or reduced revenue. For example, both the state of California and the U.S. Government have passed legislation which, in some circumstances, considers the lifecycle greenhouse gas emissions of purchased fuel and which may negatively affect our business or require the purchase of emissions credits, which may not be economically feasible.

Because of the speculative nature of oil exploration, there is risk that we will not find commercially exploitable oil and gas and that our business will fail.

The search for commercial quantities of oil and gas as a business is extremely risky. We cannot provide investors with any assurance that any properties in which we obtain a mineral interest will contain commercially exploitable quantities of oil and gas or heavy oil and bitumen contained in oil sands. The exploration expenditures to be made by us may not result in the discovery of commercial quantities of oil and/or gas. Problems such as unusual or unexpected formations or pressures, premature declines of reservoirs, invasion of water into producing formations and other conditions involved in oil and gas exploration often result in unsuccessful exploration efforts. If we are unable to find commercially exploitable quantities of oil and gas (in particular oil sands containing economically recoverable heavy oil and bitumen), and/or we are unable to commercially extract such quantities, we may be forced to abandon or curtail our business plan and, as a result, any investment in us may become worthless.

The price of oil and gas has historically been volatile. If it were to decrease substantially, our projections, budgets and revenues would be adversely affected, potentially forcing us to make changes in our operations.

Our future financial condition, results of operations and the carrying value of any oil and gas interests we acquire will depend primarily upon the prices paid for oil and gas production. Oil and gas prices historically have been volatile and likely will continue to be volatile in the future, especially given current world geopolitical conditions. Our cash flows from operations are highly dependent on the prices that we receive for oil and gas. This price volatility also affects the amount of our cash flows available for capital expenditures and our ability to borrow money or raise additional capital. The prices for oil and gas are subject to a variety of additional factors that are beyond our control. These factors include:

- the level of consumer demand for oil and gas;
- the domestic and foreign supply of oil and gas;
- the ability of the members of the Organization of Petroleum Exporting Countries ("OPEC") to agree to and maintain oil price and production controls;
- the price of oil, both in international and U.S. markets;
- domestic governmental regulations and taxes;
- the price and availability of solvent materials and feedstocks;
- weather conditions;
- market uncertainty due to political conditions in oil and gas producing regions, including the Middle East; and
- worldwide economic conditions.

These factors as well as the volatility of the energy markets generally make it extremely difficult to predict future oil and gas price movements with any certainty. Declines in oil and gas prices affect our revenues and accordingly, such declines could have a material adverse effect on our financial condition, results of operations, our future oil and gas reserves and the carrying values of our oil and gas properties. If the oil and gas industry experiences significant price declines, we may be unable to make planned expenditures, among other things. If this were to happen, we may be forced to abandon or curtail our business operations, which would cause the value of an investment in us to decline in value or become worthless.

Because of the inherent dangers involved in oil and gas operations, there is a risk that we may incur liability or damages as we conduct our business operations, which could force us to expend a substantial amount of money in connection with litigation and/or a settlement.

The oil and gas business involves a variety of operating hazards and risks such as well blowouts, pipe failures, casing collapse, explosions, uncontrollable flows of oil, gas or well fluids, fires, spills, pollution, releases of toxic gas and other environmental hazards and risks. These hazards and risks could result in substantial losses to us from, among other things, injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. In addition, we may be liable for environmental damages caused by previous owners of property purchased and leased by us. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate the funds available for exploration, development or acquisitions or result in the loss of our properties and/or force us to expend substantial monies in connection with litigation or settlements. There can be no assurance that any insurance we may have in place will be adequate to cover any losses or liabilities. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect our financial condition and operations. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event not fully covered by insurance could have a material adverse effect on our financial condition and results of operations, which could lead to any investment in us becoming worthless.

The market for oil and gas is intensely competitive, and competitive pressures could force us to abandon or curtail our business plan.

The market for oil, gas and hydrocarbon products is highly competitive, and we only expect competition to intensify in the future. Numerous well-established companies are focusing significant resources on exploration and production and are currently competing with us for oil and gas opportunities, including opportunities involving the production of crude oil, synthetic crude oil and other products from oil sands. Other oil and gas companies may seek to acquire oil and gas leases and properties that we have targeted. Additionally, other companies engaged in our line of business may compete with us from time to time in obtaining capital from investors. Competitors include larger companies which, in particular, may have access to greater resources, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. Actual or potential competitors may be strengthened through the acquisition of additional assets and interests. Additionally, there are numerous companies focusing their resources on creating fuels and/or materials which serve the same purpose as oil and gas but are manufactured from renewable resources. As a result, there can be no assurance that we will be able to compete successfully or that competitive pressures will not adversely affect our business, results of operations and financial condition. If we are not able to successfully compete in the marketplace, we could be forced to curtail or even abandon our current business plan, which could cause any investment in us to become worthless.

Our estimates of the volume of recoverable resources could have flaws, or such resources could turn out not to be commercially extractable. Further, we may not be able to establish any reserves. As a result, our future revenues and projections could be incorrect.

Estimates of recoverable resources and of future net revenues prepared by different petroleum engineers may vary substantially depending, in part, on the assumptions made and may be subject to adjustment either up or down in the future. To date we have not established any reserves. Our actual amounts of production, revenue, taxes, development expenditures, operating expenses, and future quantities of recoverable oil and gas reserves may vary substantially from the estimates. There are numerous uncertainties inherent in estimating quantities of bitumen resources and recoverable reserves, including many factors beyond our control and no assurance can be given that the recovery of bitumen will be realized. In general, estimates of resources and reserves are based upon a number of factors and assumptions made as of the date on which the resources and reserve estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from estimated results. Oil and gas reserve estimates are necessarily inexact and involve matters of subjective engineering judgment. In addition, any estimates of our future net revenues and the present value thereof are based on assumptions derived in part from historical price and cost information, which may not reflect current and future values, and/or other assumptions made by us that only represent our best estimates. For these reasons, estimates of reserves and resources, the classification of such resources and reserves based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially. Investors are cautioned not to assume that all or any part of a resource is economically or legally extractable. Additionally, if declines in and instability of oil and gas prices occur, then write downs in the capitalized costs associated with any oil and gas assets we obtain may be required. Because of the nature of the estimates of our recoverable resources and future reserves and estimates in general, we can provide no assurance that our estimated bitumen resources or future reserves will be present and/or commercially extractable. If our recoverable bitumen resource estimates are incorrect, the value of our common shares could decrease and we may be forced to write down the capitalized costs of our oil and gas properties.

Decommissioning costs are unknown and may be substantial. Unplanned costs could divert resources from other projects.

In the future, we may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which we use for processing of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "decommissioning." We accrue a liability for decommissioning costs associated with our extraction plant and wells but have not established any cash reserve account for these potential costs in respect of any of our properties. If decommissioning is required before economic depletion of our properties or if our estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, we may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair our ability to focus capital investment in other areas of our business.

We may have difficulty marketing or distributing the oil we produce, which could harm our financial condition.

In order to sell the finished crude oil that we are able to produce, if any, we must be able to make economically viable arrangements for the storage, transportation and distribution of our oil to the market. We will rely on local infrastructure and the availability of transportation for storage and shipment of our products, but infrastructure development and storage and transportation facilities may be insufficient for our needs at commercially acceptable terms in the localities in which we operate. This situation could be particularly problematic to the extent that our operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping and/or pipeline facilities. These factors may affect our and potential partners' ability to explore and develop properties and to store and transport oil and gas production, increasing our expenses.

Furthermore, weather conditions or natural disasters, actions by companies doing business in one or more of the areas in which we will operate, or labor disputes may impair the distribution of oil and/or gas and in turn diminish our financial condition or ability to maintain our operations.

Challenges to our properties may impact our financial condition.

Title to oil and gas interests is often not capable of conclusive determination without incurring substantial expense. While we intend to make appropriate inquiries into the title of properties and other development rights we acquire, title defects may exist. In addition, we may be unable to obtain adequate insurance for title defects, on a commercially reasonable basis or at all. If title defects do exist, it is possible that we may lose all or a portion of our right, title and interests in and to the properties to which the title defects relate. If our property rights are reduced, our ability to conduct our exploration, development and processing activities may be impaired. To mitigate title problems, common industry practice is to obtain a title opinion from a qualified oil and gas attorney prior to the excavation activities undertaken or the drilling operations of a well.

We rely on technology to conduct our business, and our technology could become ineffective or obsolete.

We rely on technology, including geographic and seismic analysis techniques and economic models, to develop our reserve estimates and to guide our exploration, development and processing activities. We and our operator partners will be required to continually enhance and update our technology to maintain its efficacy and to avoid obsolescence. Our oil extraction business is dependent upon the Extraction Technology that we have developed but which has not yet been used on a large commercial scale. As such, the project carries with it a greater degree of technological risk than other projects that employ commercially proven technologies and the Extraction Technology may not perform as anticipated. If major process design changes are required, the costs of doing so may be substantial and may be higher than the costs that we anticipate for technology maintenance and development. If we are unable to maintain the efficacy of our technology, our ability to manage our business and to compete may be impaired. Further, even if we are able to maintain technical effectiveness, our technology may not be the most efficient means of reaching our objectives, in which case we may incur higher operating costs than we would were our technology more efficient.

Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

We rely on a variety of intellectual property rights that we use in our services and products. We rely upon intellectual property rights and other contractual or proprietary rights, including copyright, trademark, trade secrets, confidentiality provisions, contractual provisions, licenses and patents. We may not be able to successfully preserve these intellectual property rights in the future, and these rights could be invalidated, circumvented, or challenged. In addition, the laws of some foreign countries in which our services and products may be sold do not protect intellectual property rights to the same extent as the laws of the United States. Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position. Without patent and other similar protection, other companies could use substantially identical technology to offer products for sale without incurring the sizable development costs we have incurred. Even if we spend the necessary time and money, a patent may not be issued or it may insufficiently protect the technology it was intended to protect. If our pending patent applications are not approved for any reason, the degree of future protection for our proprietary technology will remain uncertain. If we have to engage in litigation to protect our patents and other intellectual property rights, the litigation could be time consuming and expensive, regardless of whether we are successful. Despite our efforts, our intellectual property rights, particularly existing or future patents, may be invalidated, circumvented, challenged, infringed or required to be licensed to others. We cannot be assured that any steps we may take to protect our intellectual property rights and other rights to such proprietary technologies that are central to our operations will prevent misappropriation or infringement of the right to use or license others to use the Extraction Technology and accordingly may conduct an oil sands extraction operation similar to ours.

Certain Factors Related to Our Common Shares

There presently is a limited market for our common shares, and the price of our common shares may continue to be volatile.

Our common shares are currently quoted on the TSXV, the Frankfurt Exchange and the OTC Pink Sheets markets. Our common shares are currently subject to a cease trade order on the TSXV, as mentioned above. Our common shares, however, are very thinly traded, and we have a very limited trading history. There could continue to be volatility in the volume and market price of our common shares moving forward. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of "bid" and "ask" quotations and generally lower trading volume. In addition, factors such as quarterly variations in our operating results, changes in financial estimates by securities analysts or our failure to meet our or their projected financial and operating results, litigation involving us, factors relating to the oil and gas industry, actions by governmental agencies, national economic and stock market considerations as well as other events and circumstances beyond our control could have a significant impact on the future market price of our common shares and the relative volatility of such market price.

Offers or availability for sale of a substantial number of shares of our common shares may cause the price of our common shares to decline.

Our shareholders could sell substantial amounts of common shares in the public market, including shares sold upon the filing of a registration statement that registers such shares and/or upon the expiration of any statutory holding period under Rule 144 of the Securities Act of 1933 (the "Securities Act"), if available, or upon trading limitation periods. Such volume could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our common shares could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make it more difficult for us to secure additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

We do not anticipate paying any cash dividends.

We do not anticipate paying cash dividends on our common shares for the foreseeable future. The payment of dividends, if any, would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business strategy; accordingly, we do not anticipate the declaration of any dividends in the foreseeable future.

The market price and trading volume of our common shares may continue to be volatile and may be affected by variability in our performance from period to period and economic conditions beyond management's control.

The market price of our common shares may continue to be highly volatile and could be subject to wide fluctuations. This means that our shareholders could experience a decrease in the value of their common shares regardless of our operating performance or prospects. The market prices of securities of companies operating in the oil and gas sector have often experienced fluctuations that have been unrelated or disproportionate to the operating results of these companies. In addition, the trading volume of our common shares may fluctuate and cause significant price variations to occur. If the market price of our common shares declines significantly, our shareholders may be unable to resell our common shares at or above their purchase price, if at all. There can be no assurance that the market price of our common shares will not fluctuate or significantly decline in the future.

Some specific factors that could negatively affect the price of our common shares or result in fluctuations in their price and trading volume include:

- actual or expected fluctuations in our operating results;
- actual or expected changes in our growth rates or our competitors' growth rates;
- our inability to raise additional capital, limiting our ability to continue as a going concern;
- changes in market prices for our product or for our raw materials;
- changes in market valuations of similar companies;
- changes in key personnel for us or our competitors;
- speculation in the press or investment community;
- changes or proposed changes in laws and regulations affecting the renewable energy industry as a whole;
- conditions in the renewable energy industry generally; and
- conditions in the financial markets in general or changes in general economic conditions.

In the past, following periods of volatility in the market price of the securities of other companies, shareholders have often instituted securities class action litigation against such companies. If we were involved in a class action suit, it could divert the attention of senior management and, if adversely determined, could have a material adverse effect on our results of operations and financial condition.

We may be classified as a foreign investment company for U.S. federal income tax purposes, which could subject U.S. investors in our common shares to significant adverse U.S. income tax consequences.

Depending upon the value of our common shares and the nature of our assets and income over time, we could be classified as a "passive foreign investment company", or "PFIC", for U.S. federal income tax purposes. Based upon our current income and assets and projections as to the value of our common shares, we do not presently expect to be a PFIC for the current taxable year or the foreseeable future. While we do not expect to become a PFIC, if among other matters, our market capitalization is less than anticipated or subsequently declines, we may be a PFIC for the current or future taxable years. The determination of whether we are or will be a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets. Because PFIC status is a factual determination made annually after the close of each taxable year, including ascertaining the fair market value of our assets on a quarterly basis and the character of each item of income we earn, we can provide no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

If we were to be classified as a PFIC in any taxable year, a U.S. holder would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of U.S. federal income tax that a U.S. holder could derive from investing in a non-U.S. corporation that does not distribute all of its earnings on a current basis. Further, if we are classified as a PFIC for any year during which a U.S. holder holds our common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our common shares.

We are exposed to credit risk through our cash and cash equivalents held at financial institutions.

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations. We are exposed to credit risk through our cash and cash equivalents held at financial institutions. We have cash balances at four financial institutions. We have not experienced any loss on these accounts, although balances in the accounts may exceed the insurable limits.

Some of our officers and directors have conflicts of interest and cannot devote a substantial amount of time to our company.

Certain of our current directors and officers are, and may continue to be, involved in other industries through their direct and indirect participation in corporations, partnerships or joint ventures which may be potential competitors of ours. Several of our officers work for us on a part time basis. These officers have discretion as to what time they devote to our activities, which may result in lack of availability when needed due to responsibilities at other jobs. In addition, situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with our interests. Directors and officers with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies. Certain of our directors and officers will only devote a portion of their time to our business and affairs and some of them are or will be engaged in other projects or businesses.

Our ability to issue an unlimited number of common shares and preferred shares may have anti-takeover effects that could discourage, delay or prevent a change of control and may result in dilution to our investors.

Our charter documents currently authorize the issuance of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value in one or more series without the requirement that we obtain any shareholder approval. The Board could authorize the issuance of additional preferred shares that would grant holders rights to our assets upon liquidation, special voting rights, redemption rights. That could impair the rights of holders of common shares and discourage a takeover attempt. In addition, in an effort to discourage a takeover attempt, our Board could issue an unlimited number of additional common shares. There are currently no preferred shares outstanding. If we issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer substantial dilution in their net book value per share depending on market conditions and the price at which such securities are sold. If we issue any such additional shares, such issuances also will cause a reduction in the proportionate ownership and voting power of all other shareholders.

Issuances of common shares upon exercise or conversion of convertible securities, including pursuant to our equity incentive plans and outstanding share purchase warrants and convertible notes could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

As of December 14, 2021, we have share purchase warrants to purchase 73,148,824 common shares outstanding at exercise prices ranging from $0.055 to $0.23 and options to purchase 7,250,000 common shares with a weighted average exercise price of CDN $0.79 and notes convertible into 118,391,331 common shares based on conversion prices ranging from $0.042 to $0.12 per share. The issuance of the common shares underlying the share purchase warrants, options and convertible notes will have a dilutive effect on the percentage ownership held by holders of our common shares.

The risks associated with penny stock classification could affect the marketability of our common shares and shareholders could find it difficult to sell their shares.

Our common shares are currently subject to "penny stock" rules as promulgated under the Securities and Exchange Act of 1934, as amended. The SEC adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Transaction costs associated with purchases and sales of penny stocks are likely to be higher than those for other securities. Penny stocks generally are equity securities with a price of less than $5.00 (other than securities listed on certain national securities exchanges, provided that current price and volume information with respect to transactions in such securities is provided by the exchange).

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules, the broker- dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common shares in the United States and shareholders may find it more difficult to sell their shares.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under the Business Corporations Act (Ontario). The rights of holders of our common shares are governed by the laws of the Province of Ontario, including the Business Corporations Act (Ontario), by the applicable laws of Canada, and by our Articles, as amended (the "Articles"), and our bylaws (the "bylaws"). These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. The principal differences include without limitation the following:

Under the *Business Corporations Act* (Ontario), we have a lien on any common share registered in the name of a shareholder or the shareholder's legal representative for any

debt owed by the shareholder to us. Under U.S. state law, corporations generally are not entitled to any such statutory liens in respect of debts owed by shareholders. Our bylaws also provide that at least 25% of our Board of Directors must be resident Canadians.

With regard to certain matters, we must obtain approval of our shareholders by way of at least 66 2/3% of the votes cast at a meeting of shareholders duly called for such purpose being cast in favor of the proposed matter. Such matters include without limitation: (a) the sale, lease or exchange of all or substantially all of our assets out of the ordinary course of our business; and (b) any amendments to our Articles including, but not limited to, amendments affecting our capital structure such as the creation of new classes of shares, changing any rights, privileges, restrictions or conditions in respect of our shares, or changing the number of issued or authorized shares, as well as amendments changing the minimum or maximum number of directors set forth in the Articles. Under many U.S. state laws, the sale, lease, exchange or other disposition of all or substantially all of the assets of a corporation generally requires approval by a majority of the outstanding shares, although in some cases approval by a higher percentage of the outstanding shares may be required. In addition, under U.S. state law the vote of a majority of the shares is generally sufficient to amend a company's certificate of incorporation, including amendments affecting capital structure or the number of directors.

Pursuant to our bylaws, two persons holding 5% of the shares entitled to vote at the meeting present in person or represented by proxy and each entitled to vote thereat shall constitute a quorum for the transaction of business at any meeting of shareholders. Under U.S. state law, a quorum generally requires the presence in person or by proxy of a specified percentage of the shares entitled to vote at a meeting, and such percentage is generally not less than one-third of the number of shares entitled to vote.

Under rules of the Ontario Securities Commission, a meeting of shareholders must be called for consideration and approval of certain transactions between a corporation and any "related party" (as defined in such rules). A "related party" is defined to include, among other parties, directors and senior officers of a corporation, holders of more than 10% of the voting securities of a corporation, persons owning a block of securities that is otherwise sufficient to affect materially the control of the corporation, and other persons that manage or direct, to a substantial degree, the affairs or operations of the corporation. At such shareholders' meeting, votes cast by any related party who holds common shares and has an interest in the transaction may not be counted for the purposes of determining whether the minimum number of required votes have been cast in favor of the transaction. Under U.S. state law, a transaction between a corporation and one or more of its officers or directors can generally be approved either by the shareholders or by a majority of the directors who do not have an interest in the transaction.

Neither Canadian law nor our Articles or bylaws limit the right of a non-resident to hold or vote our common shares, other than as provided in the Investment Canada Act (the "Investment Act"), as amended by the World Trade Organization Agreement Implementation Act (the "WTOA Act"). The Investment Act generally prohibits implementation of a direct reviewable investment in a Canadian business, as defined in the Investment Act, by an individual, government or agency thereof, corporation, partnership, trust or joint venture that is not a "Canadian," as defined in the Investment Act (a "non-Canadian"), unless, after review, the Minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada. An investment in our common shares by a non-Canadian (other than a "WTO Investor," as defined below) would be reviewable under the Investment Act if it were an investment to directly acquire control of our company, and the value of our assets were CDN$5.0 million or more (provided that immediately prior to the implementation of the investment in our company, it was not controlled by WTO Investors). An investment in our common shares by a WTO Investor (or by a non- Canadian other than a WTO Investor if, immediately prior to the implementation of the investment our company was controlled by WTO Investors) would be reviewable under the Investment Act if it were an investment to directly acquire control and the value of our assets or our enterprise value was equal to or exceeded certain threshold amounts determined on an annual basis.

The threshold for a pre-closing net benefit review depends on whether the purchaser is: (a) controlled by a person or entity from a member of the WTO; (b) a state-owned enterprise (SOE); or (c) from a country considered a "Trade Agreement Investor" under the Investment Act. A different threshold also applies if the Canadian business carries on a cultural business.

The 2021 threshold for WTO investors that are state-owned enterprises ("SOEs"), as defined in the Investment Act, will be CDN$415 million based on the book value of the Canadian business' assets.

The 2021 thresholds for review for direct acquisitions of control of a publicly-traded Canadian entity by private sector investor WTO investors (CDN$1.043 billion) and private sector trade agreement investors (CDN$1.565 billion) are both based on the "enterprise value" of the Canadian business being acquired, where the enterprise value is the target's market capitalization, plus total liabilities (less operating liabilities), minus cash and cash equivalents.

A non-Canadian, whether a WTO Investor or otherwise, would be deemed to acquire control of our company for purposes of the Investment Act if he or she acquired a majority of our common shares. The acquisition of less than a majority, but at least one-third of the shares, would be presumed to be an acquisition of control of our company, unless it could be established that we are not controlled in fact by the acquirer through the ownership of the shares. In general, an individual is a WTO Investor if he or she is a "national" of a country (other than Canada) that is a member of the WTO ("WTO Member") or has a right of permanent residence in a WTO Member. A corporation or other entity will be a "WTO Investor" if it is a "WTO Investor-controlled entity," pursuant to detailed rules set out in the Investment Act. The U.S. is a WTO Member. Certain transactions involving our common shares would be exempt from the Investment Act, including (i) an acquisition of our common shares if the acquisition were made in connection with the person's business as a trader or dealer in securities; (ii) an acquisition of control of our company in connection with the realization of a security interest granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Act; and (iii) an acquisition of control of our company by reason of an amalgamation, merger, consolidation or corporate reorganization, following which the ultimate direct or indirect control of our company, through the ownership of voting interests, remains unchanged. Under U.S. law, except in limited circumstances, restrictions generally are not imposed on the ability of non- residents to hold a controlling interest in a U.S. corporation.

The Canadian government may review and prohibit any level of investment by a non-Canadian in a Canadian business if it determines that the investment may be "injurious to national security".

We are required to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

We are required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC rules. As a result, we expect that compliance would increase our legal and financial compliance costs and is likely to make some activities highly time consuming and costly. We also expect that as we are now required to comply with the securities rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our Board of Directors.

We are an emerging growth company within the meaning of the Securities Act and intend to take advantage of certain reduced reporting requirements.

We are an "emerging growth company," as defined in section 2(a)(19) of the Securities Act. For as long as we continue to be an emerging growth company, we may take

advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act even if we cease to be a smaller reporting company with annual revenues of less than $100 million, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As an emerging growth company, we are required to report only two years of financial results and selected financial data compared to three and five years, respectively, for comparable data reported by other public companies. We may take advantage of these exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year: (a) following the fifth anniversary of the date of the first sale of our common shares pursuant to an effective registration statement filed under the Securities Act; (b) in which we have total annual gross revenue of at least $1.07 billion; or (c) in which we are deemed to be a large accelerated filer, which generally means the market value of our common shares that is held by non-affiliates exceeded $700.0 million as of the last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the price of our common shares may be more volatile in the event that we decide to make an offering of our common shares following this direct listing.

Claims of U.S. civil liabilities may not be enforceable against us

We are incorporated under Canadian law. Certain members of our Board of Directors and senior management are non- residents of the United States, and many of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments obtained in U.S. courts against them or us, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

The United States and Canada do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in Canada. In addition, uncertainty exists as to whether Canadian courts would entertain original actions brought in the United States against us or our directors or senior management predicated upon the securities laws of the United States or any state in the United States. Any final and conclusive monetary judgment for a definite sum obtained against us in U.S. courts would be treated by the courts of Canada as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that certain requirements are met. Whether these requirements are met in respect of a judgment based upon the civil liability provisions of the U.S. securities laws, including whether the award of monetary damages under such laws would constitute a penalty, is an issue for the court making such decision. If a Canadian court gives judgment for the sum payable under a U.S. judgment, the Canadian judgment will be enforceable by methods generally available for this purpose. These methods generally permit the Canadian court discretion to prescribe the manner of enforcement.

As a result, U.S. investors may not be able to enforce against us or our senior management, Board of Directors or certain experts named herein who are residents of Canada or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

Our ability to use our net operating losses and certain other tax attributes may be limited.

As of August 31, 2020, we had accumulated net operating losses (NOLs), of approximately CDN $31.0 million. Varying jurisdictional tax codes have restrictions on the use of NOLs, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs, R&D credits and other pre-change tax attributes to offset its post-change income may be limited. An ownership change is generally defined as a greater than 50% change in equity ownership. Based upon an analysis of our equity ownership, we do not believe that we have experienced such ownership changes and therefore our annual utilization of our NOLs is not limited. However, should we experience additional ownership changes, our NOL carry forwards may be limited.

We may be subject to liability for failure to comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934.

Through inadvertence, we did not comply with the requirements of Regulation 14A under the Exchange Act in connection with the annual and special meeting of our shareholders held on December 13, 2019 (the Meeting”). In particular: (a) the proxy statement prepared by our management complied with applicable Canadian proxy rules but failed to meet the form and disclosure requirements for proxy statements prescribed by Schedule 14A under the Exchange Act; (b) since item 4 of the agenda for the Meeting (approval of our Company’s advance notice by-law) and agenda item 5 (approval of a proposed consolidation (reverse split) of our outstanding common shares) are not among the routine matters excepted from Exchange Act Rule 14a-6, we were required but failed to file a preliminary copy of the proxy statement with the United States Securities and Exchange Commission at least 10 calendar days prior to the date on which the definitive proxy statement was sent to our Company’s shareholders, and thereby failed to give Staff at the SEC an opportunity to review and comment on the proxy statement; and (c) we proceeded under the Canadian “notice-and-access” rules for electronic posting of proxy materials rather than in compliance with Rule 14a-16 under the Exchange Act. In addition, we failed to timely comply with its obligation to file a current report on Form 8-K reporting on the results of the Meeting no later than December 19, 2019 (being the fourth business day following the date of the Meeting).

As a result of our failure to comply with Regulation 14A, the SEC may bring an enforcement action or commence litigation against us. If any claims or actions were to be brought against us relating to our lack of compliance with Regulation 14A, we could be subject to penalties, required to pay fines, make damages payments or settlement payments. In addition, any claims or actions could force us to expend significant financial resources to defend ourselves, could divert the attention of our management from our core business and could harm our reputation. However, we believe that the potential for any claims or actions is not probable.

Item 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Our registered office address in Canada is Suite 6000, 1 First Canadian Place, 100 King Street West, Toronto, Ontario M5X 1E2, Canada. Our principal executive offices are located at 15315 W. Magnolia Blvd, #120, Sherman Oaks, California 91403. The monthly base rent is $5,089 for the approximately 2,196 square foot premises and the lease term is five years.

As of August 31, 2021, TMC Capital and POSR held the exclusive right to mine, extract and produce oil and associated hydrocarbons and minerals from oil sands containing heavy oil and bitumen under mineral leases covering approximately 1,671,91 acres near Temple Mountain in the Asphalt Ridge area in Uintah County, Utah, including approximately 320 acres held under the TMC Mineral Sublease and an additional 1,351.91 acres held under three Temple Mountain SITLA Leases. In 2019, TMC Capital acquired the operating rights under five BLM Leases covering lands consisting of approximately 5,960 acres situated in Uintah, Wayne and Garfield Counties, Utah. We have recently completed the construction and initial expansion of our Asphalt Ridge Plant, which currently covers an area of approximately 20,000 square feet and is located on three acres of land within the lands included within the TMC Mineral Sublease in Uintah County, Utah.

More recently, TMC Capital, POSR and Valkor entered into a reciprocal assignment exchange agreement dated October 15, 2021, under which (1) TMC and POSR assigned to Valkor all of their rights and interests in the TMC Mineral Lease (and the Short-Term Mining Lease held by Valkor) and in the Temple Mountain SITLA Lease, and (2) Valkor assigned to TMC Capital all of its rights and interests (including the record lease title and operating rights) in the Asphalt Ridge NW Leases consisting of three Utah

state mineral leases located in the Asphalt Ridge Northwest area of Uintah County, Utah. Under this agreement, once the exchange of SITLA Leases is approved by SITLA, Petroteq (acting through TMC Capital) will hold three new SITLA Leases encompassing approximately 3,458.22 acres in an area called "Asphalt Ridge Northwest".

In addition, under other agreements entered into between or among TMC Capital, POSR and Valkor in October 2021, (a) Valkor granted to TMC Capital the right to participate, up to a 50% working interest, in all exploratory, mining and production operations conducted by Valkor under its Short-Term Mining Lease encompassing the acreage that is subject to the TMC Mineral Sublease, and (b) TMC Capital granted to Valkor the operating rights in at or below 500 feet below the surface under the Asphalt Ridge NW Leases, with TMC Capital reserving the right to participate, at up to a 50% working interest, in all exploratory and production operations conducted by Valkor in deeper (below 500 feet subsurface or more) oil sands deposits and reservoirs.

With the recent reciprocal exchange of mineral leases by TMC Capital, POSR and Valkor, Petroteq (through POSR) will continue to own the Asphalt Ridge Plant in the Temple Mountain area of Asphalt Ridge. In addition, it is anticipated that Petroteq (acting through TMC Capital) and Valkor will, during the ensuing year, will determine whether a new 5,000 BPD oil sands processing plant utilizing Petroteq's Clean Oil Recovery Technology should be constructed and operated on lands covered by the Asphalt Ridge NW Leases.

Item 3. Legal Proceedings.

Legal Matters

On December 27, 2018, the Company executed and delivered: (i) a Settlement Agreement (the "Settlement Agreement") with Redline Capital Management S.A. ("Redline") and Momentum Asset Partners II, LLC; (ii) a secured promissory note payable to Redline in the principal amount of $6,000,000 (the "Note") with a maturity date of 27 December 2020, bearing interest at 10% per annum; and (iii) a Security Agreement (together with the Settlement Agreement and the Note, the "Redline Agreements") among the Company, Redline, and TMC, an indirect wholly-owned subsidiary of the Company.

After undertaking an in-depth analysis of the Redline Agreements in the context of the underlying transactions and events, special legal counsel to the Company has opined that the Redline Agreements are likely void and unenforceable.

The Company's special legal counsel regards the possibility of Redline's success in pursuing any claims against the Company or TMC under the Redline Agreements as less than reasonably possible and therefore no provision has been raised against these claims.

The Company is currently evaluating the options and remedies that are available to it to ensure that the Redline Agreements are declared as void or are rescinded and extinguished.

From time to time, we are the subject of litigation arising out of our normal course of operations. While we assess the merits of each lawsuit and defends itself accordingly, we may be required to incur significant expenses or devote significant resources to defend ourselves against such litigation. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Except as disclosed in this paragraph, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), which may have, or have had during the 12 months prior to the date of this registration statement, a significant effect on our and/or our financial position or profitability. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, management has no reason to believe that the ultimate outcome of these matters would have a significant impact on our consolidated financial position.

Item 4. Mine Safety Disclosures

We will commence open cast mining at our TMC sites once our plant is fully operational. In terms of the additional disclosure required, we provide the following information.

1. TMC Mining Operations:

TMC Capital's mining operations are conducted primarily at Asphalt Ridge Mine #1, which is located on lands covered by the TMC Mineral Sublease in the Temple Mountain area of Utah's Asphalt Ridge, an area located along the northern edge of the Uintah Basin and containing oil sands deposits located at or near the surface, particularly the acreage located in T5S-R22E (Section 31) where Asphalt Ridge Mine #1 is located.

(i) *The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 814) for which the operator received a citation from the Mine Safety and Health Administration.*

None.

(ii) *The total number of orders issued under section 104(b) of such Act (30 U.S.C. 814(b)).*

None.

(iii) *The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of such Act (30 U.S.C. 814(d)).4.*

None.

(iv) *The total number of flagrant violations under section 110(b)(2) of such Act (30 U.S.C. 820(b)(2)).*

None.

(v) *The total number of imminent danger orders issued under section 107(a) of such Act (30 U.S.C. 817(a)).*

None.

(vi) *The total dollar value of proposed assessments from the Mine Safety and Health Administration under such Act (30 U.S.C. 801 et seq.).*

None.

(vii) *The total number of mining-related fatalities.*

None.

(viii) *Written notifications received of:*

a) A pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of such Act (30 U.S.C. 814(e)); or

None

b) The potential to have such a pattern.

None, that we are aware of.

c) Any pending legal action before the Federal Mine Safety and Health Review Commission involving such mine.

None

PART II.

Item 5. Market Price Of, And Dividends On The Registrant's Common Equity And Related Stockholder Matters.

Our common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "PQE.V".

At December 10, 2021, there were approximately 261 holders of record of our common shares.

Since inception, no dividends have been paid on the common shares. We intend to retain any earnings for use in its business activities, so it is not expected that any dividends on the common shares will be declared and paid in the foreseeable future.

As at August 31, 2021, there were 564,159,881 common shares issued and outstanding, which are listed for trading on the TSXV, share purchase warrants to purchase 73,148,824 common shares were outstanding and share purchase options to purchase 7,250,000 common shares were outstanding under the 2019 Option Plan (or its predecessors plans). See Item 6.B "Compensation – Stock Plan" for additional information regarding the 2019 Option Plan (or its predecessors plans).

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company of Canada.

Equity Compensation Plan Information

See Item 11—Executive Compensation for equity compensation plan information.

Recent Sales of Unregistered Securities

Sales of unregistered securities have been disclosed previously in the Company's Current Reports on Form 8-K, as filed with the SEC.

Issuer Purchases of Equity Securities

There were no issuer purchases of equity securities during the fiscal year ended August 31, 2021.

Performance Graph and Purchases of Equity Securities

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 6. Selected Financial Data

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations for the years ended August 31, 2021 and August 31, 2020

Net Revenue, Cost of Sales and Gross Loss

The Company entered into a Management and Operations Services Agreement with Valkor LLC on November 20, 2020, effective May 1, 2020. Valkor is an energy services company with expertise in oil and gas processing providing engineering, design optimization and construction as well as other services. Valkor has effected several process improvements to the Asphalt Ridge Plant and has optimized workflows. The Plant suspended operations in August 2021 but we anticipate a re-start of operations in February-March 2022.

During the current period, the Company entered into a Technology License Agreement with Valkor whereby Valkor paid $2,000,000 for a non-exclusive license to the Petroteq Oil Sands Recovery Technology. Since the Company has no obligation to deliver any technology or know-how on an ongoing basis to Valkor, therefore the revenue is recognizable immediately.

There has been no sale of hydrocarbon products during the year ended August 31, 2021 and minimal sales of $290,809 for the year ended August 31, 2020. Revenue represents the sale of hydrocarbon products for use as asphalt and to refineries that require or accept the commercial quality of our hydrocarbon products.

The cost of sales during the years ended August 31, 2021 and 2020 consists of: a) advance royalty payments which could be applied against production royalties for two years after the year in which the payment was made, the remaining balance of the advanced royalties were expensed during the prior year due to the termination of the TMC Mineral Lease; and b) certain production related expenses consisting of labor and maintenance expenditure.

Expenses

Expenses was $9,382,891 and $9,968,209 were incurred during the years ended August 31, 2021 and 2020, respectively, a decrease of $585,318 or 5.9%. The decrease in operating expenses is primarily due to:

Depletion, depreciation and amortization

Depletion, depreciation and amortization was $45,810 and $103,888 for the years ended August 31, 2021 and 2020, respectively, a decrease of $58,078 or 55.9%. The Company has ceased depletion, depreciation and amortization on production related assets and reserves until such time as the plant recommences operations, which is expected to occur as soon as the plant becomes operational under the Valkor Management and operations Services Agreement. The decrease in depreciation expense is primarily related to the depreciation of office leasehold improvements during the prior fiscal year.

Selling, general and administrative expenses

Selling, general and administrative expenses of $4,218,624 and $6,183,745 for the years ended August 31, 2021 and 2020, respectively, a decrease of $1,965,121 or 31.8%. Included in selling, general and administrative expenses are the following major expenses:

a. Investor relations and public relations fees were $45,000 and $(92,179) for the years ended August 31, 2021 and 2020, an increase of $137,179 or 148.8%. The increase is primarily related to unfulfilled commitments by our investor relations and public relations vendors, resulting in the reversal of accrued expenses in the prior period and management concentrating its efforts and resources on developing a commercial strategy and plant analysis to determine the most appropriate course of action.

b. Professional fees were $1,596,754 and $2,614,540 for the years ended August 31, 2021 and 2020, respectively, a decrease of $1,017,786 or 38.9%. The decrease is primarily due to lower consulting expenses incurred on strategy and marketing efforts as we focused all of our attention on a commercial strategy and plant analysis to determine the most appropriate course of action.

c. Salaries and wages were $350,478 and $1,043,647 for the years ended August 31, 2021 and 2020, respectively, a decrease of $693,169 or 66.4%. The decrease is due to outsourcing of the operating site to a third party during the prior year.

d. Share based compensation was $603,244 and $887,818 for the years ended August 31, 2021 and 2020, respectively, a decrease of $284,574 or 32.1%. The decrease is related to the prior year resignation of certain officers and directors and the expiration of option awards granted to them, resulting in the cessation of amortization related to those option awards and the full amortization of the remaining options outstanding which are now fully vested.

e. Travel and promotional expenses were $700,724 and $713,662 for the years ended August 31, 2021 and 2020, respectively, a decrease of $12,938 or 1.8%. The decrease is insignificant and the expense includes some promotional expenditure incurred in the fourth quarter of the current year as management considers its strategy to commercialize the operation and its strategy to achieve this.

f. Other expenses were $922,424 and $1,016,257 for the years ended August 31, 2021and 2020, respectively, a decrease of $93,833 or 9.2%. The decrease is due to a reduction in general corporate overhead.

Financing costs

Financing costs were $4,727,580 and $2,671,611 for the years ended August 31, 2021 and 2020, respectively, an increase of $2,055,969 or 77.0%. Finance costs consists of; (i)interest expense on borrowings of $1,820,459 and $1,256,985 for the years ended August 31, 2021 and 2020, respectively, an increase of $563,474, primarily attributable to penalty interest incurred on the Bay Private equity debt which was assigned to Bellridge during the current year of which a portion was converted to equity; and (ii) amortization of debt discount of $2,907,121 and $1,414,626 for the years ended August 31,2021 and 2020, respectively, an increase of $1,492,495 or 105.5%. primarily due to new debt issued during the current fiscal period with beneficial conversion features and warrants attached thereto, resulting in a substantial debt discount being recorded and amortized over the debt term.

Impairment of investments

Impairment of investments was $0 and $75,000 for the years ended August 31, 2021 and 2020, respectively. In the prior period the remaining commitment to fund our dormant Bitcoin operation was provided for upon settlement of our obligation.

Other expense (income), net

Other expenses (income), net were $1,563,902 and $746,564 for the years ended August 31, 2021 and 2020, respectively, an increase of $817,338 and represents the following:

a. Loss (gain) on settlement of liabilities was $48,283 and $(524,971) for the years ended August 31, 2021 and 2020, respectively, an increase of $1,290,592. In the current fiscal year we settled debt We settled debt of $3,570,688 by the issuance of shares during the current fiscal year, realizing a small loss on settlement of $48,2383 in the prior year we settled debt of $2,533,655 by the issuance of shares, realizing a gain on settlement due to the difference between the agree per share settlement price and the market price of the shares on the date of settlement. In the prior year we incurred a loss on settlement due to the difference between the agree per share settlement price and the market price of the shares on the date of settlement.

b. Loss on conversion of convertible debt was $1,033,921 and $744,918 for the years ended August 31, 2021 and 2020, respectively. During the current year and prior year several convertible notes with variable conversion rates were converted to equity at a discount to current market prices, resulting in a loss on conversion.

c. Loss (gain) on debt extinguishment was $416,480 and $(54,378) for the years ended August 31, 2021 and 2020, respectively. During the current year, we renegotiated the terms of several convertible notes, thereby realizing a loss on extinguishment of these notes of $416,480. In the prior year the gain was related to the amendment of terms related to certain of our debt obligations to remedy potential note defaults.

d. Penalty on convertible notes was $202,908 and $610,312 for the years ended August 31, 2021 and 2020, respectively. During the current year three notes were renegotiated resulting in a penalty increase in the principal balance of the note outstanding in the aggregate sum of $202,908. During the prior year a convertible note with an aggregate principal amount outstanding of $2,900,000 enforced a default penalty, resulting in an increase in the face value of the note by $610,312 as of the date of the default, this note was subsequently assigned to a third party and amended to rectify the maturity date default.

e. Forgiveness of federal relief loans was $133,890 and $0 for the years ended August 31, 2021 and 2020, respectively. The company applied for forgiveness of three Payroll Protection Program (“PPP”) loan during the current year of which one was approved prior to year end and a second approved subsequent to year end.

a. Interest income on funds advanced to third parties was $3,800 and $29,317 for the years ended August 31, 2021 and 2020, respectively, a decrease of $25,517. The decrease is primarily due to the lower balances due to the Company from third parties during the current year.

Derivate liability movements

Derivative liability movements was $(1,173,025) and $187,401 for the years ended August 31, 2021 and 2020, respectively. During the current year, several variable conversion price convertible notes were converted into equity or repaid, thereby reducing the number of convertible notes subject to derivative liabilities. The New convertible notes that the Company has entered into are predominantly at fixed conversion prices.

Net loss before income taxes

Net loss before income tax was $9,474,243 and $12,379,067 for the years ended August 31, 2021 and 2020, respectively, a decrease of $2,904,824 or 23.5%, primarily due to the revenue received from licensing fees, the reduction in selling, general and administrative expenses, the positive movement in derivative liabilities, offset by the increase in financing costs and other expense. As discussed above.

Net loss and comprehensive loss

Net loss and comprehensive loss was $9,474,243 and $12,379,067 for the years ended August 31, 2021 and 2020, respectively, a decrease of $2,904,824 or 23.5%, as discussed above.

Liquidity and Capital Resources

As at August 31, 2021, the Company had liquidity of approximately $1,012,929, which is composed entirely of cash. The Company also had a working capital deficiency of approximately $6,264,427, due primarily to increase in accounts payable, convertible debentures, related party advances made to the Company and the value of the derivative liability as of August 31, 2021. To date, we have not generated sufficient revenue to support our operating and general and administrative expenses. During the year ended August 31, 2021, we raised $3,496,949 in private placements, $635,706 in warrants exercised by investors, a further net proceeds of $3,936,402 from convertible debt and a further $267,716 from Federal relief loans. These funds were primarily used to fund operational expenditure and investments into the oil extraction technology during the current year.

The Company continues to work on several other financing options to secure additional financing on reasonable terms. However, should the Company not be able to secure such funding its liquidity may not be sufficient to fund its operations, debt obligations, obligations under its mineral leases and the capital needed to complete development of its Extraction Technology.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be reinvested to finance the growth of its business.

Capital Expenditures

The Company has spent an additional $5,512,715 on capital expenditure during the current year of which $We have spent an additional $2,408,515 was settled in cash and a further $3,104,200 was settled by the issuance of common shares.

The company is currently considering its options on utilizing the oil extraction plant to generate revenues and determining the feasibility of constructing new plants with substantial production capability, however at significant cost, estimated to be in excess of $100 million.

Other Commitments and Contingencies

In addition to commitments otherwise reported in this MD&A, the Company’s contractual obligations as at August 31, 2021, include:

		Contractual cash flows			
(in ’000s of dollars)	**Carrying amount**	**Total**	**1 year or less**	**2 - 5 years**	**More than 5 years**
Accounts payable	$ 2,106	$ 2,106	$ 2,106	$ -	$ -
Accrued liabilities	1,565	1,565	1,565	-	-
Convertible debenture	6,148	12,084	6,690	5,394	-
Finance lease liabilities	75	81	81	-	-
Operating lease liabilities	167	195	63	132	-
Federal relief loans	728	1,070	292	53	725
	$ 10,789	$ 17,101	$ 10,797	$ 5,579	$ 725

Legal Matters

On December 27, 2018, the Company executed and delivered: (i) a Settlement Agreement (the "Settlement Agreement") with Redline Capital Management S.A. ("Redline") and Momentum Asset Partners II, LLC; (ii) a secured promissory note payable to Redline in the principal amount of $6,000,000 (the "Note") with a maturity date of 27 December 2020, bearing interest at 10% per annum; and (iii) a Security Agreement (together with the Settlement Agreement and the Note, the "Redline Agreements") among the Company, Redline, and TMC Capital, LLC ("TMC"), an indirect wholly-owned subsidiary of the Company.

After undertaking an in-depth analysis of the Redline Agreements in the context of the underlying transactions and events, special legal counsel to the Company has opined that the Redline Agreements are likely void and unenforceable.

The Company's special legal counsel regards the possibility of Redline's success in pursuing any claims against the Company or TMC under the Redline Agreements as less than reasonably possible and therefore no provision has been raised against these claims.

The Company is currently evaluating the options and remedies that are available to it to ensure that the Redline Agreements are declared as void or are rescinded and extinguished.

Recently Issued Accounting Pronouncements

The recent Accounting Pronouncements are fully disclosed in note 2 to our consolidated financial statements.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying unaudited condensed consolidated financial statements.

Off-balance sheet arrangements

We do not maintain off-balance sheet arrangements, nor do we participate in non-exchange traded contracts requiring fair value accounting treatment.

Inflation

The effect of inflation on our revenue and operating results was not significant.

Climate Change

We believe that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 8. Financial Statements and Supplemental Data

HAY & WATSON | Chartered Professional Accountants

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Petroteq Energy Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Petroteq Energy Inc. (the "Company") as of August 31, 2021 and 2020, the related consolidated statements of *loss and comprehensive loss, changes in shareholders' equity and cash flows* for each of the two years in the period ended August 31, 2021, and the related notes (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company*as of* August 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two year period ended August 31, 2021, in conformity with *U.S. generally accepted accounting principles.*

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has had recurring losses from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on

our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

We believe that our audits provide a reasonable basis for our opinion.

/s/ **Hay & Watson**

Chartered Professional Accountants
Vancouver, British Columbia, Canada
December 14, 2021
We have served as the Company's independent auditor since *2012*

PETROTEQ ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
As at August 31, 2021 and 2020
Expressed in US dollars

	Notes	August 31, 2021	August 31, 2020
ASSETS			
Current assets			
Cash		$ 1,012,929	$ 62,404
Trade and other receivables	4	17,303	12,830
Ore inventory	5	16,800	14,749
Other inventory		90,176	12,250
Current portion of notes receivable	6	522,959	89,159
Prepaid expenses and other current assets	1,8	2,539,120	2,043,510
Total Current Assets		**4,199,287**	**2,234,902**
Non-Current assets			
Mineral leases	9	34,911,143	34,911,143
Property, plant and equipment	10	41,049,417	35,582,512
Right of use asset	11	167,048	209,101
Intangible assets	12	707,671	707,671
Total Non-Current Assets		**76,835,279**	**71,410,427**
Total Assets		**$ 81,034,566**	**$ 73,645,329**
LIABILITIES			
Current liabilities			
Accounts payable	13	$ 2,105,449	$ 2,406,665
Accrued expenses	13	1,564,616	1,769,749
Ore Sale advances		283,976	283,976
Promissory notes payable	14	23,298	8,000
Debt	15	-	683,547
Current portion of convertible debentures, net of discount of $529,372 and $559,178, respectively	16	5,255,874	8,227,257
Current portion of Federal relief loans	17	291,332	74,383
Current portion of finance lease liabilities	11	75,058	172,374
Current portion of operating lease liabilities	11	48,376	42,053
Related party payables	24	493,549	680,647
Derivative liability	18	322,186	841,385
Total Current Liabilities		**10,463,714**	**15,190,036**
Non-Current liabilities			
Convertible debentures, net of discount of $3,449,338 and $613,934, respectively	16	891,662	607,067
Federal relief loans	17	437,096	505,969
Finance lease liabilities	11	-	75,058
Operating lease liabilities	11	118,672	167,048
Reclamation and restoration provision	17	2,970,497	2,970,497
Total Non-Current Liabilities		**4,417,927**	**4,325,639**
Total Liabilities		**14,881,641**	**19,515,675**
Commitments and contingencies	31		
SHAREHOLDERS' EQUITY			
Share capital	20,21,22	166,291,517	144,794,003
Deficit		(100,138,592)	(90,664,349)

Total Shareholders' Equity	**66,152,925**	**54,129,654**
Total Liabilities and Shareholders' Equity	**$ 81,034,566**	**$ 73,645,329**

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

PETROTEQ ENERGY, INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended August 31, 2021 and 2020
Expressed in US dollars

	Notes	Year ended August 31, 2021	Year ended August 31, 2020
Revenue from licensing fees		$ 2,000,000	$ -
Revenues from hydrocarbon sales		-	290,809
Production and maintenance costs		(2,091,352)	(1,713,638)
Advance royalty payments applied or expired	7	-	(988,029)
Gross Loss		**(91,352)**	**(2,410,858)**
Expenses			
Depreciation, depletion and amortization	10	45,810	103,888
Selling, general and administrative expenses	26	4,218,624	6,183,745
Financing costs	27	4,727,580	2,671,611
Impairment of investments	25	-	75,000
Other expenses (income), net	28	1,563,902	746,564
Derivative liability movements	18	(1,173,025)	187,401
Total Expenses, net		9,382,891	9,968,209
Net loss before income taxes		**9,474,243**	**12,379,067**
Income tax expense		-	-
Net loss and Comprehensive loss		**9,474,243**	**12,379,067**
Weighted Average Number of Shares Outstanding		419,251,881	201,401,437
Basic and Diluted Loss per Share		$ (0.02)	$ (0.06)

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

PETROTEQ ENERGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended August 31, 2021 and 2020
Expressed in US dollars

	Number of Shares Outstanding	Share Capital	Deficit	Shareholders' Equity
Balance at August 31, 2019	176,241,746	$ 136,104,245	$ (78,285,282)	$ 57,818,963
Settlement of acquisition obligation	250,000	75,000	-	75,000
Settlement of liabilities	8,540,789	1,624,130	-	1,624,130
Settlement of debt	19,853,808	822,529	-	822,529
Settlement of related party payables	2,356,374	86,996	-	86,996
Common share subscriptions	39,001,185	3,143,374	-	3,143,374
Share-based payments	190,000	38,193	-	38,193
Share-based compensation	-	887,818	-	887,818
Conversion of convertible debt	28,016,435	1,155,059	-	1,155,059
Beneficial conversion feature on debt extinguishment	-	109,275	-	109,275
Fair value of convertible debt warrants issued	-	747,384	-	747,384
Net loss	-	-	(12,379,067)	(12,379,067)
Balance at August 31, 2020	274,450,337	144,794,003	(90,664,349)	54,129,654
Conversion of convertible debt	171,906,658	8,656,080	-	8,656,080
Settlement of liabilities	73,596,345	3,618,971	-	3,618,971
Common shares subscriptions	28,490,802	3,496,949	-	3,496,949
Warrants exercised	14,690,739	635,706	-	635,706
Share based payments	1,025,000	62,290	-	62,290
Share-based compensation	-	603,244	-	603,244
Fair value of convertible debt warrants issued	-	2,280,089	-	2,280,089
Fair value of beneficial conversion feature of convertible notes issued	-	2,144,185	-	2,144,185
Net loss			(9,474,243)	(9,474,243)
Balance at August 31, 2021	564,159,881	166,291,517	(100,138,592)	(66,152,925)

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

PETROTEQ ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2021 and 2020
Expressed in US dollars

	Year ended August 31, 2021	Year ended August 31, 2020
Cash flow used for operating activities:		
Net loss	$ (9,474,243)	$ (12,379,067)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	45,810	103,888
Amortization of debt discount	2,907,121	1,414,626
Loss on conversion of debt	1,033,921	744,918
Penalty on convertible debt	202,908	610,312
Loss (gain) on debt extinguishment	330,256	(54,378)
Loss (gain) on share based settlements	48,283	(524,971)
Impairment of investments	-	75,000
Share-based compensation	603,244	887,818
Shares issued for services	62,290	38,193
Shares issued to settle liabilities	-	2,055,083
Non-cash compensation expense	-	553,333
Derivative liability movement	(1,173,025)	187,401
Forgiveness of federal relief loan	(133,890)	-
Non-cash amortization of advanced royalty payments	-	988,029
Other	17,751	8,315
Changes in operating assets and liabilities:		
Accounts payable	165,273	324,909
Accounts receivable	(434,473)	131,183
Accrued expenses	1,750,804	118,830
Prepaid expenses and deposits	(495,610)	65,610
Inventory	(79,977)	188,831
Net cash used for operating activities	(4,623,557)	(4,462,137)
Cash flows used for investing activities:		
Purchase and construction of property and equipment	(2,408,515)	(2,072,750)
Mineral rights deposits paid	-	(610,000)
Investment in notes receivable	-	(702,612)
Proceeds from notes receivable	-	1,150,522
Advance royalty payments - net	-	(120,000)
Net cash used for investing activities	(2,408,515)	(2,354,840)
Cash flows from financing activities:		
Advances from related parties	-	724,902
Repayments to related parties	(187,098)	
Proceeds on private equity placements	3,496,949	3,143,374
Proceeds from warrants exercised	635,706	-
Payments of debt	(10,000)	(35,808)
Payment of finance lease liability	(172,375)	(157,388)
Proceeds from convertible debt	4,138,500	2,337,438
Repayment of convertible debt	(202,098)	(117,500)
Proceeds from promissory notes	600,000	356,154
Repayment of promissory notes	(584,703)	-
Proceeds from Federal relief loans	267,716	577,490
Net cash from financing activities	7,982,597	6,828,662
Increase in cash	950,525	11,685
Cash, beginning of the period	62,404	50,719
Cash, end of the period	$ 1,012,929	$ 62,404
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 245,459	$ 284,753
Non-cash financing and investing activities:		
Value of warrants issued to convertible debt holders	$ 2,280,089	$ 747,384
Beneficial conversion feature on debt extinguishment	$ -	$ 109,275
Beneficial conversion feature of convertible debt issued	$ 2,144,185	$ -
Shares issued on conversion of convertible debt	$ 8,656,081	$ 1,155,059
Shares issued to settle debt	$ 3,618,971	$ 822,529
Shares issued to settle related party payables	$ -	$ 86,996

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

PETROTEQ ENERGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended August 31, 2021 and 2020
Expressed in US dollars

1. GENERAL INFORMATION

The Company is a holding company organized under the laws of Ontario, Canada, that is engaged in various aspects of the oil and gas industry. Our primary focus is on the development and implementation of our proprietary oil sands mining and processing technology to recover oil from surface mined bitumen deposits. Our wholly-owned subsidiary, Petroteq Energy CA, Inc., a California corporation ("PCA"), conducts our oil sands extraction business through two wholly owned operating companies, Petroteq Oil Sands Recovery, LLC, a Utah limited liability company ("POR"), and TMC Capital, LLC, a Utah limited liability company ("TMC Capital").

The Company's registered office is located at Suite 6000, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1E2, Canada and its principal operating office is located at 15315 W. Magnolia Blvd, Suite 120, Sherman Oaks, California 91403, USA.

Through PCA, our wholly-owned subsidiary, and PCA's two subsidiaries POR and TMC Capital, we are in the business of exploring for, extracting and producing oil and hydrocarbon products from oil sands deposits and sediments located in the Asphalt Ridge Are of Uintah County, Utah, utilizing our proprietary extraction technology (the "Petroteq Clean Oil Recovery Technology" or "Extraction Technology"). Our primary oil sands extraction and processing operations are conducted at our Asphalt Ridge processing facility (herein the "Asphalt Ridge Plant" or "Plant"), which is owned by POR.

Petroteq owns the intellectual property rights to the Petroteq Clean Oil Recovery Technology which is used at our Asphalt Ridge Plant to extract and produce crude oil from oil sands utilizing a closed-loop solvent based extraction system.

Through its acquisition of TMC Capital in June 2015, Petroteq indirectly acquired certain mineral rights under the TMC Mineral Lease, which encompassed approximately 1,229.82 acres of land in the Temple Mountain area of Asphalt Ridge in Uintah County, Utah. On or about August 10, 2020, the TMC Mineral Lease in its original form was terminated and a new Short-Term Mining Lease, dated the same date, was entered into between Asphalt Ridge, Inc., as lessor, and Valkor, as lessee. Valkor and TMC Capital thereafter entered into a Short-Term Mining and Mineral Sublease dated August 20, 2020, in which all of Valkor's rights and interests under the Short-Term Mining Lease were subleased to TMC Capital.

In June 2018, Petroteq, acting through POSR, acquired the record lease title and all of the operating rights to produce oil from oil sands resources under two mineral leases entitled "Utah State Mineral Lease for Bituminous-Asphaltic Sands", each dated June 1, 2018, between the State of Utah's School and Institutional Trust Land Administration ("SITLA"), as lessor, and POSR, as lessee, covering lands consisting of approximately 1,351.91 acres that largely adjoin the lands covered by the TMC Mineral Lease. In March 2019, a third SITLA Lease was acquired by Petroteq that added 39.97 acres to the mix in the Temple Mountain area of Asphalt Ridge.

On January 18, 2019, the Company paid $10,800,000 for the acquisition of 50% of the operating rights under U.S. federal oil and gas leases, administered by the U.S. Department of Interior's Bureau of Land Management ("BLM") covering approximately 5,960 gross acres (2,980 net acres) within the State of Utah. The total consideration of $10,800,000 was settled by the payment of $1,800,000 and by the issuance of 15,000,000 shares at an issue price of $0.60 per share.

On July 22, 2019, the Company acquired the remaining 50% of the operating rights under U.S. federal oil and gas leases, administered by the BLM covering approximately 5,960 gross acres (2,980 net acres) within the State of Utah for a total consideration of $13,000,000 settled by the issuance of 30,000,000 shares at an issue price of $0.40 per share, and cash of $1,000,000, which has not been paid to date.

Between March 14, 2019 and August 31, 2021, the Company made cash deposits of $1,907,000 (acting through TMC Capital, included in prepaid expenses and other current assets on the consolidated balance sheets for the acquisition of 100% of the operating rights under U.S. federal oil and gas leases in Garfield and Wayne Counties, Utah, covering approximately 8,480 gross acres in P.R. Springs and the Tar Sands Triangle within the State of Utah. The total consideration of $3,000,000 has been partially settled by a cash payment of $1,907,000, with the balance of $1,093,000 still outstanding.

In a letter agreement dated April 17, 2020 between the transferor of the oil and gas leases and TMC Capital, as transferee, the parties, due to uncertainty as to whether all of the 10 leases for which the Company had initially paid deposits would be considered active by BLM and included in new Combined Hydrocarbon Leases (CHLs) under the Combined Hydrocarbon Act of 1981 - agreed to adjust the purchase price as follows: (a) should all 10 of the leases be available and included in CHL's, the Company will pay the additional $1,093,000 for the rights under the leases; (b) if only a portion of the leases ranging from 4 to 9 of the leases are available and included in CHL's, the final purchase price of the leases will be between $1.5 million and $2.5 million; and (c) notwithstanding the above, if after a period of 7 years from April 17, 2020, at least six of the leases are not determined to be active and are not included in CHLs the Company shall be entitled to demand a refund of $1.2 million or instruct the Seller to acquire other leases in the same area for up to $1.2 million.

Under the terms of a Management and operations Services Agreement ("Management Agreement") entered into between the Company and Valkor LLC, ("Valkor") dated November 22, 2020, effective May 1, 2020, Valkor will provide overall management and operations services at the oil sands recovery plant based in Utah. The agreement is for a period of one year and is renewable automatically for an additional four years unless either party provides the other party with written notice of non-renewal at least 90 days prior to the expiration of the original or renewal term. The company will reimburse Valkor for all costs and expenses incurred, as defined in the agreement, plus a Personnel Management Fee of 12% of the personnel costs and expenses and an operations Management Fee of 5% of the operations costs and expenses.

Valkor will provide the Company with quarterly production reports, including the following; (i) the quantity of oil bearing ore and sediments mined, extracted and produced from each of the leases and delivered to the plant; (ii) the quantity of oil products produced, saved and sold at the plant; (iii) the quantity of consumables purchased and used or consumed in operations and (iv) the gross proceeds derived from the sale of the oil products including applicable taxes and transportation costs incurred by Valkor.

Valkor will also provide quarterly operating reports detailing; (i) revenue received by Valkor from oil products sold; (ii) a detailed accounting of all costs and expenses; (iii) the operations Management fee and the Personnel Management fee earned during the quarter.

Valkor will also produce quarterly Royalty Reports to be delivered to a third party to calculate royalties due to the holders of royalty interest under the various mineral rights leases.

On November 24, 2020, the Company entered into a Technology License Agreement ("License Agreement") with Greenfield Energy, LLC ("Greenfield"), whereby the Company grants to Greenfield a non-exclusive, non-transferable license under the patent rights and know-how for use in the design, construction and operation of any and

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all future oil sands plants in the US. Greenfield agrees to pay a license fee of $2,000,000 for oil sands plants designed, developed and constructed by Greenfield. The parties recognize that $1,500,000 has been invested in the Petroteq Oil Sands plant based in Utah and that another $500,000 in further plant development and improvements. Greenfield will pay to the Company a 5% royalty based on net revenue received from production and disposition of licensed products, unless the licensed product is not covered by a valid claim then the royalty is reduced to 3%.

The Company has agreed to utilize Valkor as the exclusive provider of engineering, planning and construction for all oil sands plants built or Greenfield under this agreement, provide the fees charged by Valkor are reasonable and competitive.

The agreement will remain in effect from November 14, 2020 until the expiration of the last valid patent claim, unless terminated by default or bankruptcy.

Subsequent to year end, TMC Capital, POR and Valkor entered the Exchange Agreement, under which (1) TMC and POSR assigned to Valkor all of their rights and interests in the TMC Mineral Lease (and the Short-Term Mining Lease dated August 10, 2020 held by Valkor) and in the Temple Mountain SITLA Leases, and (2) Valkor assigned to TMC Capital all of its rights and interests (including the record lease title and operating rights) in the Asphalt Ridge NW Leases consisting of three Utah state mineral leases located in the Asphalt Ridge Northwest area of Uintah County, Utah. Under this agreement, once the exchange of SITLA Leases is approved by SITLA, Petroteq (acting through TMC Capital) will hold three new SITLA Leases encompassing approximately 3,458.22 acres in an area called “Asphalt Ridge Northwest”.

In addition, under other agreements entered into between or among TMC Capital, POSR and Valkor in October 2021, (a) Valkor granted to TMC Capital the right to participate, up to a 50% working interest, in all exploratory, mining and production operations conducted by Valkor under its Short-Term Mining Lease encompassing the acreage that is subject to the TMC Mineral Sublease, and (b) TMC Capital granted to Valkor the operating rights in at or below 500 feet below the surface under the Asphalt Ridge NW Leases, with TMC Capital reserving the right to participate, at up to a 50% working interest, in all exploratory and production operations conducted by Valkor in deeper (below 500 feet subsurface or more) oil sands deposits and reservoirs.

With the recent exchange of mineral leases by TMC Capital, POSR and Valkor, Petroteq (through POSR) will continue to own the Asphalt Ridge Plant in the Temple Mountain area of Asphalt Ridge. It is anticipated that Petroteq (acting through TMC Capital) and Valkor will, during the ensuing year, will determine whether a new 5,000 BPD oil sands processing plant utilizing Petroteq’s Clean Oil Recovery Technology should be constructed and operated on lands covered by the Asphalt Ridge NW Leases.

The assignment of the Temple Mountain SITLA leases by Petroteq’s subsidiaries to Valkor, and Valkor’s assignment of the Asphalt Ridge NW Leases to TMC Capital, are subject to approval by SITLA before the transactions are considered final. See Subsequent events note 34.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting policies (“US GAAP”) and have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are measured at fair value. The Company’s reporting currency and the functional currency of all of its operations is the U.S. dollar, as it is the principal currency of the primary economic environment in which the Company operates.

The Company is an “SEC Issuer” as defined under National Instrument 52-107 *“Accounting Principles and Audit Standards”* and is relying on the exemptions of Section 3.7 of NI 52-107 and of Section 1.4(8) of the Companion Policy to National Instrument 51-102 *“Continuous Disclosure Obligations”* (“NI 51-102CP”) which permits the Company to prepare its financial statements in accord with U.S. GAAP.

The consolidated financial statements were authorized for issue by the Board of Directors on December 14, 2021.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries in which it has at least a majority voting interest. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements. The entities included in these consolidated financial statements are as follows:

Entity	% of Ownership	Jurisdiction
Petroteq Energy Inc.	Parent	Canada
Petroteq Energy CA, Inc.	100%	USA
Petroteq Oil Recovery, LLC (Previously Petroteq Oil Sands Recovery, LLC)	100%	USA
TMC Capital, LLC	100%	USA
Petrobloq, LLC	100%	USA

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in associate is carried in the consolidated statement of financial position at cost as adjusted for changes in the Company’s share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Company’s interest in that associate are not recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payment on behalf of the associate.

The Company has accounted for its investment in Accord GR Energy, Inc. (“Accord”) on the equity basis since March 1, 2017. The Company had previously owned a controlling interest in Accord and the results were consolidated in the Company’s financial statements. However, subsequent equity subscriptions into Accord reduced the Company’s ownership to 44.7% as of March 1, 2017 and the results of Accord were deconsolidated from that date. As of August 31, 2020, the Company has impaired 100% of the remaining investment in Accord due to inactivity and a lack of adequate investment in Accord to progress to commercial production and viability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Estimates

The preparation of these consolidated financial statements in accordance with US GAAP requires the Company to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company continually evaluates its estimates, including those related to recovery of long-lived assets. The Company bases its estimates on historical experience and on other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to the Company's reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the consolidated financial statements. Significant estimates include the following;

- the useful lives and depreciation rates for intangible assets and property, plant and equipment;
- the carrying and fair value of oil and gas properties and product and equipment inventories;
- All provisions;
- the fair value of reporting units and the related assessment of goodwill for impairment, if applicable;
- the fair value of intangibles other than goodwill;
- income taxes and the recoverability of deferred tax assets
- legal and environmental risks and exposures; and
- general credit risks associated with receivables, if any.

(d) Foreign currency translation adjustments

The Company's reporting currency and the functional currency of all its operations is the U.S. dollar. Assets and liabilities of the Canadian parent company are translated to U.S. dollars using the applicable exchange rate as of the end of a reporting period. Income, expenses and cash flows are translated using an average exchange rate during the reporting period. Since the reporting currency as well as the functional currency of all entities is the U.S. Dollar there is no translation difference recorded.

(e) Revenue recognition

The Company recognizes revenue in terms of ASC 606 – Revenue from Contracts with Customers (ASC 606).

Revenue transactions are assessed using a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration in exchange for those goods or services. The five steps are as follows:

i. identify the contract with a customer;

ii. identify the performance obligations in the contract;

iii. determine the transaction price;

iv. allocate the transaction price to performance obligations in the contract; and

v. recognize revenue as the performance obligation is satisfied.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Revenue from hydrocarbon sales

Revenue from hydrocarbon sales include the sale of hydrocarbon products and are recognized when production is sold to a purchaser at a fixed or determinable price, delivery has occurred, control has transferred and collectability of the revenue is probable. The Company's performance obligations are satisfied at a point in time. This occurs when control is transferred to the purchaser upon delivery of contract specified production volumes at a specified point. The transaction price used to recognize revenue is a function of the contract billing terms. Revenue is invoiced, if required, upon delivery based on volumes at contractually based rates with payment typically received within 30 days after invoice date. Taxes assessed by governmental authorities on hydrocarbon sales, if any, are not included in such revenues, but are presented separately in the consolidated comprehensive statements of loss and comprehensive loss.

Transaction price allocated to remaining performance obligations

The Company does not anticipate entering into long-term supply contracts, rather it expects all contracts to be short-term in nature with a contract term of one year or less. The Company intends applying the practical expedient in ASC 606 exempting the 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 contracts with terms greater than one year, the Company will apply the practical expedient in ASC 606 exempting the disclosure of the transaction price allocated to remaining performance obligations if there is any variable consideration to be allocated entirely to a wholly unsatisfied performance obligation. The Company anticipates that with respect to the contracts it will enter into, each unit of product will typically represent a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required.

Contract balances

The Company does not anticipate that it will receive cash relating to future performance obligations. However if such cash is received, the revenue will be deferred and recognized when all revenue recognition criteria are met.

Disaggregation of revenue

The Company has limited revenues to date. Disaggregation of revenue disclosures can be found in Note 30.

Customers

The Company anticipates that it will have a limited number of customers which will make up the bulk of its revenues due to the nature of the oil and gas industry.

(f) General and administrative expenses

General and administrative expenses will be presented net of any working interest owners, if any, of the oil and gas properties owned or leased by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Share-based payments

The Company may grant stock options to directors, officers, employees and others providing similar services. The fair value of these stock options is measured at grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. Share-based compensation expense is recognized on a straight-line basis over the period during which the options vest, with a corresponding increase in equity.

The Company may also grant equity instruments to consultants and other parties in exchange for goods and services. Such instruments are measured at the fair value of the goods and services received on the date they are received and are recorded as share-based compensation expense with a corresponding increase in equity. If the fair value of the goods and services received are not reliably determinable, their fair value is measured by reference to the fair value of the equity instruments granted.

(h) Income taxes

The Company utilizes ASC 740, Accounting for Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740, “Income Taxes”. Accounting guidance addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements, under which a company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Accordingly, the Company would report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company elects to recognize any interest and penalties, if any, related to unrecognized tax benefits in tax expense.

(i) Net income (loss) per share

Basic net income (loss) per share is computed on the basis of the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per share is computed on the basis of the weighted average number of common shares and common share equivalents outstanding. Dilutive securities having an anti-dilutive effect on diluted net income (loss) per share are excluded from the calculation.

Dilution is computed by applying the treasury stock method for stock options and share purchase warrants. Under this method, “in-the-money” stock options and share purchase warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common shares at the average market price during the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Cash and cash equivalents

The Company considers all highly liquid investments with original contractual maturities of three months or less to be cash equivalents.

(k) Accounts receivable

The Company had minimal sales during the period of which all proceeds were collected therefore there are no accounts receivable balances.

(l) Oil and gas property and equipment

The Company follows the successful efforts method of accounting for its oil and gas properties. Exploration costs, such as exploratory geological and geophysical costs, and costs associated with delay rentals and exploration overhead are charged against earnings as incurred. Costs of successful exploratory efforts along with acquisition costs and the costs of development of surface mining sites are capitalized.

Site development costs are initially capitalized, or suspended, pending the determination of proved reserves. If proved reserves are found, site development costs remain capitalized as proved properties. Costs of unsuccessful site developments are charged to exploration expense. For site development costs that find reserves that cannot be classified as proved when development is completed, costs continue to be capitalized as suspended exploratory site development costs if there have been sufficient reserves found to justify completion as a producing site and sufficient progress is being made in assessing the reserves and the economic and operating viability of the project. If management determines that future appraisal development activities are unlikely to occur, associated suspended exploratory development costs are expensed. In some instances, this determination may take longer than one year. The Company reviews the status of all suspended exploratory site development costs quarterly.

Capitalized costs of proved oil and gas properties are depleted by an equivalent unit-of-production method. Proved leasehold acquisition costs, less accumulated amortization, are depleted over total proved reserves, which includes proved undeveloped reserves. Capitalized costs of related equipment and facilities, including estimated asset retirement costs, net of estimated salvage values and less accumulated amortization are depreciated over proved developed reserves associated with those capitalized costs. Depletion is calculated by applying the DD&A rate (amortizable base divided by beginning of period proved reserves) to current period production.

Costs associated with unproved properties are excluded from the depletion calculation until it is determined whether or not proved reserves can be assigned to such properties. The Company assesses its unproved properties for impairment annually, or more frequently if events or changes in circumstances dictate that the carrying value of those assets may not be recoverable.

Proved properties will be assessed for impairment annually, or more frequently if events or changes in circumstances dictate that the carrying value of those assets may not be recoverable. Individual assets are grouped for impairment purposes based on a common operating location. If there is an indication the carrying amount of an asset may not be recovered, the asset is assessed for potential impairment by management through an established process. If, upon review, the sum of the undiscounted pre-tax cash flows is less than the carrying value of the asset, the carrying value is written down to estimated fair value. Because there is usually a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants or by comparable transactions. The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs, and capital investment plans, considering all available information at the date of review.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Oil and gas property and equipment (continued)

Gains or losses are recorded for sales or dispositions of oil and gas properties which constitute an entire common operating field or which result in a significant alteration of the common operating field's DD&A rate. These gains and losses are classified as asset dispositions in the accompanying consolidated statements of loss and comprehensive loss. Partial common operating field sales or dispositions deemed not to significantly alter the DD&A rates are generally accounted for as adjustments to capitalized costs with no gain or loss recognized.

The Company capitalizes interest costs incurred and attributable to material unproved oil and gas properties and major development projects of oil and gas properties.

(m) Other property and equipment

Depreciation and amortization of other property and equipment, including corporate and leasehold improvements, are provided using the straight-line method based on estimated useful lives ranging from three to ten years. Interest costs incurred and attributable to major corporate construction projects are also capitalized.

(n) Asset retirement obligations and environmental liabilities

The Company recognizes liabilities for retirement obligations associated with tangible long-lived assets, such as producing sites when there is a legal obligation associated with the retirement of such assets and the amount can be reasonably estimated. The initial measurement of an asset retirement obligation is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment on the consolidated balance sheet. When the assumptions used to estimate a recorded asset retirement obligation change, a revision is recorded to both the asset retirement obligation and the asset retirement cost. The Company's asset retirement obligations also include estimated environmental remediation costs which arise from normal operations and are associated with the retirement of such long-lived assets. The asset retirement cost is depreciated using a systematic and rational method similar to that used for the associated property and equipment.

(o) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Liabilities for environmental remediation or restoration claims resulting from allegations of improper operation of assets are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated. Expenditures related to such environmental matters are expensed or capitalized in accordance with the Company's accounting policy for property and equipment.

(p) Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value at each reporting date. Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants. This price is commonly referred to as the "exit price." Fair value measurements are classified according to a hierarchy that prioritizes the inputs underlying the valuation techniques. This hierarchy consists of three broad levels:

- Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

- Level 2 – Inputs consist of quoted prices that are generally observable for the asset or liability. Common examples of Level 2 inputs include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in markets not considered to be active.

- Level 3 – Inputs are not observable from objective sources and have the lowest priority. The most common Level 3 fair value measurement is an internally developed cash flow model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Comparative amounts

The comparative amounts presented in these consolidated financial statements have been reclassified where necessary to conform to the presentation used in the current year.

(r) Recent accounting standards

Issued accounting standards not yet adopted

The Company will evaluate the applicability of the following issued accounting standards and intends to adopt those which are applicable to its activities.

In August 2020, the FASB issued ASU No. 2020-06, debt with Conversion and Other Options (subtopic 470-20): and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40). Certain accounting models for convertible debt instruments with beneficial conversion features or cash conversion features are removed from the guidance and for equity instruments the contracts affected are free standing instruments and embedded features that are accounted for as derivatives, the settlement assessment was simplified by removing certain settlement requirements.

This ASU is effective for fiscal years and interim periods beginning after December 15, 2021.

The effects of this ASU on the Company's condensed consolidated financial statements is currently being assessed and is expected to have an immaterial impact on the financial statements.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

3. GOING CONCERN

The Company has incurred losses for several years and, at August 31, 2021, has an accumulated deficit of $100,138,592, (August 31, 2020 - $90,664,349) and working capital (deficiency) of $6,264,427 (August 31, 2020 - $12,955,134). These consolidated financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing, which it is currently in the process of obtaining. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations in the normal course of business.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivables consist of:

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	August 31, 2021	August 31, 2020
Goods and services tax receivable	$ 17,303	$ 12,830

Information about the Company's exposure to credit risks for trade and other receivables is included in Note 31(a).

5. ORE INVENTORY

On June 1, 2015, the Company acquired a 100% interest in TMC Capital LLC ("TMC"), which through a sub-lease with Valkor, LLC ("Valkor") held the rights to mine ore from the Asphalt Ridge deposit, refer subsequent events note 34. The mining and crushing of the bituminous sands has been contracted to an independent third party.

During the year ended August 31, 2021, the cost of mining, hauling and crushing the ore, amounting to $0 (2020 - $162,043), was recorded as the cost of the crushed ore inventory.

6. NOTES RECEIVABLE

The Company's notes receivables consist of:

	Maturity Date	Interest Rate	Principal due August 31, 2021	Principal due August 31, 2020
Manhatten Enterprises	March 16, 2020	5%	$ 76,000	$ 76,000
Deweast Limited	January 31, 2022	-	200,000	-
Unhide Inc	September 30, 2021	-	230,000	-
Interest accrued			16,959	13,159
			$ 522,959	$ 89,159
Disclosed as follows:				
Current portion			$ 522,959	$ 89,159

Manhatten Enterprises

The Company advanced Manhatten Enterprises the sum of $76,000 pursuant to a promissory note on March 16, 2017. The note, which bears interest at 5% per annum, matured on March 16, 2020. The Note has reached its maturity date, management has undertaken to enter into a new agreement or extend the terms of the existing agreement, there have been no successful negotiations to date.

Deweast Limited

On August 31, 2021, in terms of an unsecured loan agreement entered into with Deweast Limited ("Deweast") the Company advanced the sum of $200,000 to Deweast, maturing on January 31, 2022. On or before the maturity date Deweast agreed to repay the Company $220,000. In the event that Deweast fails to repay the amount due on maturity date the full balance owing at maturity will accrue interest at 10% per annum until paid in full.

Unhide, Inc.

On August 31, 2021, in terms of an unsecured loan agreement entered into with Unhide Inc. ("Unhide") the Company advanced the sum of $230,000 to Unhid, maturing on September 30, 2021. On or before the maturity date Unhide agreed to repay the Company $238,000. In the event that Unhide fails to repay the amount due on maturity date the full balance owing at maturity will accrue interest at 10% per annum until paid in full.

7. ADVANCED ROYALTY PAYMENTS

Advance royalty payments to Asphalt Ridge, Inc.

During the year ended August 31, 2015, the Company acquired TMC, which has a mining and mineral lease with Asphalt Ridge, Inc. (the "TMC Mineral Lease") (Note 8(a)). The mining and mineral lease with Asphalt Ridge, Inc. required the Company to make minimum advance royalty payments which could be used to offset future production royalties for a maximum of two years following the year the advance royalty payment was made.

As at August 31, 2020, the Company has paid advance royalties of $2,370,336 to the lease holder, of which all had been expensed as of August 31, 2020 due to the termination of the TMC Mineral Lease as discussed in note 8(a) below.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

Included in prepayments and other current assets are cash deposits of $1,907,000 (acting through its wholly owned subsidiary, TMC Capital LLC ("TMC"), for the acquisition of 100% of the operating rights under U.S. federal oil and gas leases, administered by the U.S. department of Interiors' Bureau of Land Management in Garfield and Wayne Counties covering approximately 8,480 gross acres in P.R. Springs and the Tar Sands Triangle within the State of Utah. The total consideration of $3,000,000 has been partially settled by a cash payment of $1,907,000, with the balance of $1,093,000 still outstanding.

In terms of a letter agreement dated April 17, 2020 between the transferor of the oil and gas leases and TMC, as transferee, due to uncertainty as to whether all of the 10 leases which the Company had initially paid deposits for are available, an adjustment to the purchase price has been agreed upon as follows: (i) should all 10 of the leases be available, the Company will pay the additional $1,093,000 for the rights under the leases; (ii) if only a portion of the leases ranging from 4 to 9 of the leases are

Expressed in US dollars

available, the Company will adjust the final purchase price of the leases to between $1.5 million and $2.5 million; and (iii) notwithstanding the above, if after a period of 7 years from April 17, 2020, if at least six of the leases are not available to the Company, then the Company may demand a refund of $1.2 million or instruct the Seller to acquire other leases in the same area for up to $1.2 million.

In addition, included in prepayments and other current assets is an amount of $500,000 paid during the period July 8, 2021 and August 11, 2021, in terms of the agreements governing reciprocal assignment of mineral leases dated as of October 15, 2021 under which TMC and POR agreed to; (i) assign all of its interest in the TMC mineral leases and the short term mining lease dated August 10, 2020 as amended on July 1, 2021, sub-leased from Valkor and two mineral leases entered into between the State of Utah's School and Institutional Trust Land Administration ("SITLA"), as lessor, and POR, as lessee, covering lands in Asphalt Ridge that largely adjoin the lands held under the TMC Mineral Lease and Valkor agreed to assign to TMC Capital LLC, the record lease title and all of its rights and interest under three SITLA Utah state oil sands leases located in an area referred to as "Asphalt Ridge Northwest" in Uintah County Utah.

The assignment of the SITLA leases are subject to approval by SITLA before the agreement comes into effect. See Subsequent events note 34.

9. MINERAL LEASES

	TMC Mineral Lease	SITLA Mineral Lease	BLM Mineral Lease	Total
Cost				
August 31, 2019	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143
Additions	-	-	-	-
August 31, 2020	11,091,388	19,755	23,800,000	34,911,143
Additions	-	-	-	-
August 31, 2021	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143
Accumulated Amortization				
August 31, 2019, 2020 and 2021	$ -	$ -	$ -	$ -
Carrying Amounts				
August 31, 2019	$ 11,091,388	$ 19,755	$ 23,800.000	$ 34,911,143
August 31, 2020	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143
August 31, 2021	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143

Subsequent to year end, the Company acting through its indirect wholly owned subsidiaries TMC and Petroteq Oil Recovery, LLC ("POR"), and Valkor Energy LLC ("Valkor"), have entered into an agreement governing reciprocal assignment of mineral leases dated as of October 15, 2021 under which TMC and POR agreed to assign all of its interest in the TMC mineral leases and the short term mining lease dated august 10, 2020 as amended on July 1, 2021, sub-leased from Valkor and two mineral leases entered into between the State of Utah's School and Institutional Trust Land Administration ("SITLA"), as lessor, and POR, as lessee, covering lands in Asphalt Ridge that largely adjoin the lands held under the TMC Mineral Lease and Valkor agreed to assign to TMC Capital LLC, the record lease title and all of its rights and interest under three SITLA Utah state oil sands leases located in an area referred to as "Asphalt Ridge Northwest" in Uintah County Utah.

In addition, the Corporation, acting through TMC, and Valkor entered into an Agreement and Assignment of Participation Rights in Mineral Leases and Properties, dated as of October 15, 2021, in which Valkor agreed to grant to TMC a right to participate in any oil sands development operations conducted by Valkor in the future on or within the privately owned Temple Mountain Lease; and the Company, acting through TMC and Valkor entered into an Agreement Governing Assignment of Operating Rights Under Utah State Mineral Leases, dated as of October 15, 2021, in under which TMC agreed to assign to Valkor all of the operating rights under the Asphalt Ridge North West Leases at depths and intervals located 500 feet or more below the surface, with TMC reserving the right to participate in (a) any exploratory or production operation conducted by Valkor at the deeper depths or intervals (below 500 feet from the surface) at and with up to a 50% working interest, and (b) in any oil sands processing plant proposed by either party at up to a 50% ownership interest in any such plant.

The assignment of the SITLA leases are subject to approval by SITLA before the agreement comes into effect. See Subsequent events note 34.

9. MINERAL LEASES (continued)

(a) TMC Mineral Lease

Effective August 10, 2020, the TMC mineral lease was terminated and a new Short-Term Mining Lease agreement between Valkor and Asphalt Ridge, Inc was entered into with a back to back Short-Term Mining and Mineral sub-lease entered into between Valkor and TMC, whereby all of the rights and obligations of the lease were sub-let to TMC.

The salient terms of the lease were as follows:

1. The exclusive right and privilege during the term of this Sublease to explore for and mine by any methods now known or hereafter developed, extract and sell or otherwise dispose of, any and all asphalt, bitumen, maltha, tar sands, oil sands ("Tar Sands") and any and all other minerals of whatever kind or nature which are associated with or contained in any Tar Sands deposit, whether hydrocarbon, metalliferous, non-metalliferous or otherwise, including, but not limited to, gold, silver, platinum, sand and clays on and in the Property, and whether heretofore known or hereafter discovered (collectively, "Minerals"), from the ground surface to a depth of 3,000 feet above Mean Sea level (MSL), together with the products and byproducts of the processing of the Minerals, and together with the right to use so much of the surface of the Property as may be necessary in the exercise of said rights and in furtherance of the purposes expressed herein, including ingress and egress, and together with the right to construct on the Property such improvements as may be reasonably necessary to the exploration for and the mining, extraction, removal, processing, beneficiating, sale or other disposition of the Minerals, but not including the construction of any new roads without the prior written consent of Sublessor; and

2. The right to use any or all of the Water Rights at any time during the term of this Sublease in conducting its activities as provided for herein; provided that approval of change applications may need to be obtained in order to allow use of the Water Rights on the Property for mining purposes.

3. The term of the sub-lease is for the period ending June 30, 2021 unless the Short Term Mining Lease between Valkor and Asphalt Ridge is terminated earlier.

4. During the Term and subject to the Lessor Reserved Rights, Sublessee shall have the right to explore, develop, mine, drill, pump, process, produce and market the Minerals in, on, or under the Property, including any existing stockpiles or dumps, whether by drilling, surface, strip, contour, quarry, bench, underground, solution, in situ or other mining methods, and in connection therewith, Sublessee shall have the right to conduct the following activities and operations ("Operations") on the Property in accordance with the terms of this Sublease and applicable laws and regulations:

   a. To mine, process, mill, beneficiate, treat, concentrate, extract, refine, leach, convert, upgrade, prepare for market, any and all Minerals mined or otherwise extracted from the Property;

   b. To temporarily store or permanently dispose on the Property Minerals, water, waste or other materials resulting from Operations on the Property;

   c. to use and develop any and all ditches, flumes, water and Water Rights and appurtenant to the Property; and

   d. to use so much of the surface and surface resources of the Property as may be reasonably necessary in the exercise of said rights, or which Sublessee may deem desirable or convenient, including rights of ingress and egress in connection with its operations on the Property. During the term of the lease the sub-lessee has the right to use any or all of the Water Rights at any time during the term of this Sublease in conducting its activities as provided for herein; provided that approval of change applications may need to be obtained in order to allow use of the Water Rights on the Property for mining purposes.

9. MINERAL LEASES (continued)

(a) TMC Mineral Lease (continued)

5. TMC will pay Valkor the sum of $25,000 on lease commencement, and thereafter $15,000 per month until expiration of the lease

6. TMC will pay a production royalty as follows:

   a. For "Bitumen Product" produced from Tar Sands mined or otherwise extracted from the Property shall be eight percent (8%) of the gross sales revenue received by Sublessee from the sale of such Bitumen Product at the Property. As used herein, the term "Bitumen Product" means naturally occurring oil in the Tar Sands that is sold in whatever form, including run-of-mine, screened, processed, or after the addition of any additives and/or upgrading of the Bitumen Product

   b. The Production Royalty on all other Minerals produced from Bitumen Product mined or otherwise extracted from the Property and sold shall be eight percent (8%) of the gross sales revenue received by Sublessee. Subject to the provisions of Paragraph 1, wherein sales of products and byproducts are wholly accounted for, should sales occur to a third party purchaser that is engaged in marketing a variety of products or by-products made from such materials, payments to Sublessor may vary. If Sublessee's receipts are measurably greater than comparable sales by others of similar products or byproducts which may be due to the nature of high end by-products such as frac sands produced and sold by the third party, the Production Royalty to Sublessor shall be the greater of a 5% royalty on the gross value of the product and by-products sold by the third party or 50% of the gross revenue received by Sublessee from the sale of such products or byproducts, as the case may be.

   c. The Production Royalty on oil and gas, and associated hydrocarbons produced by Sublessee using standard oil and gas drilling recovery techniques above 3000 feet MSL and sold shall be 1/6 of the gross market value.

   d. Any sales of Minerals to third parties shall be of such a nature that the sales price adequately represents the market value of all potential products or by-products.

   e. Minerals shall be deemed sold at the time they leave the Property or at the time the Minerals are transferred by Sublessee to an Affiliate. As used herein, "Affiliate" means any business entity which, directly or indirectly, is owned or controlled by Sublessee or owns or controls Sublessee, or any entity or firm acquiring Minerals from Sublessee otherwise than at arm's-length.

7. Prior to commencing any Operations, Sublessee shall have obtained final approval of all necessary mining and reclamation plans from the Utah Division of Oil, Gas and Mining, or its successor agency (the "Division") authorizing Sublessee's Operations and shall have posted with and obtained approval from the Division of a surety bond or other financial guarantee ("Reclamation Surety") in the amount and form acceptable to the Division and sufficient to guarantee Sublessee's performance of reclamation in accordance with Utah laws and regulations. The amount of the surety bond or financial guarantee shall be periodically reviewed in accordance with Division's regulations and, if the Division directs, increased or otherwise modified as directed by the Division. Sublessee shall keep Sublessor fully informed as to reclamation costs and bonding requirements and Sublessor's approval of the bond amount shall be required. Sublessor will not unreasonably withhold such approval.

Expressed in US dollars

8. Under the terms of the Lease, Asphalt Ridge , Inc. has reserved the right at any time during the term of the Lease to convey all or part of the Property or the Water Rights, or rights therein, subject to the Lease and shall give Sublessor Notice of any such conveyance. This Sublease shall be subject to the right reserved by the Lessor as described herein. Upon Sublessor's receipt of any sale or conveyance of the Property by Lessor, Sublessor shall promptly notify Sublessee in writing of any such conveyance.

9. MINERAL LEASES (continued)

(b) SITLA Mineral Lease (Petroteq Oil Recovery, LLC mineral lease)

On June 1, 2018, the Company acquired mineral rights under two mineral leases entered into between the State of Utah's School and Institutional Trust Land Administration ("SITLA"), as lessor, and POR, as lessee, covering lands in Asphalt Ridge that largely adjoin the lands held under the TMC Mineral Lease (collectively, the "SITLA Mineral Leases"). The SITLA Mineral Leases are valid until May 30, 2028 and have rights for extensions based on reasonable production. The leases remain in effect beyond the original lease term so long as mining and sale of the tar sands are continued and sufficient to cover operating costs of the Company.

Advanced royalty of $10 per acre are due annually each year the lease remains in effect and can be applied against actual production royalties. The advanced royalty is subject to price adjustment by the lessor after the tenth year of the lease and then at the end of each period of five years thereafter.

Production royalties payable are 8% of the market price of marketable product or products produced from the tar sands and sold under arm's length contract of sale. Production royalties have a minimum of $3 per barrel of produced substance and may be increased by the lessor after the first ten years of production at a maximum rate of 1% per year and up to 12.5%.

(c) BLM Mineral Lease

On January 18, 2019, the Company paid $10,800,000 for the acquisition of 50% of the operating rights under U.S. federal oil and gas leases, administered by the U.S. Department of Interior's Bureau of Land Management ("BLM") covering approximately 5,960 gross acres (2,980 net acres) within the State of Utah. The total consideration of $10,800,000 was settled by a cash payment of $1,800,000 and by the issuance of 15,000,000 shares at an issue price of $0.60 per share, amounting to $9,000,000.

On July 22, 2019, the Company acquired the remaining 50% of the operating rights under U.S. federal oil and gas leases, administered by the BLM covering approximately 5,960 gross acres (2,980 net acres) within the State of Utah, for a total consideration of $13,000,000 settled by the issuance of 30,000,000 shares at an issue price of $0.40 per share, amounting to $12,000,000 and cash of $1,000,000, of which $100,000 has not been paid to date.

10. PROPERTY, PLANT AND EQUIPMENT

	Oil Extraction Plant	Other Property and Equipment	Total
Cost			
August 31, 2019	$ 35,555,827	438,168	35,993,995
Additions	2,072,058	692	2,072,750
August 31, 2020	37,627,885	$ 438,860	$ 38,066,745
Additions	5,512,715	-	5,512,715
August 31, 2021	$ 43,140,600	$ 438,860	$ 43,579,460
Accumulated Amortization			
August 31, 2019	$ 2,148,214	232,131	2,380,345
Additions	-	103,888	103,888
August 31, 2020	2,148,214	$ 336,019	$ 2,484,233
Additions	-	45,810	45,810
August 31, 2021	$ 2,148,214	$ 381,829	$ 2,530,043
Carrying Amount			
August 31, 2019	$ 33,407,613	$ 206,037	$ 33,613,650
August 31, 2020	$ 35,479,671	$ 102,841	$ 35,582,512
August 31, 2021	$ 40,992,386	$ 51,562	$ 41,049,417

10. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Oil Extraction Plant

Expressed in US dollars

In June 2011, the Company commenced the development of an oil extraction facility on its mineral lease in Maeser, Utah and entered into construction and equipment fabrication contracts for this purpose. On September 1, 2015, the first phase of the plant was completed and was ready for production of hydrocarbon products for resale to third parties. During the year ended August 31, 2017 the Company began the dismantling and relocating the oil extraction facility to its TMC Mineral Lease facility to improve production and logistical efficiencies while continuing its project to increase production capacity to a minimum capacity of 400-500 barrels per day. The plant has been substantially relocated to the TMC mining site and expansion of the plant to production of 400-500 barrels per day has been substantially completed.

Included in the cost of construction is capitalized borrowing costs as at August 31, 2021 and 2020 of $4,421,055. No borrowing costs were capitalized for the years ended August 31, 2021 and 2020.

As a result of the relocation of the plant and the expansion that has taken place to date, the Company reassessed the reclamation and restoration provision and raised an additional liability of $2,375,159 during the fiscal year ended August 31, 2019 which is capitalized to the cost of the plant and will be depreciated according to our depreciation policy.

As a result of the relocation of the plant and the planned expansion of the plant's production capacity to 400-500 barrels per day, and subsequently to an additional 3,000 barrels per day, the Company re-evaluated the depreciation policy of the oil extraction plant and the oil extraction technologies (Note 11) and determined that depreciation should be recorded on the basis of the expected production of the completed plant at various capacities. No amortization has been recorded during the 2021 and 2020 fiscal years as there has only been test production during these years.

11. LEASES

Adoption of ASC Topic 842, "Leases"

On September 1, 2019, the Company adopted Topic 842 using the prospective transition method applied to leases that were in place as of September 1, 2019. Results for reporting periods beginning after September 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 840.

The Company entered into a real property lease for office space located at 15315 Magnolia Blvd., Sherman Oaks, California. The lease commenced on September 1, 2019 and expires on August 31, 2024, monthly rental expense is $4,941 per month with annual 3% escalations during the term of the lease.

The initial value of the right-of-use asset was $245,482 and the operating lease liability was $245,482. The Company monitors for events or changes in circumstances that require a reassessment of our lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative right-of-use asset balance is recorded as a loss in the statement of operations and comprehensive loss.

During April 2015, the Company entered into two equipment loan agreements in the aggregate amount of $282,384, with financial institutions to acquire equipment for the oil extraction facility. The loans had a term of 60 months and bore interest at rates between 4.3% and 4.9% per annum. Principal and interest were paid in monthly installments. These loans were secured by the acquired assets.

On May 7, 2018, the Company entered into a negotiable promissory note and security agreement with Commercial Credit Group to acquire a crusher from Power Equipment Company for $660,959. An implied interest rate was calculated as 12.36% based on the timing of the initial repayment of $132,200 and subsequent 42 monthly instalments of $15,571. The terms of the note were renegotiated during June 2020, and the instalments were amended to $16,140 per month due to payments not being made during the pandemic. The promissory note is secured by the crusher.

11. LEASES (continued)

Discount Rate

To determine the present value of minimum future lease payments for operating leases at September 1, 2019, the Company was required to estimate a rate of interest that it would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment (the "incremental borrowing rate" or "IBR").

The Company determined the appropriate IBR by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate, the Company used the 5 year ARM interest rate at the time of entering into the agreement and compared that rate to the Company's weighted average cost of funding at the time of entering into the operating lease. The Company determined that 10.00% was an appropriate incremental borrowing rate to apply to its real-estate operating lease.

Right of use assets

Right of use assets included in the consolidated Balance Sheet are as follows:

	August 31, 2021	August 31, 2020
Non-current assets		
Right of use assets – operating leases, net of amortization	$ 167,048	$ 209,101
Right of use assets – finance leases, net of depreciation – included in property, plant and equipment	677,853	718,193

Lease costs consist of the following:

Expressed in US dollars

	Year ended August 31, 2021	Year ended August 31, 2020
Finance lease cost:	**$ 63,165**	**$ 82,878**
Depreciation of right of use assets	40,341	40,341
Interest expense on lease liabilities	22,824	42,537
Operating lease expense	**61,071**	**59,292**
Total lease cost	**$ 124,236**	**$ 142,170**

11. LEASES (continued)

Other lease information:

	Year ended August 31, 2021	Year ended August 31, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ (22,824)	$ (42,537)
Operating cash flows from operating leases	(61,071)	(59,292
Financing cash flows from finance leases	$ (172,375)	$ (157,388)
Right-of -use assets obtained in exchange for new operating leases	$ -	245,482
Weighted average remaining lease term – finance leases	5 months	1.25 years
Weighted average remaining lease term – operating leases	3 years	4 years
Weighted average discount rate – finance leases	12.36%	12.36%
Weighted average discount rate – operating leases	10.00%	10.00

Maturity of Leases

The amount of future minimum lease payments under finance leases is as follows:

	August 31, 2021	August 31, 2020
Undiscounted minimum future lease payments		
Total instalments due:		
Within 1 year	$ 80,700	$ 193,680
1 to 2 years	-	80,700
2 to 3 years	-	-
	80,700	274,380
Imputed interest	(5,642)	(26,948)
Total finance lease liability	$ 75,058	$ 247,432
Disclosed as:		
Current portion	$ 75,058	$ 172,374
Non-current portion	-	75,058
	$ 75,058	$ 247,432

The amount of future minimum lease payments under operating leases is as follows:

	August 31, 2021	August 31, 2020
Undiscounted minimum future lease payments		
Total instalments due:		
Within 1 year	$ 62,903	$ 61,070
1 to 2 years	64,790	62,903
2 to 3 years	66,734	64,790
3 to 4 years	-	66,734
	194,427	255,497
Imputed interest	(27,379)	(46,396
Total operating lease liability	$ 167,048	$ 209,101
Disclosed as:		
Current portion	$ 48,376	$ 42,053
Non-current portion	118,672	167,048
	$ 167,048	$ 209,101

PETROTEQ ENERGY INC.
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12. INTANGIBLE ASSETS

	Oil Extraction Technologies
Cost	
August 31, 2019	$ 809,869
Additions	-
August 31, 2020	809,869
Additions	-
August 31, 2021	$ 809,869
Accumulated Amortization	
August 31, 2019	$ 102,198
Additions	-
August 31, 2020	102,198
Additions	-
August 31, 2021	$ 102,198
Carrying Amounts	
August 31, 2019	$ 707,671
August 31, 2020	$ 707,671
August 31, 2021	$ 707,671

Oil Extraction Technologies

During the year ended August 31, 2012, the Company acquired a closed-loop solvent based oil extraction technology which facilitates the extraction of oil from a wide range of bituminous sands and other hydrocarbon sediments. The Company has filed patents for this technology in the USA and Canada and has employed it in its oil extraction plant. The Company commenced partial production from its oil extraction plant on September 1, 2015 and was amortizing the cost of the technology over fifteen years, the expected life of the oil extraction plant. Since the company has increased the capacity of the plant to 400 to 500 barrels daily during 2018, and expects to further expand the capacity to an additional 3,000 barrels daily, it determined that a more appropriate basis for the amortization of the technology is the units of production at the plant after commercial production begins again.

No amortization of the technology was recorded during the 2021 and 2020 fiscal years.

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as at August 31, 2021 and 2020 consist primarily of amounts outstanding for construction and expansion of the oil extraction plant and other operating expenses that are due on demand.

Accrued expenses as at August 31, 2021 and 2020 consist primarily of other operating expenses and interest accruals on promissory notes (Note 14) debt (Note 15) and convertible debentures (Note 16).

Information about the Company's exposure to liquidity risk is included in Note 33(c).

PETROTEQ ENERGY INC.
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14. PROMISSORY NOTES PAYABLE

Lender	Maturity Date	Interest Rate	Principal due May 31, 2021	Principal due August 31, 2020
Private lender	On demand	-%	$ -	$ 8,000
Private lender	On Demand	-%	-	-
Private lender	April 29, 2022	10.00%	23,298	-
			$ 23,298	$ 8,000

Expressed in US dollars

Two private lenders advanced $80,000 and $20,000 to the Company, these amounts are non-interest bearing, have no fixed terms of repayment and were repaid during the current year.

On April 29,2021 the Company issued a promissory note to a private lender in the aggregate sum of $500,000. The promissory note bears interest at10% per annum and is repayable on April 29, 2022. The Company repaid $476,702 of the outstanding balance as at August 31, 2021. The balance remaining at August 31, 2021 is $23,298.

15. DEBT

Lender	Interest Rate	Principal due August 31, 2021	Principal due August 31, 2020
Private lender	10.00%	-	115,000
Private lenders	5.00%	-	468,547
Private lender	10.00%	-	100,000
		$ -	$ 683,547

The maturity date of debt is as follows:

	August 31, 2021	August 31, 2020
Principal classified as repayable within one year	$ -	$ 683,547

(a) Private lenders

(i) On July 3, 2018, the Company received a $200,000 advance from a private lender bearing interest at10% per annum and repayable on September 2, 2018. The loan is guaranteed by the Chairman of the Board. During the year ended August 31, 2020 the Company repaid $35,000 of the principal outstanding and a further $10,000 during the nine months ended May 31, 2021. On July 6, 2020 in accordance with the terms of a debt settlement agreement entered into, the lender converted $50,000 into 1,250,000 shares at a conversion price of $0.04 per share.

During June 2021, the remaining aggregate principal amount outstanding of $105,000, including interest and penalty interest thereon of $86,779, was acquired in terms of an Assignment and Purchase of Debt Agreement by Equilibris Management AG. In terms of an Exchange Agreement entered into between the Company and Equilibris Management, the promissory note was exchanged for a Convertible Redeemable Note, bearing interest at 10% per annum, maturing on June 30, 2021 and convertible into common stock at $0.041 per share. On June 16, 2021, in terms of conversion notice received, the Company issued4,677,532 shares of common stock to Equilibris at a conversion price of $0.041 per share, thereby extinguishing the note.

15. DEBT (continued)

(a) Private lenders (continued)

(ii) On October 10, 2014, the Company issued two secured debentures for an aggregate principal amount of CAD $1,100,000 to two private lenders. The debentures initially bore interest at a rate of 12% per annum, were originally scheduled to mature on October 15, 2017 and are secured by all of the assets of the Company. In addition, the Company issued common share purchase warrants to acquire an aggregate of 16,667 common shares of the Company. On September 22, 2016, the two secured debentures were amended to extend the maturity date to January 31, 2017. The terms of these debentures were renegotiated with the debenture holders to allow for the conversion of the secured debentures into common shares of the Company at a rate of CAD $4.50 per common share and to increase the interest rate, starting June 1, 2016, to 15% per annum. On January 31, 2017, the two secured debentures were amended to extend the maturity date to July 31, 2017. Additional transaction costs and penalties incurred for the loan modifications amounted to $223,510. On February 9, 2018, the two secured debentures were renegotiated with the debenture holders to extend the loan to May 1, 2019. A portion of the debenture amounting to CAD $628,585 was amended to be convertible into common shares of the Company, of which, CAD $365,000 were converted on May 1, 2018. The remaining convertible portion is interest free and was to be converted from August 1, 2018 to January 1, 2019. The remaining non-convertible portion of the debenture was to be paid off in 12 equal monthly instalments beginning May 1, 2018, bearing interest at 5% per annum. On September 11, 2018, the remaining convertible portion of the debenture was converted into common shares of the Company and a portion of the non-convertible portion of the debenture was settled through the issue of 316,223 common shares of the Company. On December 13, 2019, the maturity date of the non-convertible portion of the debenture was extended to January 31, 2020 and the interest rate was increased to 10% per annum. Effective January 31, 2020, the terms of the debenture were renegotiated and the maturity date was extended to August 31, 2020.

On June 24, 2021, in terms of an Assignment and Purchase of Corporate Debt Agreement entered into, the debt holder assigned the promissory note due to him of CDN$962,085, including interest and late payment penalties thereon to Equilibris Management AG. Effective June 30, 2021, the Company entered into a Securities Exchange Agreement with Equilibris Management exchanging the CDN$962,085 promissory note with a convertible promissory note for US$771,610 bearing interest at 8% per annum, convertible into shares of common stock at a conversion price of $0.041 per share and maturing on June 22, 2022. On July 1, 2021, in terms of a conversion notice received from Equilibris Management AG, the Company issued 18,819,756 shares of common stock converting the aggregate principal amount of $771,610, thereby extinguishing the debenture.

On June 24, 2021, in terms of an Assignment and Purchase of Corporate Debt Agreement entered into with a debt holder, the debt holder assigned the promissory note due to him of CDN$38,217, including interest and late payment penalties thereon to Equilibris Management AG. Effective June 30, 2021, the Company entered into a Securities Exchange Agreement with Equilibris Management exchanging the CDN$38,217 promissory note with a convertible promissory note for US$30,652 bearing interest at 8% per annum, convertible into shares of common stock at a conversion price of $0.041 per share and maturing on June 22, 2022. On July 1, 2021, in terms of a conversion notice received from Equilibris Management AG, the Company issued747,616 shares of common stock converting the aggregate principal amount of $30,652, thereby extinguishing the debenture.

Expressed in US dollars

(iii) On October 4, 2018, the Company entered into a debenture line of credit of $9,500,000 from Bay Private Equity and received an advance of $100,000. The debenture matured on September 17, 2019 and bears interest at 10% per annum. On September 23, 2020, the principal amount of the debenture of $100,000 plus accrued interest of $18,904 was converted into 2,161,892 shares at a conversion price of $0.055 per share.

16. CONVERTIBLE DEBENTURES

Lender	Maturity Date	Interest Rate	Principal due August 31, 2021	Principal due August 31, 2020
Calvary Fund I LP	September 4, 2019	10.00%	-	-
	July 31, 2021	12.00%	-	250,000
	July 31, 2021	12.00%	80,000	480,000
	August 7, 2021	0%	25,000	150,000
SBI Investments LLC	October 15, 2020	10.00%	-	250,000
	January 16, 2021	10.00%	-	55,000
Bay Private Equity, Inc.	January 15, 2020	5.00%	-	3,661,874
	February 20, 2021	5.00%	-	2,400,000
Cantone Asset Management LLC	October 19, 2021	7.00%	-	300,000
	December 17, 2021	7.00%	240,000	240,000
	October 19, 2021	18.00%	-	240,000
	December 30, 2021	18.00%	50,000	-
	July 1, 2023	8.00%	300,000	-
Private lender	October 29, 2020	10.00%	200,000	200,000
Petroleum Capital Funding LP.	November 26, 2023	10.00%	318,000	318,000
	December 4, 2023	10.00%	432,000	432,000
	March 30, 2024	10.00%	471,000	471,000
	July 21, 2025	10.00%	3,000,000	-
Power Up Lending Group LTD	May 7, 2021	12.00%	-	64,300
	June 4, 2021	12.00%	-	69,900
	June 19, 2021	12.00%	-	82,500
	November 6, 2021	12.00%	-	-
	January 12, 2022	12.00%	-	-
	February 24, 2022	12.00%	-	-
	April 21, 2022	12.00%	92,125	-
	May 20, 2022	12.00%	141,625	-
	July 2, 2022	12.00%	114,125	-
EMA Financial, LLC	April 22, 2021	8.00%	3,120	150,000
Morison Management S.A	July 31, 2021	10.00%	-	192,862
	October 15, 2020	10.00%	184,251	-
	January 16, 2021	10.00%	55,000	-
Bellridge Capital LP.	March 31, 2021	15.00%	2,900,000	-
	September 30, 2021	5.00%	1,400,000	-
Stirling Bridge Resources	October 29, 2021	10.00%	-	-
Alpha Capital Anstalt	August 6, 2021	21.00%	-	-
Rijtec Enterprises Limited Pension scheme	November 11, 2021	10.00%	-	-
Private lender	November 30, 2021	10.00%	-	-
Private lender	January 26, 2022	10.00%	-	-
Equilibris Management AG	June 30, 2021	10.00%	-	-
	June 22, 2022	8.00%		
	June 22, 2022	8.00%		
Private lender	July 24, 2022	8.00%	120,000	-
			10,126,246	10,007,436
Unamortized debt discount			(3,978,710)	(1,173,112)
Total loans			$ 6,147,536	$ 8,834,324

16. CONVERTIBLE DEBENTURES (continued)

The maturity date of the convertible debentures are as follows:

Expressed in US dollars

	August 31, 2021	August 31, 2020
Principal classified as repayable within one year	$ 5,255,874	$ 8,227,257
Principal classified as repayable later than one year	891,662	607,067
	$ 6,147,536	$ 8,834,324

(a) Cavalry Fund I LP

(i) On September 4, 2018, the Company issued units to Cavalry Fund I LP ("Cavalry") for $250,000, which was originally advanced on August 9, 2018. The units consist of 250 units of $1,000 convertible debentures and a common share purchase warrant exercisable for 1,149,424 shares. The convertible debenture bore interest at 10% per annum and matured on September 4, 2019 and was convertible into common shares of the Company at a price of $0.87 per common share. The common share purchase warrants entitle the holder to acquire additional common shares of the Company at a price of $0.87 per share, expiring on September 4, 2019.

On September 9, 2019, the Company repaid $75,000 of principal and $1,096 in interest in partial settlement of the convertible debenture. On September 19, 2019, the Company entered into an agreement with Calvary Fund, whereby the remaining principal and interest of $200,000 was settled by the issue of 1,111,111 common shares and a warrant exercisable for 1,111,111 common shares at an exercise price of $0.23 per share.

On August 7, 2020 the Company entered into an Amended and Restated Amending Agreement ("ARA") with Cavalry whereby the maturity date of the warrant exercisable for 1,111,111 common shares was extended to July 31, 2021 and the exercise price was amended to $0.0412 per share.

(ii) On October 12, 2018, the Company issued 250 one year units to Cavalry for gross proceeds of $250,000, each unit consisting of a $1,000 principal convertible unsecured debenture, bearing interest at 10% per annum and convertible into common shares at $0.86 per share, and a common share purchase warrant exercisable for 290,500 shares at an exercise price of $0.86 per share with an expiry date of October 12, 2019.

During December 2019, the maturity date of the convertible debenture was amended to October 12, 2020 and the conversion price was amended to $0.18 per share. In terms of the ARA entered into on August 7, 2020, the maturity date of the convertible debenture was amended to July 31, 2021, the interest rate was amended to 12% per annum and the conversion price was amended to $0.0412 per share.

On May 26, 2021, in terms of a conversion notice received, the Company issued a total of 9,101,942 shares of common stock converting $250,000 of the aggregate principal of this note entered into on October 12,2018 and $125,000 of the aggregate principal of the note entered into on August 7, 2020, see Note 16(a)(iv) below.

On July 6, 2021, in terms of a debt conversion agreement entered into with Cavalry, the Company agreed to convert unpaid interest of $22,500 on this note; and unpaid principal of $80,000 and unpaid interest of $30,560 on a convertible note entered into on August 19, 2019; and unpaid principal of $25,000 on a convertible note entered into on August 7, 2020 into 1,681,488 shares of common stock at a conversion price of $0.094 per share for a total of 1,681,488 shares, which have not been issued as yet and are subject to TSXV approval. The Company may have to renegotiate the terms of the debt conversion agreement based on the recommendations of the TSXV.

16. CONVERTIBLE DEBENTURES (continued)

(a) Cavalry Fund I LP (continued)

(iii) On August 19, 2019, the Company issued a convertible debenture to Calvary for an aggregate principal amount of $480,000, including an original issue discount of $80,000, for net proceeds of $374,980 after certain legal expenses, and a warrant exercisable for 2,666,666 common shares at an exercise price of $0.15 per share. The convertible debenture bore interest at 3.3% per annum and matured on August 29, 2020. The convertible debenture may be converted into common shares of the Company at a conversion price of $0.17 per share.

In terms of the ARA entered into on August 7, 2020, the maturity date of the convertible debenture was amended to July 31, 2021 and the conversion price was amended to $0.0412 per share and the exercise price of the warrant was amended to $0.0412 per share and the maturity date was amended to July 31, 2021.

On April 13, 2021, in terms of a conversion notice received, the Company issued a total of 9,708,737 shares of common stock converting $400,000 of the aggregate principal of the note entered into on August 19, 2019.

On July 6, 2021, in terms of a debt conversion agreement entered into with Cavalry, the Company agreed to convert unpaid interest of $22,500 on the note entered into on October 12, 2018; and unpaid principal of $80,000 and unpaid interest of $30,560 on this convertible note; and unpaid principal of $25,000 on a convertible note entered into on August 7, 2020 into 1,681,488 shares of common stock at a conversion price of $0.094 per share for a total of 1,681,488 shares, which have not been issued as yet and are subject to TSXV approval. The Company may have to renegotiate the terms of the debt conversion agreement based on the recommendations of the TSXV.

The aggregate principal amount of $80,000 of the convertible loan, which has past the maturity date of July 31, 2021, remains outstanding.

(iv) On August 7, 2020, the Company issued a convertible debenture to Calvary for an aggregate principal amount of $150,000, including an original issue discount of $25,000, for net proceeds of $125,000, and a warrant exercisable for 3,033,980 common shares at an exercise price of $0.0412 per share. The convertible debenture bore interest at 0.0% per annum and maturing on August 7, 2021. The convertible debenture may be converted into common shares of the Company at a conversion price of $0.0412 per share.

On May 26, 2021, in terms of a conversion notice received, the Company issued a total of 9,101,942 shares of common stock converting $250,000 of the aggregate principal of the note entered into on October 12,2018, see note 16(a)(ii) above, and $125,000 of the aggregate principal of this note entered into on August 7, 2020.

On July 6, 2021, in terms of a debt conversion agreement entered into with Cavalry, the Company agreed to convert unpaid interest of $22,500 on the note entered into on October 12, 2018; and unpaid principal of $80,000 and unpaid interest of $30,560 on the convertible note entered into on August 19, 2019; and unpaid principal of $25,000 on this convertible note, into 1,681,488 shares of common stock at a conversion price of $0.094 per share for a total of 1,681,488 shares, which have not been issued as yet and are subject to TSXV approval. The Company may have to renegotiate the terms of the debt conversion agreement based on the recommendations of the TSXV.

The aggregate principal amount of $25,000 of the convertible loan, which has past the maturity date of August 7, 2021, remains outstanding.

16. CONVERTIBLE DEBENTURES (continued)

(b) SBI Investments, LLC

(i) On October 15, 2018, the Company entered into an agreement with SBI Investments, LLC ("SBI") whereby the Company issued 250 one year units for proceeds of $250,000, each debenture consisting of a $1,000 principal convertible unsecured debenture, bearing interest at 10% per annum and convertible into common shares at $0.86 per share, and a warrant exercisable for 1,162 shares of common stock at an exercise price of $0.86 per share, expiring on October 15, 2019.

During December 2019, the maturity date of the convertible loan was extended to October 15, 2020 and the conversion price of the note was reset to $0.18 per share.

On February 25, 2021, the Company repaid principal of $16,516 and interest thereon of $33,484, totaling $50,000 and on March 9, 2021, the Company repaid a further $49,232 of principal and interest of $768, totaling 50,000.

On August 3, 2021, in terms of a debt assignment agreement entered into with Morison Management SA, SBI Investments assigned this October 15, 2018 convertible debenture and the January 26, 2020 convertible debenture to Morison Management SA.

(ii) On January 16, 2020, the Company entered into an agreement with SBI whereby the Company issued a convertible promissory note for $55,000 for gross proceeds of $50,000, bearing interest at 10% per annum and convertible into common shares at $0.14 per share. The convertible note matured on January 16, 2021. In conjunction with the convertible promissory note, the Company issued a warrant exercisable for 357,142 shares of common stock at an exercise price of $0.14 per share, which warrant expired unexercised on January 16, 2021.

On August 3, 2021, in terms of a debt assignment agreement entered into with Morison Management SA, SBI Investments assigned this October 15, 2018 convertible debenture and the January 26, 2020 convertible debenture to Morison Management SA

(c) Bay Private Equity, Inc.

(i) On September 17, 2018, the Company issued 3 one year convertible units of $1,100,000 each to Bay Private Equity, Inc. ("Bay"), including an OID of $100,000 per unit, for net proceeds of $2,979,980. These units bear interest at 5% per annum and matured one year from the date of issue. Each unit consists of one senior secured convertible debenture of $1,100,000 and 250,000 common share purchase warrants. Each convertible debenture may be converted to common shares of the Company at a conversion price of $1.00 per share. Each common share purchase warrant entitles the holder to purchase an additional common share of the Company at a price of $1.10 per share for one year after the issue date.

On January 23, 2019, $400,000 of the principal outstanding was repaid out of the proceeds raised on the January 16, 2019 Bay convertible debenture, see (ii) below.

During December 2019, the maturity date was extended to January 15, 2020. The maturity date was not extended further during the year and the note was in default as at August 31, 2020.

On September 1, 2020, the convertible debenture was assigned to Bellridge Capital, LP ("Bellridge"). Bellridge enforced the penalty provisions of the original agreement, resulting in an increase in the capital due under the debenture by $610,312 , and an increase of 10% to the interest rate, from the date of original default which was September 19, 2019.

On September 23, 2020, in accordance with the terms of the amended agreement entered into with Bellridge, the maturity date was extended to March 31, 2021 and the conversion price was amended to $0.055 per share.

(ii) On January 16, 2019, the Company issued a convertible debenture of $2,400,000, including an OID of $400,000, for net proceeds of $2,000,000. The convertible debenture bears interest at 5% per annum and matured on October 15, 2019. The convertible debenture may be converted to 5,000,000 common shares of the Company at a conversion price of $0.40 per share. $400,000 of the proceeds raised was used to repay a portion of the $3,300,000 convertible debenture issued to Bay Private Equity on September 17, 2018, see (i) above.

On August 20, 2020, in accordance with the terms of an amendment entered into with Bay, the maturity date was extended to February 20, 2021.

On April 23, 2021, the convertible debenture was assigned to Bellridge and the terms of the debenture were amended as follows; the maturity date was extended to September 30, 2021.

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16. CONVERTIBLE DEBENTURES (continued)

(d) Cantone Asset Management, LLC

(i) On July 19, 2019, the Company issued a convertible debenture to Cantone Asset Management, LLC ("Cantone") in the aggregate principal amount of $300,000, including an OID of $50,000 for net proceeds of $234,000 after certain issue expenses. The convertible debenture bears interest at 7% per annum and the gross proceeds, less the OID, of $250,000 is convertible into common shares at a conversion price of $0.19 per share, and maturing on October 19, 2020.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 1,315,789 common shares at an exercise price of $0.24 per share, expiring on October 19, 2020.

On July 7, 2020, the Company entered into an Amending Agreement ("the Amendment") whereby the conversion price of the convertible debenture was amended to $0.037 per share and the warrant exercise price was amended to $0.03 per share.

On September 23, 2020, $50,000 of the principal was repaid out of the proceeds of the $300,000 convertible note issued to Cantone Asset Management.

On March 17, 2021, The company entered into an amending agreement whereby the conversion price of the convertible note was amended to $0.0475 per share, the maturity date was extended to October 19, 2021 and the interest rate was amended to 18% with effect from October 20, 2020.

On March 17, 2021, the Company entered into a debt conversion agreement whereby outstanding interest of $22,660 accrued until December 28, 2020 on two convertible notes was converted into 581,026 shares of common stock. The debt conversion agreement included $8,500 of interest related to this July 2019 convertible note.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $132,007, consisting of outstanding interest of $92,007 accrued until June 1, 2021 on various convertible notes and a principal amount outstanding of $40,000 on one convertible note, was converted into 949,688 shares of common stock. The debt conversion agreement included $22,750 of interest related to this July 2019 convertible note.

On August 30, 2021, in terms of a conversion notice received, the Company issued a total of 5,263,157 shares of common stock converting $250,000 of the aggregate principal of the note entered into on July 19, 2019, thereby extinguishing the principal due under the note.

(ii) On September 17, 2019, the Company issued a convertible debenture to Cantone in the aggregate principal amount of $240,000, including an original issue discount of $40,000, for net proceeds of $200,000. The convertible debenture bears interest at 7% per annum and the gross proceeds less the OID, of $200,000 is convertible into common shares at a conversion price of $0.21 per share, and maturing on December 17, 2020.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 952,380 common shares at an exercise price of $0.26 per share, expiring on December 17, 2020.

In accordance with the terms of an Amending Agreement entered into on July 7, 2020, the conversion price was amended to $0.037 per share and the warrant exercise price was amended to $0.03 per share.

On March 17, 2021, The company entered into an amending agreement whereby the conversion price of the convertible note was amended to $0.0475 per share, the maturity date was extended to December 17, 2021 and the interest rate was amended to 18% with effect from October 20, 2020.

On March 17, 2021, the Company entered into a debt conversion agreement whereby outstanding interest of $22,660 accrued until December 28, 2020 on two convertible notes was converted into 581,026 shares of common stock. The debt conversion agreement included $14,160 of interest related to this September 2019 convertible note.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $132,007, consisting of outstanding interest of $92,007 accrued until June 1, 2021 on various convertible notes and a principal amount outstanding of $40,000 on one convertible note, was converted into 949,688 shares of common stock. The debt conversion agreement included $21,840 of interest related to this September 2019 convertible note.

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16. CONVERTIBLE DEBENTURES (continued)

(d) Cantone Asset Management, LLC (continued)

(iii) On October 14, 2019, the Company issued a convertible debenture to Cantone in the aggregate principal amount of $240,000, including an original issue discount of $40,000, for net proceeds of $200,000. The convertible debenture bears interest at 7% per annum and the gross proceeds less the OID, of $200,000 is convertible into common shares at a conversion price of $0.17 per share, maturing on January 14, 2021.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 1,176,470 common shares at an exercise price of $0.17 per share, expiring on January 16, 2021.

In accordance with the terms of the Amendment entered into on July 7, 2020, the conversion price of the convertible debenture was amended to $0.037 per share and the warrant exercise price was amended to $0.03 per share.

On January 7, 2021, in terms of a conversion notice received, the Company issued 5,405,405 shares of common stock converting $200,000 of the aggregate principal of the note entered into on October 14, 2019.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $132,007, consisting of outstanding interest of $92,007 accrued until June 1, 2021 on various convertible notes and a principal amount outstanding of $40,000 on one convertible note, was converted into 949,688 shares of common stock. The debt conversion agreement included $10,367 of interest and $40,000 of principal related to this October 2019 convertible note, thereby extinguishing the note.

(iv) On September 23, 2020, the Company issued a convertible debenture to Cantone Asset Management in the aggregate principal amount of $300,000, including an original issue discount of $50,000, for net proceeds of $247,500. The convertible debenture bears interest at 7% per annum and the gross proceeds less the OID, of $250,000 is convertible into common shares at a conversion price of $0.055 per share until September 23, 2021 and thereafter at $0.08 per share. The convertible debenture matures on December 23, 2021.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 4,545,454 common shares at an exercise price of $0.055 per share, expiring on December 23, 2021.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $132,007, consisting of outstanding interest of $92,007 accrued until June 1, 2021 on various convertible notes and a principal amount outstanding of $40,000 on one convertible note, was converted into 949,688 shares of common stock. The debt conversion agreement included $37,050 of interest related to this September 2020 convertible note.

On August 30, 2021, in terms of a conversion notice received, the Company issued a total of 4,545,454 shares of common stock converting $250,000 of the aggregate principal of the note entered into on September 2020.

(v) On July 1, 2021, in terms of a subscription agreement entered into with Cantone Asset Management, LLC, the Company issued a convertible debenture in the aggregate principal amount of $300,000, bearing interest at 8% per annum and maturing on July 1, 2023 and convertible into common stock at a conversion price of $0.12 per share. In addition, the Company issued Cantone a warrant exercisable for 2,500,000 shares of common stock at an exercise price of $0.12 per share expiring on July 1, 2023.

16. CONVERTIBLE DEBENTURES (continued)

(e) Private lender

On October 29, 2019, the Company issued a convertible debenture to a private lender in the aggregate principal amount of $200,000. The convertible debenture bears interest at 10.0% per annum and matured on October 29, 2020. The convertible debenture may be converted into common shares of the Company at a conversion price of $0.18 per share.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 555,555 common shares at an exercise price of $0.18 per share, expiring on October 29, 2020.

The aggregate principal amount of $200,000 of the convertible loan, which has past the maturity date of October 29, 2020, remains outstanding.

(f) Petroleum Capital Funding LP.

All of the convertible notes issued to Petroleum Capital Funding LP. ("PCF") are secured by a first priority lien on all bitumen reserves at the Asphalt Ridge property consisting of 8,000 acres.

The Company may force the conversion of all of the convertible debentures if the trading price of the Company's common shares on the TSXV Venture Exchange is above $0.40 for 20 consecutive trading days, with an average daily volume of greater than 1 million common shares, and has agreed to certain restrictions on paying dividends, registration rights and rights of first refusal on further debt and equity offerings.

(i) On November 26, 2019, further to a term sheet entered into with PCF, the Company issued a convertible debenture in the aggregate principal amount of $318,000, including an OID of $53,000 for net proceeds of $226,025 after certain issue expenses. The convertible debenture bears interest at 10% per annum and the gross proceeds less the OID of $265,000 is convertible into common shares at a conversion price of $0.21 per share, and matures on November 26, 2023.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 1,558,730 common shares and a brokers warrant exercisable for 124,500 common shares, at an exercise price of $0.17 per share, expiring on November 26, 2023.

On September 22, 2020, the Company entered into an Amending Agreement, whereby the conversion price of the convertible debenture was amended to $0.055 per share and the exercise price of the warrant exercisable for 1,558,730 shares was amended to $0.055 per share.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $61,050, consisting of outstanding interest accrued until June 1, 2021 on various convertible notes was converted into 439,209 shares of common stock. The debt conversion agreement included $15,900 of interest related to this November 2019 convertible note.

(ii) On December 4, 2019, the Company concluded its second closing as contemplated by the term sheet entered into with PCF per (i) above and issued a convertible debenture in the aggregate principal amount of $432,000, including an OID of $72,000 for net proceeds of $318,600 after certain issue expenses. The convertible debenture bears interest at 10% per annum and the gross proceeds less the OID of $360,000 is convertible into common shares at a conversion price of $0.21 per share, and matures on December 4, 2023.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 2,117,520 common shares and a brokers warrant exercisable for 169,200 common shares, at an exercise price of $0.17 per share, expiring on December 4, 2023.

On September 22, 2020, the Company entered into an Amending Agreement, whereby the conversion price of the convertible debenture was amended to $0.055 per share and the exercise price of the warrant exercisable for 2,117,520 shares was amended to $0.055 per share.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $61,050, consisting of outstanding interest accrued until June 1, 2021 on various convertible notes was converted into 439,209 shares of common stock. The debt conversion agreement included $21,600 of interest related to this December 2019 convertible note.

16. CONVERTIBLE DEBENTURES (continued)

(f) Petroleum Capital Funding LP. (continued)

(iii) On March 30, 2020, the Company concluded its third closing as contemplated by the term sheet entered into with PCF per (i) above and issued a convertible debenture in the aggregate principal amount of $471,000, including an OID of $78,500 for net proceeds of $347,363 after certain issue expenses. The convertible debenture bears interest at 10% per annum and the gross proceeds less the OID of $392,500 is convertible into common shares at a conversion price of $0.21 per share, and matures on March 30, 2024.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 4,906,250 common shares and a brokers warrant exercisable for 392,500 common shares, at an exercise price of $0.17 per share, expiring on March 30, 2024.

On September 22, 2020, the Company entered into an Amending Agreement, whereby the conversion price of the convertible debenture was amended to $0.055 per share and the exercise price of the warrant exercisable for 4,906,250 shares was amended to $0.055 per share.

On June 3, 2021, the Company entered into a debt conversion agreement whereby a total amount of $61,050, consisting of outstanding interest accrued until June 1, 2021 on various convertible notes was converted into 439,209 shares of common stock. The debt conversion agreement included $23,550 of interest related to this March 2020 convertible note.

(iv) On July 21, 2021, in terms of a subscription agreement for debentures and warrants, the Company entered into a convertible debenture agreement with PCF in the aggregate principal amount of $3,000,000 including an OID of $500,000 for net proceeds of $2,191,000 after placement fees and expense allowances of $309,000. The convertible debenture bears interest at 10% per annum and the gross proceeds of $2,500,000 is convertible into common shares at a conversion price of $0.12 per share, subject to anti-dilution adjustments and matures on July 21, 2025. The company also entered into a registration rights agreement with PCF, whereby the Company has agreed to register any securities that the convertible note is convertible into and any warrant shares issuable in terms of the subscription agreement for debentures and warrants.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 20,833,333 common shares and a brokers warrant exercisable for 5,208,333 common shares, at an exercise price of $0.12 per share, expiring on July 21, 2025.

(g) Power Up Lending Group LTD.

(i) On May 7, 2020, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $64,300, including an original issue discount of $6,300, for net proceeds of $55,000 after certain expenses. The note bears interest at 12% per annum and matures on May 7, 2021. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

Between November 11, 2020 and November 13, 2020, Power Up converted the aggregate principal sum of $64,300, including interest thereon of $3,480 into 2,256,939 common shares, thereby extinguishing the note.

(ii) On June 4, 2020, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $69,900, including an original issue discount of $6,900, for net proceeds of $60,000 after certain expenses. The note bears interest at 12% per annum and matures on June 4, 2021. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

Between December 15, 2020 and January. 4, 2021, Power Up converted the aggregate principal sum of $69,900, including interest thereon of $3,780 into 2,306,558 common shares, thereby extinguishing the note.

16. CONVERTIBLE DEBENTURES (continued)

(g) Power Up Lending Group LTD. (continued)

(iii) On June 19, 2020, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $82,500, including an original issue discount of $7,500, for net proceeds of $72,000 after certain expenses. The note bears interest at 12% per annum and matures on June 19, 2021. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

Between January 7, 2021 and January 20, 2021, Power Up converted the aggregate principal sum of $82,500, including interest thereon of $4,500 into 2,668,712 common shares, thereby extinguishing the note.

(iv) On November 6, 2020, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $140,800, including an original issue discount of $12,800, for net proceeds of $125,000 after certain expenses. The note bears interest at 12% per annum and matures on November 6, 2021. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

Between May 10, 2021 and May 19, 2021, Power Up converted the aggregate principal sum of $140,800, including interest thereon of $7,680 into 4,476,477 common shares, thereby extinguishing the note.

(v) On January 12, 2021, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $86,350, including an original issue discount of $11,350, for net proceeds of $75,000 after certain expenses. The note bears interest at 12% per annum and matures on November 6, 2021. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

Between July 13, 2021 and July 14, 2021, Power Up converted the aggregate principal sum of $86,350, including interest thereon of $4,710 into 1,049,835 common shares, thereby extinguishing the note.

(vi) On February 25, 2021, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $86,350, including an original issue discount of $11,350, for net proceeds of $75,000 after certain expenses. The note bears interest at 12% per annum and matures on February 24, 2022. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

On August 27, 2021, The Company the aggregate principal sum of $86,350 and interest and penalty interest thereon of $32,622, thereby extinguishing the note.

16. CONVERTIBLE DEBENTURES (continued)

(g) Power Up Lending Group LTD. (continued)

(vii) On April 21, 2021, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $92,125, including an original issue discount of $8,375 for net proceeds of $80,000 after certain expenses. The note bears interest at 12% per annum and matures on April 21, 2022. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

(viii) On May 20, 2021, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $141,625, including an original issue discount of $12,875 for net proceeds of $125,000 after certain expenses. The note bears interest at 12% per annum and matures on May 20, 2022. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

(ix) On July 2, 2021, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $114,125, including an original issue discount of $10,375 for net proceeds of $100,000 after certain expenses. The note bears interest at 12% per annum and matures on July 2, 2022. The note may be prepaid subject to certain prepayment penalties ranging from 110% to 130% based on the period of prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 75% of the average of the lowest three trading bid prices during the previous fifteen prior trading days.

(h) EMA Financial, LLC

(i) On July 22, 2020, the Company issued a convertible promissory note to EMA for the aggregate principal sum of $150,000, including an original issue discount of $15,000, for net proceeds of $130,500 after certain expenses. The note bears interest at 8% per annum and matures on April 22, 2021. The note may be prepaid subject to a prepayment penalty of 130%. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to the lower of; (i) the lowest trading price of the Company's common stock during the 15 trading days including and immediately preceding the issue date; and (ii) 70% of the two lowest average trading prices during the fifteen prior trading days including and immediately preceding the conversion date.

Between January 25, 2021 and March 2, 2021, EMA converted the aggregate principal sum of $161,880 into 5,200,000 common shares.

(i) Morison Management S.A.

On August 26, 2020, the convertible debenture originally issued to GS Capital Partners in the aggregate principal sum of $143,750 together with accrued interest and penalty interest thereon of $49,112 was purchased and assigned to Morison Management S.A. ("Morison"). The Company cancelled the convertible debenture issued to GS and issued a replacement convertible debenture to Morison in the aggregate principal sum of $192,862 with a maturity date of August 26, 2021 and bearing interest at 10% per annum. The note is convertible into common shares at a conversion price equal to 50% of the lowest trading price on the preceding 20 days prior to the notice of conversion.

On October 1, 2020, in terms of a debt conversion agreement entered into the $192,862 convertible debenture was converted into 10,285,991 shares of common stock, thereby extinguishing the note.

On August 3, 2021, in terms of a debt assignment agreement entered into with SBI Investments, SBI Investments assigned an October 15, 2018 convertible debenture with an aggregate principal amount outstanding of $184,251 and a January 26, 2020 convertible debenture with an aggregate principal amount outstanding of $55,00, to Morison Management SA.

16. CONVERTIBLE DEBENTURES (continued)

(j) Bellridge Capital LP.

(i) On September 1, 2020, in terms of an assignment agreement entered into between Bay Private Equity, Inc ("Bay") and Bellridge Capital LP ("Bellridge"), Bay assigned a convertible debenture dated September 17, 2018, with a principal balance outstanding of $3,661,874 and interest accrued thereon of $525,203 to Bellridge. On September 23, 2020, the company entered into an amending agreement with Bellridge, whereby the maturity date of the loan was extended to March 31, 2021 and the conversion price was amended to $0.055 per share, simultaneously Bellridge entered into a debt conversion agreement with the Company converting $1,321,689 of the convertible debt into 24,030,713 shares of common stock at a conversion price of $0.055 per share.

On March 22, 2021, the maturity date of the convertible note was extended to October 31, 2021, all other terms remain the same.

(ii) On April 23, 2021, Bellridge took assignment of a $2,400,000 convertible debenture entered into on January 16, 2019 with Bay Private Equity, Inc. the terms of the. Debenture was amended by the Company and the maturity date was extended to September 30, 2021 and the conversion price was amended to $0.048 per share.

Simultaneously with the debt assignment, on April 23, 2021, Bellridge converted the aggregate principal sum of $1,000,000 and interest and penalty interest thereon of $827,066 into 41,334,246 shares of common stock.

(k) Stirling Bridge Resources

On November 24, 2020, the Company issued a convertible debenture to Stirling Bridge Resources in the aggregate principal amount of $15,000, for net proceeds of $15,000. The convertible debenture bears interest at 10% per annum and is convertible into common units at a conversion price of $0.0562 per unit. Each unit consisting of a common share and a two year share purchase warrant, exercisable for a common share at an exercise price of $0.0562 per share, maturing on November 24, 2021.

On June 10, 2021, in terms of a conversion notice received, Stirling Bridge Resources converted $15,000 of the aggregate principal amount of the convertible note at a conversion price of $0.0562 per share for 569,395 shares of common stock and the issuance of a warrant exercisable for 569,395 shares of common stock at an exercise price of $0.0562 per share, expiring on January 26, 2023.

(l) Alpha Capital Anstalt

On November 6, 2020**,** the Company issued a convertible debenture to Alpha Capital Anstalt in the aggregate principal amount of $500,000, for net proceeds of $500,000. The convertible debenture bears interest at 21% per annum and is convertible into common units at a conversion price of $0.0562 per unit. Each unit consisting of a common share and a five year share purchase warrant, exercisable for a common share at an exercise price of $0.0562 per share. The convertible debenture matures on August 6, 2021.

Between May 26, 2021 and May 28, 2021, in terms of conversion notices received, the Company issued 4,448,398 shares on common stock upon the conversion of an aggregate principal amount of convertible debt of $250,000.

On June 7, 2021, in terms of a conversion notice received, Alpha Capital converted $250,000 of the aggregate principal amount of the Alpha capital note entered into on November 6, 2020, at a conversion price of $0.0562 per share for 4,448,399 shares of common stock and the issuance of a warrant exercisable for 4,448,399 shares of common stock at an exercise price of $0.0562 per share.

16. CONVERTIBLE DEBENTURES (continued)

(m) Rijtec Enterprises Limited Pension Scheme

On November 11, 2020, the Company issued a convertible debenture to Rijtec Enterprises limited Pension Scheme in the aggregate principal amount of $32,000, for net proceeds of $32,000. The convertible debenture bears interest at 10% per annum and is convertible into common units at a conversion price of $0.0562 per unit. Each unit consisting of a common share and a two year share purchase warrant, exercisable for a common share at an exercise price of $0.0562 per share. The convertible debenture matures on November 11, 2021.

On July 9, 2021, in terms of a conversion notice received, Rijtec Enterprises Limited Pension Scheme converted $32,000 of the aggregate principal amount of the convertible note entered into on November 24, 2020, at a conversion price of $0.0562 per share for 266,903 shares of common stock and the issuance of a warrant exercisable for 206,903 shares of common stock at an exercise price of $0.0562 per share, expiring on January 26, 2023.

(n) Private lender

On November 30, 2020, the Company issued a convertible debenture to a private lender in the aggregate principal amount of $150,000, for net proceeds of $150,000. The convertible debenture bears interest at 10% per annum and is convertible into common units at a conversion price of $0.0562 per unit. Each unit consisting of a common share and a two year share purchase warrant, exercisable for a common share at an exercise price of $0.0562 per share. The convertible debenture matures on November 30, 2021.

On, July 16, 2021, in terms of a conversion notice received, a private lender converted $150,000 of the aggregate principal amount of the convertible note entered into on November 30, 2020, at a conversion price of $0.0562 per share for 2,669,039 shares of common stock and the issuance of a warrant exercisable for 2,669,039 shares of common stock at an exercise price of $0.0562 per share, expiring on January 26, 2023.

(o) Private lender

On January 26, 2021, the Company issued a convertible debenture to a private lender in the aggregate principal amount of $25,000, for net proceeds of $25,000. The convertible debenture bears interest at 10% per annum and is convertible into common units at a conversion price of $0.0562 per unit. Each unit consisting of a common share and a two year share purchase warrant, exercisable for a common share at an exercise price of $0.0562 per share. The convertible debenture matures on January 26, 2022.

On May 26, 2021, in terms of conversion notices received, the Company issued 444,839 shares on common stock upon the conversion of an aggregate principal amount of convertible debt of $25,000 and warrants exercisable for 444,839 shares of common stock at an exercise price of $0.0562 expiring on January 26, 2023.

(p) Equilibris Management AG

(i) During June 2021, the remaining aggregate principal amount outstanding of $105,000, including interest and penalty interest thereon of $86,779, was acquired in terms of an Assignment and Purchase of Debt Agreement by Equilibris Management AG. In terms of an Exchange Agreement entered into between the Company and Equilibris Management, the promissory note was exchanged for a Convertible Redeemable Note, bearing interest at 10% per annum, maturing on June 30, 2021 and convertible into common stock at $0.041 per share. On June 16, 2021, in terms of conversion notice received, the Company issued 4,677,532 shares of common stock to Equilibris at a conversion price of $0.041 per share, thereby extinguishing the note.

16. CONVERTIBLE DEBENTURES (continued)

(p) Equilibris Management AG (continued)

(ii) On June 24, 2021, in terms of an Assignment and Purchase of Corporate Debt Agreement entered into, the debt holder assigned the promissory note due to him of CDN$962,085, including interest and late payment penalties thereon to Equilibris Management AG. Effective June 30, 2021, the Company entered into a Securities Exchange Agreement with Equilibris Management exchanging the CDN$962,085 promissory note with a convertible promissory note for US$771,610 bearing interest at 8% per annum, convertible into shares of common stock at a conversion price of $0.041 per share and maturing on June 22, 2022. On July 1, 2021, in terms of a conversion notice received from Equilibris Management AG, the Company issued 18,819,756 shares of common stock converting the aggregate principal amount of $771,610, thereby extinguishing the debenture.

(iii) On June 24, 2021, in terms of an Assignment and Purchase of Corporate Debt Agreement entered into with a debt holder, the debt holder assigned the promissory note due to him of CDN$38,217, including interest and late payment penalties thereon to Equilibris Management AG. Effective June 30, 2021, the Company entered into a Securities Exchange Agreement with Equilibris Management exchanging the CDN$38,217 promissory note with a convertible promissory note for US$30,652 bearing interest at 8% per annum, convertible into shares of common stock at a conversion price of $0.041 per share and maturing on June 22, 2022. On July 1, 2021, in terms of a conversion notice received from Equilibris Management AG, the Company issued 747,616 shares of common stock converting the aggregate principal amount of $30,652, thereby extinguishing the debenture.

(iv) During June 2021, in terms of an exchange agreement entered into with Mr. Dennewald, made effective from February 12, 2021, Mr. Dennewald exchanged three promissory notes dated August 1, 2019, October 31, 2019 and March 3, 2020 totaling $125,000 for a $125,000 convertible promissory note bearing interest at 8% per annum and maturing on February 12, 2022. On June 10, 2021, in terms of an Assignment and Purchase of Debt Agreement entered into between Mr. Dennewald and Equilibris, the $125,000 Convertible Promissory Note owing to the director was purchased and assigned to Equilibris. On June 15, 2021, in terms of a conversion notice received from Equilibris, the company issued 3,048,780 shares of common stock at a conversion price of $0.041 per share, thereby extinguishing the note.

(q) Private lender

On July 24, 2021, the Company issued a convertible debenture to a private lender in the aggregate principal amount of $120,000, for net proceeds of $100,000, after an OID of $20,000 The convertible debenture bears interest at 8% per annum and is convertible into common shares at a conversion price of $0.12 per share, maturing on July 24, 2023.

In conjunction with the convertible debenture, the Company issued a warrant exercisable for 833,333 common shares at an exercise price of $0.12 per share, expiring on July 24, 2023.

17. FEDERAL RELIEF LOANS

Small Business Administration Disaster Relief loan

On June 16, 2020, Petroteq Oil Recovery, LLC, received a Small Business Economic Injury Disaster loan amounting to $150,000, bearing interest at 3.75% per annum and repayable in monthly installments of $731 commencing twelve months after inception with the balance of interest and principal repayable on June 16, 2050. The loan is secured by all tangible and intangible assets of the Company. The proceeds are to be used for working capital purposes to alleviate economic injury caused by the COVID-19 pandemic.

On May 1, 2020 and July 27, 2020, Petroteq CA, Inc, received a Small Business Economic Injury Disaster loan amounting to $10,000 and $150,000, respectively, bearing interest at 3.75% per annum and repayable in monthly installments of $731 commencing twelve months after inception with the balance of interest and principal repayable on July 27, 2050. The loan is secured by all tangible and intangible assets of the Company. The proceeds are to be used for working capital purposes to alleviate economic injury caused by the COVID-19 pandemic.

Payroll Protection Plan loans ("PPP Loans")

On April 11, 2020, Petroteq Oil Recovery, LLC, received a PPP Loan amounting to $133,600, bearing interest at 1.00% per annum and repayable in a single payment after 2 years. The loan may be forgiven subject to certain terms and conditions and the use of funds by the Company. Forgiveness is not automatic and will be assessed by the lender once applied for.

On January 20, 2021, Petroteq Oil Recovery, LLC, received a further PPP Loan amounting to $133,826, bearing interest at 1.00% per annum and repayable in a single payment after 5 years. The loan may be forgiven subject to certain terms and conditions and the use of funds by the Company. Forgiveness is not automatic and will be assessed by the lender once applied for.

On April 23, 2020, Petroteq CA, Inc, received a PPP Loan amounting to $133,890, bearing interest at 0.98% per annum and repayable in monthly installments commencing on October 23, 2020. The loan may be forgiven subject to certain terms and conditions and the use of funds by the Company. Forgiveness is not automatic and will be assessed by the lender once applied for.

On May 3, 2021, The PPP loan amounting to $133,890 and all accrued interest thereon was forgiven.

On February 3, 2021, Petroteq CA, Inc, received a PPP Loan amounting to $133,890, bearing interest at 0.98% per annum and repayable in monthly installments commencing on December 3, 2021. The loan may be forgiven subject to certain terms and conditions and the use of funds by the Company. Forgiveness is not automatic and will be assessed by the lender once applied for.

18. DERIVATIVE LIABILITY

Convertible note issued to several lenders, disclosed in note 14(h), (i) and (j), above have conversion rights that are linked to the Company's stock price, at a factor ranging from 50% to 75% of an average stock price over a period ranging from 15 to 20 days prior to the date of conversion. These conversion rights may also include a fixed maximum conversion price. The number of shares issuable upon conversion of these convertible notes is therefore not determinable until conversion takes place. The Company has determined that these conversion features meet the requirements for classification as derivative liabilities and has measured their fair value using a Black Scholes valuation model which takes into account the following factors:

- Historical share price volatility;
- Maturity dates of the underlying securities being valued;
- Risk free interest rates; and
- Expected dividend policies of the Company.

PETROTEQ ENERGY INC.
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18. DERIVATIVE LIABILITY (continued)

The fair value of the derivative liabilities was initially recognized as a debt discount and was re-assessed at August 31, 2020, with a total change in fair value of $87,401 charged to the consolidated statement of loss and comprehensive loss. The value of the derivative liability will be re-assessed at each financial reporting date, with any movement thereon recorded in the statement of loss and comprehensive loss in the period in which it is incurred.

The following assumptions were used in the Black-Scholes valuation model:

	Year ended August 31, 2021
Conversion price	CAD$0.03 to CAD$0.25
Risk free interest rate	0.18 to 2.12%
Expected life of derivative liability	6 to 12 months
Expected volatility of underlying stock	93.9 to 231.8%

Expressed in US dollars

Expected dividend rate	0%

The movement in derivative liability is as follows:

	August 31, 2021
Opening balance	$ 841,385
Derivative financial liability arising from convertible notes	653,826
Fair value adjustment to derivative liability	(1,173,025)
	$ 322,186

19. RECLAMATION AND RESTORATION PROVISIONS

	Oil Extraction Facility	Site Restoration	Total
Balance at August 31, 2019	$ 498,484	2,472,013	2,970,497
Accretion expense	-	-	-
Balance at August 31, 2020	498,484	2,472,013	2,970,497
Accretion expense	-	-	-
Balance at August 31, 2021	$ 498,484	$ 2,472,013	$ 2,970,497

(a) Oil Extraction Plant

In accordance with the terms of the sub-lease agreement disclosed in note 9 above, the Company is required to dismantle its oil extraction plant at the end of the lease term. During the year ended August 31, 2015, the Company recorded a provision of $350,000 for dismantling the facility.

During the year ended August 31, 2019, in accordance with the requirements to provide a surety bond to the Utah Division of Oil Gas and Mining in terms of the amendment to the Notice of Intent to Commence Large Mining Operations at an estimated production of 4,000 barrels per day, the Company estimated that the cost of dismantling the oil extraction plant and related equipment would increase to $498,484. The discount rate used in the calculation is estimated to be 2.32% on operations that are expected to commence in September 2021.

Because of the long-term nature of the liability, the greatest uncertainties in estimating this provision are the costs that will be incurred and the timing of the dismantling of the oil extraction facility. In particular, the Company has assumed that the oil extraction facility will be dismantled using technology and equipment currently available and that the plant will continue to be economically viable until the end of the lease term.

The discount rate used in the calculation of the provision as at August 31, 2019 was2.0%.

19. RECLAMATION AND RESTORATION PROVISIONS (continued)

(b) Site restoration

In accordance with environmental laws in the United States, the Company's environmental permits and the lease agreements, the Company is required to restore contaminated and disturbed land to its original condition before the end of the lease term, which is expected to be in 25 years. During the year ended August 31, 2015, the Company provided $200,000 for this purpose.

The site restoration provision represents rehabilitation and restoration costs related to oil extraction sites. This provision has been created based on the Company's internal estimates. Significant assumptions in estimating the provision include the technology and equipment currently available, future environmental laws and restoration requirements, and future market prices for the necessary restoration works required.

During the year ended August 31, 2019, in accordance with the requirements to provide a surety bond to the Utah Division of Oil Gas and Mining in terms of the amendment to the Notice of Intent to Commence Large Mining Operations at an estimated production of 4,000 barrels per day, the Company estimated that the cost of restoring the site would increase to $2,472,013. The discount rate used in the calculation is estimated to be 2.32% on operations that are expected to commence in September 2021.

The discount rate used in the calculation of the provision as at August 31, 2019 was2.0%.

20. COMMON SHARES

Authorized	unlimited common shares without par value
Issued and Outstanding	564,159,881 common shares as at August 31, 2021.

(a) Settlement of liabilities

Between September 21 2021 and December 10, 2020, the Company issued71,632,237 common shares valued at $3,481,483 to several vendors in settlement of $3,433,200 of trade debt.

(b) Settlement of directors fees

On July 12, 2021, the Company issued 1,964,108 common shares valued at $137,488 to four directors in partial settlement of directors fees outstanding.

Expressed in US dollars

(c) Common share subscriptions

Between November 13, 2020 and July 27, 2021, the Company issued 28,490,802 common shares to various investors for net proceeds of $2,781,949.

(d) Convertible debt conversions

Between October 1, 2020 and August 30, 2021, in terms of conversion notices received, the Company issued 171,906,658 common shares valued at $8,156,018 and 12,846,973 warrants valued at $500,063 in settlement of convertible debt of $7,622,160.

(e) Restricted stock awards

On January 25 2021, the Company issued 1,000,000 restricted common shares valued at $58,879 to its COO as part of his compensation package.

(f) Compensation for services

On June 10, 2021, the Company issued 25,000 shares valued at $3,411 as compensation for services rendered to the Company.

(g) Subscription receipts

During August 2021 the company received $750,000 from a private investor in terms of an irrevocable subscription agreement for the issue of 6,250,000 units, at an issue price of $0.12 per unit. Each unit consists of one common share and one transferable share purchase warrant exercisable at $0.12 per share, for a period of twenty four months from closing. Due to the suspension of trading by the TSXV, these shares have not been issued as yet.

21. STOCK OPTIONS

(a) Stock option plan

The Company has a stock option plan which allows the Board of Directors of the Company to grant options to acquire common shares of the Company to directors, officers, key employees and consultants. The option price, term and vesting are determined at the discretion of the Board of Directors, subject to certain restrictions as required by the policies of the TSX Venture Exchange. The stock option plan is a 20% fixed number plan with a maximum of 112,831,976 common shares reserved for issue at August 31, 2021.

On August 7, 2020, the Company issued a five-year option exercisable for 3,000,000 common shares, vesting over nine months, at an exercise price of CAD$0.085 per share to its newly appointed Chief Operating Officer.

On August 20, 2020, the Company issued a six-month option exercisable for 2,220,000 common shares, vesting immediately, at an exercise price of CAD$0.11 per share to a lender.

No stock options were granted for the year ended August 31, 2021.

During the year ended August 31, 2021 the share-based compensation expense of $603,244 (2020 - $887,818) relates to the vesting of options granted during the prior fiscal years.

(b) Stock options

Stock option transactions under the stock option plan were:

	Year ended August 31, 2021		Year ended August 31, 2020	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	9,470,000	CAD$ 1.20	9,808,333	CAD$ 1.20
Options granted	-	-	5,220,000	CAD$ 0.10
Options forfeited	(2,220,000)	CAD$ 1.14	(5,558,333)	CAD$ 1.14
Balance, end of period	7,250,000	CAD$ 0.63	9,470,000	CAD$ 0.63

Stock options outstanding and exercisable as at August 31, 2021 are:

Expiry Date	Exercise Price	Options Outstanding	Options Exercisable
August 7, 2025	CAD$ 0.085	3,000,000	3,000,000
November 30, 2027	CAD$ 2.270	950,000	950,000
June 5, 2028	CAD$ 1.000	3,300,000	3,300,000
		7,250,000	7,250,000
Weighted average remaining contractual life		5.5 years	5.5 years

22. SHARE PURCHASE WARRANTS

From September 17, 2019 to August 7, 2020, the Company issued 19,384,900 warrants to convertible debt note holders and subscribers for common shares, in accordance with the terms of subscription unit agreements entered into with the convertible note holders and subscribers. The fair value of the warrants granted was estimated at

Expressed in US dollars

$918,147 using the relative fair value method. In addition, warrants valued on debt extinguishment agreements entered into with certain convertible note holders, whereby the exercise price and in certain cases, the expiry date of the warrant were amended, amounted to $78,792.

22. SHARE PURCHASE WARRANTS (continued)

From January 26, 2021 to July 27, 2021,the Company issued a total of 66,496,016 warrants for common shares of which 17,874,966 were issued in terms of subscription agreements entered into with investors and a further 42,835,635 warrants issued in terms of convertible debt subscriptions and 5,785,415 brokers warrants issued in terms of the subscription agreements mentioned above.

The share purchase warrants issued, during the year ended August 31, 2021, were valued at $3,835,673 using the relative fair value method. The fair value of share purchase warrants was estimated using the Black-Scholes valuation model utilizing the following weighted average assumptions:

	Year ended August 31, 2021
Exercise price	$ 0.0475 to 0.12
Expected share price volatility	135.5 to 181.4%
Risk-free interest rate	0.14 to 0.84%
Expected term	0.6 to 4.45

Warrants exercisable for 26,999,167 common shares at exercise prices ranging from $0.18 to $3.427 and warrants exercisable over 9,776,815 common shares at exercise prices ranging from $0.22 and $21.53 per share expired during the year ended August 31, 2021 and 2020, respectively.

Warrants for 14,690,739 common shares were exercised for gross proceeds of $635,706 for the year ended August 31, 2021.

During August 2021 the company received $750,000 from a private investor in terms of an irrevocable subscription agreement for the issue of 6,250,000 units, at an issue price of $0.12 per unit. Each unit consists of one common share and one transferable share purchase warrant exercisable at $0.12 per share, for a period of twenty four months from closing. Due to the suspension of trading by the TSXV, these warrants have not been issued as yet.

A summary of the Company's warrant activity during the period September 1, 2019 and August 31, 2021 is as follows:

	Year ended August 31, 2021		Year ended August 31, 2020	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	48,342,714	$ 0.4254	38,734,629	$ 0.7119
Warrants granted	66,496,016	0.1021	19,384,900	0.0824
Warrants exercised	(14,690,739)	0.0433	-	-
Warrants forfeited	(26,999,167)	0.7042	(9,776,815)	0.8675
Balance, end of period	73,148,824	$ 0.1053	48,342,714	$ 0.4254

The following table summarizes information about warrants outstanding as of August 31, 2021:

	Warrants outstanding and exercisable	
Exercise price	Number of shares	Weighted average remaining years
$ 0.0550	8,582,500	2.44
$ 0.0562	12,846,973	3.33
$ 0.0800	392,500	2.58
$ 0.1000	276,512	1.41
$ 0.1200	47,827,077	3.52
$ 0.1400	151,785	3.39
$ 0.1700	293,700	2.25
$ 0.2300	2,777,777	0.08
$ 0.1053	**73,148,824**	**3.21**

23. DILUTED LOSS PER SHARE

The Company's potentially dilutive instruments are convertible debentures and stock options and share purchase warrants. Conversion of these instruments would have been anti-dilutive for the periods presented and consequently, no adjustment was made to basic loss per share to determine diluted loss per share. These instruments could potentially dilute earnings per share in future periods.

Expressed in US dollars

For the years ended August 31, 2021 and 2020, the following stock options, share purchase warrants and convertible securities were excluded from the computation of diluted loss per share as the result of the computation was anti-dilutive:

	Year ended August 31, 2021	Year ended August 31, 2020
Share purchase options	7,250,000	9,470,000
Share purchase warrants	73,148,824	48,342,714
Convertible securities	118,391,331	93,941,474
	198,790,155	151,754,188

24. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise separately disclosed in these consolidated financial statements are:

The Company owes outstanding directors fees of $264,064 and $235,165 as at August 31, 2021 and 2020, respectively, and outstanding salaries and fees to officers and directors of $447,500 and $328,075 for the years ended August 31, 2021 and 2020.

Related party payables and receivables represent non-interest-bearing (payables) receivables that are due on demand.

The balances outstanding are as follows:

Related Party payables	August 31, 2021	August 31, 2020
Aleksandr Blyumkin	$ 493,549	$ 555,647
Robert Dennewald	-	125,000
	$ 493,549	$ 680,647

Alex Blyumkin

On September 19, 2019 and July 31, 2020, Mr. Blyumkin subscribed for 696,153 and 15,000,000 common shares for gross proceeds of $90,500 and $600,000.

On August 20, 2020, a Company controlled by Mr. Blyumkin entered into a debt settlement agreement, whereby 2,356,374 shares were issued to settle an outstanding promissory note of $94,255.

On April 28, 2021, Mr. Blyumkin subscribed for 1,166,666 common shares at a price of $0.06 per share for gross proceeds of $70,000.

24. RELATED PARTY TRANSACTIONS (continued)

Alex Blyumkin (continued)

On July 12, 2021, the Company issued Mr. Blyumkin 578,480 common shares valued at $40,494 in partial settlement of directors fees outstanding.

On July 27, 2021, Mr. Blyumkin subscribed for 1,875,000 units at a price of $0.12 per unit for gross proceeds of $225,000.

Mr. Blyumkin has resigned as an officer and director of the Company effective August 6, 2021.

The Company owed Mr. Blyumkin $493,549 and $555,647 as at August 31, 2021 and 2020, respectively.

George Stapleton

On January 25, 2021, Mr. Stapleton was awarded 1,000,000 common shares valued at $58,879 as part of his compensation package.

On August 7, 2020, Mr. Stapleton was awarded options exercisable for 3,000,000 common shares exercisable at $0.085 per share and valued at $165,855. The options vested over an eight month period.

On November 30, 2021, Mr. George Stapleton retired as the Chief Operating Officer of the Company.

Dr. Gerald Bailey

On July 12, 2021, the Company issued Dr. Bailey 578,480 common shares valued at $40,494 in partial settlement of directors fees outstanding.

On August 6, 2021, the Board of Directors of the Company has appointed Dr. R. Gerald Bailey, a current director and former Chief Executive Officer of the Company, as Chairman of the Board of Directors and Interim Chief Executive Officer. The Company has not entered into a written employment agreement with Dr. Bailey. Dr. Bailey is entitled to cash compensation of $10,000 per month in his new role. The Board of Directors is responsible for reviewing compensation paid to the Company's executive officers on an annual basis.

Robert Dennewald

On October 31, 2019 and March 11, 2020, Mr. Dennewald advanced the Company $50,000 and $25,000, respectively as short-term loans. The loans are interest free The total loans outstanding as of August 31, 2020 was $125,000.

Expressed in US dollars

During June 2021, in terms of an exchange agreement entered into with Mr. Dennewald, Mr. Dennewald exchanged three promissory notes dated August 1, 2019, October 31, 2019 and March 3, 2020 totaling $125,000 for a $125,000 convertible promissory note bearing interest at 8% per annum and maturing on February 12, 2022.

On June 10, 2021, in terms of an Assignment and Purchase of Debt Agreement entered into between Mr. Dennewald and Equilibris Management AG ("Equilibris"), the $125,000 Convertible Promissory Note owing to the director was purchased and assigned to Equilibris.

On July 12, 2021, the Company issued Mr. Dennewald578,480 common shares valued at $40,494 in partial settlement of directors fees outstanding.

The Company owed Mr. Dennewald $0 and $125,000 in terms of promissory notes due to him as at August 31, 2021 and 2020.

24. RELATED PARTY TRANSACTIONS (continued)

James Fuller

On July 12, 2021, the Company issued Mr. Fuller228,668 common shares valued at $16,007 in partial settlement of directors fees outstanding.

Vladimir Podlipsky

The Board of Directors has appointed Dr. Vladimir Podlipsky, currently the Chief Technology Officer of the Company, as a director, with effect from August 6, 2021, to fill the vacancy on the Board created by Mr. Blyumkin's resignation.

Ron Cook

Mr. Cook was appointed as the Chief Financial Officer of the Company with effect from October 31, 2021.

Mark Korb

Mr. Korb resigned as CFO of the Company with effect from October 31, 2021.

25. INVESTMENTS

On November 11, 2016, the Company and three other parties entered into an agreement for the operation of a website for careers in the oil and gas industry. The Company has a 25% interest in this venture and had made advances of $68,331 to the venture as of August 31, 2018. Due to the lack of activity in the venture, the Company has fully provided against the investment of $68,331.

On November 1, 2017, the Company entered into an agreement with First Bitcoin Capital Corp. ("FBCC"), a global developer of blockchain-based applications, to design and develop a blockchain-powered supply chain management platform for the oil and gas industry to be marketed to oil and gas producers and operators. On January 8, 2018, the Company paid the first instalment of $100,000 which had been applied to operating costs incurred by Petrobloq, LLC related to an office lease beginning March 1, 2018 and research costs related to payments to the development team consisting of four employees. During the year ended August 31, 2019, the Company incurred a further $152,500 in costs related to the agreement and on September 6, 2019, the Company agreed to pay250,000 common shares to FBCC as a final settlement of the agreement. The investment has been fully provided for as of August 31, 2020.

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consists of the following:

	Year ended August 31, 2021	Year ended August 31, 2020
Investor relations and public relations	$ 45,000	$ (92,179)
Professional fees	1,596,754	2,614,540
Salaries and wages	350,478	1,043,647
Share-based compensation	603,244	887,818
Travel and promotional expenses	700,724	713,662
Other	922,424	1,016,257
	$ 4,218,624	$ 6,183,745

27. FINANCING COSTS, NET

Financing costs, net, consists of the following:

	Year ended August 31, 2021	Year ended August 31, 2020
Interest and penalty on borrowings	$ 1,820,459	$ 1,256,985
Amortization of debt discount	2,907,121	1,414,626
	$ 4,727,580	$ 2,671,611

28. OTHER EXPENSE (INCOME), NET

Other expense (income), net, consists of the following:

	Year ended August 31, 2021	Year ended August 31, 2020
Loss (gain) on settlement of liabilities	$ 48,283	$ (524,971
Loss on conversion of convertible debt	1,033,921	744,918
Loss (gain) on debt extinguishment	416,480	(54,378)
Penalty on convertible notes	202,908	610,312
Forgiveness of federal relief loans	(133,890)	-
Interest income	(3,800)	(29,317)
	$ 1,563,902	$ 746,564

29. INCOME TAXES

The Company's deferred tax assets (liabilities), resulting from temporary differences that will change taxable incomes of future years, are:

	August 31, 2021	August 31, 2020
Property, plant and equipment and intangible assets	$ (24,049,200)	$ (18,502,900)
Non-capital tax loss carry-forwards	15,993,200	14,418,180
Other tax-related balances and credits	(208,332)	(160,286
Valuation allowance	8,264,332	4,247,006
Net deferred tax assets (liabilities)	$ -	$ -

A reconciliation of the provision for income taxes is:

	Year ended August 31, 2021	Year ended August 31, 2020
Net loss before income taxes	$ 9,474,243	$ 12,379,067
Combined federal and state statutory income tax rates	26.5%	26.5%
Tax recovery using the Company's domestic tax rate	2,510,674	3,280,453
Effect of tax rates in foreign jurisdictions	-	-
Net effect of (non-deductible) deductible items	(1,814,000)	(2,369,610)
Current year deductible amounts	1,254,163	1,638,692
Current period losses not recognized	(1,950,837)	(2,549,535)
Provision for income taxes	$ -	$ -

As at August 31, 2021, the Company has, on a consolidated basis, non-capital losses of approximately $XX million for income tax purposes which may be used to reduce taxable incomes of future years. If unused, these losses will expire between 2031and 2041.

30. SEGMENT INFORMATION

The Company operated in two reportable segments within the USA during the year ended August 31, 2021 and 2020, oil extraction and processing operations and mining operations.

Once the expansion of the plant has reached a stage of completion where it is viable to commence production and the requisite licenses have been obtained, the Company's oil extraction segment will be able to commence commercial production and will generate revenue from the sale of hydrocarbon products to third parties.

The presentation of the consolidated statements of loss and comprehensive loss provides information about the oil extraction and processing segment. There were limited operations in the mining operations segment during the year ended August 31, 2021 and 2020. Other information about reportable segments are:

	August 31, 2021		
(in '000s of dollars)	Oil Extraction	Mining Operations	Consolidated
Additions to non-current assets	$ 5,513	-	5,513
Reportable segment assets	47,795	33,240	81,035

Reportable segment liabilities	$ (14,782)	(100)	(14,882)

(in '000s of dollars)	August 31, 2020 Oil Extraction	Mining Operations	Consolidated
Additions to non-current assets	$ 2,073	$ 50	$ 2,123
Reportable segment assets	40,405	33,240	73,645
Reportable segment liabilities	$ (19,416)	$ (100)	$ (19,516)

30. SEGMENT INFORMATION (continued)

(in '000s of dollars)	August 31, 2021 Oil Extraction	Mining operations	Consolidated
Revenue from license fees	**$ 2,000**	**$ -**	**$ 2,000**
Revenues from hydrocarbon sales	**-**	**-**	**-**
Production and maintenance costs	(2,091)	-	(2,091)
Gross Loss	**(91)**	**-**	**(91)**
Expenses			
Depreciation, depletion and amortization	46	-	46
Selling, general and administrative expenses	4,219	-	4,219
Investor relations	45	-	45
Professional fees	1,597	-	1,597
Salaries and wages	350	-	350
Share-based compensation	666	-	666
Travel and promotional expenses	701	-	701
Other	860	-	860
Financing costs	4,727	-	4,727
Other expense (income)	1,564	-	1,564
Loss on settlement of liabilities	48	-	48
Loss on conversion of convertible debt	1,034	-	1,034
Loss on debt extinguishment	417	-	417
Penalty on convertible notes	203		203
Forgiveness of federal relief loans	(134)		(134)
Interest income	(4)		(4)
Derivative liability movements	(1,173)	-	(1,173)
Net loss	**$ (9,474)**	**$ -**	**$ (9,474)**

(in '000s of dollars)	August 31, 2020 Oil Extraction	Mining operations	Consolidated
Revenues from hydrocarbon sales	**$ 291**	**$ -**	**$ 291**
Other production and maintenance costs	(1,714)	-	(1,714)
Advance royalty payments	-	(988)	(988)
Gross Loss	**(1,423)**	**(988)**	**(2,411)**
Expenses			
Depreciation, depletion and amortization	104	-	104
Selling, general and administrative expenses	6,180	4	6,184
Investor relations	(92)	-	(92)
Professional fees	2,613	1	2,614
Salaries and wages	1,044	-	1,044
Share-based compensation	888	-	888
Travel and promotional expenses	714	-	714
Other	1,013	3	1,016
Financing costs	2,672	-	2,672
Impairment of investments	75	-	75
Other expense (income)	746	-	746
Gain on settlement of liabilities	(525)	-	(525)
Loss on conversion of convertible debt	745	-	745
Gain on debt extinguishment	(55)	-	(55)
Penalty on convertible note	610	-	610
Other income	(29)	-	(29)
Derivative liability movements	187	-	187
Net loss	**$ 11,387**	**$ 992**	**$ 12,379**

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31. COMMITMENTS AND CONTINGENCIES

The company has commitments under equipment financing arrangements entered into in prior periods, see Note 11, above.

Maturity of Leases

The amount of future minimum lease payments under finance leases is as follows:

	August 31, 2021
Undiscounted minimum future lease payments	
Total instalments due:	
Within 1 year	$ 80,700
Total instalments due under finance leases	$ 80,700

The Company has entered into an office lease arrangement which, including the Company's share of operating expenses and property taxes, will require estimated minimum annual payments of:

	August 31, 2021
Undiscounted minimum future lease payments	
Total instalments due:	
Within 1 year	$ 62,903
1 to 2 years	64,790
2 to 3 years	66,734
Total instalments under operating leases	$ 194,427

Legal Matters

On December 27, 2018, the Company executed and delivered: (i) a Settlement Agreement (the "Settlement Agreement") with Redline Capital Management S.A. ("Redline") and Momentum Asset Partners II, LLC; (ii) a secured promissory note payable to Redline in the principal amount of $6,000,000 (the "Note") with a maturity date of 27 December 2020, bearing interest at 10% per annum; and (iii) a Security Agreement (together with the Settlement Agreement and the Note, the "Redline Agreements") among the Company, Redline, and TMC Capital, LLC ("TMC"), an indirect wholly-owned subsidiary of the Company.

After undertaking an in-depth analysis of the Redline Agreements in the context of the underlying transactions and events, special legal counsel to the Company has opined that the Redline Agreements are likely void and unenforceable.

The Company's special legal counsel regards the possibility of Redline's success in pursuing any claims against the Company or TMC under the Redline Agreements as less than reasonably possible and therefore no provision has been raised against these claims.

The Company is currently evaluating the options and remedies that are available to it to ensure that the Redline Agreements are declared as void or are rescinded and extinguished.

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32. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital. The Company considers its capital for this purpose to be its shareholders' equity and debt and convertible debentures.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may seek additional financing or dispose of assets.

In order to facilitate the management of its capital requirements, the Company monitors its cash flows and credit policies and prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The budgets are approved by the Board of Directors. There are no external restrictions on the Company's capital.

33. MANAGEMENT OF FINANCIAL RISKS

The risks to which the Company's financial instruments are exposed to are:

(a) Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations. The Company is exposed to credit risk through its cash held at financial institutions, trade receivables from customers and notes receivable.

The Company has cash balances at various financial institutions. The Company has not experienced any loss on these accounts, although balances in the accounts may exceed the insurable limits. The Company considers credit risk from cash to be minimal.

Credit extension, monitoring and collection are performed for each of the Company's business segments. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of the customer's credit information.

Accounts receivable, collections and payments from customers are monitored and the Company maintains an allowance for estimated credit losses based upon historical experience with customers, current market and industry conditions and specific customer collection issues.

At August 31, 2021 and 2020, the Company had $17,303 and $12,830 in trade and other receivables, respectively and $522,959 and $89,159 in notes receivable, respectively. The Company considers it maximum exposure to credit risk to be its trade and other receivables and notes receivable. The Company expects to collect these amounts in full and has not provided an expected credit loss allowance against these amounts.

(b) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed to interest rate risk as a result of holding fixed rate obligations of varying maturities as well as through certain floating rate instruments. The Company considers its exposure to interest rate risk to be minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

33. MANAGEMENT OF FINANCIAL RISKS (continued)

(c) Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments. The Company has included both the interest and principal cash flows in the analysis as it believes this best represents the Company's liquidity risk.

At August 31, 2021

		Contractual cash flows			
(in '000s of dollars)	Carrying amount	Total	1 year or less	2 - 5 years	More than 5 years
Accounts payable	$ 2,106	$ 2,106	$ 2,106	$ -	$ -
Accrued liabilities	1,565	1,565	1,565	-	-
Convertible debenture	6,148	12,084	6,690	5,394	-
Finance lease liabilities	75	81	81	-	-
Operating lease liabilities	167	195	63	132	-
Federal relief loans	728	1,070	292	53	725
	$ 10,789	$ 17,101	$ 10,797	$ 5,579	$ 725

34. SUBSEQUENT EVENTS

Events after the reporting date not otherwise separately disclosed in these consolidated financial statements are:

(a) Suspension of trading on the TSXV Exchange

The company is under a cease trade order invoked by the TSXV on August 6, 2021.

The Company filed the 2021 Q3 Filings on SEDAR and with the United States Securities and Exchange Commission (the "**SEC**") on August 19, 2021. In addition, on August 19, 2021, the Company's amended financial statements and management's discussion and analysis for the eight quarters from May 31, 2019 to February 28, 2021 were filed on SEDAR and with the SEC, as contained in the Company's amended annual reports on Form 10-K/A for the financial years ended August 31, 2019 and August 31, 2020, and in the Company's amended quarterly reports on Form 10-Q/A for the periods ended May 31, 2019, November 30, 2019, February 29, 2020, May 31, 2020, November 30, 2020 and February 28, 2021. The Company's amended financial statements and management discussion and analysis for the period ended February 28, 2019 were filed on SEDAR on August 23, 2021, and with the SEC on August 25, 2021, as exhibits to the Company's current report on Form 8-K.

As a result of the issuance of the CTO on August 6, 2021, the Exchange suspended trading of the Company's Common Shares. As part of the Exchange's review of the Company's reinstatement application, the Exchange reviewed the Company's financial statements for the three and nine months ended May 31, 2021 and raised concerns over unapproved filings. As a result of an internal investigation the Company identified several ("Canada") and EDGAR ("United States") which had not been submitted for approval by Toronto Stock Exchange.

Based on the Company's initial review of the Transactions, it is estimated that a total of 54,370,814 Common Shares were issued as a result of the Transactions. While some of the issued Common Shares, namely, 4,336,972, are estimated to have been issued at prices above what the Exchange would have otherwise approved, 50,033,842 are estimated to have been issued at share prices below what the Exchange generally approves for convertible securities. While the Company is now making the necessary submissions with the Exchange for the Transactions, they may not all be accepted for approval by the Exchange and as a condition of reinstatement to trading on the Exchange the Company may need to take remedial action to bring the Transactions into compliance.

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34. SUBSEQUENT EVENTS (continued)

(a) Suspension of trading on the TSXV Exchange (continued)

The Transactions, described below, were all disclosed in the Company's financial statements (all dollar amounts are expressed in U.S. currency unless otherwise indicated):

- On May 7, 2020, the Company issued to an arm's length lender a $64,300 convertible note (including a 10% original issue discount) for a purchase price of $58,000, bearing interest at 12% per annum, maturing on May 7, 2021, and convertible into Common Shares. The note was ultimately converted on November 12, 2020 ($25,000 at $0.0308 for 811,688 Common Shares), November 13, 2020 ($20,000 at $0.0296 for 675,676 Common Shares) and November 13, 2020 ($22,780, including $3,480 of accrued and unpaid interest, at $0.0296 for 769,595 Common Shares). There is currently no principal or interest remaining on the note.

- On June 4, 2020, the Company issued to an arm's length lender a $69,900 convertible note (including a 10% original issue discount) for a purchase price of $63,000, bearing interest at 12% per annum, maturing on June 4, 2021, and convertible into Common Shares. The note was ultimately converted on December 15, 2020 ($18,000 at $0.0282 for 638,298 Common Shares), December 22, 2020 ($18,000 at $0.0338 for 532,544 Common Shares), December 28, 2020 ($20,000 at $0.0338 for 591,716 Common Shares), and January 4, 2021 ($17,680, including $3,780 of accrued and unpaid interest, at $0.0325 for 544,000 Common Shares). There is currently no principal or interest remaining on the note.

- On June 19, 2020, the Company issued to an arm's length lender a $82,500 convertible note (including a 10% original issue discount) for a purchase price of $75,000, bearing interest at 12% per annum, maturing on June 19, 2021, and convertible into Common Shares. The note was ultimately converted on January 7, 2021 ($20,000 at $0.0326 for 613,497 common shares), January 11, 2021 ($27,000 at $0.0326 for 828,221 Common Shares), January 13, 2021 ($22,000 at $0.0326 for 674,847 Common Shares) and January 20, 2021 ($18,000, including $4,500 of accrued and unpaid interest, at $0.0326 for 552,147 Common Shares). There is currently no principal or interest remaining on the note.

- On July 22, 2020, the Company issued to an arm's length lender a $150,000 convertible note (including a 15% original issue discount) for a purchase price of $135,000, bearing interest at 8% per annum, maturing on April 22, 2021, and convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. The note was ultimately converted on January 25, 2021 ($21,805 at $0.03115 for 700,000 Common Shares), January 28, 2021 ($46,725 at $0.03115 for 1,500,000 Common Shares), February 5, 2021 ($30,957.50 at $0.0309575 for 1,000,000 Common Shares), February 22, 2021 ($33,381.25 at $0.03338125 for 1,000,000 Common Shares) and March 2, 2021 ($34,011.25 at $0.03401125 for 1,000,000 Common Shares). There is currently $3,120 in principal remaining on the note, and, as of August 31, 2021, interest and penalties of $6,950.72.

- On August 26, 2020, a convertible debenture (which was originally approved by the Exchange), bearing interest at 10% per annum owing to an arm's length lender, which had matured on April 29, 2019, was acquired by another an arm's length lender pursuant to a Debt Assignment and Purchase Agreement. On August 26, 2020, pursuant to a Securities Exchange Agreement, the convertible promissory note was exchanged for a convertible redeemable note with an aggregate principal amount of $192,862, bearing interest at 10% per annum, maturing on August 26, 2021, and convertible into Common Shares. On October 1, 2020, the $192,862 convertible redeemable note was converted into 10,285,991 Common Shares at $0.01875 per share. There is currently no principal or interest remaining on the note.

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34. SUBSEQUENT EVENTS (continued)

(a) Suspension of trading on the TSXV Exchange (continued)

- On November 6, 2020, the Company issued to an arm's length lender a $140,800 convertible note (including a 10% original issue discount) for a purchase price of $128,000, bearing interest at 12% per annum, maturing on November 6, 2021, and convertible into Common Shares. The note was ultimately converted on May 10, 2021 ($50,000 at $0.036 for 1,388,889 Common Shares), May 14, 2021 ($50,000 at $0.0326 for 1,533,742 Common Shares), May 19, 2021 ($48,480, including $7,680 of accrued and unpaid interest, at $0.0312 for 1,553,846 Common Shares). There is currently no principal or interest remaining on the note.

- Between August 2019 and March 2020, a director of the Company (Robert Dennewald), loaned $125,000 to the Company to assist the Company in meeting its financial obligations. Subsequently, on February 12, 2021, in exchange for the three non-convertible promissory notes issued to Mr. Dennewald, the Company issued a convertible promissory note with an aggregate principal amount of $125,000, bearing interest at 8% per annum, maturing on February 12, 2022, and convertible into Common Shares. On June 10, 2021, pursuant to an Assignment and Purchase of Debt Agreement, the $ 125,000 convertible promissory note was purchased and assigned by Mr. Dennewald to an arm's length lender. On June 15, 2021, the arm's length lender converted the $ 125,000 principal amount of the convertible promissory note into 3,048,780 Common Shares at $0.041 per share.

- On January 12, 2021, the Company issued an arm's length lender a $86,350 convertible note (including a 10% original issue discount) for a purchase price of $78,500, bearing interest at 12% per annum, maturing on January 12, 2022, and convertible into Common Shares. The note was ultimately converted on July 13, 2021 ($50,000 at $0.0871 for 574,053 Common Shares) and July 14, 2021 ($41,060, including $4,710 of accrued and unpaid interest, at $0.0863 for 475,782 Common Shares. There is currently no principal or interest remaining on the note.

- On February 25, 2021, the Company issued an arm's length lender a $86,350 convertible promissory note (including a 10% original issue discount) for a purchase price of $78,500, bearing interest at 12% per annum, maturing on February 24, 2022, and convertible into Common Shares. The Company has since repaid the convertible promissory note in full (including principal and interest) in cash.

- On March 22, 2021, the Company and an arm's length lender entered into an amending agreement extending the maturity date of a convertible debenture originally issued on September 17, 2018 from March 31, 2021 to October 31, 2021. The original issuance of the convertible debenture, including a prior amendment to the debenture, was approved by the Exchange. The current unpaid purchase price of the debenture ($2,900,000) is convertible at $0.055 per share.

- On April 21, 2021, the Company issued an arm's length lender a $92,125 convertible promissory note (including a 10% original issue discount) for a purchase price of $83,750, bearing interest at 12% per annum, maturing on April 21, 2022, and convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. No Common Shares have been issued in connection with this convertible promissory note, which remains outstanding.

- On May 20, 2021, the Company issued an arm's length lender a $141,625 convertible promissory note (including a 10% original issue discount) for a purchase price of $128,750, bearing interest at 12% per annum, maturing on May 20, 2022, and convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. No Common Shares have been issued in connection with this convertible promissory note, which remains outstanding.

34. SUBSEQUENT EVENTS (continued)

(a) Suspension of trading on the TSXV Exchange (continued)

- On October 30, 2018, an arm's length lender loaned $350,000 to the Company. Subsequently, on June 16, 2021, pursuant to an Exchange Agreement, the non-convertible promissory note was exchanged for a convertible redeemable note with an aggregate principal amount of $191,779 bearing interest at 10% per annum, maturing on June 16, 2022, and convertible into Common Shares. On June 16, 2021, pursuant to an Assignment and Purchase of Debt Agreement, the $ 191,779 convertible redeemable note was purchased and assigned to another arm's length lender and on the same day it was converted into 4,677,532 Common Shares at $0.04100004 per share.

- On June 24, 2021, a non-convertible secured debenture, bearing interest at 12% per annum owing to an arm's length lender with an aggregate amount outstanding of CAD$962,085 (including interest and penalty), which had matured, was acquired by another arm's length lender pursuant to an Assignment and Purchase of Corporate Debt Agreement. On June 30, 2021, pursuant to a Securities Exchange Agreement dated June 28, 2021, the debenture was exchanged for a convertible redeemable note with an aggregate principal amount of $771,610, bearing interest at 8% per annum, maturing on June 30, 2022, and convertible into Common Shares at $0.041 per share. On July 1, 2021, the convertible redeemable note was converted into 18,819,756 Common Shares at $0.041 per share.

- On June 24, 2021, a non-convertible secured debenture, bearing interest at 12% per annum and owing to an arm's length lender, with an aggregate amount outstanding of CAD$38,217 (including interest and penalty), which had matured, was acquired by another arm's length lender pursuant to an Assignment and Purchase of Corporate Debt Agreement. On June 30, 2021, pursuant to a Securities Exchange Agreement dated June 28, 2021, the debenture was exchanged for a convertible redeemable note with an aggregate principal amount of $30,652, bearing interest at 8% per annum, maturing on June 30, 2022 and convertible into Common Shares at $0.041 per share. On July 1, 2021, the convertible redeemable note was converted into 747,616 Common Shares at $0.041 per share.

- On July 2, 2021, the Company issued to an arm's length lender a $114,125 convertible promissory note (including a 10% original issue discount) for a purchase price of $103,750, bearing interest at 12% per annum, maturing on July 2, 2022 and principal and interest convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. No Common Shares have been issued in connection with this convertible promissory note.

The net proceeds of the Transactions that resulted in new funds to the Company were used for expansion of the Company's extraction plant and working capital.

The Company continues to work with the Exchange on a reinstatement of trading and will update the market as things progress. However, the Exchange has indicated that these matters and their review of the Transactions may take some time to resolve and that a reinstatement to trading is not expected in the near term.

(b) Exchange of mineral leases

In October 2021, TMC Capital and POR, Petroteq's operating subsidiaries, and Valkor entered into an "Agreement Governing Reciprocal Assignment of Mineral Leases" dated October 15, 2021 (the "Exchange Agreement"), under which (a) TMC/POR agreed to assign to Valkor all of their respective rights and interests in the TMC Mineral Lease, the Short-Term Mining Lease, and the Temple Mountain SITLA Leases, and (b) Valkor agreed to assign to TMC Capital all of its rights and interests in the following Utah state mineral leases located in the Asphalt Ridge Northwest area of Uintah County, Utah (the "Asphalt Ridge NW Leases"):

(a) Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53831), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, covering approximately 640 acres;

(b) Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53832), executed between the State of Utah, acting by and through SITLA, as lessor, and Indago Oil and Gas, Inc., as lessee, covering approximately 898.22 acres; and

(c) Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53805), executed between the State of Utah, acting by and through SITLA, as lessor, and Indago Oil and Gas, Inc., as lessee, covering approximately 1,920 acres.

The Asphalt Ridge NW Leases encompass approximately 3,458.22 acres, lands that are located in an area referred to as "Asphalt Ridge Northwest" and in close proximity to mineral leases held by Greenfield. Valkor acquired the Asphalt Ridge NW Leases under an Assignment of Oil and Gas Leases dated June 29, 2021 executed between Indago Oil and Gas Inc., as assignor, and Valkor Energy Holdings, LLC, as assignee, which was approved by SITLA on or about September 10, 2021.

34. SUBSEQUENT EVENTS (continued)

(b) Exchange of mineral leases (continued)

Following the execution of the Exchange Agreement in October 2021, TMC Capital and Valkor also entered into the following agreements:

(1) Under an Agreement Governing Assignment of Participation Rights in Mineral Leases, Valkor granted to TMC Capital the right to participate at up to a 50% interest in any future exploration or production operations conducted by Valkor under the Short-Term Mining Lease.

(2) Under an Agreement Governing Assignment of Operating Rights (SITLA Leases), TMC Capital assigned to Valkor all of the operating rights under the Asphalt Ridge NW Leases at depths of 500 feet or more below the surface, with TMC Capital reserving the right to participate at up to a 50% working interest in any exploratory or production operation conducted by Valkor at the deeper intervals. The assignment of the deeper operating rights to Valkor, subject to TMC Capital's participation rights, is also subject to approval by SITLA.

The Exchange Agreement and the exchange and assignment of mineral leases between and among TMC, POSR and Valkor will not affect the ownership of the Asphalt Ridge Plant, which will continue to be owned by Petroteq through POSR.

The recent transactions under the Exchange Agreement, including Valkor's assignment of lease record title and operating rights to TMC Capital in the Asphalt Ridge NW Leases, will expand Petroteq's oil sands resources in Utah and provide Petroteq with the following additional advantages and benefits:

- Based on data obtained to date, we estimate that the oil content or saturation rate for the oil sands deposits existing within the lands covered by the Asphalt Ridge NW Leases at approximately 12% by weight. In contract, the oil saturation rate in the oil sands resources under the TMC Mineral Lease and the Short-Term Mining Lease in the Temple Mountain area of Asphalt Ridge has an average oil content or saturation rate of approximately 6% by weight. The difference in oil content or saturation in the oil sands deposits contained within the Asphalt Ridge NW Leases is substantial and should significantly improve the economics of our mining and processing operations as we go forward;

- The Asphalt Ridge NW Leases contain an oil sands deposit that is contiguous within a single contained area, which will allow for greater efficiencies in our mining and transport operations. In contrast, the oil deposits contained within the original TMC Mineral Lease are contained in separate blocks running along a trend of approximately eight miles and the Temple Mountain SITLA Leases are completely undeveloped with limited exploration;

- The Asphalt Ridge NW Leases contain substantial oil sands resources in outcroppings located near the surface (with less overburden), creating new and better surface mining prospects for Petroteq and its operating subsidiaries.

(c) Debt assignment and conversion agreements

On October 15, 2021, the Company entered into a debt conversion agreement with Morison Management whereby the aggregate principal amount of convertible debt of $239,251 related to an October 2018 convertible debenture of $184,251 and a January 20, 2020 convertible debenture of $55,000 will be convertible into 2,010,521 common shares at a conversion price of $0.119 per share, subject to approval of the Board of Directors and the TSXV.

On October 15, 2021, the Company entered into a debt conversion agreement with Strategic IR whereby the aggregate amount due to Strategic of $299,719 in terms of unpaid professional services rendered to the Company will be settled by the issue of 2,518,645 common shares at an issue price of $0.119 per share, subject to approval of the Board of Directors and the TSXV.

34. SUBSEQUENT EVENTS (continued)

(c) Debt assignment and conversion agreements (continued)

On November 17, 2021, Morison Management entered into three debt assignment agreements with Power Up Lending Group, whereby the following convertible debentures were assigned to Morison Management:

(i) An April 21, 2021 convertible promissory note in the aggregate principal sum of $92,125, bearing interest at 12% per annum and maturing on April 21, 2022, for gross proceeds of $126,850, including accrued interest thereon and early prepayment penalties.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $83,750 will be convertible under the note at a conversion price of $0.048 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

(ii) A May 20, 2021 convertible promissory note in the aggregate principal sum of $141,625, bearing interest at 12% per annum and maturing on May 20, 2022, for gross proceeds of $194,705, including accrued interest thereon and early prepayment penalties.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $128,750 will be convertible under the note at a conversion price of $0.042 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

(iii) A July 2, 2021convertible promissory note in the aggregate principal sum of $114,125, bearing interest at 12% per annum and maturing on July 2, 2022, for gross proceeds of $134,955, including accrued interest thereon and early prepayment penalties.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $103,750 will be convertible under the note at a conversion price of $0.146 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

(d) Unsolicited takeover bid by Viston United swiss AG

On October 27, 2021, 2869889 Ontario Inc., an indirect, wholly-owned subsidiary of Viston United Swiss AG commenced a conditional, unsolicited takeover bid (the "Offer") to acquire all of the issued and outstanding Common Shares of the Company. Viston filed a Tender Offer Statement with the SEC relating to the Offer on Schedule TO under section 14(d)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on October 25, 2021, and an amendment to the Tender Offer Statement on October 27, 2021. As set forth in the Solicitation/Recommendation Statement on Schedule 14D-9 under section 14(d)(4) of the Exchange Act filed with the SEC on November 9, 2021, shareholders were advised that the Board of Directors was not yet in a position to make a recommendation to shareholders to accept or reject the Offer, and that the Company has retained Haywood Securities Inc. as financial advisor to the Company and the Board of Directors.

34. SUBSEQUENT EVENTS (continued)

(e) Debt conversions

On September 21, 2021, in terms of a conversion notice received, Bellridge Capital LP, converted the aggregate principal sum of $1,400,000 into 29,166,667 common shares at a conversion price of $0.048 per share.

On November 10, 2021, in terms of a conversion notice received, Bellridge Capital LP, converted the aggregate principal sum of $2,900,000 into 52,727,273 common shares at a conversion price of $0.055 per share.

(f) Financing Activity

On November 15, 2021, The remaining PPP loan in the Company's wholly owned subsidiary, Petroteq CA amounting to $133,890 and all accrued interest thereon was forgiven.

(g) Technology license agreement

In October 2021, Petroteq and Big Sky Resources LLC ("Big Sky"), a company based in Rye, New York, entered into a technology license agreement under which the Company granted to Big Sky a non-exclusive, non-transferable license and right to use Petroteq's proprietary technology to design, construct, operate and finance oil sands extraction plants at up to two locations in the continental United States. Under the agreement, Big Sky has agreed to pay the Company a one-time, non-refundable license fee of $2 million, which will become payable upon commencing construction of its first plant. The agreement further provides that Big Sky will pay the Company a 5% royalty on the net revenue received by Big Sky from the production, sale or other disposition of licensed product from the plants for as long as the Company continues to hold enforceable and protected intellectual property rights in the licensed technology in the United States.

Pursuant to the licensing agreement, Big Sky is obligated to engage Valkor LLC (or an affiliate named by Valkor) as the sole and exclusive provider of engineering, planning, and construction services for all oil sands plants built by Big Sky or under its direction. Big Sky has indicated it will work closely with Valkor to identify plant locations in the State of Utah.

35. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS

Supplemental unaudited information regarding the Company's oil and gas activities is presented in this note.

The Company has not commenced commercial operations, therefore the disclosure of the results of operations of hydrocarbon activities is limited to advance royalties paid. All expenditure incurred to date is capitalized as part of the development cost of the company's oil extraction plant.

The Company does not have any proven hydrocarbon reserves or historical data to forecast the standardized measure of discounted future net cash flows related to proven hydrocarbon reserve quantities. Upon the commencement of production, the Company will be able to forecast future revenues and expenses of its hydrocarbon activities.

Costs incurred

The following table reflects the costs incurred in hydrocarbon property acquisition and development expenses.

All costs were incurred in the US.

(In US$ 000's)	Year ended August 31, 2021	Year ended August 31, 2020
Advanced royalty payments	$ -	$ 120
Mineral lease acquisition costs – Unproven properties	-	-
Construction of oil extraction plant	5,513	2,073
	$ 5,513	$ 2,193

Results of operations

The only operating expenses incurred to date on hydrocarbon activities relate to minimum royalties paid on mineral leases that the Company has entered into and certain maintenance and personnel costs incurred.

All costs were incurred in the US.

(In US$ 000's)	Year ended August 31, 2021	Year ended August 31, 2020
Advanced royalty payments applied or expired	$ -	$ 988

Production and maintenance costs	2,091	1,714
	$ 2,091	$ 2,702

Proven reserves

The Company does not have any proven hydrocarbon reserves as of August 31, 2021 and 2020.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has adopted and maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is collected, recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. The Company's disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure. As required under Exchange Act Rule 13a-15, the Company's management, including the Chief Executive Officer and the Company's Chief Financial Officer, after evaluating the effectiveness of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K, have concluded that due to a lack of segregation of duties that the Company's disclosure controls and procedures are ineffective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Subject to receipt of additional financing or revenue generated from operations, the Company intends to retain additional individuals to remedy the ineffective controls.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Management conducted an assessment of the Company's internal control over financial reporting as of August 31, 2021 based on the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework 2013 ("COSO"). The COSO framework requires rigid adherence to control principles that require sufficient and adequately trained personnel to operate the control system. The Company has insufficient accounting personnel for it to be able to segregate duties as required by COSO or to maintain all reference material required to ensure Company personnel are properly advised or trained to operate the control system. Based on the assessment, management concluded that, as of August 31, 2021, the Company's internal control over financial reporting was ineffective based on those criteria.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures and its internal control processes will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that the breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fourth fiscal quarter ended August 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

The following table sets forth certain information about our executive officers, key employees and directors as of December 14, 2020.

Name	Age	Positions and Offices with the Registrant

Gerald Bailey	80	Chairman of the Board of Directors and , Interim Chief Executive
Ron Cook	51	Chief Financial Officer
Vladimir Podlipsky	56	Chief Technology Officer
Robert Dennewald	67	Director
James Fuller	81	Director

Biographies

The following are brief biographies of our officers and directors:

Gerald Bailey, *Chairman and Interim Chief Executive Officer*

Dr. Bailey has over 50 years of experience in the international petroleum industry in all aspects, both upstream and downstream with specific Middle East skills and U.S. onshore/offshore sectors. Dr. Bailey currently serves as our President, a position he has held since July 2017 when he resigned as our Chief Executive Officer. He previously served as our Chief Executive Officer from 2014 until July 2017 and has been a member of our Board of Directors since 2011. Dr. Bailey is currently the Chairman of Bailey Petroleum, LLC, a consulting firm for major oil and gas exploration/development corporations, a position he has held since 1997. In addition, Dr. Bailey is Chief Operating Officer of Indoklanicsa, Nicaragua (since 2012), and Vice Chairman, Trinity Energy Group, Inc. (since 2012) Dr. Bailey is retired from Exxon, lastly as President, Arabian Gulf. During his Exxon career, he also served as the Assistant General Manager, Administration & Commercial, Abu Dhabi Onshore Oil Company; Operations Manager, Qatar General Petroleum Corp., Dukhan Operations and the Operations Manager, Qatar General Petroleum Corp., Umm Said Operations. He was also the Operations Superintendent, Exxon Lago Oil, Aruba and has spent time in Libya as Operations Superintendent for Esso Standard, Libya, Brega, with experience in LNG and oil field production. His earlier career included service with Texaco where he gained skills in oil additives and petrochemicals manufacturing.

Dr. Bailey holds a BS Degree in Chemical Engineering from the University of Houston, an MS Degree in Chemical Engineering from the New Jersey Institute of Technology, Newark, New Jersey, a PhD Degree from Columbia Pacific University, San Rafael, California and is a graduate of Engineering Doctoral Studies from Lamar University, Beaumont, TX. He has written many articles, papers and studies on the oil industry, and has been a keynote speaker of many international industry conferences including the Money Show conference with his address, “The Future of Oil & Gas Developments,” and FreedomFest Conference, “Investing in Oil,” and also has appeared recently on national Chinese television discussing the “World Energy Outlook.” He is a member of the Middle East Policy Council, Society of Petroleum Engineers and the American Institute of Chemical Engineers.

We selected Dr. Bailey to serve on our board because he brings a strong business background to our Company and adds significant strategic, business and financial experience. Dr. Bailey’s business background provides him with a broad understanding of the issues facing our Company, the financial markets and the financing opportunities available to us.

Ron Cook, Chief Financial Officer

Mr. Cook was appointed as the Chief Financial Officer of the Company with effect from October 31, 2021.

Mr. Cook is a Certified Public Accountant (CPA) with:

- Twenty-one years of experience at CPA firms specializing in tax consulting and compliance, accounting statement preparation and all aspects of business consulting; and
- Six years of experience in financial management in the hospitality technology and school construction management industries, as both a Controller and Vice President of Finance.

Concurrently while serving as the Company’s Chief Financial Officer, Mr. Cook will continue to work at BNG Accountancy Corporation, a Los Angeles, California based accounting and business management firm specializing in strategic advisory services, including tax consulting and compliance, accounting statement preparation, due diligence assistance, arbitration support, foreign bank account tracing and analysis, and general business consulting. He has been with BNG Accountancy Corporation continuously since 2008, after serving as Vice President - Finance at SGI Construction Management of Pasadena, California, between 2005 and 2008. His experience includes past employment as a CPA at Deloitte and Touche, LLP (1996-1999) and Arthur Andersen LLP (1994-1996).

Mr. Cook is a graduate of California State University, Northridge, where he earned a Bachelor of Science degree in 1995, and is admitted as a CPA in the State of California.

Vladimir Podlipsky, Director and *Chief Technology Officer*

Dr. Podlipsky was appointed as a director of the Company with effect from August 6, 2021. Dr. Podlipsky has served as our Chief Technology Officer since May 2011. He has extensive experience as a researcher in many senior science disciplines, involved in oil extraction technologies, automobile care, household consumer and cosmetic products and research into mold remediation products, all with a focus on the utilization of benign solvents/solutions. Previously, he held research appointments in new product development for EMD Biosciences, Inc., (Merck KgaA, Darnstadt, Germany), and worked as Chief Chemist in Research & Development for Nanotech, Inc., Los Angeles, California, and as Chief Chemist for Premier Chemical, Compton, California. He is a former Premier Chemical Scientist at UCLA’s Department of Chemistry. Dr. Podlipsky owns patents for innovative fuel additives and car care products and has authored several papers involving fuel re-formulator products and mold remediation. He is currently involved in research and development of new petroleum industry products, systems and technologies.

Dr. Podlipsky is the principal research scientist responsible for the development of Petroteq Energy Inc.’s technologies used in its various oil extraction programs in Utah, and has recently finalized all fabrication/assembly details for the company’s first oil sands extraction plant installed at Asphalt Ridge, Utah. He has worked extensively with a variety of suppliers from the U.S. and Eastern Europe in the planning and design stages of the extraction unit’s systems. He holds a PhD Degree in Bio-Organic Chemistry from the Institute of Bio-Organic Chemistry & Petroleum Chemistry, Kiev, Ukraine, and a Degree in MS-Organic Chemistry from the Department of Chemistry, Kiev State University, Kiev, Ukraine.

Robert Dennewald, *Director*

Mr. Dennewald has served as a member of our board since April 2015. He has been the Chairman of Business Federation Luxembourg (FEDIL) from 2006 until 2016 and a Vice President of the Luxembourg Chamber of Commerce. He is also a member of the Board of Directors of the Jean-Pierre Pescatore Charity Foundation. He is the president of investment fund EUREFI S.A. and the angel investor of Cleantech Company APATEQ. In 2006 he initiated, together with four financial partners, a MBO/LBO takeover of the Eurobeton Group. In 2010, through a secondary buy-out, he took a controlling interest in Eurobeton, which is a main supplier of building materials in Luxembourg with its subsidiary Chaux de Contern. Mr. Dennewald obtained a degree in civil engineering at the University of Liège (B).

We selected Mr. Dennewald to serve on our board because he brings a strong business background to our Company and adds significant strategic, business and financial experience. Mr. Dennewald's business background provides him with a broad understanding of the issues facing us, the financial markets and the financing opportunities available to us.

James Fuller, *Director*

Mr. James W. Fuller, MBA, was appointed to our Board of Directors in March 2020. He has been the Chief Executive Officer, President, Chief Financial Officer and Secretary of Beauty Brands Group Inc. since February 5, 2013 and serves as its Chairman and Principal Accounting Officer. Since March 2008, Mr. Fuller has been a Partner in the Private equity firm, Baytree Capital Associates, LLC, where he oversees the West Coast operations and their interests in the Far East including China. In 2007 and 2008, he was the Owner of Northcoast Financial brokerage. He served as Senior Vice President of Marketing for Charles Schwab and Company from 1981 to 1985. Subsequently, he served key roles as the President of Bull & Bear Group, a mutual fund/discount brokerage company in New York. He served as the Senior Vice President of the New York Stock Exchange (NYSE) from 1976 to 1981, where he was responsible for corporate development, marketing, corporate listing and regulation oversight, research and public affairs. He served as Senior Vice president of Bridge Information Systems. He was the Founder and Head of Morgan Fuller Capital Group. He has over 30 years' experience in the brokerage and related financial services industries. His financial career started in 1968 with J. Barth & Company in San Francisco. He served as West Coast Managing Director for New York based investment banking and trading firm from 1972 to 1974. He managed the consulting practice for the Investment Industries Division of SRI International, where he directed a study on the future of the Securities Industry from 1974 to 1976. His other projects included the development and implementation of the Cash Management Account for Merrill Lynch, which is a standard throughout the brokerage industry. He served as the Chairman of Pacific Research Institute. He has been a Director at Beauty Brands Group Inc. since February 5, 2013, Kogeto, Inc. since April 10, 2015 and Oklahoma Energy Corp. since 1998. He has been an Independent Director of Cavitation Technologies, Inc., since February 15, 2010 and serves as its Member of Advisory Board. He served as a Director of Bridge Information Systems. He served as an Independent Director of Propell Technologies Group, Inc. from October 14, 2011 to February 17, 2015. He served as a Director of TapImmune, Inc. from May 18, 2012 to February 6, 2013. He served on the Board of Trustees of the University of California, Santa Cruz for 12 years. He served on the Board of Directors of the Securities Investor Protection Corporation (SIPC) until 1987. He is a Member of the Board of the International Institute of Education. He is an Elected Member and Vice Chairman for Finance of the San Francisco Republican Central Committee and is a Member of the Pacific Council for International Policy, Commonwealth Club. He was a Member of the Committee of Foreign Relations. Mr. Fuller received his MBA in Finance from California State University and Bachelor of Science in Marketing and Political Science from San Jose State University.

We chose Mr. Fuller to serve as a member of our Board of Directors due to his extensive business experience, which makes him a valuable member of our Board of Directors.

Family Relationships

There are no family relationships between any of our directors or executive officers.

Item 11. Executive Compensation.

Executive Compensation

The following table sets forth for the two years ended August 31, 2021 and August 31, 2020 the compensation awarded to, paid to, or earned by, our Chief Executive Officer, Chief Financial Officer and our other most highly compensated executive officer whose total compensation during such years exceeded $100,000. We refer to these officers as our "named executive officers." Certain columns were excluded as the information was not applicable.

Summary Compensation Table

Name and Principal Position[1]	Year	Salary ($)	Bonus ($)	All Other Compensation[2]	Stock Awards ($)	Option Awards ($)[12]	Total $
Dr. Gerald Bailey	2021	70,000	-	36,000[2]	-	152,707[11]	258,707
Interim Chief Executive officer	2020	-	-	40,000[3]	-	173,068[11]	177,068
Aleksander Blyumkin	2021	240,000	-	55,967[4]	-	-	295,968
Former Executive Chairman, Chief Executive Officer and director	2020	366,254	-	60,000[5]	-	-	426,254
George Stapleton	2021	360,000[6]	-	-	58,879[7]	145,123 [8]	564,002
Chief Operating officer	2020	-	-	-	-	-	-
David Sealock	2021	-	-	-	-	-	-
Former Chief Executive Officer and director	2020	39,185	-	18,387[9]		127,256[10]	184,828
Vladimir Podlipsky	2020	-	-	-		152,707[11]	152,707
Chief Technology Officer	2019	-	-	-		173,068[11]	173,068

(1) The business address for each officer listed above is: Petroteq Energy Inc., 15315 Magnolia Blvd., #120, Sherman Oaks, California 91403.

(2) Dr. Bailey earned $36,000 of directors fees for the year ended August 31 2021.

(3) Dr. Bailey earned $36,000 of directors fees for the year ended August 31 2020 and $4,000 for services rendered.

(4) Mr. Blyumkin earned $55,967 of directors fees until August 6, 2021, the date of his resignation.

(5) Mr. Blyumkin earned $60,000 of director's fees for the financial years ended August 31, 2020.

(6) Mr. Stapleton's salary was paid for by Valkor LLC and reimbursed by the Company.

(7) Mr. Stapleton was granted 1,000,000 common shares on January 25, 2021, valued at $58,879 on the grant date.

(8) Mr. Stapleton was awarded a five year option exercisable for 3,000,000 shares of common stock at an exercise price of CDN$0.085 per share, 750,000 vesting on each of October 7, 2020, December 7, 2020, February 7, 2021 and April 7, 2021.

(9) Mr. Sealock earned $18,387 of director's fees for the financial years ended August 31, 2020.

(10) On June 6, 2018, Mr. Sealock was awarded ten year share purchase options exercisable over 1,000,000 common shares at an exercise price of CDN$1.00 per share, these share purchase options vest in equal amounts over a three year period. Mr. Sealock resigned with effect from March 3, 2020, his options expired on June 3, 2020 and were no longer amortized from that date.

(11) On June 6, 2018, dr. Bailey and Dr. Podlipsky were awarded ten year share purchase options exercisable over 1,000,000 common shares at an exercise price of CDN$1.00 per share, these share purchase options vest in equal amounts over a three year period.

(12) The share purchase options issued to directors and officers on June 6, 2018 were valued at grant date using a Black Scholes valuation model. The assumptions used in the valuation were as follows: Weighted average exercise price of CDN$1.00, exercise price CDN$1.00, term of share purchase option: 10 years, risk free interest rate of 2.16% and computed volatility of the underlying stock of 125% and expected dividend yield of 0%.

Outstanding Equity Awards at Fiscal Year End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of August 31, 2021:

	OPTION AWARDS						STOCK AWARDS			
Name	Number of securities underlying unexercised options Exercisable (#)	Number of securities underlying unexercised options Unexercisable (#)	Equity incentive plan awards: Number of securities underlying unearned options (#)	Option exercise price ($)	Option expiry Date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested ($)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
Dr. Gerald Bailey[1]	475,000	-	-	CDN$ 2.27	11/30/2027	-	-	-	-
	1,000,000	-	-	CDN$ 1.00	6/6/2028	-	-	-	-
Aleksandr Blyumkin	-	-	-	-	-	-	-	-	-
Dr. Vladimir Podlipsky[2]	1,000,000	-	-	CDN$ 1.00	6/6/2028	-	-	-	-
George Stapleton[3]	3,000,000	-	-	CDN$ 0.085	8/7/25	-	-	-	-

(1) Dr. Bailey was awarded 475,000 options on November 30, 2017, of which all are vested. In addition, Dr. Bailey was awarded 1,000,000 options on June 6, 2018 of which all are vested.

(2) Dr. Podlipsky was awarded 1,000,000 options on June 6, 2018 of which all are vested.

(3) Mr. Stapleton was awarded a five year option exercisable for 3,000,000 shares of common stock at an exercise price of CDN$0.085 per share, 750,000 vesting on each of October 7, 2020, December 7, 2020, February 7, 2021 and April 7, 2021. Mr. Stapleton was also awarded 1,000,000 restricted shares which shares are only issuable upon approval by the Canadian TSXV Exchange, these shares have not been issued as of December 14, 2020.

Narrative to Compensation Tables

Overview

During the financial years ended August 31, 2021 and 2020, our executive compensation program was administered by our Board of Directors. Our executive compensation program has the objective of attracting and retaining a qualified and cohesive group of executives, motivating team performance and aligning the interests of executives with the interests of our shareholders through a package of compensation that is simple and easy to understand and implement. Compensation under the program was designed to achieve both current and our long-term goals of and to optimize returns to shareholders. In addition, in order to further align the interests of executives with the interests of our shareholders, we have implemented share ownership incentives through incentive share purchase options. Our overall compensation objectives are in line with its peer group of oil sands technology companies with opportunities to participate in equity.

In determining the total compensation of any member of senior management, our directors consider all elements of compensation in total rather than one element in isolation. Our directors also examine the competitive positioning of total compensation and the mix of fixed, incentive and share-based compensation.

Base Salary

While there is no official set of benchmarks that we rely on and there is not a defined list of issuers that we use as a benchmark, we make ourselves aware of, and are cognizant of, how comparable issuers in our business compensate their executives. Our peer group in connection with salary compensation consists of a sampling of other oil sands technology companies both private and public. The Executive Chairman and Chief Executive Officer review and update our directors on the peer group and other informal channels and compares the salaries offered by us against those of the peer group generally to ensure our salary compensation is within the range of expected annual base salary for the group.

Bonus Framework

While our directors believe that a well-balanced executive compensation program must simultaneously motivate and reward participants to deliver financial results while

maintaining focus on long-term goals that track financial progress and value creation, during the fiscal years ended August 31, 2021 and 2020, we did not have in place an annual team bonus or discretionary individual bonus plan and we did not pay any bonuses.

Group Benefits

We do not offer a group benefits plan of any kind.

Perquisites and Personal Benefits

While we reimburse our executive officers for expenses incurred in the course of performing their duties as executive officers of our company, we did not provide any compensation that would be considered a perquisite or personal benefit to executive officers.

Equity Compensation

2019 Option Plan

Incentive share purchase options are currently granted under the 2019 Option Plan, a fixed number share option plan approved by shareholders on November 23, 2018, which amended and replaced our 2018 Option Plan. Pursuant to the 2019 Option Plan our Board of Directors may from time to time, in its discretion and in accordance with the TSXV requirements, grant to directors, officers and employees, as well as management company employees and consultants (as such terms are defined in Policy 4.4 as amended from time to time), non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 112,831,976, exercisable for a period of up to ten (10) years from the date of the grant. The number of common shares reserved for issuance to any individual director or officer of our company will not exceed 5% of the issued and outstanding common shares (2% in the case of optionees providing investor relations services to us) unless disinterested shareholder approval is obtained. The exercise price of any option granted pursuant to the 2019 Option Plan shall be determined by our Board of Directors when granted, but shall not be less than the Discounted Market Price (as such term is defined in Policy 4.4 as amended from time to time). Options granted pursuant to the 2019 Option Plan are non-assignable, except by means of a will or pursuant to the laws of descent and distribution.

The options may be exercised no later than 12 months following the date the optionee ceases to be a director, officer or consultant of our company, subject to the expiry date of such option. However, if the employment of an employee or consultant is terminated for cause no option held by such optionee may be exercised following the date upon which termination occurred.

The following table sets forth information about the securities authorized for issuance under our equity compensation plans for the fiscal year ended August 31, 2021.

	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining for future issuance under equity compensation plans
Equity Compensation plans approved by the stockholders	7,250,000	CDN$ 0.79	105,581,976

Employment Agreements

We do not have any written employment agreements with any of our executive officers or other employees.

Pursuant to a Technology Transfer Agreement, effective November 7, 2011, whereby we acquired from Vladimir Podlipsky certain intellectual property rights relating to extracting bitumen from oil sands (the "Acquired Technology"), we also agreed to employ Dr. Podlipsky to oversee and operate the Acquired Technology with the compensation of $120,000.00 per year for as long as the Acquired Technology is utilized by us. In consideration for the Acquired Technology, we issued to Dr. Podlipsky's designee 100,000 shares of our common shares and agreed to issue an additional 1,900,000 shares of our common shares on the date when our extraction facility at the TMC Mineral Lease in Vernal, Utah is assembled and tested. We further agreed to pay Dr. Podlipsky upon the construction of a second plant utilizing the Acquired Technology and any plants thereafter using the Acquired Technology a royalty fee of 2% of gross sales if the price of heavy oil is below $60.00 per barrel; 3% of gross sales if the price of heavy oil is between $60.00 and $69.99 per barrel; 3.5% of gross sales if the price of heavy oil is between $70.00 and $79.99 and 4% of gross sales if the price of heavy oil is greater than $80.00.

Director Compensation

The following table sets forth information for the fiscal year ended August 31, 2021 regarding the compensation of our directors who at August 31, 2021 were not also named executive officers.

Name	Fees Earned or Paid in Cash $	Option Awards $[3][4]	Other Compensation $	Total $
Robert Dennewald	36,000[1]	152,707[2]	-	188,707
James Fuller	36,000[1]	-	-	36,000

1. Mr. Dennewald and Mr. Fuller have each earned $36,000 of director's fees for the financial year ended August 31, 2021.

2. On June 6, 2018, Mr. Dennewald was awarded ten-year share purchase options exercisable over 1,000,000 common shares at an exercise price of CDN$1.00 per share, these share purchase options vest annually over a three year period.

4. As of August 31, 2021, the following are the aggregate number of option and stock awards held by each of our directors who were not also named Executive Officers:

Name	Option awards (Amount)	Stock awards (Amount)
Robert Dennewald[a]	1,475,000	-

(a) The options outstanding includes; (i) on November 30, 2017, Mr. Dennewald was awarded an option to purchase 475,000 common shares of which all are vested; (ii) on June 6, 2018, Mr. Dennewald was awarded an option to purchase 1,000,000 common shares of which 500,000 are vested and the remaining 500,000 will vest equally on June 6, 2020 and 2021.

The share purchase options issued to directors on November 30, 2017 were valued at grant date using a Black Scholes valuation model. The assumptions used in the valuation were as follows: Weighted average exercise price of CDN$2.27, exercise price CDN$2.27, term of share purchase option: 10 years, risk free interest rate of 1.64% and computed volatility of the underlying stock of 127% and expected dividend yield of 0%.

The share purchase options issued to directors on June 6, 2018 were valued at grant date using a Black Scholes valuation model. The assumptions used in the valuation were as follows: Weighted average exercise price of CDN$1.00, exercise price CDN$1.00, term of share purchase option: 10 years, risk free interest rate of 2.16% and computed volatility of the underlying stock of 125% and expected dividend yield of 0%.

Compensation Committee Interlocks

Not Applicable

Item 12. Security Ownership Of Certain Beneficial Owners And Management.[to be updated]

The following table sets forth as of December 10, 2021, the number and percentage of the outstanding shares of common shares which, according to the information supplied to us, were beneficially owned by (1) each person who is currently a director, (2) each executive officer, (3) all current directors and executive officers as a group, and (4) each person who, to our knowledge, is the beneficial owner of more than 5% of the outstanding common shares.

Name and Address[1]	Number of Shares Beneficially Owned	Percentage of Outstanding shares owned[2]
Gerald Bailey, *Chairman and Interim Chief Executive officer*	2,053,480[3]	*
Vladimir Podlipsky, *Director and Chief Technology Officer*	1,016,667[4]	*
Robert Dennewald, *Director*	2,053,480[5]	*
James Fuller, *Director*	453,668[6]	*
Ron Cook, *Chief Financial Officer*	-	*
All executive officers and directors as a group (5 persons)		0.9%
5% shareholders		
Aleksandr Blyumkin	26,889,436[7]	4.2%
Kitwe Management, Inc	41,000,000[8]	6.3%
Cantone Asset Management	37,305,598[9]	5.7%

* Less than 1%

(1) The business address for each officer and director listed above is: Petroteq Energy Inc., 15315 Magnolia Blvd., #120, Sherman Oaks, California 91403.

(2) Based on 646.053,821 common shares outstanding as of December 10, 2021.

(3) Is comprised of 578,480 common shares and share purchase options exercisable for 1,475,000 common shares, of which all are vested.

(4) Is comprised of 16,667 common shares and share purchase options exercisable for 1,000,000 common shares, of which all are vested.

(5) Is comprised of 578,480 common shares and share purchase options exercisable for 1,475,000 common shares, of which all are vested.

(6) Is comprised of 453,668 common shares.

(7) Is comprised of 26,885,420 common shares held directly, 4,016 common shares held through the Alexander & Polina Blyumkin Trust and 1,875,000 share purchase warrants.

(8) Is comprised of 41,000,000 common shares. The registered address of Kitwe Management is 350-1168 Hamilton Street, Vancouver, British Columbia V6B 2S2

(9) Is comprised of 27,688,982 common shares and warrants exercisable for 9,616,616 common shares. The registered address of Cantone Asset Management is 36 Corbett Way, Eaton Town, New Jersey, 07724 and all securities are under the dispositive power of Anthony Cantone.

Item 13. Certain Relationships And Related Transactions, And Director Independence

Except as disclosed in this section and under “Item 6. Executive Compensation” there were no related party transactions during the current year or the prior year.

Director Independence and Related Transactions

Our Board of Directors is comprised of Gerald Bailey, Robert Dennewald, and James Fuller, of which Messrs. Dennewald, Bailey and Fuller are deemed to be independent within the meaning of the TSX Ventures Exchange Corporate Finance Manual (the “TSXV Manual”) and applicable Canadian securities regulations.

The Board of Directors has appointed only one standing committee, the Audit Committee. The Board members comprising our Audit Committee are Gerald Bailey, James Fuller and Robert Dennewald, of which only Messrs. Dennewald and Fuller are deemed to be independent within the meaning of the TSXV Manual and applicable Canadian securities regulations.

The Audit Committee meets at least four times per year.

Certain Relationships and Related Transactions

The Company owes outstanding directors fees of $264,064 and $235,165 as at August 31, 2021 and 2020, respectively, and outstanding salaries and fees to officers and directors of $447,500 and $328,075 for the years ended August 31, 2021 and 2020.

Related party payables and receivables represent non-interest-bearing (payables) receivables that are due on demand.

The balances outstanding are as follows:

Related Party payables	August 31, 2021	August 31, 2020
Aleksandr Blyumkin	$ 493,549	$ 555,647
Robert Dennewald	-	125,000
	$ 493,549	$ 680,647

Alex Blyumkin

On September 19, 2019 and July 31, 2020, Mr. Blyumkin subscribed for 696,153 and 15,000,000 common shares for gross proceeds of $90,500 and $600,000.

On August 20, 2020, a Company controlled by Mr. Blyumkin entered into a debt settlement agreement, whereby 2,356,374 shares were issued to settle an outstanding promissory note of $94,255.

On April 28, 2021, Mr. Blyumkin subscribed for 1,166,666 common shares at a price of $0.06 per share for gross proceeds of $70,000.

On July 12, 2021, the Company issued Mr. Blyumkin 578,480 common shares valued at $40,494 in partial settlement of directors fees outstanding.

On July 27, 2021, Mr. Blyumkin subscribed for 1,875,000 units at a price of $0.12 per unit for gross proceeds of $225,000.

Mr. Blyumkin has resigned as an officer and director of the Company effective August 6, 2021.

The Company owed Mr. Blyumkin $493,549 and $555,647 as at August 31, 2021 and 2020, respectively.

George Stapleton

On January 25, 2021, Mr. Stapleton was awarded 1,000,000 common shares valued at $58,879 as part of his compensation package.

On August 7, 2020, Mr. Stapleton was awarded options exercisable for 3,000,000 common shares exercisable at $0.085 per share and valued at $165,855. The options vested over an eight month period.

On November 30, 2021, Mr. George Stapleton retired as the Chief Operating Officer of the Company.

Dr. Gerald Bailey

On July 12, 2021, the Company issued Dr. Bailey 578,480 common shares valued at $40,494 in partial settlement of directors fees outstanding.

On August 6, 2021, the Board of Directors of the Company has appointed Dr. R. Gerald Bailey, a current director and former Chief Executive Officer of the Company, as Chairman of the Board of Directors and Interim Chief Executive Officer. The Company has not entered into a written employment agreement with Dr. Bailey. Dr. Bailey is entitled to cash compensation of $10,000 per month in his new role. The Board of Directors is responsible for reviewing compensation paid to the Company's executive officers on an annual basis.

Robert Dennewald

On October 31, 2019 and March 11, 2020, Mr. Dennewald advanced the Company $50,000 and $25,000, respectively as short-term loans. The loans are interest free The total loans outstanding as of August 31, 2020 was $125,000.

During June 2021, in terms of an exchange agreement entered into with Mr. Dennewald, Mr. Dennewald exchanged three promissory notes dated August 1, 2019, October 31, 2019 and March 3, 2020 totaling $125,000 for a $125,000 convertible promissory note bearing interest at 8% per annum and maturing on February 12, 2022.

On June 10, 2021, in terms of an Assignment and Purchase of Debt Agreement entered into between Mr. Dennewald and Equilibris Management AG ("Equilibris"), the $125,000 Convertible Promissory Note owing to the director was purchased and assigned to Equilibris.

On July 12, 2021, the Company issued Mr. Dennewald 578,480 common shares valued at $40,494 in partial settlement of directors fees outstanding.

The Company owed Mr. Dennewald $0 and $125,000 in terms of promissory notes due to him as at August 31, 2021 and 2020.

James Fuller

On July 12, 2021, the Company issued Mr. Fuller 228,668 common shares valued at $16,007 in partial settlement of directors fees outstanding.

Item 14. ***Principal Accountant Fees and Services***

Hay and Watson serves as our independent registered public accounting firm.

Independent Registered Public Accounting Firm Fees and Services

The following table sets forth the aggregate fees including expenses billed to us for the years ended August 31, 2021 and 2020 by our auditors:

	Year ended August 31, 2021	Year ended August 31, 2020
Audit fees and expenses	$	$ 155,000
Taxation preparation fees		5,000
Audit related fees		20,000
Other fees		-
	$	$ 180,000

(1) Audit fees and expenses were for professional services rendered for the audit and reviews of the consolidated financial statements of the Company, professional services rendered for issuance of consents and assistance with review of documents filed with the SEC.

(2) Taxation preparation fees were fees for professional services rendered to file our federal and state tax returns.

(3) We incurred fees to our independent auditors of $20,000 and $20,000 for audit related fees during the fiscal years ended August 31, 2021 and 2020, respectively.

(4) We incurred fees to our independent auditors of $0 for other fees during the fiscal years ended August 31, 2021 and 2020.

Audit Committee's Pre-Approval Practice.

Prior to our engagement of our independent auditor, such engagement was approved by our board of directors. The services provided under this engagement may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Pursuant our requirements, the independent auditors and management are required to report to our board of directors at least quarterly regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. Our board of directors may also pre-approve particular services on a case-by-case basis.

Item 15. ***Exhibits and Financial Statement Schedules and Reports on Form 10-K***

(a)(1) The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K for the fiscal year ended August 31, 2021.

1. Independent Auditor's Report
2. Consolidated Balance Sheets as of August 31, 2021 and 2020
3. Consolidated Statements of Loss and Comprehensive Loss for the years ended August 31, 2021 and 2020
4. Consolidated Statements of changes in Shareholders' Equity for the years ended August 31, 2021 and 2020
5. Consolidated Statements of Cash Flows for the years ended August 31, 2021 and 2020
6. Notes to Consolidated Financial Statements

(a)(2) All financial statement schedules have been omitted as the required information is either inapplicable or included in the Financial Statements or related notes included in Part II, Item 8 hereof.

(a)(3) The following exhibits listed below are required by Item 601 of Regulation S-K. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report has been identified.

Exhibits:

Exhibit No.	Title of Document
3.1	Articles of Amalgamation filed December 12, 2012 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
3.2	Bylaws (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
3.3	Articles of Amendment filed May 5, 2017 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
4.1	Specimen of Stock Certificate evidencing the Common Shares (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
4.2	2018 Stock Option Plan (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.1	Technology Transfer Agreement, between MCW Energy Group Limited and Vladimir Podlipsky, effective as of November 7, 2011 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.2	Mining and Mineral Lease Agreement between Asphalt Ridge, Inc. and TMC Capital, LLC dated July 1, 2013 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019
10.3	First Amendment to Mining and Mineral Lease Agreement between Asphalt Ridge, Inc. and TMC Capital, LLC dated as of October 1, 2015 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.4	Reinstatement of and Second Amendment to Mining and Mineral Lease Agreement between Asphalt Ridge, Inc. and TMC Capital, LLC dated as of March 1, 2016 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)

10.5	Form of Director and Officer Indemnification Agreement (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019#
10.6	Office Lease, between Camp Granada LLC, as Lessor, and PetroBloq LLC, as Lessee, dated January 17, 2018 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.7	Third Amendment to Mining and Mineral Lease Agreement between Asphalt Ridge, Inc. and TMC Capital, LLC dated as of February 21, 2018 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.8	Distributed Ledger Technology Services Agreement between Petroteq Energy, Inc. and First Bitcoin Capital Corp. dated November 3, 2017 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.9	Fourth Amendment to Mining and Mineral Lease Agreement between Asphalt Ridge, Inc. and TMC Capital, LLC dated November 21, 2018 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.10	Utah State Mineral Lease for Bituminous-Asphaltic Sands dated June 1, 2018 - Mineral Lease No 53806 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)

10.11	Utah State Mineral Lease for Bituminous-Asphaltic Sands dated June 1, 2018 - Mineral Lease No 53807 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.12	Statement of Work dated June 5, 2018 for services provided by MehzOhanian (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.13	Statement of Work dated September 24, 2018 for services provided by MehzOhanian (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.14	Assignment of Federal Oil and Gas Lease between Momentum Asset Partners LLC, and TMC Capital, LLC, dated April 1, 2019 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.15	Assignment of Federal Oil and Gas Lease between Momentum Asset Partners LLC, and TMC Capital, LLC, dated April 1, 2019 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
10.16	Debenture Line of Credit dated September 17, 2018 with Bay Private Equity Inc. (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019
10.17	Debenture Line of Credit dated September 17, 2018 with Bay Private Equity (Incorporated by reference to the registration on Amendment No. 1 to Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on June 24, 2019)
10.18	Fifth Amendment To Mining And Mineral Lease Agreement with Asphalt Ridge, Inc. (Incorporated by reference to the registration on Amendment No. 1 to Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on July 5, 2019)
10.19	Management and Operations Services Agreement dated as of May 1, 2020 between Petroteq Energy Inc. and Valkor LLC. (Incorporated by reference to the annual report on Form 10-K filed with the Securities and Exchange Commission on December 15, 2020.)
10.20	Amended and Restated Debt Conversion Agreement dated as of August 15, 2020 between Petroteq Energy Inc. and Valkor LLC. (Incorporated by reference to the annual report on Form 10-K filed with the Securities and Exchange Commission on December 15, 2020.)
10.21	Technology License Agreement dated November 14, 2020 between Petroteq Energy Inc. and Greenfield Energy, LLC. (Incorporated by reference to the annual report on Form 10-K filed with the Securities and Exchange Commission on December 15, 2020.)
10.22	Short-Term Mining and Mineral Sublease dated as of August 20, 2020 between Valkor, LLC and TMC Capital, LLC. (Incorporated by reference to the annual report on Form 10-K filed with the Securities and Exchange Commission on December 15, 2020.)
10.23	Letter Agreement dated April 17, 2020 between Momentum Asset Partners II, LLC and TMC Capital, LLC. (Incorporated by reference to amendment no. 2 to the quarterly report on Form 10-Q/A for the quarterly period ended February 29, 2020 filed with the Securities and Exchange Commission on August 19, 2021.)
10.24*	Agreement governing the assignment of operating rights under Utah State Mineral Rights dated October 15, 2021, between TMC Capital, LLC and Valkor Energy Holdings, LLC
10.25*	Agreement and Assignment of Participation Rights in Mineral Leases and Properties dated October 15, 2021, between Valkor Energy Holdings, LLC and TMC Capital, LLC.
10.26*	Assignment of Utah State Lease for bituminous-asphaltic sands dated October 25, 2021, between Petroteq Energy Inc. (Assignor) and Valkor Energy Holdings, LLC (Assignee)
10.27*	Assignment of Utah State Lease for bituminous-asphaltic sands dated October 25, 2021, between Petroteq Oil Recovery, LLC (Assignor) and Valkor Energy Holdings, LLC (Assignee)
10.28*	Assignment of Utah State Lease for bituminous-asphaltic sands dated October 25, 2021, between Valkor Energy Holdings, LLC (Assignor) and TMC Capital, LLC (Assignee)
10.29*	Assignment of Mining and Mineral Rights, dated October 25, 2021, TMC Capital, LLC (assignor) and Valkor Energy Holdings, LLC (Assignee)
10.30*	Assignment of Operating Rights under Utah State Mineral Leases for bituminous-Asphaltic Sands, dated October 26, 2021 between TMC Capital (Assignor) and Valkor Energy Holdings, LLC (Assignee)
21.1	Subsidiaries of the Registrant *
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a)*
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a) (1)*
32.1	Certification of Chief Executive Officer, pursuant to Section 1350 of Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer, pursuant to Section 1350 of Sarbanes-Oxley Act of 2002*

* Filed herewith

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned.

PETROTEQ ENERGY INC.

Signature	Title	Date

/s/ R.G. Bailey R. Gerald Bailey	Interim Chief Executive Officer (Principal Executive Officer)	December 14, 2021
/s/ Ron Cook Ron Cook	Chief Financial Officer (Principal Financial and Accounting Officer)	December 14, 2021

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Gerald Bailey and Ron Cook, acting individually, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

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

Date: December 14, 2021

By: */s/ R.G. Bailey*
R. Gerald Bailey
Interim Chief Executive Officer

Date: December 14, 2021

By: */s/ James Fuller*
James Fuller
Director

Date: December 14, 2021

By: */s/ Robert Dennewald*
Robert Dennewald
Director

Date: December 14, 2021

By: */s/ Vladimir Podlipsky*
Vladimir Podlipsky
Director

AGREEMENT GOVERNING ASSIGNMENT OF OPERATING RIGHTS
UNDER UTAH STATE MINERAL LEASES

This AGREEMENT GOVERNING ASSIGNMENT OF OPERATING RIGHTS (" Agreement"), dated and made effective as of October 15, 2021 ("Effective Date"), is entered into by and between TMC CAPITAL, LLC ("TMC Capital"), a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402, and VALKOR ENERGY HOLDINGS, LLC (" Valkor"), a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 (the parties hereto sometimes herein referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H

A. TMC Capital and Valkor have entered into an Agreement Governing Reciprocal Assignment of Mineral Leases dated October 15, 2021 (the "Agreement"), in and under Valkor has agreed to assign and transfer to TMC Capital all of its right, title and interest in and to certain Utah State Mineral Leases for Bituminous-Asphaltic Sands, executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Valkor Energy Holdings, LLC, as lessee (successor-in-interest to the original lessee), all as more particularly described in Exhibit A hereto (collectively, the "Leases");

B. Upon SITLA's approval of Valkor's assignment of the Leases to TMC Capital as contemplated under the Agreement, TMC Capital shall hold the Record Title and 100% of the operating rights (working interests) under the Leases.

C. TMC Capital desires, upon becoming the owner of Record Title under the Leases, to assign and transfer to Valkor certain Operating Rights under the Leases within the Specified Depths, subject to a reservation of Participation Rights, under and in accordance with the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each of the Parties, the Parties hereby agree as follows:

ARITICLE I
DEFINITIONS; PROCEDURAL USAGE

1.01 Defined Terms.

Capitalized terms used in this Agreement, unless otherwise defined in the text hereof, shall have the following meanings:

"Actual Invoice" means an invoice prepared by Valkor and delivered to TMC Capital under or pursuant to Section 3.05, which describes in reasonable detail the Costs that have been incurred by Valkor in conducting any E&P Operation and the Cost-Share that is owed by each Party that has elected to participate in the E&P Operation as provided in Article III.

"Advance Cost Estimate" means a written estimate of all or a part of the Costs associated with any E&P Operation conducted or proposed by Valkor that describes in reasonable detail the estimated Costs of such E&P Operation and the Cost-Share that will be owed by each Party that has elected to participate in the E&P Operation as provided in Article III.

"AFE" means an Authority for Expenditure prepared for the purpose of estimating the costs to be incurred in connection with any proposed E&P Operation.

"Affiliate" means, with reference to a Party, any Person owning fifty percent (50%) or more of the voting stock or similar equity interest of such Party; any Person in which such Party owns fifty percent (50%) or more of its voting stock or similar equity interests; or any Person fifty percent (50%) or more of whose voting stock or similar equity interests is owned by the same entity that owns fifty percent (50%) or more of the voting stock or similar equity interests of such Party.

"Assignment of Operating Rights" means the assignment instrument executed and delivered by TMC Capital to Valkor substantially in the form ofExhibit B hereto.

"Confidentiality Period" has the meaning specified in Section 6.01.

"Costs" means all of the costs and expenses incurred in conducting any E&P Operation or in the design, construction and/or operation of any Oil Sands Processing Plant.

"Cost-Share" or *"Cost Allocation"* means that portion of any Costs owed or to be borne by a Party that is attributable to its Participation Interest in any E&P Operation or in the design, construction and/or operation of any Oil Sands Processing Plant.

"Disclosing Party" has the meaning specified in Section 6.01.

"Dispute" has the meaning specified in Section 11.02.

"E&P Data" means Exploratory Data or Production Data, or both.

"E&P Operation" means either an Exploratory Operation or a Production Operation, in each case under or pursuant to Valkor's commercial exploitation of the Operating Rights assigned to Valkor under or pursuant to the terms of this Agreement.

"Exploratory Data" means any and all airborne, surface and subsurface information and data, whether geological or geophysical in nature or generated by use of sensory devices, techniques or technologies, that are or may be useful in evaluating the surface or subsurface of lands for the presence of Leased Substances and other minerals in various structures and formations at any depth, including seismic, gravity and magnetic data; well data, logs, coring, cuttings and bottom samples; gas detector readings, formation fluid tests, and pressure data; and images and imaging, contouring and mapping resulting from the deployment of sensor or sensory systems that utilize, among other things, acoustic, seismic, optic or electro-optic, infrared, hyperspectral, radiological, meteorological, and other active or passive sensory data, devices, techniques or technologies; and reports, analyses, tests and test results, electronic images, surveys, maps and other devices that evaluate and process any of the foregoing.

"Exploratory Operation" means any exploratory activity or operation conducted by Valkor within the scope of the Operating Rights granted to Valkor hereunder or pursuant to this Agreement, including seismic studies, mapping, remote sensing imaging, core drilling, geophysical studies or profiling and any other operation whose primary objective is the exploration for, characterization and measurement of deposits or reservoirs of Leased Substances, or any of them.

"Leased Substances" means, and is synonymous with, the term "leased substances" as defined and used in the Leases.

"Mine" means any mining claim, mine or mine site, mineral deposit, ore deposit, quarry or mining lease and any related shaft, tunnel, incline, drift or excavation on or within the lands included in or within any of the Leases, including any mine or mine site under any permit issued by the Utah Division of Oil, Gas and Minerals.

"Net Production" means production and capture of Raw Production at the surface of any Mine, Well or other E&P Operation, subject to (and as may be reduced by) any part or portion thereof required for the payment of any applicable severance, production, sales, value added and other taxes imposed based on the value thereof and in the payment of any Royalty payable thereon or attributable thereto.

"Net Revenue" means the gross revenue received from the first sale of any Leased Substance, including any hydrocarbon or non-hydrocarbon product, byproduct or substance produced or derived from any Leased Substance through extraction, processing and upgrading at any Oil Sands Processing Plant, less and except (a) all applicable severance, production, sales, value added and other taxes imposed based on the value thereof, (b) all transportation and related costs incurred in transporting or moving any such hydrocarbons, hydrocarbon products and other products from the tailgate of the Plant (or adjoining storage tanks) to the first purchaser thereof or to a delivery point designated in any sales and purchase agreement relating thereto, and (c) the applicable amount of any Royalty and other burdens payable to any owner of such Royalty under or with respect to any of the Leases.

"Oil Sands Processing Plant" or *"Plant"* means any oil sands plant or facility located on or within the lands included in the Leases, or any of them, designed, constructed and operated primarily for the extraction, processing and upgrading Leased Substances, or any of them, into marketable crude oil, hydrocarbon substances, and other products (including any constituent or derivative of any Leased Substances and any byproduct produced or generated by or from the extraction, processing or upgrading of any Leased Substance).

"Operating Rights" means the exclusive right, subject to the grant or reservation of Participation Rights under this Agreement or in the Assignment of Operating Rights, to explore for, mine, extract, produce, capture and market Leased Substances, or any derivative or product thereof, under or within the scope of terms of the Leases, or any of them, subject to and within the Specified Depths. The term "Operating Rights" shall not include the primary obligation of the owner(s) of the Record Title in and to the Leases with respect to the payment of royalty and the right to assign or dispose of any interest under the Leases.

"Participation Interest" means the percentage of participation that TMC Capital elects to assume in any E&P Operation conducted by Valkor under or pursuant to the Operating Rights granted to Valkor in and under the Leases, in each case in the exercise of its Participation Right expressed as a percentage of 100% of the working interests in the E&P Operation.

"Participation Rights" means the right granted to or reserved by TMC Capital hereunder and in the Assignment of Operating Rights to participate as a working interest owner in any E&P Operation and in any Oil Sands Processing Plant.

"Person" means any natural person, corporation, company, partnership (including both general and limited partnerships), limited liability company, sole proprietorship, association, joint stock company, firm, trust, trustee, joint venture, unincorporated organization, executor, administrator, legal representative or other legal entity, including any governmental authority.

"Plant AFE" means an AFE covering the design, construction and operation of a proposed Oil Sands Processing Plant as provided in Section 4.01.

"Plant Net Proceeds" means the proceeds received by the operator of an Oil Sands Processing Plant from and based on the sale or disposition of crude oil, bitumen, hydrocarbon products or substances, and other byproducts (whether or not such byproducts are derived from Leased Substances or other minerals or materials) produced, extracted, processed or upgraded at the Plant, less and as reduced by (a) all applicable severance, production, sales, value added and other taxes imposed based on the value thereof,
(b) all transportation and related costs incurred in transporting or moving any such hydrocarbons, hydrocarbon products and other products from the tailgate of the Plant (or adjoining storage tanks) to the first purchaser thereof or to a delivery point designated in any sales and purchase agreement relating thereto, and (c) the applicable amount of any Royalty and other burdens payable under or with respect to any of the Leases.

"Production Data" means any information or data generated from any mine, production or injection well, or other facility or structure from which hydrocarbons and hydrocarbon substances (including the constituents of any hydrocarbon deposit or reservoir) may be mined, extracted, produced, processed and/or upgraded into marketable oil and other products.

"Production Operation" means any activity or operation conducted by Valkor within the scope of the Operating Rights, including drilling, mining, excavation, in situ operations (involving thermal, gasification or other method, technique, process or technology), extraction, production or other operation whose primary objective is the capture, extraction and production of any Leased Substance from subsurface strata to the surface, including any conventional or unconventional primary, secondary or tertiary production, injection or recovery method, technique, process or technology.

"Raw Production" means any Leased Substance or any ore, sediments, sandstones, rock, or other material or matter consisting of or containing any Leased Substance, whether in solid, semi-solid, liquid or gaseous form, in the form produced and captured at the surface of lands included within any of the Leases.

"Receiving Party" has the meaning specified in Section 6.01.

"Record Title" means, as set forth in the SITLA Regulations, § R850-22-175(20), the legal ownership of a mineral lease issued by SITLA as established in the records of SITLA.

"Representative(s)" means, with respect to a Party, its Affiliates and each of the respective officers, directors, principals, members, managers, employees, advisors, attorneys, accountants, and duly authorized agents or representatives of such Party and each of its Affiliates.

"Royalty" means any advance royalty, production royalty or overriding royalty reserved or granted in, under or in respect of any of the Leases or the lands covered thereby.

"SITLA" means the State of Utah's School and Institutional Trust Lands Administration.

"SITLA Regulations" means Rule 22 (Bituminous-Asphaltic Sands and Oil Share Resources) promulgated and administered by SITLA (codified at Utah Admin. Code § R850-22 et seq).

"Specified Depth" means, with respect to the Operating Rights assigned to Valkor as contemplated in this Agreement, a subsurface depth that is 500 feet or more

below the surface on or with respect to which any E&P Operation is conducted by Valkor.

"Third Person" means any Person other than the Parties or their respective Representatives.

"TMC Indemnitees" has the meaning specified in Section 8.02(a).

"Valkor Indemnitees" has the meaning specified in Section 8.01(a).

"Well(s)" means any well or series of wells, including any type of conventional or unconventional primary, secondary or tertiary production, insitu, injection or recovery wells, in any combination, proposed or commenced by Valkor under and pursuant to the Operating Rights assigned to Valkor as provided in this Agreement.

1.02 Procedural Usage; Protocols.

(a) The name assigned to this Agreement and the Article and Section (or subsection) captions used herein are for reference only and shall not be construed to affect the meaning or construction of the text hereof. Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Unless otherwise specified:

(1) The terms "hereof," "herein" and similar terms refer to this Agreement as a whole and references herein to Articles and Sections refer to the Articles and Sections of this Agreement;

(2) Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires; and

(3) The words, "include," "includes" and "including," when used herein, shall be deemed in each case to be followed by the words "without limitation".

(b) Unless stated otherwise, references to money herein shall mean and refer to the currency (U.S. Dollars) of the United States of America.

1.03 Exhibits and Schedules.

The Exhibits and Schedules attached to this Agreement are made a part hereof and are incorporated herein for all purposes.

ARTICLE II
ASSIGNMENT OF OPERATING RIGHTS

2.01 Assignment & Transfer; Operating Rights.

(a) Subject to the terms and conditions of this Agreement, TMC agrees to assign, convey and otherwise transfer to Valkor, and Valkor agrees to accept, all of the Operating Rights under the Leases at or below, and limited to, the Specified Depths. To implement the assignment and transfer of the Operating Rights, TMC Capital shall execute and deliver to Valkor an Assignment of Operating Rights in Mineral Leases substantially in the form of Exhibit B hereto (the "Assignment of Operating Rights").

(b) The Operating Rights assigned and transferred to Valkor as contemplated herein shall consist of all of the working interests under the Leases, in each case limited to the Specified Depths and subject to TMC Capital's reservation of Participation Rights in and with respect thereto.

2.02 SITLA Approvals; Cooperation & Assistance.

Within twenty (20) days after the Effective Date, the Parties shall submit to SITLA for its approval in accordance with the SITLA Regulations, the assignment and transfer of Operating Rights to Valkor as contemplated herein. The Parties shall each cooperate with and assist each other in providing SITLA with any required information and in otherwise facilitating the assignment application in accordance with SITLA's requirements and the SITLA Regulations.

2.03 Closing; Term of Agreement.

(a) Upon and following SITLA's approval of the assignment and transfer of the Operating Rights to Valkor, this Agreement shall continue in full force and effect for as long as Valkor owns or holds any interest in the Leases, whether in the form of Operating Rights or otherwise, or upon a mutual cancellation of this Agreement in a writing signed by each of the Parties.

(b) If, for any reason, SITLA has not approved the assignment of Operating Rights to Valkor by January 1, 2022, this Agreement shall automatically expire and the Parties shall have no further rights or obligations hereunder.

ARTICLE III
PARTICIPATION RIGHTS; ELECTIONS & COST ALLOCATION

3.01 Participation Interests; Elections.

(a) At least forty-five (45) days prior to commencing an E&P Operation, Valkor shall prepare and submit to TMC Capital an AFE that specifies the estimated cost of the E&P Operation through its completion (and its projected completion date). Within thirty (30) days after receiving an AFE for a proposed E&P Operation, TMC Capital shall advise Valkor in writing whether it elects to participate in the E&P Operation and the Participation Interest (expressed as a percentage of 8/8ths or 100% of the working interests in the E&P Operation) that it elects to assume in the E&P Operation. Notwithstanding anything to the contrary in this Agreement, TMC Capital shall not be entitled to elect a Participation Interest that exceeds fifty percent (50%) in any E&P Operation.

(b) If TMC Capital elects in a timely manner to participate in an E&P Operation, the Participation Interests and Cost Obligations of the Parties with respect to the E&P Operation shall be allocated between or among them based on, and as determined by, the Participation Interest elected by TMC Capital in the E&P Operation, with the remaining Participation Interest in the E&P Operation being retained and owned by Valkor (and any other joint participant, if any).

(c) If TMC Capital elects not to participate in an E&P Operation (or fails to respond to an AFE for a proposed E&P Operation on a timely basis), Valkor shall hold and

have 100% of the Participation Rights and Cost Obligations in the E&P Operation.

[Reserved].

3.02 Producing Operations; Allocation of Production and Costs.

With respect to each E&P Operation conducted by Valkor that results in the production of any Leased Substance, or any product, byproduct or other substance generated by or derived therefrom, each Party shall be entitled to that percentage of Net Production that is attributable to its Participation Interest in the E&P Operation. With respect to each such E&P Operation, each Party shall be responsible to pay the Costs associated with such operation that are attributable to and correspond with its Participation Interest in the operation.

3.03 Exploratory Operations; Rights in Data & Allocation of Costs.

With respect to each E&P Operation conducted by Valkor that results in the generation of E&P Data, all such E&P Data shall be owned by TMC Capital regardless of whether it elects to assume a Participation Interest in the E&P Operation generating the data, and Valkor shall have a permanent, fully- paid, non-exclusive, royalty-free license and right to access and use all such E&P Data for any purpose, subject only to its confidentiality obligations under Article VI. For or with respect to each such E&P Operation, each Party shall be responsible to pay the Costs associated with such E&P Operation that are attributable to and correspond with its Participation Interest in the operation.

3.04 Designated Operator; E&P Operations.

Unless otherwise agreed by the Parties in writing, Valkor shall be the designated operator for and with respect to each E&P Operation proposed and conducted by Valkor pursuant to the Operating Rights granted to Valkor as contemplated under this Agreement.

3.05 Cost Recovery & Invoicing.

(a) For each E&P Operation conducted by Valkor in or as to which TMC Capital has elected a Participation Interest, Valkor shall be entitled to recover or collect the Costs associated with the E&P Operation by requiring TMC Capital to pay its proportionate share of any Advance Cost Estimate prepared and delivered to TMC Capital on a periodic basis and at such times as Valkor may determine. Alternatively, and at Valkor's option, Valkor may pay all or a part of the Costs associated with the E&P Operation as such Costs are incurred or become due and then deliver to TMC Capital, at such times as Valkor may determine, an Actual Invoice showing the Costs that have been or will be paid by Valkor in connection with the E&P Operation and a statement of the Cost-Share owed by TMC Capital based on its Participation Interest in the E&P Operation.

(b) In the event that Valkor elects to prepare and deliver an Advance Cost Estimate to TMC Capital from time to time for an E&P Operation in which TMC Capital has elected a Participation Interest, Valkor shall thereafter deliver an Actual Invoice to TMC Capital that sets forth the final amount of the Costs incurred in connection with the E&P Operation, together with any adjustments, including credits or additional payments that may be owed by TMC Capital under the Actual Invoice.

(c) Unless otherwise agreed by the Parties in writing, all Advance Cost Estimates and Actual Invoices in respect of any E&P Operation conducted by Valkor shall be at or within the 110% of the applicable Cost estimated in the AFE issued for the E&P Operation. All Actual Invoices delivered to TMC Capital with respect to any E&P Operation in which TMC Capital has elected a Participation Interest shall be accompanied by invoices, billing statements, purchase orders, services or work agreements, work orders and other supporting documentation. All Costs reflected in such Actual Invoices must be reasonable under industry standards, must relate directly to the E&P Operation, and must be verifiable by TMC Capital's accountants and auditors.

(d) Each of the Parties shall pay or remit to Valkor, as the case may be, its respective Cost-Share for or with respect to any E&P Operation within thirty (30) days after Valkor delivers an Advance Cost Estimate or Actual Invoice to TMC Capital based on its Participation Interest, if any, in any such E&P Operation.

3.06 Periodic Inspection & Audit Rights.

Upon giving Valkor's advance written notice of at least ten (10) days, TMC Capital shall have the right periodically to inspect and audit Valkor's book and records to ensure compliance with this Agreement and to verify the authenticity, validity and amount(s) of all Costs allocated to or paid by TMC Capital in or with respect to any E&P Operation in which TMC Capital has elected a Participation Interest.

ARTICLE IV
PLANT PARTICIPATION RIGHTS; ALLOCATION OF REVENUE & COSTS

4.01 Processing Plant Development; Ownership.

(a) In the event that either Party (the "Proposing Party"), during the term of one or more of the Leases, proposes to design, construct and operate an Oil Sands Processing Plant on lands included within the Leases, or upon any of the lands covered thereby, the Proposing Party shall deliver to the other Party (the "Other Party") a Plant AFE that contains a general description and location of the proposed Plant, its projected throughput or processing capacity, and an initial estimate of the Costs required to complete and achieve a successful start-up of the Plant. Within ninety (90) days after receiving the Plant AFE, the Other Party shall advise the Proposing Party in writing whether it elects to participate in the development, construction and operation of the Plant and the percentage of ownership (the "Ownership Interest") that it desires to hold in the Plant. Unless otherwise agreed by the Parties in writing, the Other Party shall not be entitled to an Ownership Interest in the Plant that exceeds fifty percent (50%) of the ownership rights in the Plant as a whole.

(b) If, upon receiving a Plant AFE from the Proposing Party, the Other Party elects to participate in the design, construction and operation of the proposed Plant, the Proposing Party shall be entitled, subject to compliance with any requirements under the applicable Lease encompassing the lands on which the Plant will be located and obtaining any required permits or approvals from Governmental Authorities, to proceed with the design, construction and operation of the Plant, in which case the Parties shall hold their respective Ownership Percentages in the Plant as agreed upon (or elected by the Other Party) and each Party shall be subject to a proportionate share of the Costs associated with the design, construction and operation of the Plant that is attributable to and corresponds with its Ownership Interest in the Plant.

(c) If, upon receiving a Plant AFE from the Proposing Party, the Other Party elects not to participate in the design, construction and operation of the proposed Plant, the Proposing Party shall be entitled, subject to compliance with any requirements under the applicable Lease encompassing the lands on which the Plant will be located and obtaining any required permits or approvals from Governmental Authorities, to proceed with the design, construction and operation of the Plant as the sole owner and participant therein. In such event, the Proposing Party shall hold an Ownership Percentage of 100% in the Plant as a whole and shall be responsible for 100% of the Costs

associated therewith.

(d) All of the Costs associated with the design, construction and operation of the Plant shall be allocated between the Parties based on their respective Ownership Interests in the Plant.

(e) If, at any time, either Party refuses or is unable, for any reason (and without regard to force majeure), to pay its proportionate share of the Costs associated with the design and construction of the Plant, the Ownership Interest of such Party in the Plant shall be reduced to a level that corresponds with the proportionate share of the Costs that such Party pays or is able to pay in the design and construction of the Plant.

(f) If, any time, either Party refuses or is unable, for any reason (and without regard to force majeure) to pay its proportionate share of the Costs associated with the operation and maintenance of the Plant, the operator of the Plant shall be entitled, upon giving written notice to the non-paying Party, to withhold any revenue generated by the Plant that is attributable to the Ownership Interest of the non-paying Party and to allocate and credit all such withheld amounts against the Costs owed by such non-paying Party in the operation or maintenance of the Plant. Failure of any Party to pay its proportionate share of the Costs associated with the operation and/or maintenance of the Plant shall not result in any change or modification of the Ownership Interest of the non-paying Party in the Plant unless each Party (including the non-paying Party) agrees to such change or modification in a writing signed by each Party.

4.02 Financing Arrangements; Commitments.

Each Party shall be entitled, in accordance with its Ownership Interest in an Oil Sands Processing Plant, to arrange its own financing to meet and pay its proportionate share of the Costs associated with the design, construction, operation and maintenance of the Plant. Alternatively, the Parties shall be entitled to obtain joint financing designed to pay 100% of the Costs associated with the design, construction, operation and/or maintenance of the Plant.

4.03 Allocation of Net Revenue from Plant Operations.

(a) Upon completion and start-up of the Oil Sands Processing Plant, each Party shall be entitled to receive a proportionate share of Plant Net Proceeds determined in accordance with the following:

(1) First, each Party shall receive, from the Plant Net Proceeds received by designated operator of the Plant, an amount representing the "market value" of Raw Production supplied as feedstock to the Plant that such Party owns (or has acquired from Third Persons) or that is attributable to its Participation Interest in any Mine, Well or other E&P Operation that is the source of the Raw Production delivered to the Plant; and

(2) The balance of the Plant Net Proceeds received by the designated operator of the Plant shall be allocated and paid to each Party in accordance with its Ownership Interest in the Plant (subject to the right of the designated operator of the Plant, upon providing written notice to the Parties, to allocate a proportionate amount of the Plant Net Proceeds to pay any Costs associated with the operation and/or maintenance of the Plant, including any management, operating and other charges, fees and payments required to be made to Third Parties providing materials or services to the Plant).

(b) In determining the "market value" of Raw Production supplied as feedstock to the Plant by the Parties, the values agreed upon or stipulated by the Parties, determined as an average market value or price on a weekly or monthly basis, shall be deemed conclusive absent manifest error.

[Reserved].

4.04 Designated Operator of the Facility.

(a) In the event that only one of the Parties elects to design, construct and operate an Oil Sands Processing Plant on lands included in one or more of the Leases, such Party shall be both the owner and the operator of the Plant for all purposes.

(b) In the event that both Parties elect to participate in the design, construction and operation of the Plant, the Parties shall own the Plant in accordance with their respective Ownership Interests and shall, in a writing signed by each Party, designate one of the Parties as the operator of the Plant under or pursuant to such contractual services contracts or other arrangements as the Parties may agree upon. Alternatively, the Parties may, with the agreement of each Party holding Ownership Interests in the Plant, designate a Third Person to be the operator of the Plant pursuant to a written services agreement executed by the Parties and such Third Person.

ARTICLE V
ACCOUNTING; LEASE DEVELOPMENT & ROYALTY

5.01 Accounting/Royalty Payment Obligations.

(a) As the owner of Record Title under the Leases, TMC Capital shall be considered the "lessee" thereunder and shall have the obligation to prepare and maintain records of the production of Leased Substances from the Leases and to ensure the timely payment of Royalties owed under or with respect to the Leases.

(b) In connection with TMC Capital's responsibilities under the Leases, Valkor agrees to provide to TMC Capital all accounting and related services in respect of all of the activities and operations conducted on or with respect to the Leases and to provide and discharge, on TMC Capital's behalf, all reporting required of TMC Capital under the Leases or under Applicable Law and to report and pay, on a timely basis, all Royalties and other burdens owed under or as provided in the Leases, including any advance royalties, rentals, shut-in payments and other fees and payments owed under or with respect to the Leases and in accordance with the terms thereof, respectively.

(c) Notwithstanding anything to the contrary in this Agreement, Valkor agrees to pay, and to reimburse TMC Capital for, fifty percent (50%) of any annual rentals, shut-in rentals or other payments, other than Royalty, owed to SITLA or other lessor under the Leases from time to time.

5.02 Accounting Services Arrangements.

The accounting and related services provided by Valkor with respect to operations conducted on or with respect to the Lease shall be memorialized in a separate written services agreement that shall include such terms and conditions as the Parties may agree upon.

ARTICLE VI
CONFIDENTIALITY

6.01 Confidentiality Obligations.

The Parties acknowledge that each Party may from time to time furnish or disclose (in each such case, a "Disclosing Party") to the other Party or its Representatives (in each such case, a "Receiving Party") information, data and materials that consist of or include Confidential Information, the improper or unauthorized disclosure or release of which will likely cause irreparable harm to the Disclosing Party. Accordingly, during the term of this Agreement and for a period of three (3) years following the expiration or termination hereof or the Closing, whichever occurs first (the "Confidentiality Period"), the Receiving Party agrees to keep and maintain on a private and confidential basis any Confidential Information that it receives from a Disclosing Party and will not, without the prior written consent of the Disclosing Party, (1) publish, release or otherwise disclose the Confidential Information to any Person other than another Party and its Representatives that have a "need to know" such information, except as required by applicable law, and (2) use any of the Confidential Information for any purpose other than in connection with this Agreement and the consummation of the transactions contemplated hereby.

6.02 Mandatory Disclosure.

The Parties shall use and deploy reasonable best efforts to preserve and protect the Confidential Information from any unauthorized disclosure or publication. In the event that a Party determines that it is legally obligated to publish, release or disclose any provision of this Agreement or any other Confidential Information, in whole or in part, such Party shall provide the other Party with prompt written notice and shall seek to limit the dissemination, release or public disclosure of such Confidential Information. In the case of legal proceedings in which disclosure of any Confidential Information is required or compelled by law, the Parties shall cooperate to obtain an appropriate protective order limiting the disclosure of such information. Notwithstanding the foregoing, the Parties acknowledge that each Party may be required under the terms of securities laws or regulations, or in connection with any public offering of securities, to disclose the existence of this Agreement and the terms hereof.

ARTICLE VII
RELATIONSHIP OF THE PARTIES; TAXATION

7.01 Relationship of Parties. The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed as creating, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth herein or in a separate agreement executed by the Parties. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement or in a separate agreement executed by the Parties.

7.02 Taxes. Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under this Agreement or under any of the oil and gas leases described in this Agreement. Each Party shall protect, defend and indemnify the other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the government tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of applicable law, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. The Party acting as the designated operator in or with respect to any E&P Operation or for an Oil Sands Processing Plant shall provide each Party, in a timely manner and at such Party's sole expense, such information with respect to all such operations as each Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

7.03 United States Tax Election.

(a) If, for United States federal income tax purposes, this Agreement or any of the operations conducted under any of the oil and gas leases described in this Agreement are regarded as a partnership and if the Parties have not agreed to form a tax partnership, each U.S. Party elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the "Code"), to the extent permitted and authorized by Section 761(a) of the Code and the regulations promulgated thereunder. Each Party shall be responsible for executing and filing, either individually or jointly, such evidence of this election as may be required by the Internal Revenue Service, including all of the returns, statements, and data required by United States Treasury Regulations Sections 1.761-2 and 1.6031(a)-1(b)(5) and shall provide a copy thereof to each Party.

(b) No Party shall give any notice or take any other action inconsistent with the foregoing election. If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each Party shall make such election as may be permitted or required by such laws. In making the foregoing election or elections, each Party states that the income derived by it from operations under this Agreement or under the oil and gas leases described in this Agreement can be adequately determined without the computation of partnership taxable income.

ARTICLE VIII
INDEMNIFICATION & LIMITS OF LIABILITY

8.01 TMC Capital's Indemnity.

(a) TMC Capital agrees to defend, indemnify and hold harmless Valkor and its Affiliates, and each of their respective Representatives (collectively, "Valkor Indemnitees"), from and against all claims, demands, administrative actions and/or civil actions or suits (whether threatened, actual or otherwise) for damages, penalties, fines or other legal or equitable relief asserted, commenced or requested by any Third Person, or any losses, liability or costs (including reasonable attorneys' fees and litigation costs) incurred by any of the Valkor Indemnitees as a result thereof, on account of:

(1) Any personal injury, disease or death of any person(s), or any damage to or loss of property, resulting from or arising out of TMC Capital's operations conducted under or within the scope of this Agreement, including any injury, death or property damage caused by or attributable to (i) the sole, concurrent or combined negligence or fault of TMC Capital or any of its Representatives, or (ii) where liability with or without fault is strictly imposed by operation of law based on a condition created by TMC Capital or any of its Representatives;

(2) Any failure by TMC Capital to comply with applicable law, including any EH&S Requirements that are applicable to TMC Capital's operations conducted under or within the scope of this Agreement;

(3) Liens, claims and demands arising from work performed by TMC Capital's contractors or subcontractors or from materials supplied to TMC Capital;

(4) Any breach or violation of any representation, warranty or covenant of TMC Capital contained in this Agreement.

(b) The indemnity obligations undertaken by TMC Capital in favor of the Valkor Indemnitees under Section 8.01(a)(1), including any defense obligations, claims, judgments and liability (including attorney's fees and litigation costs), shall be limited to the amount of insurance coverage or limits in the insurance policies required to be carried or maintained by TMC Capital under the provisions of Section
9.01 (and whether or not TMC Capital has acquired or put the required insurance coverage in place as required by Section 9.01). TMC Capital shall have no indemnification obligations under Section 8.01(a)(1) for any obligation, claim, judgment or liability that is or would be outside the scope and coverage of the insurance policies and coverage required to be maintained by TMC Capital under Section 9.01.

8.02 Valkor's Indemnity.

(a) Valkor agrees to defend, indemnify and hold harmless TMC Capital and its Affiliates, and each of their respective Representatives (collectively, "TMC Indemnitees"), from and against all claims, demands, administrative actions and/or civil actions or suits (whether threatened, actual or otherwise) for damages, penalties, fines or other legal or equitable relief asserted, commenced or requested by any Third Person, or any losses, liability or costs (including reasonable attorneys' fees and litigation costs) incurred by any of the TMC Indemnitees as a result thereof, on account of:

(1) Any personal injury, disease or death of any person(s), or any damage to or loss of property, resulting from or arising out of Valkor's operations conducted under or within the scope of this Agreement, including any injury, death or property damage caused by or attributable to (i) the sole, concurrent or combined negligence or fault of Valkor or any of its Representatives, or (ii) where liability with or without fault is strictly imposed by operation of law based on a condition created by Valkor or any of its Representatives;

(2) Any failure by Valkor to comply with applicable law, including any EH&S Requirements that are applicable to Valkor's operations conducted under or within the scope of this Agreement;

(3) Liens, claims and demands arising from work performed by Valkor's contractors or subcontractors or from materials supplied to TMC Capital;

(4) Any breach or violation of any representation, warranty or covenant of Valkor contained in this Agreement.

(b) The indemnity obligations undertaken by Valkor in favor of the TMC Indemnitees under Section 8.02(a)(1), including any defense obligations, claims, judgments and liability (including attorney's fees and litigation costs), shall be limited to the amount of insurance coverage or limits in the insurance policies required to be carried or maintained by Valkor under the provisions of Section 9.01 (and whether or not Valkor has acquired or put the required insurance coverage in place as required by Section 9.01). Valkor shall have no indemnification obligations under Section 8.02(a)(1) for any obligation, claim, judgment or liability that is or would be outside the scope and coverage of the insurance policies and coverage required to be maintained by Valkor under Section 9.01.

8.03 Limitations of Liability.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NEITHER PARTY SHALL HAVE ANY LIABILITY TO THE OTHER OR TO ANY INDEMNITEE UNDER THE INDEMNITY PROVISIONS CONTAINED IN THIS AGREEMENT FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES, INCLUDING LOST PROFITS, REVENUE OR SAVINGS, REGARDLESS OF THE FORM OF ACTION GIVING RISE TO ANY CLAIM FOR SUCH DAMAGES, WHETHER IN CONTRACT OR IN TORT, OR OTHERWISE, EVEN IF PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE IX INSURANCE

9.01 Insurance Requirements.

Each Party shall maintain, at its cost or at their joint cost, the insurance policies and coverages set forth in Schedule Y hereto.

ARTICLE X
ASSIGNMENTS AND TRANSFERS OF INTERESTS

10.01 Record Title Owner Control.

(a) As the owner of Record Title under the Leases, TMC Capital shall have the exclusive right to grant or make any assignment, sublease or transfer of any right, title or interest under the Leases, in each case subject to obtaining the prior approval of SITLA in accordance with the SITLA Regulations.

10.02. Limitations on Assignments & Transfers.

Notwithstanding the provisions contained in Section 10.01, neither TMC Capital nor Valkor shall have the power, authority or right to assign, sublease, encumber or otherwise transfer any right, title or interest that it, or either of them, may own or hold in the Leases without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any such assignment, sublease, encumbrance or other proposed transfer by either Party, even if consented to in writing by the non- transferring Party, shall require the prior consent or approval of SITLA and each such assignee, sublessee or transferee (including any mortgagee or secured party acquiring any interest in the Leases by virtue or any foreclosure or in the exercise of secured rights) shall be required, as a condition to receiving any right, title or interest in the Leases as the owner of working interests, to agree to become bound by the terms of this Agreement, including the confidentiality provisions contained herein, or in any restatement or replacement agreement that may be developed and agreed upon by the Parties.

ARTICLE XI
GOVERNING LAW & DISPUTE RESOLUTION

11.01 Governing Law.

THIS AGREEMENT AND THE VALIDITY, INTERPRETATION, TERMINATION AND ENFORCEMENT THEREOF AND HEREOF SHALL BE SUBJECT TO AND GOVERNED IN ALL RESPECTS BY THE LAWS OF THE STATE OF UTAH WITHOUT REGARD TO THE CHOICE OF LAWS OR CONFLICTS OF LAWS PRINCIPLES THEREOF.

11.02 Dispute Resolution.

ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN THE PARTIES (WHETHER CONTRACTUAL OR NON-CONTRACTUAL IN NATURE) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT (EACH A "DISPUTE") SHALL BE FINALLY AND EXCLUSIVELY RESOLVED IN ACCORDANCE WITH THE DISPUTE RESOLUTION PROVISIONS SET FORTH IN SCHEDULE Z HERETO.

ARTICLE XII GENERAL PROVISIONS

12.01 Amendments.

This Agreement may be amended, modified, changed, altered or supplemented only by a written instrument duly executed by each of the Parties specifically for such purpose and that specifically refers to this Agreement.

12.02 Waiver.

Any of the terms, provisions, covenants, representations or conditions hereof may be waived only by a written instrument executed by the Party waiving compliance. Failure of any Party at any time to require performance of any provision contained in this Agreement shall not, in any way or manner, affect its right to enforce the same. No waiver by any Party of any condition or of the breach of any provision contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any breach of any other provision hereof.

12.03 Notices & Notification.

(a) Any notice required or permitted to be given by any Party will be deemed given when in writing and delivered to the address for notice of the intended recipient by personal delivery or by courier, by prepaid certified or registered mail, or by facsimile or telecopier. Any notice delivered by mail shall be deemed to have been received on the actual date of receipt. Any notice delivered personally or by facsimile or telecopier shall be deemed to have been received on the actual date of delivery. The address for service of notice or process to or on each of the Parties is as follows:

(1) If to TMC Capital: TMC Capital, LLC Attention: R. Gerald Bailey 15315 W. Magnolia Boulevard, Ste 120 Sherman Oaks, California 91402 Telephone: (713) 524-2542 Email: executive@petroteq.energy	(2) If to Valkor: Valkor Energy Holdings, LLC Attention: Steven Byle 21732 Provincial Boulevard, Ste 160 Katy, Texas 77450 Telephone: (832) 859-5060 Email: steven.byle@valkor.com

(b) Any Party may, by written notice to the other Parties, change its address for notice to some other address in the U.S. and shall be required to change its address for notice purposes whenever its existing address ceases to be adequate for delivery by hand. A post office box may not be used as an address for notices or for service of process hereunder.

[Reserved].

12.04 Recordation; Memorandum.

Each of the Parties shall be entitled to record the assignment and title instruments delivered under the terms of this Agreement or, upon mutual agreement, the Parties may execute a memorandum of any such assignment and title instrument and record such instrument, in each case in the county in the State of Utah in which the lands covered by such instruments are located, in lieu of recording a full copy of each such assignment and title instrument.

12.05 Reasonable Assurances.

Each Party shall promptly execute, acknowledge, and deliver to the other Party such other instruments and take such other action as may be necessary or convenient in order to effect the transaction contemplated in this Agreement.

12.06 Third Party Beneficiary.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

12.07 Transaction Expenses.

Each Party shall be responsible for its own costs and expenses (including legal, financial, advisory, investment banking and accounting fees and expenses) incurred in connection with development of this Agreement.

12.08 Savings Clause; Severability.

If any part or portion of this Agreement is held to be invalid, such invalidity of any such part or portion shall not affect any remaining part or portion hereof.

12.09 Entire Agreement.

When executed by the duly authorized representatives of the Parties, this Agreement, together with the Exhibits and Schedules attached thereto, respectively, shall constitute the entire agreement between and among the Parties with respect to the subject matter hereof, and shall supersede and replace any and all other writings, understandings or memoranda of understanding entered into or discussed prior to the execution date hereof. This Agreement sets forth the entire agreement and understanding of the Parties with respect to this transactions contemplated hereby, and any prior agreements are hereby merged herein and terminated.

12.10 Counterparts.

This Agreement may be executed in as many counterpart copies as may be required. All counterparts shall collectively constitute a single agreement.

[SIGNATURES OF PARTIES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed and made this Agreement effective as of the date written above.

TMC CAPITAL, LLC

By: /s/ R. Gerald Bailey
Name: R. Gerald Bailey
Title: Manager/Managing Member

VALKOR ENERGY HOLDINGS, LLC

By: /s/ Steven Byle
Name: Steven Byle
Title: Manager/Managing Member

EXHIBIT A THE LEASES

The Assignment consists of all of the Operating Rights (operating working interests excluding Record Title), limited to all subsurface depths below 500 feet from the surface, in and under the following mineral leases:

1. Utah State Mineral Lease No. 53831

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53831), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 22: All

containing 640 acres, more or less.

2. Utah State Mineral Lease No. 53832

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53832), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 23: N½NE¼, W½, S½SE¼
Section 24: Lots 2(32.30), 3(32.95), 4(32.97), W½E½, N½NW¼, S½SW¼ [Lots aka SE¼NE¼, E½SE¼]

containing 898.22 acres, more or less.

3. Utah State Mineral Lease No. 53805

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53805), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 26 - All
Section 27 - All
Section 32 - All

containing 1,920 acres, more or less.

EXHIBIT B
ASSIGNMENT OF OPERATING RIGHTS

Recording requested by/return to:

_____
_____
_____

The foregoing mailing address for the minerals assignee/lessee under this instrument may be used for tax and assessment purposes.

---------- Above This Line for Official Use Only ----------

ASSIGNMENT OF OPERATING RIGHTS

UNDER UTAH STATE MINERAL LEASES
FOR BITUMINOUS-ASPHALTIC SANDS

[Uintah County, Utah]

This **ASSIGNMENT OF OPERATING RIGHTS** ("Assignment"), dated and made effective as of October , 2021, is entered into by and between TMC CAPITAL, LLC, a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 (" Assignor"), and VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 (" Assignee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with and pursuant to the terms of that Agreement Governing Assignment of Operating Rights Under Utah State Mineral Leases, dated as of October 15, 2021, executed by and between the Parties (the "Agreement"), Assignor hereby assigns, conveys and otherwise transfers to Assignee, subject to the reservation of certain Participation Rights as more fully defined in the Agreement, the following:

All of the "Operating Rights" (operating and working interests), consisting of the exclusive right to explore for, mine, excavate, drill, produce, capture, process, upgrade and market Leased Substances (as defined in the Leases), including any hydrocarbon or non-hydrocarbon product, byproduct or substances generated by or derived therefrom, located below a subsurface depth of 500 feet from the surface thereof, under and within the scope of certain Utah State Mineral Leases for Bituminous-Asphaltic Sands as more particularly described in Exhibit A hereto (the "Leases");

Together with all rights-of-way, easements and other appurtenances thereto within the lands covered by the Leases.

TO HAVE AND TO HOLD the Operating Rights under the Leases unto Assignee, its successors and assigns, subject, however, to the following:

1. This Assignment is made pursuant to the terms of the Agreement. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of Assignor or Assignee, as the case may be, under the Agreement.

2. This Assignment shall not include, and Assignor hereby reserves from this Assignment, ownership of "Record Title" in and under the Leases, together with the rights and obligations attributable thereto, as such term is defined in the Section R850-22-175(2) of the regulations promulgated and administered by the State of Utah's School and Institutional Trust Lands Administration ("SITLA"), with respect to mineral leases for bituminous-asphaltic sands (codified at Utah Admin. Code §R850-22- 175(20)).

3. The assignment and transfer of Operating Rights to Assignee are and shall be limited to operations conducted at a subsurface depths below 500 feet from the surface thereof, measured vertically; provided, that Valkor, in the development of the Operating Rights, shall be entitled to use as much surface as is reasonably necessary to its operations, with deference to the surface rights and other interests reserved by Assignor from this Assignment and as more fully provided in the Agreement.

4. Assignee shall, in the exercise or development of the Operating Rights transferred hereunder, comply at all times with the terms and conditions set forth in the Leases and shall have primary responsibility and liability for the payment of all royalty and other burdens under the Leases that are attributable to or arise from Assignee's development of the Operating Rights hereunder.

5. The term of this Assignment shall coincide with the term of the Leases.

6. This Assignment is made without any warranty of title as to the Leases or as to the lands covered thereby. SUBJECT TO ANY REPRESENTATIONS AND COVENANTS GIVEN BY ASSIGNOR IN OR UNDER THE AGREEMENT, ALL OF THE OPERATING RIGHTS ASSIGNED AND TRANSFERRED TO ASSIGNEE HEREUNDER ARE TRANSFERRED ON AN "AS IS" BASIS WITHOUT ASSIGNOR MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE LEASES OR ANY OF THE RIGHTTS, OBLIGATION OR LIMITATIONS THEREIN, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY OF TITLE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY REGARDING THE FUTURE FINANCIAL PERFORMANCE OF THE LEASES OR THE OPERATING RIGHTS ASSIGNED AND TRANSFERRED TO ASSIGNEE HEREUNDER OR REGARDING ANY BUSINESS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO ASSIGNEE REGARDING THE LEASES OR THE ESTIMATED VALUE AND QUANTITY OF LEASED SUBSTANCES OR OTHER MINERALS ON OR WITHIN THE LEASES AND THE LANDS COVERED THEREBY.

7. Assignee shall be entitled to record this Assignment in the county or other jurisdiction in which the lands covered by the Leases are located or, at Assignee's request, Assignor shall execute a Memorandum at or following the date of this Assignment that may be recorded in lieu of recording this Assignment in its entirety. The recording of any such Memorandum shall include a description of the Lease and the lands covered thereby and shall be binding upon Assignor and Assignee, their respective successors and assigns, as though this Assignment had been filed in its entirety.

8. This Assignment shall bind and inure to the benefit of the Parties and their respective successors and assigns.

9. This Assignment and the effectiveness thereof shall be subject to the approval of SITLA.

10. This Assignment may be executed in any number of counterparts, including counterpart signature pages, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

IN WITNESS WHEREOF, the Parties have executed this Assignment as of the date(s) written below.

SIGNATURES OF PARTIES

TMC CAPITAL, LLC

By: _____
Name:
Title:

VALKOR ENERGY HOLDINGS, LLC

By: _____
Name:
Title:

[ACKNOWLEDGEMENTS ON FOLLOWING PAGE]

ACKNOWLEDGEMENTS

STATE OF _____)

COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared R. Gerald Bailey, known to me to be the person whose name is subscribed to the foregoing instrument as the Manager/Managing Member of TMC CAPITAL, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this _____day of October, 2021.

[Seal]

_____
Notary Public in and for _____

STATE OF _____)

COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN BYLE, known to me to be the person whose name is subscribed to the foregoing instrument as the Manager/Managing Member of VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this _____day of October, 2021.

[Seal]

_____
Notary Public in and for _____

EXHIBIT A
Description of the Leases

[To be Added in Execution Document]

SCHEDULE Y
INSURANCE REQUIREMENTS

1. Insurance Coverages. (a) Each Party shall procure and maintain, at its sole cost, at all times during the conduct or performance of operations under the Leases or on or with respect to any of the lands covered thereby, and for a period of two (2) years following the termination or expiration of the Leases, the following insurance policies and coverage, with limits not less than the limits specified below:

(1) Commercial General Liability Insurance ("CGL Insurance"), with a combined single limit of One Million Dollars ($1,000,000), covering personal injury, death or property damage resulting from each occurrence; CG 2503, or its equivalent, amending aggregate limits shall apply;

(2) Business Auto Liability Insurance ("AL Insurance") covering owned, non-owned and hired motor vehicles, with a combined single limit of One Million Dollars ($1,000,000);

(3) Excess Liability Insurance, which may be "following form", and extending coverage in excess of CGL Insurance and AL Insurance coverages, with limits not less than Five Million Dollars ($5,000,000) combined single limit each occurrence and in the aggregate;

(4) Workers' Compensation Insurance with Longshoremens' and Harbor Workers' endorsement (if applicable) as required by applicable law; and Employer's Liability Insurance with limits of One Million Dollars ($1,000,000) per accident or illness.

.

(b) The insurance policies maintained by each Party shall be issued by or through insurance carriers that carry a financial strength rating of at least A+ with A.M. Best Co. or that are otherwise acceptable to the other Party. Any deductible or self-insured retention of insurable risk maintained by a Party in or under its insurance program shall be for such Party's account.

2. Proof of Coverage; Notice. Prior to commencing operations under the Leases or on or as to any of the lands covered thereby, and on an annual basis thereafter, each Party shall have its insurance carriers furnish to each Party certificates specifying the types and amounts of insurance coverage in effect and maintained by each such Party and the expiration dates of each policy. Each certificate shall include a statement that no insurance will be canceled or materially changed without thirty (30) days prior written notice to both Parties.

3. Additional Insured; Waiver of Subrogation. (a) To the extent permitted by applicable law:

(1) The CGL Insurance, AL Insurance, and Excess Liability Insurance carried by each Party, and each certificate of insurance issued by carriers providing such insurance, shall name the other Party (or Parties), its officers, directors, managers, employees, agents and representatives, as an additional insured under endorsement forms that are determined to be acceptable to each Party; and

(2) All insurance policies maintained by each Party, to the extent applicable, shall include clauses providing that each issuing company (and underwriter) shall waive its rights of recovery, under any theory of subrogation or otherwise, against each Party and its officers, directors, managers, employees, agents and representatives for liabilities or losses within the scope of such policies.

(b) Each policy shall include clauses stating that the policy shall be primary and not excess or noncontributing to any insurance policies carried by or otherwise available to either Party.

SCHEDULE Z
DISPUTE RESOLUTION

1.01 Mandatory Arbitration.

(a) In the event of any Dispute, the Parties shall make a good faith effort to resolve the Dispute amicably through settlement and compromise. If the Parties are unable to resolve a Dispute, the Dispute shall be finally and exclusively resolved by binding arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules and the Mediation Procedures (the "AAA Rules"). Unless otherwise agreed by the Parties in writing, the following rules and procedures shall supplement the AAA Rules, or constitute an exception thereto, and shall govern any arbitration of a Dispute conducted thereunder:

(1) The place of the arbitration shall be at AAA's offices in Houston, Texas, and the arbitration shall be conducted in the English language;

(2) The arbitration shall be conducted by a tribunal of three (3) arbitrators (the "Arbitral Tribunal"). One arbitrator shall be nominated by the claimant(s) and the second arbitrator shall be nominated by the respondent(s). The two nominated arbitrators shall then jointly nominate the third arbitrator, who shall act as chairman of the Arbitral Tribunal and shall be a qualified lawyer licensed to practice law in one or more states within the United States and shall have expertise in oil and gas law and related transactions. If the claimant(s) or the respondent(s) fails to nominate an arbitrator to the Arbitral Tribunal within thirty (30) calendar days after the date on which a written request for arbitration has been received by the AAA (the "Arbitration Commencement Date"), or the two arbitrators nominated by the claimant(s) and respondent(s), respectively, fail to designate the third arbitrator to the Arbitral Tribunal within thirty (30) calendar days after the Arbitration Commencement Date, the AAA shall appoint any arbitrator or arbitrators required to complete the Arbitral Tribunal, including the third arbitrator that is to act as the chairman of the Arbitral Tribunal;

(3) The appointing authority shall be the AAA; and

(4) No arbitrator selected or appointed to the Arbitral Tribunal shall be older than seventy (70) years of age at the time of his/her appointment unless the Parties waive this requirement in writing.

(b) The decision or award of the Arbitral Tribunal (or of a sole arbitrator if the Parties agree to have the arbitration conducted by a single arbitrator) shall be in writing and shall state and be supported by detailed reasoning for the award. Discovery of evidence shall be conducted expeditiously by the Parties, bearing in mind the Parties' desire to limit discovery and to expedite the decision or award of the arbitrators at the most reasonable cost and expense of the Parties.

(c) The decision or award of the Arbitral Tribunal (or of a sole arbitrator if the Parties agree to have the arbitration conducted by a single arbitrator), shall be final, conclusive and binding on the parties thereto, and any right of application or appeal to the courts or any judicial body in connection with any question of law or fact arising in the arbitration or in connection with any award or decision made by the Arbitral Tribunal or the arbitrators shall, so far as lawfully possible, is and shall be waived and excluded (except as may be necessary to enforce such award or decision). A judgment upon an award rendered by the Arbitral Tribunal, or by any arbitrator, pursuant to any arbitration proceeding conducted hereunder may be entered in any court having jurisdiction or application may be made to such court for a judicial acceptance of the award and/or an order of enforcement, as the case may be.

1.02 Limitations on Liability & Remedies.

In any arbitration or litigation between the Parties, neither Party shall be liable for or assert any claim for consequential, incidental, indirect, special or exemplary (punitive) damages unless it is determined that a Party (a) intentionally and knowingly breached or violated this Agreement in an attempt to misappropriate or unlawfully

distribute to others the property (including the intellectual property) of a Party, or (b) willfully ignored or disregarded any emergency relief obtained by a Party hereunder.

1.03 Confidentiality.

Each Party in any arbitration conducted hereunder shall keep any Dispute and the proceedings relating thereto confidential and shall not publish or disclose to any Person, other than those Persons involved in the proceedings, the existence of the arbitration or any information, pleadings or other documents submitted in the arbitration, any oral submissions or testimony, transcripts, or any award, unless and to the extent that disclosure is required by law or is necessary for the recognition or enforcement of any final arbitration decision or award.

1.04 Enforcement; Limitations on Remedies.

(a) Any final decision or award of the Arbitral Tribunal or the arbitrator(s) hereunder, including any interim measure or emergency relief granted to a Party, shall be considered a final award under the U.S. Federal Arbitration Act and may be confirmed and enforced in accordance therewith. Any such final arbitration decision or award may be enforced, and any interim measures or emergency relief required by a Party may be obtained in aid of arbitration or to protect the status quo or the interests or property of the Parties prior to or during the pendency of arbitration, in or from the federal or state courts located in Houston, Texas.

(b) Each of the Parties hereby submits to the AAA in Houston, Texas (USA) as the mandatory forum of choice for the resolution of any Dispute and to the jurisdiction of the federal and state courts sitting in Houston, Texas, for the enforcement of any final decision or award issued by the Arbitral Tribunal or by any arbitrator(s) or the issuance of interim measures or emergency relief. Service of process in any arbitral or judicial action or proceeding instituted hereunder may be made upon the Parties, or either of them, by delivering a request for arbitration or other pleading or document, using the methods set forth in the "Notice" provisions contained in this Agreement, to a Party at the address for such Party as listed therein. Each Party irrevocably, voluntarily and knowingly waives and relinquishes (1) the right to institute, prosecute or maintain any action or proceeding, whether in the nature of a civil action, arbitration or other proceeding, in any forum or in any jurisdiction other than AAA in the forum selected and agreed upon by the Parties herein, and (2) any right to invoke, and hereby agrees not to invoke, any claim or defense of forum non conveniens, inconvenient or improper forum or transfer or change of venue.

(c) In any arbitration (or other legal action) involving a Dispute, or in any civil litigation to compel arbitration or to enforce any final arbitration decision or award hereunder, each Party shall pay its own costs and expenses, including attorneys' fees and the fees and expenses of its experts and witnesses.

AGREEMENT AND ASSIGNMENT OF PARTICIPATION RIGHTS IN MINERAL LEASES AND PROPERTIES

This AGREEMENT AND ASSIGNMENT OF PARTICIPATION RIGHTS IN MINERAL LEASES AND PROPERTIES (" Agreement"), dated and made effective as of October 15, 2021 ("Effective Date"), is entered into by and between VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 ("Valkor"), and TMC CAPITAL, LLC, a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 ("TMC Capital") (the parties hereto sometimes herein referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

A. Valkor and TMC Capital have entered into an Agreement Governing Reciprocal Assignment of Mineral Leases dated October 15, 2021 (the "Exchange Agreement") pursuant to which, part of an exchange of interests in mineral leases, TMC Capital has agreed to assign and transfer to Valkor all of its right, title and interest in and to (1) a Mining and Minerals Lease Agreement dated July 1, 2013, as amended, executed between Asphalt Ridge, Inc., as lessor, and TMC Capital, LLC, as lessee, covering lands situated in Uintah County, Utah, and (2) a Short Term Mining Leased dated August 10, 2020, as amended on July 1, 2021, executed between Asphalt Ridge, Inc., as lessor, and Valkor Energy Holdings, LLC, as lessee, covering lands situated in Uintah County, Utah, all as more fully and respectively described in Exhibit A hereto (collectively, the "Leases");

B. Valkor has agreed to grant to TMC Capital the right to participate in any exploratory, mining or production operations conducted by Valkor under the Leases under and in accordance with the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each of the Parties, the Parties hereby agree as follows:

ARITICLE I
DEFINITIONS; PROCEDURAL USAGE

1.01 Defined Terms.

Capitalized terms used in this Agreement, unless otherwise defined in the text hereof, shall have the following meanings:

"Actual Invoice" means an invoice prepared by Valkor and delivered to TMC Capital under or pursuant to Section 2.06, which describes in reasonable detail the Costs that have been incurred by Valkor in conducting any E&P Operation and the Cost-Share that is owed by each Party that has elected to participate in the E&P Operation as provided in Article II.

"Advance Cost Estimate" means a written estimate of all or a part of the Costs associated with any E&P Operation conducted or proposed by Valkor that describes in reasonable detail the estimated Costs of such E&P Operation and the Cost-Share that will be owed by each Party that has elected to participate in the E&P Operation as provided in Article II.

"AFE" means an Authority for Expenditure prepared for the purpose of estimating the costs to be incurred in connection with any proposed E&P Operation.

"Affiliate" means, with reference to a Party, any Person owning fifty percent (50%) or more of the voting stock or similar equity interest of such Party; any Person in which such Party owns fifty percent (50%) or more of its voting stock or similar equity interests; or any Person fifty percent (50%) or more of whose voting stock or similar equity interests is owned by the same entity that owns fifty percent (50%) or more of the voting stock or similar equity interests of such Party.

"Confidentiality Period" has the meaning specified in Section 5.01.

"Costs" means all of the costs and expenses incurred in conducting any E&P Operation or in the design, construction and/or operation of any Oil Sands Processing Plant.

"Cost-Share" or *"Cost Allocation"* means that portion of any Costs owed or to be borne by a Party that is attributable to its Participation Interest in any E&P Operation or in the design, construction and/or operation of any Oil Sands Processing Plant.

"Disclosing Party" has the meaning specified in Section 5.01.

"Dispute" has the meaning specified in Section 10.02.

"E&P Data" means Exploratory Data or Production Data, or both.

"E&P Operation" means either an Exploratory Operation or a Production Operation, in each case under or pursuant to Valkor's commercial exploitation of rights and interests it holds or may acquire under the Leases, or either of them, or any successor thereto, respectively.

"Exploratory Data" means any and all airborne, surface and subsurface information and data, whether geological or geophysical in nature or generated by use of sensory devices, techniques or technologies, that are or may be useful in evaluating the surface or subsurface of lands for the presence of hydrocarbons or other Minerals in various structures and formations at any depth, including seismic, gravity and magnetic data; well data, logs, coring, cuttings and bottom samples; gas detector readings, formation fluid tests, and pressure data; and images and imaging, contouring and mapping resulting from the deployment of sensor or sensory systems that utilize, among other things, acoustic, seismic, optic or electro- optic, infrared, hyperspectral, radiological, meteorological, and other active or passive sensory data, devices, techniques or technologies; and reports, analyses, tests and test results, electronic images, surveys, maps and other devices that evaluate and process any of the foregoing.

"Exploratory Operation" means any exploratory activity or operation conducted by Valkor under the Leases or on or with respect to any of the lands covered thereby, including seismic studies, mapping, remote sensing imaging, core drilling, geophysical studies or profiling and any other operation whose primary objective is the exploration for, characterization and measurement of deposits or reservoirs of Minerals.

"Large Mine Permit" means the Notice of Intention to Commence Large Mining Operations (Permit # M/047/0089) approved by UDOGM on October 27, 2017, as subsequently amended (and including reclamation plans submitted pursuant thereto or as required by UDOGM).

"Mine" means any mining claim, mine or mining site, mineral deposit, ore deposit, quarry or mining lease and any related shaft, tunnel, incline, drift or excavation on or within the lands included in or within any of the Leases, including any mine or mine site under any permit issued by UDOGM.

"Minerals" has the meaning specified in the Leases.

"Participation Interest" means the percentage of participation that TMC Capital elects to assume in any E&P Operation conducted by Valkor under or with respect to the Leases or any successor thereto, in each case expressed as a percentage of 100% of the working interests in the E&P Operation.

"Participation Rights" means the rights, exercisable under or pursuant to this Agreement, granted to TMC Capital herein to participate as a nonoperating working interest owner in any E&P Operation.

"Person" means any natural person, corporation, company, partnership (including both general and limited partnerships), limited liability company, sole proprietorship, association, joint stock company, firm, trust, trustee, joint venture, unincorporated organization, executor, administrator, legal representative or other legal entity, including any governmental authority.

"Plant" means the oil and gas processing plant owned by Petroteq Oil Recovery, LLC and currently located on lands covered by or included within the Leases.

"Production Data" means any information or data generated from any mine, production or injection well, or other facility or structure from which hydrocarbons and hydrocarbon substances (including the constituents of any hydrocarbon deposit or reservoir) may be mined, extracted, produced, processed and/or upgraded into marketable oil and other products.

"Production Operation" means any activity or operation conducted by Valkor within the scope of the Leases, including drilling, mining, excavation, in situ operations (involving thermal, gasification or other method, technique, process or technology), extraction, production or other operation whose primary objective is the capture, extraction and production of Minerals from subsurface strata to the surface, including any conventional or unconventional primary, secondary or tertiary production, injection or recovery method, technique, process or technology.

"Receiving Party" has the meaning specified in Section 5.01.

"Representative(s)" means, with respect to a Party or any of its Affiliates, its officers, directors, principals, members, managers, employees, advisors, attorneys, accountants, and duly authorized agents or representatives.

"Third Person" means any Person other than the Parties or their respective Representatives.

"TMC Indemnitees" has the meaning specified in Section 7.02(a).

"UDOGM" means the Utah Division of Oil, Gas and Mining.

"Valkor Indemnitees" has the meaning specified in Section 7.01(a).

"Well(s)" means any well or series of wells, including any type of conventional or unconventional primary, secondary or tertiary production, insitu, injection or recovery wells, in any combination, proposed or commenced by Valkor under and pursuant to the Leases, or either of them.

1.02 Procedural Usage; Protocols.

(a) The name assigned to this Agreement and the Article and Section (or subsection) captions used herein are for reference only and shall not be construed to affect the meaning or construction of the text hereof. Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Unless otherwise specified:

(1) The terms "hereof," "herein" and similar terms refer to this Agreement as a whole and references herein to Articles and Sections refer to the Articles and Sections of this Agreement;

(2) Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires; and

(3) The words, "include," "includes" and "including," when used herein, shall be deemed in each case to be followed by the words "without limitation".

(b) Unless stated otherwise, references to money herein shall mean and refer to the currency (U.S. Dollars) of the United States of America.

1.03 Exhibits and Schedules.

The Exhibits and Schedules attached to this Agreement are made a part hereof and are incorporated herein for all purposes.

ARTICLE II
ASSIGNMENT OF PARTICIPATION RIGHTS,
ELECTIONS & REVENUE/COST ALLOCATION

2.01 Assignment of Participation Rights.

(a) Subject to the terms and conditions of this Agreement, Valkor hereby assigns and transfers to TMC Capital the exclusive right, upon its election, to participate in any E&P Operation conducted by Valkor on, in or under the Leases, or any of them, or any of the lands covered thereby.

(b) The Participation Rights granted and assigned to TMC Capital herein consists of the exclusive right by TMC Capital to elect to participate, on a nonoperating basis, in up to a fifty percent (50%) working interest in any E&P Operation conducted by Valkor on or within the scope of the Leases, or any of them, or any of the lands covered thereby.

2.02 Election to Participate.

(a) At least forty-five (45) days prior to commencing an E&P Operation, Valkor shall prepare and submit to TMC Capital an AFE that specifies the estimated cost of the E&P Operation through its completion (and its projected completion date). Within thirty (30) days after receiving an AFE for a proposed E&P Operation, TMC Capital shall advise Valkor in writing whether it elects to participate in the E&P Operation and the Participation Interest (expressed as a percentage of 8/8ths or 100% of the working interests in the E&P Operation) that it elects to assume in the E&P Operation. Notwithstanding anything to the contrary in this Agreement, TMC Capital shall not be entitled to elect a Participation Interest that exceeds fifty percent (50%) in any E&P Operation.

(b) If TMC Capital elects in a timely manner to participate in an E&P Operation, the Participation Interests and Cost Obligations of the Parties with respect to the E&P Operation shall be allocated between or among them based on, and as determined by, the Participation Interest elected by TMC Capital in the E&P Operation, with the remaining Participation Interest in the E&P Operation being retained and owned by Valkor (and any other joint participant, if any).

(c) If TMC Capital elects not to participate in an E&P Operation (or fails to respond to an AFE for a proposed E&P Operation on a timely basis), Valkor shall hold and have 100% of the Participation Rights and Cost Obligations in the E&P Operation.

2.03 Producing Operations; Allocation of Production and Costs.

With respect to each E&P Operation conducted by Valkor that results in the production of Minerals, each Party shall be entitled to that percentage of Net Production from such operation that is attributable to its Participation Interest in the E&P Operation. With respect to each such E&P Operation, each Party shall be responsible to pay the Costs associated with such operation that are attributable to and correspond with its Participation Interest in the operation.

2.04 Exploratory Operations; Rights in Data & Allocation of Costs.

With respect to each E&P Operation conducted by Valkor that results in the generation of E&P Data, all such E&P Data shall be owned by Valkor regardless of whether TMC Capital elects to assume a Participation Interest in the E&P Operation generating the data. In turn, TMC Capital and its Affiliates shall have a permanent, fully-paid, non-exclusive, royalty-free license and right to access and use all such E&P Data for any purpose, subject only to its confidentiality obligations under Article V. With respect to each such E&P Operation, each Party shall be responsible to pay the Costs associated with such operation that are attributable to and correspond with its Participation Interest in the operation.

2.05 Designated Operator; E&P Operations.

Unless otherwise agreed by the Parties in writing, Valkor shall be the designated operator for and with respect to each E&P Operation conducted under or within the scope of the Leases, or any of them, or any successor lease or instrument thereto, respectively.

2.06 Cost Recovery & Invoicing.

(a) For each E&P Operation conducted by Valkor in or as to which TMC Capital has elected a Participation Interest, Valkor shall be entitled to recover or collect the Costs associated with the E&P Operation by requiring TMC Capital to pay its proportionate share of any Advance Cost Estimate prepared and delivered to TMC Capital on a periodic basis and at such times as Valkor may determine. Alternatively, and at Valkor's option, Valkor may pay all or a part of the Costs associated with the E&P Operation as such Costs are incurred or become due and then deliver to TMC Capital, at such times as Valkor may determine, an Actual Invoice showing the Costs that have been or will be paid by Valkor in connection with the E&P Operation and a statement of the Cost-Share owed by TMC Capital based on its Participation Interest in the E&P Operation.

(b) In the event that Valkor elects to prepare and deliver an Advance Cost Estimate to TMC Capital from time to time for an E&P Operation in which TMC Capital has elected a Participation Interest, Valkor shall thereafter deliver an Actual Invoice to TMC Capital that sets forth the final amount of the Costs incurred in connection with the E&P Operation, together with any adjustments, including credits or additional payments that may be owed by TMC Capital under the Actual Invoice.

(c) Unless otherwise agreed by the Parties in writing, all Advance Cost Estimates and Actual Invoices in respect of any E&P Operation conducted by Valkor shall be at or within 110% of the applicable Cost estimated in the AFE issued for the E&P Operation. All Actual Invoices delivered to TMC Capital as to any E&P Operation in which TMC Capital has elected a Participation Interest shall be accompanied by invoices, billing statements, purchase orders, services or work agreements, work orders and other supporting documentation. All Costs reflected in any Actual Invoice submitted to TMC Capital must be reasonable under industry standards, must relate directly to the E&P Operation identified or described therein, and must be verifiable by TMC Capital's accountants and auditors.

(d) Each of the Parties shall pay or remit to Valkor, as the case may be, its respective Cost-Share for or with respect to any E&P Operation within thirty (30) days after Valkor delivers an Advance Cost Estimate or Actual Invoice to TMC Capital based on its Participation Interest, if any, in any such E&P Operation.

2.07 Periodic Inspection & Audit Rights.

Upon giving Valkor's advance written notice of at least ten (10) days, TMC Capital shall have the right periodically to inspect and audit Valkor's book and records to ensure compliance with this Agreement and to verify the authenticity, validity and amount(s) of all Costs allocated to or paid by TMC Capital in connection with any E&P Operation in which TMC Capital has elected a Participation Interest.

ARTICLE III
EXCLUSION OF PLANT FROM AGREEMENT

3.01 Plant Ownership; Exclusion from Agreement.

Notwithstanding anything to the contrary in this Agreement, the Plant shall continue to be owned by Petroteq Oil Recovery, LLC ("Petroteq Oil") and, except with respect to the provisions governing cleanup and reclamation contained in Article IV, shall be excluded from the scope of this Agreement and neither the Plant nor its operation shall in any respect be subject to or governed by the terms and conditions contained in this Agreement.

3.02 Operation of the Plant.

Unless otherwise agreed by the Parties, and subject to the right of Petroteq Oil Recovery, LLC to operate, expand, shut-down and/or relocate the Plant from time, it is anticipated that the management and operation of the Plant will continue to be governed by the Master Services Agreement dated November 1, 2018, between Valkor, LLC and Petroteq Oil in accordance with the terms thereof.

ARTICLE IV
ENVIRONMENTAL CLEANUP & RECLAMATION

4.01 TMC Capital's Reclamation Obligations.

TMC Capital is the designated operator of the Temple Mountain Mine Site (the "Mine Site"), located on lands covered by the Leases, under and pursuant to the terms of the Large Mine Permit. TMC Capital has initiated the environmental cleanup and reclamation of the Mine Site and surrounding areas of the Leases, consistent with the Large Mine Permit, and shall perform all reclamation activities at the Mine Site and associated areas in accordance with reclamation plans submitted to UDOGN under or in connection with the Large Mine Permit, including (a) removal and disposal of any deleterious supplies or materials (such as diesel fuel and oils in vehicles or equipment), and (b) reclamation, removal, redeposit, filling or backfilling or remediation of stockpiled material, haul roads and other areas, in each case as contemplated under the Large Mine Permit or as may be required by applicable law.

4.02 Demobilization/Removal of Plant.

It is anticipated, consistent with the provisions of the Large Mine Permit, that the Plant will be demobilized and removed from the area of the Mine Site or otherwise within lands covered by the Leases within one (1) year after operations at the Plant are permanently concluded.

4.03 Environmental/Reclamation Indemnity.

TMC agrees to defend, indemnify and hold harmless Valkor and its Representatives from and against any demand, claim, cause of action, suit, administrative complaint or proceeding, property damage, loss or liability arising from or within the scope of the environmental cleanup and reclamation obligations assumed by TMC Capital (a) under the Large Mining Permit and in or under reclamation plans submitted to UDOGM therewith, and (b) under or as may be required by the Leases. Notwithstanding the foregoing, however, the defense and indemnity obligations undertaken by TMC Capital herein shall not apply or extend to claims, causes of action, suits administrative complaints or proceedings, property damage, losses or liabilities arising from environmental conditions, including any release or discharge of hazardous substances, materials or waste, caused in whole or in part by Third Persons or for which any Third Person may be responsible under applicable law.

ARTICLE V
CONFIDENTIALITY

5.01 Confidentiality Obligations.

The Parties acknowledge that each Party may from time to time furnish or disclose (in each such case, a "Disclosing Party") to the other Party or its Representatives (in each such case, a "Receiving Party") information, data and materials that consist of or include Confidential Information, the improper or unauthorized disclosure or release of which will likely cause irreparable harm to the Disclosing Party. Accordingly, during the term of this Agreement and for a period of three (3) years following the expiration or termination hereof or the Closing, whichever occurs first (the "Confidentiality Period"), the Receiving Party agrees to keep and maintain on a private and confidential basis any Confidential Information that it receives from a Disclosing Party and will not, without the prior written consent of the Disclosing Party, (1) publish, release or otherwise disclose the Confidential Information to any Person other than another Party and its Representatives that have a "need to know" such information, except as required by applicable law, and (2) use any of the Confidential Information for any purpose other than in connection with this Agreement and the consummation of the transactions contemplated hereby.

5.02 Mandatory Disclosure.

The Parties shall use and deploy reasonable best efforts to preserve and protect the Confidential Information from any unauthorized disclosure or publication. In the event that a Party determines that it is legally obligated to publish, release or disclose any provision of this Agreement or any other Confidential Information, in whole or in part, such Party shall provide the other Party with prompt written notice and shall seek to limit the dissemination, release or public disclosure of such Confidential Information. In the case of legal proceedings in which disclosure of any Confidential Information is required or compelled by law, the Parties shall cooperate to obtain an appropriate protective order limiting the disclosure of such information. Notwithstanding the foregoing, the Parties acknowledge that each Party may be required under the terms of securities laws or regulations, or in connection with any public offering of securities, to disclose the existence of this Agreement and the terms hereof.

ARTICLE VI
RELATIONSHIP OF THE PARTIES; TAXATION

6.01 Relationship of Parties. The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed as creating, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth herein or in a separate agreement executed by the Parties. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement or in a separate agreement executed by the Parties.

6.02 Taxes. Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under this Agreement or under any of the oil and gas leases described in this Agreement. Each Party shall protect, defend and indemnify the other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the government tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of applicable law, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. The Party acting as the designated operator in or with respect to any E&P Operation or for an Oil Sands Processing Plant shall provide each Party, in a timely manner and at such Party's sole expense, such information with respect to all such operations as each Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

6.03 United States Tax Election.

(a) If, for United States federal income tax purposes, this Agreement or any of the operations conducted under any of the oil and gas leases described in this Agreement are regarded as a partnership and if the Parties have not agreed to form a tax partnership, each U.S. Party elects to be excluded from the application of all of the provisions of

Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the "Code"), to the extent permitted and authorized by Section 761(a) of the Code and the regulations promulgated thereunder. Each Party shall be responsible for executing and filing, either individually or jointly, such evidence of this election as may be required by the Internal Revenue Service, including all of the returns, statements, and data required by United States Treasury Regulations Sections 1.761-2 and 1.6031(a)-1(b)(5) and shall provide a copy thereof to each Party.

(b) No Party shall give any notice or take any other action inconsistent with the foregoing election. If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each Party shall make such election as may be permitted or required by such laws. In making the foregoing election or elections, each Party states that the income derived by it from operations under this Agreement or under the oil and gas leases described in this Agreement can be adequately determined without the computation of partnership taxable income.

ARTICLE VII
INDEMNIFICATION & LIMITS OF LIABILITY

7.01 TMC Capital's Indemnity.

(a) TMC Capital agrees to defend, indemnify and hold harmless Valkor and its Affiliates, and each of their respective Representatives (collectively, "Valkor Indemnitees"), from and against all claims, demands, administrative actions and/or civil actions or suits (whether threatened, actual or otherwise) for damages, penalties, fines or other legal or equitable relief asserted, commenced or requested by any Third Person, or any losses, liability or costs (including reasonable attorneys' fees and litigation costs) incurred by any of the Valkor Indemnitees as a result thereof, on account of:

(1) Any personal injury, disease or death of any person(s), or any damage to or loss of property, resulting from or arising out of TMC Capital's operations conducted under or within the scope of this Agreement, including any injury, death or property damage caused by or attributable to (i) the sole, concurrent or combined negligence or fault of TMC Capital or any of its Representatives, or (ii) where liability with or without fault is strictly imposed by operation of law based on a condition created by TMC Capital or any of its Representatives;

(2) Any failure by TMC Capital to comply with laws, statutes, rules, regulations and orders of governmental authorities that are applicable to TMC Capital's operations conducted under or within the scope of this Agreement;

(3) Liens, claims and demands arising from work performed by TMC Capital's contractors or subcontractors or from materials supplied to TMC Capital;

(4) Any breach or violation of any representation, warranty or covenant of TMC Capital contained in this Agreement.

(b) The indemnity obligations undertaken by TMC Capital in favor of the Valkor Indemnitees under Section 7.01(a)(1), including any defense obligations, claims, judgments and liability (including attorney's fees and litigation costs), shall be limited to the amount of insurance coverage or limits in the insurance policies required to be carried or maintained by TMC Capital under the provisions of Section 8.01 (and as set forth in Schedule Y hereto), whether or not TMC Capital has secured and is carrying the insurance coverage required by Section 8.01. TMC Capital shall have no indemnification obligations under Section 7.01(a)(1) for any obligation, claim, judgment or liability that is or would be outside the scope and coverage of the insurance policies and coverage required to be maintained by TMC Capital under Section 8.01.

7.02 Valkor's Indemnity.

(a) Valkor agrees to defend, indemnify and hold harmless TMC Capital and its Affiliates, and each of their respective Representatives (collectively, "TMC Indemnitees"), from and against all claims, demands, administrative actions and/or civil actions or suits (whether threatened, actual or otherwise) for damages, penalties, fines or other legal or equitable relief asserted, commenced or requested by any Third Person, or any losses, liability or costs (including reasonable attorneys' fees and litigation costs) incurred by any of the TMC Indemnitees as a result thereof, on account of:

(1) Any personal injury, disease or death of any person(s), or any damage to or loss of property, resulting from or arising out of Valkor's operations conducted under or within the scope of this Agreement, including any injury, death or property damage caused by or attributable to (i) the sole, concurrent or combined negligence or fault of Valkor or any of its Representatives, or (ii) where liability with or without fault is strictly imposed by operation of law based on a condition created by Valkor or any of its Representatives;

(2) Any failure by Valkor to comply with laws, statutes, rules, regulations or orders of governmental authorities that are applicable to Valkor's operations conducted under or within the scope of this Agreement;

(3) Liens, claims and demands arising from work performed by Valkor's contractors or subcontractors or from materials supplied to TMC Capital;

(4) Any breach or violation of any representation, warranty or covenant of Valkor contained in this Agreement.

(b) The indemnity obligations undertaken by Valkor in favor of the TMC Indemnitees under Section 7.02(a)(1), including any defense obligations, claims, judgments and liability (including attorney's fees and litigation costs), shall be limited to the amount of insurance coverage or limits in the insurance policies required to be carried or maintained by Valkor under the provisions of Section 8.01 (and as set forth in Schedule Y hereto), whether or not Valkor has secured and is carrying the insurance coverage required by Section 8.01. Valkor shall have no indemnification obligations under Section 7.02(a)(1) for any obligation, claim, judgment or liability that is or would be outside the scope and coverage of the insurance policies and coverage required to be maintained by Valkor under Section 8.01.

7.03 Limitations of Liability.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NEITHER PARTY SHALL HAVE ANY LIABILITY TO THE OTHER OR TO ANY INDEMNITEE UNDER THE INDEMNITY PROVISIONS CONTAINED IN THIS AGREEMENT FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR EXEMPLARY DAMAGES, INCLUDING LOST PROFITS, REVENUE OR SAVINGS, REGARDLESS OF THE FORM OF ACTION GIVING RISE TO ANY CLAIM FOR SUCH DAMAGES, WHETHER IN CONTRACT OR IN TORT, OR OTHERWISE, EVEN IF PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE VIII

INSURANCE

8.01 Insurance Requirements.

Each Party shall maintain, at its cost or at their joint cost, the insurance policies and coverages set forth in Schedule Y hereto.

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ARTICLE IX
ASSIGNMENTS AND TRANSFERS OF INTERESTS

9.01 Assignments and Transfers.

Neither Valkor nor TMC Capital shall have the power, authority or right to assign, sublease, encumber or otherwise transfer any right, title or interest that it, or either of them, may own or hold in the Leases without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Any such assignment, sublease, encumbrance or other proposed transfer by either Party, even if consented to in writing by the non-transferring Party, shall require that each assignee, sublessee or transferee (including any mortgagee or secured party acquiring any interest in the Leases by virtue or any foreclosure or in the exercise of secured rights), as a condition to receiving any right, title or interest in the Leases as the owner of working interests, agree in writing to become bound by the terms of this Agreement, including the confidentiality provisions contained herein, or in any restatement or replacement agreement that may be developed and agreed upon by the Parties.

ARTICLE X
GOVERNING LAW & DISPUTE RESOLUTION

10.01 Governing Law.

THIS AGREEMENT AND THE VALIDITY, INTERPRETATION, TERMINATION AND ENFORCEMENT THEREOF AND HEREOF SHALL BE SUBJECT TO AND GOVERNED IN ALL RESPECTS BY THE LAWS OF THE STATE OF UTAH WITHOUT REGARD TO THE CHOICE OF LAWS OR CONFLICTS OF LAWS PRINCIPLES THEREOF.

10.02 Dispute Resolution.

ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN THE PARTIES (WHETHER CONTRACTUAL OR NON-CONTRACTUAL IN NATURE) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT (EACH A "DISPUTE") SHALL BE FINALLY AND EXCLUSIVELY RESOLVED IN ACCORDANCE WITH THE DISPUTE RESOLUTION PROVISIONS SET FORTH IN SCHEDULE Z HERETO.

ARTICLE XI
GENERAL PROVISIONS

11.01 Amendments.

This Agreement may be amended, modified, changed, altered or supplemented only by a written instrument duly executed by each of the Parties specifically for such purpose and that specifically refers to this Agreement.

11.02 Waiver.

Any of the terms, provisions, covenants, representations or conditions hereof may be waived only by a written instrument executed by the Party waiving compliance. Failure of any Party at any time to require performance of any provision contained in this Agreement shall not, in any way or manner, affect its right to enforce the same. No waiver by any Party of any condition or of the breach of any provision contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any breach of any other provision hereof.

11.03 Notices & Notification.

(a) Any notice required or permitted to be given by any Party will be deemed given when in writing and delivered to the address for notice of the intended recipient by personal delivery or by courier, by prepaid certified or registered mail, or by facsimile or telecopier. Any notice delivered by mail shall be deemed to have been received on the actual date of receipt. Any notice delivered personally or by facsimile or telecopier shall be deemed to have been received on the actual date of delivery. The address for service of notice or process to or on each of the Parties is as follows:

(1) If to TMC Capital:	(2) If to Valkor:
TMC Capital, LLC Attention: R. Gerald Bailey 15315 W. Magnolia Boulevard, Ste 120 Sherman Oaks, California 91402 Telephone: (713) 524-2542 Email: executive@petroteq.energy	Valkor Energy Holdings, LLC Attention: Steven Byle 21732 Provincial Boulevard, Ste 160 Katy, Texas 77450 Telephone: (832) 859-5060 Email: steven.byle@valkor.com

(b) Any Party may, by written notice to the other Parties, change its address for notice to some other address in the U.S. and shall be required to change its address for notice purposes whenever its existing address ceases to be adequate for delivery by hand. A post office box may not be used as an address for notices or for service of process hereunder.

11.04 Recordation; Memorandum.

Each of the Parties shall be entitled to record the assignment and title instruments delivered under the terms of this Agreement or, upon mutual agreement, the Parties may execute a memorandum of any such assignment and title instrument and record such instrument, in each case in the county in the State of Utah in which the lands covered by such instruments are located, in lieu of recording a full copy of each such assignment and title instrument.

11.05 Reasonable Assurances.

Each Party shall promptly execute, acknowledge, and deliver to the other Party such other instruments and take such other action as may be necessary or convenient in order to effect the transaction contemplated in this Agreement.

11.06 Third Party Beneficiary.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

11.07 Transaction Expenses.

Each Party shall be responsible for its own costs and expenses (including legal, financial, advisory, investment banking and accounting fees and expenses) incurred in connection with development of this Agreement.

11.08 Savings Clause; Severability.

If any part or portion of this Agreement is held to be invalid, such invalidity of any such part or portion shall not affect any remaining part or portion hereof.

11.09 Entire Agreement.

When executed by the duly authorized representatives of the Parties, this Agreement, together with the Exhibits and Schedules attached thereto, respectively, shall constitute the entire agreement between and among the Parties with respect to the subject matter hereof, and shall supersede and replace any and all other writings, understandings or memoranda of understanding entered into or discussed prior to the execution date hereof. This Agreement sets forth the entire agreement and understanding of the Parties with respect to this transactions contemplated hereby, and any prior agreements are hereby merged herein and terminated.

11.10 Counterparts.

This Agreement may be executed in as many counterpart copies as may be required. All counterparts shall collectively constitute a single agreement.

IN WITNESS WHEREOF, the Parties have executed and made this Agreement effective as of the date written above.

VALKOR ENERGY HOLDINGS, LLC

By: /s/ Steven Byle
Name: Steven Byle
Title: Manager/Managing Member

TMC CAPITAL, LLC

By: /s/ R. Gerald Bailey
Name: R. Gerald Bailey
Title: Manager/Managing Member

EXHIBIT A THE LEASES

The Assignment consists of the right on the part of TMC Capital, at its election, to participate in E&P Operations conducted by Valkor under and within the scope of the certain mineral leases covering and including lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

1. Mining and Mineral Lease Agreement dated July 1, 2013, as amended.

Mining and Mineral Lease Agreement dated July 1, 2013, as amended, executed between Asphalt Ridge, Inc., as lessor, and TMC Capital, LLC, as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)

Section 25: Lots 1 & 2, W½ NE¼
(Enterprise No. 6 patented mining claim)

Township 4 South, Range 21 East (SLM)

Section 30: Lots 1 & 2, W½ NE¼ NW¼, SE¼ NE¼ NW¼, SE¼ NW¼
(Enterprise No. 5 patented mining claim)

Township 5 South, Range 21 East (SLM)

Section 4: SW¼ NW¼, NW¼ SW¼, E½ SW¼
Section 15: W½ NW¼, SE¼ NW¼, SW¼ NE¼
Section 25: SW¼ (Cameron No. 7 patented mining claim)
Section 25: Lots 9 & 10, W½ SE¼ (Cameron No. 5 patented mining claim)
Section 25: Lots 4 & 5, S½ NW¼ (Cameron No. 8 patented mining claim)

Township 5 South, Range 22 East (SLM)

Section 31: Lot 3, SW¼ SE¼, E½ SW¼
Section 31: N½ SE¼, SE¼ SE¼ (Cameron No. 1 patented mining claim)
Section 32: SW¼

(containing 1,229.82 acres, more or less).

2. Short Term Mining Lease dated August 10, 2020, as amended

Short Term Mining Lease dated August 10, 2020, executed between Asphalt Ridge, Inc., as lessor, and Valkor LLC, as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), Utah, more particularly described as follows:

Township 5 South, Range 22 East (SLM)
Section 31: Lot 3, SW¼SE¼, E½SW¼, N½SE¼, and SE¼SE¼

SCHEDULE Y
INSURANCE REQUIREMENTS

1. Insurance Coverages. (a) Each Party shall procure and maintain, at its sole cost, at all times during the conduct or performance of operations under the Leases or on or with respect to any of the lands covered thereby, and for a period of two (2) years following the termination or expiration of the Leases, the following insurance policies and coverage, with limits not less than the limits specified below:

(1) Commercial General Liability Insurance ("CGL Insurance"), with a combined single limit of One Million Dollars ($1,000,000), covering personal injury, death or property damage resulting from each occurrence; CG 2503, or its equivalent, amending aggregate limits shall apply;

(2) Business Auto Liability Insurance ("AL Insurance") covering owned, non-owned and hired motor vehicles, with a combined single limit of One Million Dollars ($1,000,000);

(3) Excess Liability Insurance, which may be "following form", and extending coverage in excess of CGL Insurance and AL Insurance coverages, with limits not less than Two Million Dollars ($2,000,000) combined single limit each occurrence and in the aggregate;

(4) Workers' Compensation Insurance with Longshoremens' and Harbor Workers' endorsement (if applicable) as required by applicable law; and Employer's Liability Insurance with limits of One Million Dollars ($1,000,000) per accident or illness.
.

(b) The insurance policies maintained by each Party shall be issued by or through insurance carriers that carry a financial strength rating of at least A+ with A.M. Best Co. or that are otherwise acceptable to the other Party. Any deductible or self-insured retention of insurable risk maintained by a Party in or under its insurance program shall be for such Party's account.

2. Proof of Coverage; Notice. Prior to commencing operations under the Leases or on or as to any of the lands covered thereby, and on an annual basis thereafter, each Party shall have its insurance carriers furnish to each Party certificates specifying the types and amounts of insurance coverage in effect and maintained by each such Party and the expiration dates of each policy. Each certificate shall include a statement that no insurance will be canceled or materially changed without thirty (30) days prior written notice to both Parties.

3. Additional Insured; Waiver of Subrogation. (a) To the extent permitted by applicable law:

(1) The CGL Insurance, AL Insurance, and Excess Liability Insurance carried by each Party, and each certificate of insurance issued by carriers providing such insurance, shall name the other Party (or Parties), its officers, directors, managers, employees, agents and representatives, as an additional insured under endorsement forms that are determined to be acceptable to each Party; and

(2) All insurance policies maintained by each Party, to the extent applicable, shall include clauses providing that each issuing company (and underwriter) shall waive its rights of recovery, under any theory of subrogation or otherwise, against each Party and its officers, directors, managers, employees, agents and representatives for liabilities or losses within the scope of such policies.

(b) Each policy shall include clauses stating that the policy shall be primary and not excess or noncontributing to any insurance policies carried by or otherwise available to either Party.

SCHEDULE Z
DISPUTE RESOLUTION

1.01 Mandatory Arbitration.

(a) In the event of any Dispute, the Parties shall make a good faith effort to resolve the Dispute amicably through settlement and compromise. If the Parties are unable to resolve a Dispute, the Dispute shall be finally and exclusively resolved by binding arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules and the Mediation Procedures (the "AAA Rules"). Unless otherwise agreed by the Parties in writing, the following rules and procedures shall supplement the AAA Rules, or constitute an exception thereto, and shall govern any arbitration of a Dispute conducted thereunder:

(1) The place of the arbitration shall be at AAA's offices in Houston, Texas, and the arbitration shall be conducted in the English language;

(2) The arbitration shall be conducted by a tribunal of three (3) arbitrators (the "Arbitral Tribunal"). One arbitrator shall be nominated by the claimant(s) and the second arbitrator shall be nominated by the respondent(s). The two nominated arbitrators shall then jointly nominate the third arbitrator, who shall act as chairman of the Arbitral Tribunal and shall be a qualified lawyer licensed to practice law in one or more states within the United States and shall have expertise in oil and gas law and related transactions. If the claimant(s) or the respondent(s) fails to nominate an arbitrator to the Arbitral Tribunal within thirty (30) calendar days after the date on which a written request for arbitration has been received by the AAA (the "Arbitration Commencement Date"), or the two arbitrators nominated by the claimant(s) and respondent(s), respectively, fail to designate the third arbitrator to the Arbitral Tribunal within thirty (30) calendar days after the Arbitration Commencement Date, the AAA shall appoint any arbitrator or arbitrators required to complete the Arbitral Tribunal, including the third arbitrator that is to act as the chairman of the Arbitral Tribunal;

(3) The appointing authority shall be the AAA; and

(4) No arbitrator selected or appointed to the Arbitral Tribunal shall be older than seventy (70) years of age at the time of his/her appointment unless the Parties waive this requirement in writing.

(b) The decision or award of the Arbitral Tribunal (or of a sole arbitrator if the Parties agree to have the arbitration conducted by a single arbitrator) shall be in writing and shall state and be supported by detailed reasoning for the award. Discovery of evidence shall be conducted expeditiously by the Parties, bearing in mind the Parties' desire to limit discovery and to expedite the decision or award of the arbitrators at the most reasonable cost and expense of the Parties.

(c) The decision or award of the Arbitral Tribunal (or of a sole arbitrator if the Parties agree to have the arbitration conducted by a single arbitrator), shall be final, conclusive and binding on the parties thereto, and any right of application or appeal to the courts or any judicial body in connection with any question of law or fact arising in the arbitration or in connection with any award or decision made by the Arbitral Tribunal or the arbitrators shall, so far as lawfully possible, is and shall be waived and excluded (except as may be necessary to enforce such award or decision). A judgment upon an award rendered by the Arbitral Tribunal, or by any arbitrator, pursuant to any arbitration proceeding conducted hereunder may be entered in any court having jurisdiction or application may be made to such court for a judicial acceptance of the award and/or an order of enforcement, as the case may be.

1.02 Limitations on Liability & Remedies.

In any arbitration or litigation between the Parties, neither Party shall be liable for or assert any claim for consequential, incidental, indirect, special or exemplary (punitive) damages unless it is determined that a Party (a) intentionally and knowingly breached or violated this Agreement in an attempt to misappropriate or unlawfully distribute to others the property (including the intellectual property) of a Party, or (b) willfully ignored or disregarded any emergency relief obtained by a Party hereunder.

1.03 Confidentiality.

Each Party in any arbitration conducted hereunder shall keep any Dispute and the proceedings relating thereto confidential and shall not publish or disclose to any Person, other than those Persons involved in the proceedings, the existence of the arbitration or any information, pleadings or other documents submitted in the arbitration, any oral submissions or testimony, transcripts, or any award, unless and to the extent that disclosure is required by law or is necessary for the recognition or enforcement of any final arbitration decision or award.

1.04 Enforcement; Limitations on Remedies.

(a) Any final decision or award of the Arbitral Tribunal or the arbitrator(s) hereunder, including any interim measure or emergency relief granted to a Party, shall be considered a final award under the U.S. Federal Arbitration Act and may be confirmed and enforced in accordance therewith. Any such final arbitration decision or award may be enforced, and any interim measures or emergency relief required by a Party may be obtained in aid of arbitration or to protect the status quo or the interests or property of the Parties prior to or during the pendency of arbitration, in or from the federal or state courts located in Houston, Texas.

(b) Each of the Parties hereby submits to the AAA in Houston, Texas (USA) as the mandatory forum of choice for the resolution of any Dispute and to the jurisdiction of the federal and state courts sitting in Houston, Texas, for the enforcement of any final decision or award issued by the Arbitral Tribunal or by any arbitrator(s) or the issuance of interim measures or emergency relief. Service of process in any arbitral or judicial action or proceeding instituted hereunder may be made upon the Parties, or either of them, by delivering a request for arbitration or other pleading or document, using the methods set forth in the "Notice" provisions contained in this Agreement, to a Party at the address for such Party as listed therein. Each Party irrevocably, voluntarily and knowingly waives and relinquishes (1) the right to institute, prosecute or maintain any action or proceeding, whether in the nature of a civil action, arbitration or other proceeding, in any forum or in any jurisdiction other than AAA in the forum selected and agreed upon by the Parties herein, and (2) any right to invoke, and hereby agrees not to invoke, any claim or defense of forum non conveniens, inconvenient or improper forum or transfer or change of venue.

(c) In any arbitration (or other legal action) involving a Dispute, or in any civil litigation to compel arbitration or to enforce any final arbitration decision or award hereunder, each Party shall pay its own costs and expenses, including attorneys' fees and the fees and expenses of its experts and witnesses.

Recording requested by/return to: James D. Hurley 15315 W. Magnolia Blvd, Suite 120 Sherman Oaks, CA 91402 The foregoing mailing address for the minerals assignee/lessee under this instrument may be used for tax and assessment purposes.	---------- Above This Line for Official Use Only ----------

ASSIGNMENT OF UTAH STATE LEASE FOR BITUMINOUS-ASPHALTIC SANDS

[Uintah County, Utah]

This **ASSIGNMENT OF UTAH STATE MINERAL LEASES FOR BITUMINOUS-ASPHALTIC SANDS** ("Assignment"), dated as of October 25, 2021, is entered into by and between PETROTEQ ENERGY INC., an Ontario (Canada) corporation, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 ("Assignor"), and VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 ("Assignee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with and pursuant to the terms of that Agreement Governing Reciprocal Assignment of Mineral Leases dated as of October 15, 2021, executed by and between TMC Capital, LLC and Petroteq Oil Recovery LLC, each of which is a Utah limited liability company and an indirect subsidiary of Assignor, and Assignee (the "Agreement"), Assignor hereby sells, grants, assigns, conveys and otherwise transfers to Assignee all of Assignor's right, title and interest in and to the following mineral lease:

Mineral Lease No. 53918: Utah State Mineral Lease for Bituminous-Asphaltic Sands, dated as of March 1, 2010 (Lease No. 53918), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Petroteq Energy Inc., as lessee, with respect to lands situated in Uintah County, State of Utah, all as more particularly described in Exhibit A hereto (collectively, the "Lease");

Together with all rights-of-way, easements and other appurtenances thereto, including all mines and mine sites located within the lands covered by the Lease, and including all claims, rights and interests held by Assignor in and to the Lease.

TO HAVE AND TO HOLD the Lease unto Assignee, its successors and assigns, forever, subject, however, to the following:

1. This Assignment is made pursuant to the terms of the Agreement. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of the Parties, or any of them, under the Agreement.

2. This Assignment includes and encompasses the full "Record Title" and all working interests and operating rights in, to and under the Lease and the lands covered thereby.

3. This Assignment is made without any warranty of title as to the Lease or as to the lands covered thereby. SUBJECT TO ANY REPRESENTATIONS AND COVENANTS GIVEN BY ASSIGNOR IN OR UNDER THE AGREEMENT, ALL OF THE RIGHT AND INTEREST OF ASSIGNOR IN THE LEASE IS BEING TRANSFERRED ON AN "AS IS" BASIS WITHOUT ASSIGNOR MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE LEASE OR ANY OF THE RIGHTS, OBLIGATIONS OR LIMITATIONS THEREIN, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY OF TITLE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY REGARDING THE FUTURE FINANCIAL PERFORMANCE OF THE LEASE OR REGARDING ANY BUSINESS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO ASSIGNEE REGARDING THE LEASE OR THE ESTIMATED VALUE AND QUANTITY OF MINERALS ON OR WITHIN THE LEASE OR THE LANDS COVERED THEREBY.

4. The assignment of Assignor's rights and interests in the Lease under this Assignment shall not include any of the pipelines, units, tanks, equipment or vehicles included as a part thereof or used in connection with the construction, operation or maintenance thereof.

5. Assignee shall be entitled to record this Assignment in the county or other jurisdiction in which the lands covered by the Lease are located or, at Assignee's request, Assignor shall execute a Memorandum at or following the date of this Assignment that may be recorded in lieu of recording this Assignment in its entirety. The recording of any such Memorandum shall include a description of the Lease and the lands covered thereby and shall be binding upon Assignor and Assignee, their respective successors and assigns, as though this Assignment had been filed in its entirety.

6. This Assignment shall bind and inure to the benefit of the Parties and their respective successors and assigns.

7. This assignment shall be subject to the approval of SITLA.

8. This Assignment may be executed in any number of counterparts, including counterpart signature pages, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

[SIGNATURES OF PARTIES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Assignment as provided below.

SIGNATURES OF PARTIES
PETROTEQ ENERGY INC. By: _____ Name: R. Gerald Bailey Title: Chairman & Chief Executive Officer
VALKOR ENERGY HOLDINGS, LLC By: _____ Name: Steven Byle Title: Managing Member

[ACKNOWLEDGEMENTS ON FOLLOWING PAGE]

ACKNOWLEDGEMENTS

STATE OF TEXAS)
COUNTY OF GALVESTON)

BEFORE ME, the undersigned authority, on this day personally appeared R. GERALD BAILEY, known to me to be the person whose name is subscribed to the foregoing instrument as the Chairman and Chief Executive Officer of PETROTEQ ENERGY INC., an Ontario (Canadian) corporation, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 27 day of October, 2021.

[Seal]

BOBBIE WILLIAMS
Notary ID #10720794
My Commission Expires
August 6, 2023

Notary Public in and for Texas

STATE OF UTAH)
COUNTY OF SUMMMIT)

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN BYLE, known to me to be the person whose name is subscribed to the foregoing instrument as the Managing Member of VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 28th day of October, 2021.

[Seal]

Notary Public in and for State of Utah

BRAD W. DARRINGTON
Notary Public - State of Utah
Comm. No. 713913
My Commission Expires on
Sep 1, 2024

EXHIBIT A
DESCRIPTION OF LEASE AND LANDS

Utah State Mineral Lease No. 53918

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of March 1, 2019 (Mineral Lease No. 53918), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Petroteq Energy Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 5 South, Range 22 East (SLM)
Section 31: Lot 4 [SW¼SW¼]

containing 39.97 acres, more or less.

Recording requested by/return to: James D. Hurley 15315 W. Magnolia Blvd, Suite 120 Sherman Oaks, CA 91402 The foregoing mailing address for the minerals assignee/lessee under this instrument may be used for tax and assessment purposes.	---------- Above This Line for Official Use Only ----------

ASSIGNMENT OF UTAH STATE LEASES FOR BITUMINOUS-ASPHALTIC SANDS

[Uintah County, Utah]

This **ASSIGNMENT OF UTAH STATE MINERAL LEASES FOR BITUMINOUS-ASPHALTIC SANDS** ("Assignment"), dated as of October 25, 2021, is entered into by and between PETROTEQ OIL RECOVERY, LLC, a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 ("Assignor"), and VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 ("Assignee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with and pursuant to the terms of that Agreement Governing Reciprocal Assignment of Mineral Leases dated as of October 15, 2021, executed by and between the Parties (the "Agreement"), Assignor hereby sells, grants, assigns, conveys and otherwise transfers to Assignee all of Assignor's right, title and interest in and to the following mineral leases:

Mineral Lease No. 53806: Utah State Mineral Lease for Bituminous-Asphaltic Sands, dated as of June 1, 2018 (Mineral Lease No. 53806), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Petroteq Oil Recovery, LLC, as lessee, with respect to lands situated in Uintah County, State of Utah;

Mineral Lease No. 53807: Utah State Mineral Lease for Bituminous-Asphaltic Sands, dated as of June 1, 2018 (Mineral Lease No. 53807), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Petroteq Oil Recovery, LLC, as lessee, with respect to lands situated in Uintah County, State of Utah;

all as more particularly described in Exhibit A hereto (collectively, the "Leases").

Together with all rights-of-way, easements and other appurtenances thereto, including all mines and mine sites located within the lands covered by the Leases, and including all claims, rights and interests held by Assignor in and to the Leases.

TO HAVE AND TO HOLD the Leases unto Assignee, its successors and assigns, forever, subject, however, to the following:

1. This Assignment is made pursuant to the terms of the Agreement. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of Assignor or Assignee, as the case may be, under the Agreement.

2. This Assignment includes and encompasses the full "Record Title" and all working interests and operating rights in, to and under the Leases and the lands covered thereby.

3. This Assignment is made without any warranty of title as to the Leases or as to the lands covered thereby. SUBJECT TO ANY REPRESENTATIONS AND COVENANTS GIVEN BY ASSIGNOR IN OR UNDER THE AGREEMENT, ALL OF THE RIGHT AND INTEREST OF ASSIGNOR IN THE LEASES IS BEING TRANSFERRED ON AN "AS IS" BASIS WITHOUT ASSIGNOR MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE LEASES OR ANY OF THE RIGHTS, OBLIGATIONS OR LIMITATIONS THEREIN, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY OF TITLE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY REGARDING THE FUTURE FINANCIAL PERFORMANCE OF THE LEASES OR REGARDING ANY BUSINESS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO ASSIGNEE REGARDING THE LEASES OR THE ESTIMATED VALUE AND QUANTITY OF MINERALS ON OR WITHIN THE LEASES OR THE LANDS COVERED THEREBY.

4. The assignment of Assignor's rights and interests in the Leases under this Assignment shall not include any of the pipelines, units, tanks, equipment or vehicles included as a part thereof or used in connection with the construction, operation or maintenance thereof.

5. Assignee shall be entitled to record this Assignment in the county or other jurisdiction in which the lands covered by the Leases are located or, at Assignee's request, Assignor shall execute a Memorandum at or following the date of this Assignment that may be recorded in lieu of recording this Assignment in its entirety. The recording of any such Memorandum shall include a description of the Leases and the lands covered thereby and shall be binding upon Assignor and Assignee, their respective successors and assigns, as though this Assignment had been filed in its entirety.

6. This Assignment shall bind and inure to the benefit of the Parties and their respective successors and assigns.

7. This assignment shall be subject to the approval of SITLA.

8. This Assignment may be executed in any number of counterparts, including counterpart signature pages, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

[SIGNATURES OF PARTIES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Assignment as provided below.

SIGNATURES OF PARTIES
PETROTEQ OIL RECOVERY, LLC By: _____ Name: R. Gerald Bailey Title: Manager
VALKOR ENERGY HOLDINGS, LLC By: _____ Name: Steven Byle Title: Managing Member

[ACKNOWLEDGEMENTS ON FOLLOWING PAGE]

ACKNOWLEDGEMENTS

STATE OF TEXAS)
COUNTY OF GALVESTON)

BEFORE ME, the undersigned authority, on this day personally appeared R. GERALD BAILEY, known to me to be the person whose name is subscribed to the foregoing instrument as the Manager of PETROTEQ OIL RECOVERY, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 27 day of October, 2021.

[Seal]

BOBBIE WILLIAMS
Notary ID #10720794
My Commission Expires
August 6, 2023

Notary Public in and for Texas

STATE OF UTAH)
COUNTY OF SUMMIT)

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN BYLE, known to me to be the person whose name is subscribed to the foregoing instrument as the Managing Member of VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 28TH day of October, 2021.

[Seal]

Notary Public in and for STATE OF UTAH

BRAD W. DARRINGTON
Notary Public - State of Utah
Comm. No. 713913
My Commission Expires on
Sep 1, 2024

EXHIBIT A
DESCRIPTION OF LEASES AND LANDS

1. Utah State Mineral Lease No. 53806

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53806), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Petroteq Oil Recovery, LLC, as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 5 South, Range 21 East (SLM)
Section 23: Lots 1(9.63), 2(38.14), 3(38.37), 6(40.00), 7(11.69), 8(13.27), 9(40.00), 10(40.00), 11(14.87), SW¼NE¼, W½SE¼ [Lots aka E½E½, NW¼NE¼]

Section 24: W½NW¼, SE¼NW¼, SW¼, W½SE¼, SE¼SE¼
Section 25: Lots 1(14.47), 7(16.67), 8(17.53), 11(18.39)

containing 833.03 acres, more or less.

2. Utah State Mineral Lease No. 53807

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53807), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Petroteq Oil Recovery, LLC, as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 5 South, Range 22 East (SLM)
Section 30: Lots 2(39.70), 3(39.74), 4(39.78), SE¼SW¼ [Lots aka SW¼NW¼, W½SW¼]
Section 31: Lots 1(39.82), 2(39.87), NE¼, E½NW¼ [Lots aka W½NW¼]

containing 478.91 acres, more or less.

Recording requested by/return to: James D. Hurley 15315 W. Magnolia Blvd, Suite 120 Sherman Oaks, CA 91402 The foregoing mailing address for the minerals assignee/lessee under this instrument may be used for tax and assessment purposes.	---------- Above This Line for Official Use Only ----------

ASSIGNMENT OF UTAH STATE LEASES FOR BITUMINOUS-ASPHALTIC SANDS

[Uintah County, Utah]

This **ASSIGNMENT OF UTAH STATE MINERAL LEASES FOR BITUMINOUS-ASPHALTIC SANDS** ("Assignment"), dated as of October 25, 2021, is entered into by and between VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 ("Assignor"), and TMC CAPITAL, LLC, a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 ("Assignee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with and pursuant to the terms of that Agreement Governing Reciprocal Assignment of Mineral Leases dated as of October 15, 2021, executed by and between the Parties (the "Agreement"), Assignor hereby sells, grants, assigns, conveys and otherwise transfers to Assignee all of Assignor's right, title and interest in and to the following mineral leases:

Mineral Lease No. 53831: Utah State Mineral Lease for Bituminous-Asphaltic Sands, dated as of September 1, 2018 (Mineral Lease No. 53831), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County, State of Utah;

Mineral Lease No. 53832: Utah State Mineral Lease for Bituminous-Asphaltic Sands, dated as of September 1, 2018 (Mineral Lease No. 53832), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County, State of Utah;

Mineral Lease No. 53805: Utah State Mineral Lease for Bituminous-Asphaltic Sands, dated as of June 1, 2018 (Mineral Lease No. 53805), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County, State of Utah;

all as more particularly described in Exhibit A hereto (collectively, the "Leases"); and with each of the Leases having been previously assigned by Indago Oil and Gas, Inc. to Valkor Energy Holdings, LLC under a Mineral Lease Assignment dated July 8, 2021 and approved by SITLA on September 7, 2021.

Together with all rights-of-way, easements and other appurtenances thereto, including all mines and mine sites located within the lands covered by the Leases, and including all claims, rights and interests held by Assignor in and to the Leases.

TO HAVE AND TO HOLD the Leases unto Assignee, its successors and assigns, forever, subject, however, to the following:

1. This Assignment is made pursuant to the terms of the Agreement. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of Assignor or Assignee, as the case may be, under the Agreement.

2. This Assignment includes and encompasses the full "Record Title" and all working interests and operating rights in, to and under the Leases and the lands covered thereby.

3. This Assignment is made without any warranty of title as to the Leases or as to the lands covered thereby. SUBJECT TO ANY REPRESENTATIONS AND COVENANTS GIVEN BY ASSIGNOR IN OR UNDER THE AGREEMENT, ALL OF THE RIGHT AND INTEREST OF ASSIGNOR IN THE LEASES IS BEING TRANSFERRED ON AN "AS IS" BASIS WITHOUT ASSIGNOR MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE LEASES OR ANY OF THE RIGHTS, OBLIGATIONS OR LIMITATIONS THEREIN, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY OF TITLE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY REGARDING THE FUTURE FINANCIAL PERFORMANCE OF THE LEASES OR REGARDING ANY BUSINESS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO ASSIGNEE REGARDING THE LEASES OR THE ESTIMATED VALUE AND QUANTITY OF MINERALS ON OR WITHIN THE LEASES OR THE LANDS COVERED THEREBY.

4. The assignment of Assignor's rights and interests in the Leases under this Assignment shall not include any of the pipelines, units, tanks, equipment or vehicles included as a part thereof or used in connection with the construction, operation or maintenance thereof.

5. Assignee shall be entitled to record this Assignment in the county or other jurisdiction in which the lands covered by the Leases are located or, at Assignee's request, Assignor shall execute a Memorandum at or following the date of this Assignment that may be recorded in lieu of recording this Assignment in its entirety. The recording of any such Memorandum shall include a description of the Leases and the lands covered thereby and shall be binding upon Assignor and Assignee, their respective successors and assigns, as though this Assignment had been filed in its entirety.

6. This Assignment shall bind and inure to the benefit of the Parties and their respective successors and assigns.

7. This assignment shall be subject to the approval of SITLA.

8. This Assignment may be executed in any number of counterparts, including counterpart signature pages, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

IN WITNESS WHEREOF, the Parties have executed this Assignment as provided below.

SIGNATURES OF PARTIES
VALKOR ENERGY HOLDINGS, LLC By: _____ Name: Steven Byle Title: Managing Member
TMC CAPITAL, LLC By: _____ Name: R. Gerald Bailey Title: Manager

[ACKNOWLEDGEMENTS ON FOLLOWING PAGE]

ACKNOWLEDGEMENTS

STATE OF UTAH)
COUNTY OF SUMMIT)

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN BYLE, known to me to be the person whose name is subscribed to the foregoing instrument as the Managing Member of VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 28TH day of October, 2021.

[Seal] BRAD W. DARRINGTON
Notary Public - State of Utah
Comm. No. 713913
My Commission Expires on
Sep 1, 2024

Notary Public in and for STATE OF UTAH

STATE OF TEXAS)
COUNTY OF GALVESTON)

BEFORE ME, the undersigned authority, on this day personally appeared R. GERALD BAILEY, known to me to be the person whose name is subscribed to the foregoing instrument as the Manager of TMC CAPITAL, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 27 day of October, 2021.

[Seal] BOBBIE WILLIAMS
Notary ID #10720794
My Commission Expires
August 6, 2023

Notary Public in and for TEXAS

EXHIBIT A
DESCRIPTION OF LEASES AND LANDS

1. Utah State Mineral Lease No. 53831

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53831), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 22: All

containing 640 acres, more or less.

2. Utah State Mineral Lease No. 53832

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53832), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 23: N½NE¼, W½, S½SE¼
Section 24: Lots 2(32.30), 3(32.95), 4(32.97), W½E½, N½NW¼, S½SW¼ [Lots aka SE¼NE¼, E½SE¼]

containing 898.22 acres, more or less.

3. Utah State Mineral Lease No. 53805

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53805), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 26 - All
Section 27 - All
Section 32 - All

containing 1,920 acres, more or less;

with each of the foregoing mineral leases having been previously assigned by Indago Oil and Gas, Inc. to Valkor Energy Holdings, LLC under a Mineral Lease Assignment dated July 8, 2021 and approved by SITLA on September 7, 2021.

Recording requested by/return to: James D. Hurley 15315 W. Magnolia Blvd, Suite 120 Sherman Oaks, CA 91402 The foregoing mailing address for the minerals assignee/lessee under this instrument may be used for tax and assessment purposes.	---------- Above This Line for Official Use Only ----------

ASSIGNMENT OF MINING AND MINERAL LEASES

[Uintah County, Utah]

This **ASSIGNMENT OF MINING AND MINERAL LEASES** ("Assignment"), dated and made effective as of October 25, 2021, is entered into by and between TMC CAPITAL, LLC, a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 ("Assignor"), and VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 ("Assignee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with and pursuant to the terms of that Agreement Governing Reciprocal Assignment of Mineral Leases dated as of October 15, 2021, executed by and between the Parties (the "Agreement"), Assignor hereby sells, grants, assigns, conveys and otherwise transfers to Assignee all of Assignor's right, title and interest in and to the following mineral leases:

Mining and Mineral Lease Agreement dated July 1, 2013, as amended, executed by and between Asphalt Ridge, Inc., a Utah corporation, as lessor, and TMC Capital, LLC, as lessee, covering lands situated in Uintah County, State of Utah, all as more particularly described in Exhibit A hereto;

Short-Term Mining Lease dated August 1, 2020, as amended, executed by and between Asphalt Ridge, Inc., a Utah corporation, as lessor, and Valkor Energy Holdings, LLC, TMC Capital, LLC, as lessee, covering lands situated in Uintah County, State of Utah, all as more particularly described in Exhibit A hereto;

(collectively, the "Leases").

Together with all rights-of-way, easements and other appurtenances thereto, including all mines and mine sites located within the lands covered by the Lease, and including all claims, rights and interests held by Assignor in and to the Leases.

TO HAVE AND TO HOLD the Leases unto Assignee, its successors and assigns, forever, subject, however, to the following:

1. This Assignment is made pursuant to the terms of the Agreement. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall

not operate to release or impair any surviving rights or obligations of Assignor or Assignee, as the case may be, under the Agreement.

2. This Assignment is made without any warranty of title as to the Leases or as to the lands covered thereby. SUBJECT TO ANY REPRESENTATIONS AND COVENANTS GIVEN BY ASSIGNOR IN OR UNDER THE AGREEMENT, ALL OF THE RIGHT AND INTEREST OF ASSIGNOR IN THE LEASES ARE BEING TRANSFERRED ON AN "AS IS" BASIS WITHOUT ASSIGNOR MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE LEASES OR ANY OF THE RIGHTS, OBLIGATIONS OR LIMITATIONS THEREIN, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY OF TITLE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY REGARDING THE FUTURE FINANCIAL PERFORMANCE OF THE LEASES OR REGARDING ANY BUSINESS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO ASSIGNEE REGARDING THE LEASES OR THE ESTIMATED VALUE AND QUANTITY OF MINERALS ON OR WITHIN THE LEASES OR THE LANDS COVERED THEREBY.

3. The Leases are subject to certain depth limitations as more particularly described therein;

4. The assignment of Assignor's rights and interests in the Leases under this Assignment shall not include the oil sands extraction and processing facility located on lands included within the Leases, which is owned and operated by Petroteq Oil Recovery, LLC, a Utah limited liability company, or any of the pipelines, units, tanks, equipment or vehicles included as a part thereof or used in connection with the construction, operation or maintenance thereof.

5. Assignee shall be entitled to record this Assignment in the county or other jurisdiction in which the lands covered by the Leases are located or, at Assignee's request, Assignor shall execute a Memorandum at or following the date of this Assignment that may be recorded in lieu of recording this Assignment in its entirety. The recording of any such Memorandum shall include a description of the Leases and the lands covered thereby and shall be binding upon Assignor and Assignee, their respective successors and assigns, as though this Assignment had been filed in its entirety.

6. This Assignment shall bind and inure to the benefit of the Parties and their respective successors and assigns.

7. This Assignment may be executed in any number of counterparts, including counterpart signature pages, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

[SIGNATURES OF PARTIES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Assignment as provided below.

SIGNATURES OF PARTIES
TMC CAPITAL, LLC By: _____ Name: R. Gerald Bailey Title: Manager
VALKOR ENERGY HOLDINGS, LLC By: _____ Name: Steven Byle Title: Managing Member

[ACKNOWLEDGEMENTS ON FOLLOWING PAGE]

ACKNOWLEDGEMENTS

STATE OF TEXAS)
COUNTY OF GALVESTON)

BEFORE ME, the undersigned authority, on this day personally appeared R. GERALD BAILEY, known to me to be the person whose name is subscribed to the foregoing instrument as the Manager of TMC CAPITAL, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 27 day of October, 2021.

[Seal]
BOBBIE WILLIAMS
Notary ID #10720794
My Commission Expires
August 6, 2023

Notary Public in and for Texas

STATE OF UTAH)
COUNTY OF SUMMIT)

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN BYLE, known to me to be the person whose name is subscribed to the foregoing instrument as the Managing Member of VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 28TH day of October, 2021.

[Seal]
BRAD W. DARRINGTON
Notary Public - State of Utah
Comm. No. 713913
My Commission Expires on
Sep 1, 2024

Notary Public in and for STATE OF UTAH

EXHIBIT A
DESCRIPTION OF LEASES AND LANDS

[Asphalt Ridge, Uintah County, Utah]

1. Mining and Mineral Lease Agreement dated July 1, 2013, as amended.

Mining and Mineral Lease Agreement dated July 1, 2013, as amended, executed between Asphalt Ridge, Inc., as lessor, and TMC Capital, LLC, as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 25: Lots 1 & 2, W½NE¼ (Enterprise No. 6 patented mining claim)

Township 4 South, Range 21 East (SLM)
Section 30: Lots 1 & 2, W½ NE¼ NW¼, SE¼ NE¼ NW¼, SE¼ NW¼
(Enterprise No. 5 patented mining claim)

Township 5 South, Range 21 East (SLM)
Section 4: SW¼NW¼, NW¼SW¼, E½SW¼
Section 15: W½NW¼, SE¼NW¼, SW¼NE¼
Section 25: SW¼ (Cameron No. 7 patented mining claim)
Section 25: Lots 9 & 10, W½SE¼ (Cameron No. 5 patented mining claim)
Section 25: Lots 4 & 5, S½NW¼ (Cameron No. 8 patented mining claim)

Township 5 South, Range 22 East (SLM)
Section 31: Lot 3, SW¼SE¼, E½SW¼
Section 31: N½SE¼, SE¼SE¼ (Cameron No. 1 patented mining claim)
Section 32: SW¼

containing 1,229.82 acres, more or less.

2. Short Term Mining Lease dated August 10, 2020, as amended.

Short Term Mining Lease dated August 10, 2020, as amended on July 1, 2021, executed between Asphalt Ridge, Inc., as lessor, and Valkor Energy Holdings, LLC, as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), Utah, more particularly described as follows:

Township 5 South, Range 22 East (SLM)
Section 31: Lot 3, SW¼SE¼, E½SW¼, N½SE¼, and SE¼SE¼

Recording requested by/return to: James D. Hurley 15315 W. Magnolia Blvd, Suite 120 Sherman Oaks, CA 91402 The foregoing mailing address for the minerals assignee/lessee under this instrument may be used for tax and assessment purposes.	---------- Above This Line for Official Use Only ----------

ASSIGNMENT OF OPERATING RIGHTS

UNDER UTAH STATE MINERAL LEASES FOR BITUMINOUS-ASPHALTIC SANDS

[Uintah County, Utah]

This **ASSIGNMENT OF OPERATING RIGHTS** ("Assignment"), dated and made effective as of October 26, 2021, is entered into by and between TMC CAPITAL, LLC, a Utah limited liability company, having offices at 15315 W. Magnolia Boulevard, Suite 120, Sherman Oaks, California 91402 ("Assignor"), and VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 ("Assignee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

W I T N E S S E T H:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in accordance with and pursuant to the terms of that Agreement Governing Assignment of Operating Rights Under Utah State Mineral Leases, dated as of October 15, 2021, executed by and between the Parties (the "Agreement"), Assignor hereby assigns, conveys and otherwise transfers to Assignee, subject to the reservation of certain Participation Rights as more fully defined in the Agreement, the following:

All of the "Operating Rights" (operating and working interests), consisting of the exclusive right to explore for, mine, excavate, drill, produce, capture, process, upgrade and market Leased Substances (as defined in the Leases), including any hydrocarbon or non-hydrocarbon product, byproduct or substances generated by or derived therefrom, located below a subsurface depth of 500 feet from the surface thereof, under and within the scope of certain Utah State Mineral Leases for Bituminous-Asphaltic Sands as more particularly described in Exhibit A hereto (the "Leases");

Together with all rights-of-way, easements and other appurtenances thereto within the lands covered by the Leases.

TO HAVE AND TO HOLD the Operating Rights under the Leases unto Assignee, its successors and assigns, subject, however, to the following:

1. This Assignment is made pursuant to the terms of the Agreement. The execution and delivery of this Assignment by Assignor, and the execution and acceptance of this Assignment by Assignee, shall not operate to release or impair any surviving rights or obligations of Assignor or Assignee, as the case may

be, under the Agreement and the operations conducted by Assignee under this Assignment shall be subject to and governed by the Agreement.

2. This Assignment shall not include, and Assignor hereby reserves from this Assignment, ownership of "Record Title" in and under the Leases, together with the rights and obligations attributable thereto, as such term is defined in the Section R850-22-175(2) of the regulations promulgated and administered by the State of Utah's School and Institutional Trust Lands Administration ("SITLA"), with respect to mineral leases for bituminous-asphaltic sands (codified at Utah Admin. Code §R850-22-175(20)).

3. The assignment and transfer of Operating Rights to Assignee are and shall be limited to operations conducted at subsurface depths below 500 feet from the surface thereof, measured vertically; *provided*, that Assignee, in the development of the Operating Rights, shall be entitled to use as much surface as is reasonably necessary to its operations, with deference to the surface rights and other interests reserved by Assignor from this Assignment and as more fully provided in the Agreement.

4. Assignee shall, in the exercise or development of the Operating Rights transferred hereunder, comply at all times with the terms and conditions set forth in the Leases and shall have primary responsibility and liability for the payment of all royalty and other burdens under the Leases that are attributable to or arise from Assignee's development of the Operating Rights hereunder.

5. The term of this Assignment shall coincide with the term of the Leases.

6. This Assignment is made without any warranty of title as to the Leases or as to the lands covered thereby. SUBJECT TO ANY REPRESENTATIONS AND COVENANTS GIVEN BY ASSIGNOR IN OR UNDER THE AGREEMENT, ALL OF THE OPERATING RIGHTS ASSIGNED AND TRANSFERRED TO ASSIGNEE HEREUNDER ARE TRANSFERRED ON AN "AS IS" BASIS WITHOUT ASSIGNOR MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING THE LEASES OR ANY OF THE RIGHTTS, OBLIGATION OR LIMITATIONS THEREIN, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY OF TITLE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR MAKES NO REPRESENTATION OR WARRANTY REGARDING THE FUTURE FINANCIAL PERFORMANCE OF THE LEASES OR THE OPERATING RIGHTS ASSIGNED AND TRANSFERRED TO ASSIGNEE HEREUNDER OR REGARDING ANY BUSINESS OR FINANCIAL PROJECTIONS MADE AVAILABLE TO ASSIGNEE REGARDING THE LEASES OR THE ESTIMATED VALUE AND QUANTITY OF LEASED SUBSTANCES OR OTHER MINERALS ON OR WITHIN THE LEASES AND THE LANDS COVERED THEREBY.

7. Assignee shall be entitled to record this Assignment in the county or other jurisdiction in which the lands covered by the Leases are located or, at Assignee's request, Assignor shall execute a Memorandum at or following the date of this Assignment that may be recorded in lieu of recording this Assignment in its entirety. The recording of any such Memorandum shall include a description of the Lease and the lands covered thereby and shall be binding upon Assignor and Assignee, their respective successors and assigns, as though this Assignment had been filed in its entirety.

8. This Assignment shall bind and inure to the benefit of the Parties and their respective successors and assigns.

9. This Assignment and the effectiveness thereof shall be subject to the approval of SITLA.

10. This Assignment may be executed in any number of counterparts, including counterpart signature pages, and each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one instrument.

IN WITNESS WHEREOF, the Parties have executed this Assignment as of the date(s) written below.

SIGNATURES OF PARTIES
TMC CAPITAL, LLC By: _____ Name: R. Gerald Bailey Title: Manager
VALKOR ENERGY HOLDINGS, LLC By: _____ Name: Steven Byle Title: Managing Member

[ACKNOWLEDGEMENTS ON FOLLOWING PAGE]

ACKNOWLEDGEMENTS

STATE OF TEXAS)
COUNTY OF GALVESTON)

BEFORE ME, the undersigned authority, on this day personally appeared R. GERALD BAILEY, known to me to be the person whose name is subscribed to the foregoing instrument as the Manager of TMC CAPITAL, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 27 day of October, 2021.

[Seal]
BOBBIE WILLIAMS
Notary ID #10720794
My Commission Expires
August 6, 2023

Notary Public in and for Texas

STATE OF UTAH)
COUNTY OF SUMMIT)

BEFORE ME, the undersigned authority, on this day personally appeared STEVEN BYLE, known to me to be the person whose name is subscribed to the foregoing instrument as the Managing Member of VALKOR ENERGY HOLDINGS, LLC, a Utah limited liability company, and acknowledged to me that the same was the act of said company and that he executed the same as the act of the company for the purposes and consideration therein expressed and in the capacity therein stated.

Given Under My Hand and Seal of Office on this 28TH day of October, 2021.

[Seal]
BRAD W. DARRINGTON
Notary Public - State of Utah
Comm. No. 713913
My Commission Expires on
Sep 1, 2024

Notary Public in and for STATE OF UTAH

EXHIBIT A
Description of the Leases and Lands

This Assignment consists of all of the Operating Rights (operating working interests, excluding Record Title), limited to all subsurface depths below 500 feet from the surface, in and under the following mineral leases:

1. Utah State Mineral Lease No. 53831

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53831), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 22: All

containing 640 acres, more or less.

2. Utah State Mineral Lease No. 53832

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of September 1, 2018 (Mineral Lease No. 53832), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 23: N½NE¼, W½, S½SE¼
Section 24: Lots 2(32.30), 3(32.95), 4(32.97), W½E½, N½NW¼, S½SW¼ [Lots aka SE¼NE¼, E½SE¼]

containing 898.22 acres, more or less.

3. Utah State Mineral Lease No. 53805

Utah State Mineral Lease for Bituminous-Asphaltic Sands dated as of June 1, 2018 (Mineral Lease No. 53805), executed between the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), as lessor, and Indago Oil and Gas, Inc., as lessee, with respect to lands situated in Uintah County (Salt Lake Meridian), State of Utah, more particularly described as follows:

Township 4 South, Range 20 East (SLM)
Section 26 - All
Section 27 - All
Section 32 - All

containing 1,920 acres, more or less.

Exhibit 21.1

SUBSIDIARIES OF PETROTEQ ENERGY INC.

The following is a list of all the subsidiaries of Petroteq Energy Inc. (the "**Company**") and the corresponding state or jurisdiction of incorporation or organization of each. All of the subsidiaries are directly or indirectly wholly-owned by the Company.

Name of Subsidiary	State or Jurisdiction of Incorporation or Organization
Petroteq Energy CA, Inc.	California
Petroteq Oil Sands Recovery, LLC	Utah
TMC Capital, LLC	Utah
Petrobloq, LLC	California

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, R. Gerald Bailey, certify that:

1. I have reviewed this annual report on Form 10-K of Petroteq Energy Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-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 financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on 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.

Date: December 14, 2021

By: /s/ R.G. Bailey
R. Gerald Bailey
Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Ron Cook, certify that:

1. I have reviewed this annual report on Form 10-K of Petroteq Energy Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-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 financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on 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.

Date: December 14, 2021

By: /s/ Ron Cook
Ron Cook
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION 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 Annual Report of Petroteq Energy Inc. (the "Registrant") on Form 10-K for the year ended August 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Gerald Bailey, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: December 14, 2021

By: /s/ R.G. Bailey
R. Gerald Bailey
Chairman and Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION 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 Annual Report of Petroteq Energy Inc. (the "Registrant") on Form 10-K for the year ended August 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ron Cook, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: December 14, 2021

By: /s/ Ron Cook
Ron Cook
Chief Financial Officer
(Principal Financial and Accounting Officer)