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 Ended August 31, 2020

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 ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☒

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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$0.0950 converted to US$0.0707 on February 28, 2020) was approximately: [(202,986,092 shares i/o – affiliate shares) X $0.0707] $[●]

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, 2020 was XXX.

Documents incorporated by reference: None.

PETROTEQ ENERGY INC.

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

TABLE OF CONTENTS

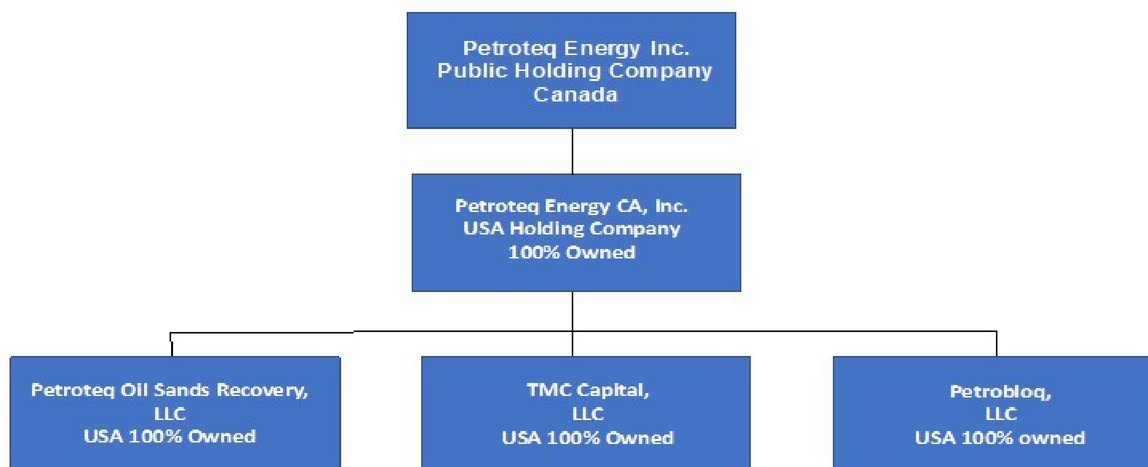
		Page
	PART I.	1
Item 1.	Business	1
Item 1A.	Risk Factors	17
Item 1B.	Unresolved Staff Comments	35
Item 2.	Properties	35
Item 3.	Legal Proceedings	36
Item 4.	Mine Safety Disclosures	36
	PART II.	37
Item 5.	Market price of, and dividends of the Registrant's Common Equity and Related Stockholder Matters	37
Item 6.	Selected Financial Data	37
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 8.	Financial Statements and Supplementary Data	F-1
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	42
Item 9A.	Controls and Procedures	42
Item 9B.	Other Information	42
	PART III.	43
Item 10.	Directors, Executive Officers and Corporate Governance	43
Item 11.	Executive Compensation	46
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	50
Item 13.	Certain Relationships and Related Transactions, and Director Independence	51
Item 14.	Principal Accountant Fees and Services	52
	PART IV.	
Item 15.	Exhibits, Financial Statement Schedules and Reports on Form 10-K	53
Item 16.	Form 10-K Summary	55
SIGNATURES		56

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 Sands Recovery, LLC, a Utah limited liability company ("POSR"), and TMC Capital, LLC, a Utah limited liability company ("TMC"). Another subsidiary, Petrobloq LLC, a California limited liability company ("Petrobloq"), also wholly owned by Petroteq, is currently dormant.



OIL SANDS MINING & PROCESSING

Through our wholly-owned subsidiary PCA, and its two subsidiaries POSR and TMC, we are in the business of oil sands mining operations on the TMC Mineral Lease (as defined and described below) in Uintah County, Utah, where we process mined oil sands ores using our proprietary extraction technology (the "Extraction Technology") to produce crude oil and hydrocarbon products. Our primary extraction and processing operations are conducted at our Asphalt Ridge processing facility, which is owned by POSR.

Petroteq owns the intellectual property rights to the Extraction Technology which is used at our Asphalt ridge processing facility to extract and produce crude oil from oil sands utilizing a closed-loop solvent based extraction system.

The processing facility, which initially commenced operations as a pilot plant in 2015, was relocated from its original site near Maeser, Utah, to the lands then covered by a Mining and Mineral Lease Agreement dated as of July 1, 2013, between Asphalt Ridge, Inc., as lessor, and TMC, as lessee, (the "Original TMC Mineral Lease"), near our Asphalt Ridge Mine, in 2017 to improve logistical and processing efficiencies in the oil sands recovery process. The relocation of our processing facility 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. We restarted operations at the end of May 2018, and completed expansion work on the processing facility to increase production to 400-500 barrels of oil per day during the last quarter of fiscal 2019 (the quarter ended August 31, 2019). We continued testing the expanded plant in the first quarter of fiscal 2020 (the quarter ended November 30, 2019) and determined that a number of equipment upgrades were required to support continuous operation of the plant. As discussed below, such upgrades were completed by Greenfield Energy LLC ("Greenfield") in December 2020.

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 and volatility in oil prices, we reduced operations to a single shift per day during the quarter ended February 29, 2020, and ultimately suspended production of hydrocarbon products during the quarter ended May 31, 2020.

On July 2, 2020, TomCo Energy PLC ("TomCo") announced that, following the establishment by TomCo of Greenfield as a joint venture company with Valkor LLC ("Valkor") on June 17, 2020, Greenfield would take over the management and operations of our Asphalt Ridge processing facility. Valkor remains party to a non-exclusive technology licensing agreement with Petroteq dated July 2, 2019, as amended, in respect of the plant.

Since assuming responsibility for the management of the Asphalt Ridge facility in July 2020, Greenfield has made certain upgrades to the plant to improve its capacity and reliability, and is undertaking tests to assess its potential commerciality. All critical equipment has been received and installed at the plant. In addition, buildings have been erected over the nitrogen system and the vapor recovery system, and wind-walls have been erected at the mixing tank area and decanter deck, to better allow for operations during winter months. Pressure testing of piping systems is currently underway as part of plant pre-commissioning activities in preparation for plant start-up, which is expected to occur in late December 2020.

The Company expects that Greenfield will also be in a position to restart mining and ore handling operations in late December 2020. All site personnel completed mandatory Mine Safety and Health Administration (MSHA) training in late November 2020, and rental equipment needed for ore crushing and handling has arrived on site. Valkor has completed its evaluation of recently received mining quotations and has selected a mining contractor. The mining contract has been executed and the mining contractor has already begun mobilizing equipment to site. After initial work to prepare the site, it is expected that mining of oil sands ore will begin in late December 2020.

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.

As announced by TomCo on September 16, 2020, the board of TomCo believes that the Pre-FEED (Front-End Engineering and Design) Report prepared by Crosstrails Engineering LLC, a subsidiary of Valkor, provides a high level of confidence that the processes being utilized at the Asphalt Ridge processing facility can be scaled up to enable commercial production of 10,000 barrels of oil per day from a single site. Proof of commerciality though is subject to the successful completion of the upgrade works to the plant, that are currently being completed prior to its restart, and the associated trials to demonstrate the commerciality of the processes used in Petroteq's Extraction Technology process and the identification and securing of a suitable site for a commercial scale plant.

Once the Asphalt Ridge processing facility has been restarted, Petroteq intends to undertake a series of associated tests and trials, to be verified by an independent third party, to demonstrate both the commerciality of the Extraction Technology process and validate the proposed design for the commercial scale plant, thereby enabling Greenfield to move forward with the final FEED report for a 10,000 barrels of oil per day plant.

In addition, Greenfield has announced that, following the restart of the Asphalt Ridge processing facility, it intends to start working with Quadrise Fuels International plc, regarding a trial of Quadrise's MSAR® technology at the plant. This will initially comprise the supply of oil samples produced by at the plant to Quadrise to enable them to undertake test work in the United Kingdom to finalize the required MSAR® formulations, before the planned on-site demonstration trial to produce approximately 600 barrels (100 tonnes) of MSAR®. 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 residual 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.

As announced by the Company 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 the funding that Greenfield has provided to date in respect of the upgrades to the Asphalt Ridge processing facility, in the aggregate amount of $2,000,000. The Greenfield License will allow Greenfield to use the Extraction Technology in any future oil sands plants built by Greenfield in the United States. The Greenfield License also clarifies the ownership of any intellectual property developed as a result of the Asphalt Ridge processing facility upgrade and associated trials or otherwise developed by Greenfield in the future. Any such intellectual property will be the property of Petroteq and pursuant to the Greenfield License, Petroteq will grant Greenfield the ability to utilize such intellectual property, together with any additional intellectual property developed by Petroteq, in accordance with the terms of the Greenfield 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 oil products produced from oil sand resources.

Oil Sands Exploration and Processing Plant

In June 2011, Petroteq commenced the development of an oil sands extraction facility near Maeser, Utah and entered into construction and equipment fabrication contracts for the purpose of evaluating the Extraction Technology in producing crude oil from the extraction and processing of oil sands mined from the TMC Mineral Lease and from other deposits located in the Asphalt Ridge area. 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 this initial pilot plant during 2015 allowed us to test and evaluate the Extraction 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, Petroteq determined that the transportation costs of hauling mined ore from our mine site to the 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 the Asphalt Ridge Mine #1) located within the TMC Mineral Lease. During the reassembly of the facility, 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 the Asphalt Ridge Mine #1 recommenced, and the new processing 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 processing facility in July 2020. As discussed above, Greenfield has made certain upgrades to the plant to improve its capacity and reliability, and is undertaking tests to assess its potential commerciality.

Resources and Mining Operations

Through its acquisition of TMC in June 2015, Petroteq indirectly acquired certain mineral rights under the TMC Mineral Lease, consisting of the Original TMC Mineral Lease covering approximately 1,229.82 acres of land in the Asphalt Ridge area of Uintah County, Utah. In June 2018, Petroteq, acting through POSR, acquired additional mineral rights 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 that largely adjoin the lands covered by the TMC Mineral Lease ("SITLA Leases"). More recently, in April 2019 and in July 2019, in two separate transactions, TMC acquired an initial 50% and then the remaining 50% of the 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").

As described in more detail below, the Original TMC Mineral Lease was terminated effective August 10, 2020, and a new Short-Term Mining Lease agreement dated as of that date was entered into between Asphalt Ridge, Inc., as lessor, and Valkor as lessee. Valkor and TMC have entered into a Short-Term Mining and Mineral Sub-Lease dated August 20, 2020 (the "TMC Mineral Sub-Lease") whereby all of the rights and obligations of Valkor, as lessee, have been sub-let to TMC. At this time, Petroteq (through its subsidiaries) holds mineral leases (or the operating rights under leases) covering approximately 8,501.76 net acres within the State of Utah, consisting of 1,229.82 acres held under the TMC Mineral Lease, 1,311.94 acres held under the SITLA Leases and 5.960 acres under the BLM Leases.

The SEC permits oil and gas companies that are subject to domestic issuer reporting requirements under U.S. federal securities law, in their filings with the SEC, to disclose only estimated proved, probable and possible reserves that meet the SEC's definitions of such terms. The Company has not yet established any reserves.

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.

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 Lease 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 south-easterly direction through a substantial part of the lands included in the TMC Mineral Lease, particularly the acreage located in T5S-R21E (Section 25) and T5S-R22E (Section 31) where our Asphalt Ridge Mine #1 is located. Bitumen-saturated pay thicknesses in lands covered by the TMC Mineral Lease generally range from 50-200 feet, with some deposits approaching 300 feet in pay thickness. Petroteq believes that oil sands deposits in this area may be mined economically at depths up to 250-300 feet below the surface.

As announced by the Company 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 processing facility 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
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 as a "Special Tar Sands Area" by the (U.S.) Department of Interior.

The TMC Mineral Lease

The Original TMC Mineral Lease has been terminated and replaced with (a) a new Short-Term Mining Lease agreement dated as of August 10, 2020 between Asphalt Ridge, Inc., as lessor, and Valkor as lessee, and (b) the TMC Mineral Sub-Lease whereby all of the rights and obligations of Valkor, as lessee, have been sub-let to TMC, as sub-lessee. TMC has the exclusive right to explore for, mine and produce oil and other minerals associated with oil sands, subject to certain depth limits. For ease of reference, the term "TMC Mineral Lease" is used to refer to the Original TMC Mineral Lease or the TMC Mineral Sub-Lease, as applicable.

Previously, TMC was the direct lessee under the TMC Mineral Lease with Asphalt Ridge, Inc., as lessor, which was amended on October 1, 2015 and further amended on March 1, 2016, on February 1, 2018, and most recently on November 21, 2018. The primary term of the TMC Mineral Lease, as amended, commenced July 1, 2013 and continued for six years until June 30, 2019, subject to extension.

The TMC Mineral Sub-Lease it is to remain in effect for a term that coincides and is co-extensive with the term of the Short-Term Mining Lease between Asphalt Ridge, Inc. and Valkor, including any extension or renewal to the term thereof; provided, however, that the TMC Mineral Sub-Lease provides for a termination date of June 30, 2021. The initial term of the Short-Term Mining Lease between Asphalt Ridge, Inc. and Valkor will expire on on December 31, 2020, provided that Valkor may extend the term for an additional period of up to 6 months subject to certain conditions, but in no event beyond June 30, 2021.

TMC paid Valkor an initial rental fee in the amount of $25,000 on commencement of the TMC Mineral Sub-Lease, and is obligated to pay Valkor a monthly rental fee of $15,000 during the term of the TMC Mineral Sub-Lease. TMC is also obligated to pay production royalties as follows:

(a) For "Bitumen Product" produced from oil sands mined or otherwise extracted from the property, a production royalty equal to 8% of the gross sales revenue received by TMC from the sale of such Bitumen Product. "Bitumen Product" is defined to mean naturally occurring oil in the oil ands 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) Subject to the production royalty described in paragraph (a) above on sales of Bitumen Product that are fully accounted for, a production royalty of 8% of the gross sales revenue received by TMC on all other minerals produced from Bitumen Product mined or otherwise extracted from the property and sold; provided that where sales occur to a third party purchaser that is engaged in marketing a variety of products or by-products made from such materials, and payments to TMC therefore vary, and if TMC's receipts are measurably greater than comparable sales by others of similar products or by-products 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 will 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 TMC from the sale of such products or by-products, as the case may be; and

(c) On oil and gas, and associated hydrocarbons produced by TMC using standard oil and gas drilling recovery techniques above 3000 feet MSL (mean sea level) and sold, a production royalty of 1/6 of the gross market value.

During the year ended August 31, 2020, we received (gross) proceeds of $290,809 from the sale of upgraded or finished oil produced at our Asphalt Ridge processing facility 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 our process facility 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 our processing facility. 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 our Asphalt Ridge processing facility which 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 our Asphalt Ridge facility 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" decreased to $27 per barrel of oil produced at our Asphalt Ridge facility. During this period, our fixed costs did not differ materially from our August 2015 to December 2015 fixed costs. We do anticipate that we will experience a decrease in fixed costs per barrel as we increase our capacity and operate at full capacity.

With respect to variable costs, 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 our processing facility to the mine site located within our 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.

We do not expect our operating costs to materially change as the depth of the Asphalt Ridge #1 Mine increases with additional mining over time. We further anticipate that increased efficiencies in our mining operations and various economies of scale (such as bulk quantity purchases of aromatic solvents at quantity/price discounts), will assist in managing and potentially reducing our average production costs as production at our Asphalt Ridge facility increases over time.

The API gravity for the raw heavy oil or bitumen extracted from oil sands ores initially treated at our Asphalt Ridge processing facility averages approximately 10 degrees. Through the application of the Extraction Technology at our plant, we expect 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, the plant is able to craft a final crude oil product to meet the specifications of a range of customers.

The finished crude oil produced at our Asphalt Ridge processing facility is currently sold to an independent purchaser under short-term or spot delivery contracts where the purchaser takes delivery of finished crude oil at or near the plant and transports it for resale to a refinery in Nevada. The specifications of the oil produced at the plant are effectively tailored to meet customer (pipeline and refinery) specifications and requirements. From time to time we sell oil produced at our Asphalt Ridge facility pursuant to the terms of product off take agreements However, none of our agreements with our current purchaser and none of the offtake agreements are firm commitments requiring the purchaser to acquire a specified quantity of our produced oil. If we increase our production beyond the needs of our current purchaser, we expect to attempt to find additional purchasers for such additional production. Although we believe that larger production quantities will attract certain purchasers that only purchase larger quantities of product and will require transportation of our products to locations closer to our processing facility, resulting in lower transportation costs, to date we have only had preliminary discussions with such purchasers and have no purchase commitments from such purchasers. If purchasers located closer to our processing facility are not interested in acquiring such additional quantities produced, we may sell our product to purchasers that may require transportation of our products to locations that are further from our processing facility, which would result in higher transportation costs and lower profit margins for us.

Generally, the finished oil produced at our Asphalt Ridge processing facility is sold 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.

We anticipate that, as production from our oil sands facility increases, longer term contracts will be secured by POSR utilizing market-based pricing formulas.

The SITLA Leases

The SITLA Leases have a primary term of ten (10) years and will remain in effect thereafter for as long as (a) bituminous sands are produced in paying quantities, or (b) POSR is otherwise engaged in diligent operations, exploration or development activity and certain other conditions are satisfied. Generally, the term of the SITLA Leases may not be extended beyond the twentieth year of their effective dates except by production in paying quantities. An annual minimum royalty of $10 an acre must be paid during the first ten years of the SITLA 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 SITLA Leases. Annual minimum royalties paid in any lease year may be credited against production royalties accruing in the same year.

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 Payable

Technology Transfer Agreement

Pursuant to the terms of a technology transfer agreement dated November 7, 2011 that we entered into with Vladimir Podlipskiy, the developer of the Extraction Technology, we are obligated to pay Mr. Podlipskiy a royalty on production from each processing plant that we own or operate that uses the Extraction 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 $60.00 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 per barrel.

TMC Mineral Lease

Under the TMC Mineral Lease, TMC holds 100% of the working interests (subject to a 1.6 % overriding royalty previously granted to Temple Mountain Energy, Inc.).

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 with effect from July 1, 2020. The TMC mineral lease was terminated during August 2020, and replaced with a sub-lease entered into with Valkor.

Production royalties payable under the sub-lease with Valkor are 8% of the gross sales revenue, subject to certain adjustments.

SITLA Leases

The SITLA Leases provide that Petroteq must 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 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, 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. As the sole lessee under the SITLA Leases, POSR owns 100% of the working interests under the Leases, subject to payment of annual rentals, advance annual minimum royalties, and production royalties.

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 land included within the TMC Mineral Lease.

On or about July 9, 2015, UDOGM approved an application filed by TMC 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. On October 27, 2017, UDOGM granted final approval to TMC’s “Amended Notice of Intention to Commence Large Mining Operations” and issued final Permit # M/047/0089 authorizing TMC 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 plant and the processing of the oil sands have been granted to Petroteq.

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 was required by Utah law even though our processing facility does not use a water-based process, and 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 our processing facility at Asphalt Ridge 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 our current processing facility. 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 or under the TMC Mineral Lease 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 Lease or the SITLA Leases until after June 30, 2026.

Extraction Technology

Petroteq intends to continue to develop its operations by processing native oil sands ore produced through the mining operations of its subsidiary (TMC) and potentially through purchased native oil sands ore, using its patented closed loop, continuous flow, scalable and environmentally safe Extraction Technology. The Extraction Technology process allows the extraction of hydrocarbons 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 of the process are high quality heavy oil and clean sand, making this technology environmentally benign.

The Extraction Technology, which has been modified since 2015 and unlike the technology utilized in 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 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 our Asphalt Ridge processing facility, the bitumen crude oil that we extract 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.

The oil extraction process, as it exists in the pilot plant, 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 the Extraction 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 a Canadian company, TS Energy Ltd., which has agreed to act as the sole and exclusive licensee of the Extraction 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 the Extraction Technology worldwide (subject to any exclusive license agreements in effect) in the engineering, construction and operation of oil sands extraction plants. The agreement requires Valkor to invest (or secure investment of) a minimum of US$20 million towards the construction of an oilsands 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 US$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 the Extraction 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 Extraction Technology both at Asphalt Ridge and with oil sands sourced from different parts of the world and having 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 POSR 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 POSR. 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 publicly traded on the TSX Venture Exchange (the "TSXV") under the trading symbol "PQE", 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 atwww.petroteq.energy. Information contained in our website does not form part of the registration statement and is intended for informational purposes only.

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 unprecedented 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. We have scaled back to a skeleton crew and we have suspended production of hydrocarbon products, because of the effects of the recent decline in oil pricing, we are no longer operating (in terms of the cost to produce and sell oil, excluding G&A) on a breakeven basis. We do not plan to resume production until oil prices return to sustainable profitable levels.

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, 2020, August 31, 2019 and August 31, 2018, we had an accumulated deficit of ($90,664,349), ($78,285,282) and ($62,497,396), 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 ($12,379,067) and ($15,787,886) for the years ended August 31, 2020 and August 31, 2019, 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 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 current COVID-19 pandemic, we have suspended production of hydrocarbon products, and do not plan to resume production until oil prices return to sustainable profitable levels. 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, 2020, we had issued and outstanding notes in the principal amount of $930,979 and convertible notes in the principal amount of $10,007,436 to certain private investors which mature between October 2020 and March 30 ,2024 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, 2020, we had not yet achieved profitable operations, had accumulated losses of ($90,664,349) since our inception and a working capital deficit of ($12,955,134), 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, 2019 and August 31, 2018, we had an accumulated deficit of ($78,285,282) and ($62,497,396), respectively and a working capital deficit of ($9,268,763) and ($374,567), respectively. The opinion of our independent registered accounting firm on our audited financial statements for the years ended August 31, 2020 and 2019 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 our mineral lease for the Asphalt Ridge Property.

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 TMC Mineral Lease is subject to termination under various circumstances, including our non-payment of certain advance and production royalties as well as a failure to comply with certain minimum production requirements and receiving funding commitments for expanding or building additional production facilities. We currently intend to fund the expansion/additional facilities through revenue generated from the processing facility at the TMC Mineral Lease, which to date has been minimal, and/or third party funding sources for which we currently have no commitments. If the TMC Mineral Lease were to be terminated, our operations would be significantly impacted until such time that we were able to relocate our processing facility to a site within the SITLA Lease or to secure other acceptable mineral leases for our operations. Any relocation of our 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 the SITLA 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, 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, 2020, we have share purchase warrants to purchase 48,352,714 common shares outstanding at exercise prices ranging from US$0.03 to US$1.50 and options to purchase 9,470,000 common shares with a weighted average exercise price of CDN $0.86 and notes convertible into 93,941,474 common shares based on conversion prices ranging from $0.02 to $0.40 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 2020 threshold for WTO investors that are state-owned enterprises (“SOEs”), as defined in the Investment Act, will be CDN$428 million based on the book value of the Canadian business’ assets.

The 2020 thresholds for review for direct acquisitions of control of a publicly-traded Canadian entity by private sector investor WTO investors (CDN$1.075 billion) and private sector trade agreement investors (CDN$1.613 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, 2018, 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 $4,941 for the approximately 2,196 square foot premises and the lease term is five years.

TMC and POSR hold 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 2,541.76 acres in the Asphalt Ridge area of Utah (Uintah County), including 1,229.82 acres held under the TMC Mineral Lease and an additional 833.03 and 478.91 acres, respectively, held under the SITLA Leases. In addition, TMC recently 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 processing facility, which currently covers an area of approximately 20,000 square feet and is located on three acres of land within our TMC Mineral Lease in Uintah County, Utah.

A map of the TMC Mineral Lease property is set forth below:

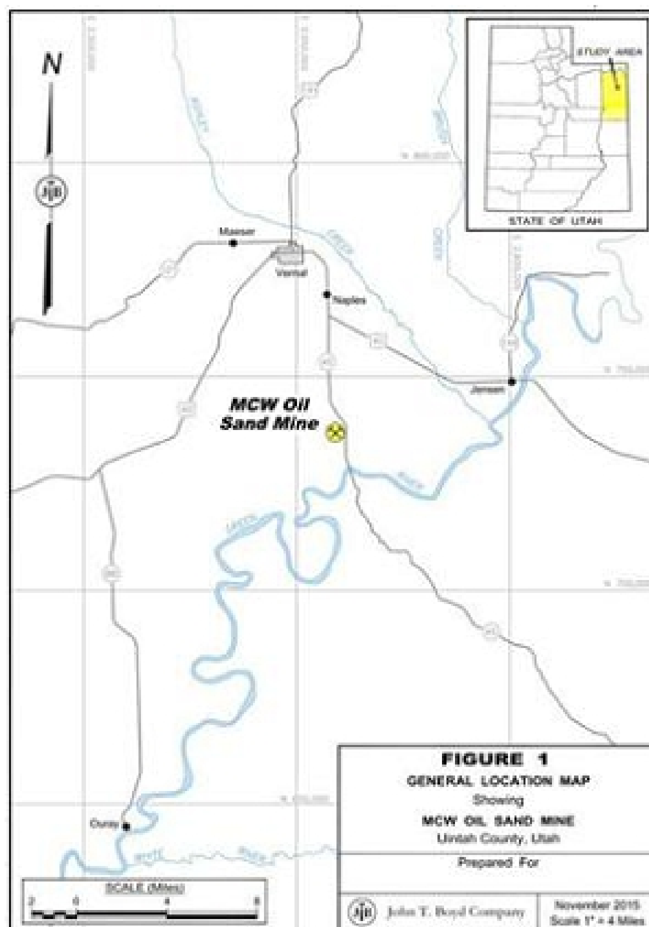


Figure 1. The Index map showing the location of the POSR's Asphalt Ridge Mine #1 located within the TMC Mineral Lease on lands situated in Uintah County, Utah.

Source: JT Boyd, 2015.

Item 3. Legal Proceedings.

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 site once our plant is fully operational. In terms of the additional disclosure required, we provide the following information.

1. **TMC Mining Operations:**
   The TMC mining operation is conducted at the TMC Mineral Lease on 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, particularly the acreage located in T5S-R21E (Section 25) and T5S-R22E (Section 31) where our 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, 2020, there were approximately 228 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, 2020, there were 274,450,337 common shares issued and outstanding, which are listed for trading on the TSXV, share purchase warrants to purchase 48,342,314 common shares were outstanding and share purchase options to purchase 9,470,000 common shares were outstanding under the 2018 Option Plan (or its predecessors plans). See Item 6.B "Compensation – Stock Plan" for additional information regarding the 2018 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, 2020.

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, 2020 and August 31, 2019

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 affected several process improvements to our plant and has optimized workflows and intends commencing production within the next fiscal quarter.

Revenue generation during the year ended August 31, 2020 and 2019 was $290,809 and $59,335, respectively. Revenue represents the sale of hydrocarbon products for use as asphalt and to refineries to determine the commercial quality of our hydrocarbon products. Prior to August 31, 2018, due to the volatility in oil markets and the limited production capacity at the plant, no production took place during the year ended August 31, 2018, resulting in no revenue generation.

The cost of sales during the years ended August 31, 2020 and 2019 consists of; i) 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 current year due to the termination of the TMC Mineral Lease; and ii) certain production related expenses consisting of labor and maintenance expenditure.

Expenses

Expenses was $9,968,209 and $14,208,398 were incurred during the years ended August 31, 2020 and 2019, respectively, a decrease of $4,240,189 or 29.8%. The decrease in operating expenses is primarily due to:

Depletion, depreciation and amortization

Depletion, depreciation and amortization was $103,888 and $73,650 for the years ended August 31, 2020 and 2019, respectively, an increase of $30,238 or 41.1%. 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 increase in depreciation expense is primarily related to office leasehold improvements during the current fiscal year.

Selling, general and administrative expenses

Selling, general and administrative expenses of $6,183,745 and $11,543,432 for the years ended August 31, 2020 and 2019, respectively, a decrease of $5,359,687 or 46.4%. Included in selling, general and administrative expenses are the following major expenses:

a. Investor relations and public relations fees were $(92,179) and $1,484,845 for the years ended August 31, 2020 and 2019, a decrease of $1,577,024 or 106.2%. The decrease is primarily due to unfulfilled commitments by our investor relations and public relations vendors, resulting in the reversal of accrued expenses and management concentrating its efforts and resources on completing the plant re-commissioning for an anticipated start up within the next six months.

b. Professional fees were $2,614,540 and $6,194,176 for the years ended August 31, 2020 and 2019, respectively, a decrease of $3,579,636 or 57.8%. The decrease is primarily related to prior year legal fees incurred on the expansion of the plant, and the prior year filing of the Registration Statement on Form 10G/A with the SEC in the United States; the various fund-raising initiatives undertaken by the Company during the prior fiscal period; and the reduction in professional fees incurred on the plant expansion and management advisory fees related to the plant during the current fiscal period.

c. Salaries and wages were $1,043,647 and $1,404,793 for the years ended August 31, 2020 and 2019, respectively, a decrease of $361,146 or 25.7%. The decrease is primarily due to the impact of COVID-19 resulting in the temporary closure of our plant in Utah and management's decision to enter into a Management and Operations services agreement with Valkor, resulting in the elimination of our operational workforce during the current period.

d. Share based compensation was $887,818 and $916,240 for the years ended August 31, 2020 and 2019, respectively, a decrease of $28,422 or 3.1%. The decrease is related to the current 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.

e. Travel and promotional expenses were $713,662 and $683,409 for the years ended August 31, 2020 and 2019, respectively, an increase of $30,253 or 4.2%. The increase is primarily related to travel expense incurred by management and professionals directly attributed to the development of the plant during the current fiscal year.

f. Other expenses were $1,016,257 and $747,344 for the years ended August 31, 2020 and 2019, respectively, an increase of $268,913 or 36.0%. The increase is attributable to an increase in general corporate overhead expenses, of which no significant expense is easily identifiable.

Financing costs

Financing costs were $2,671,611 and $1,225,435 for the years ended August 31, 2020 and 2019, respectively, an increase of $1,446,176 or 118.0%. Finance costs consists of; (i)interest expense on borrowings of $1,256,985 and $8,095 for the years ended August 31, 2020 and 2019. The increase in interest expense is due to the capitalization of interest expense in the prior period directly related to the plant expansion expenses incurred, during the current year, interest has not been capitalized as the expansion project was largely completed in the prior year; and (ii) amortization of debt discount of $1,414,626 and $1,217,340 for the years ended August 31,2020 and 2019, respectively, an increase of $197,286 or 16.2%. The increase is primarily due to the increase in the debt discount associated with convertible notes advanced to the Company during the current fiscal year and the subsequent amortization thereof.

Impairment of investments

Impairment of investments was $75,000 and $914,468 for the years ended August 31, 2020 and 2019, respectively. In the prior year we provided against our equity investment in Accord GR Energy and Recruiter.com due to inactivity in these operations and the lack of demonstrable funding in each entity to justify the carrying value of the investments. In the current 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 $746,564 and $451,413 for the years ended August 31, 2020 and 2019, respectively, an increase of $295,151 and represents the following:

a. Interest income on funds advanced to third parties of $29,317 and $83,067 for the years ended August 31, 2020 and 2019, respectively, a decrease of $53,750. The decrease is primarily due to the repayment and set off of consulting fees due to the counterparties to these advances to third parties.

b. (Gain) loss on settlement of liabilities was $(524,971) and $534,480 for the years ended August 31, 2020 and 2019, respectively, an increase of $1,09,451. We settled debt of $2,533,655 by the issuance of shares during the current fiscal year, 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.

c. Loss on conversion of convertible debt was $744,918 and $0 for the years ended August 31, 2020 and 2019, respectively. During the current period several variable rate convertible notes with conversion features at a discount to current market prices were converted by the note holders, resulting in a loss on conversion.

d. Gain on debt extinguishment was $54,378 and $0 for the years ended August 31, 2020 and 2019, respectively. The gain is related to the amendment of terms related to certain of our debt obligations during the current period to remedy potential note defaults.

e. Penalty on convertible notes was $610,312 and $0 for the years ended August 31, 2020 and 2019, respectively. During the current period a convertible note with an aggregate principal amount outstanding of $2,900,00 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.

Derivate liability movements

Derivative liability movements was $187,401 and $0 for the years ended August 31, 2020 and 2019, respectively. During the current year, the Company entered into several variable rate convertible notes, whereby the conversion rate is at a fixed discount to current market prices, these variable conversion rate convertible instruments meet the definition of a derivative in terms of ASC 815, resulting in a quarterly mark to market of the derivative liability.

Net loss before income taxes

Net loss before income tax was $12,379,067 and $15,787,886 for the years ended August 31, 2020 and 2019, respectively, a decrease of $3,408,819 or 21.6%, primarily due to the write off of the remaining balance of advanced royalties and the reduction in selling, general and administrative expenses offset by the increase in financing costs, as discussed above.

Net loss and comprehensive loss

Net loss and comprehensive loss was $12,379,067 and $15,787,886 for the years ended August 31, 2020 and 2019, respectively, a decrease of $3,408,819 or 21.6%, as discussed above.

Liquidity and Capital Resources

As at August 31, 2020, the Company had liquidity of approximately $62,404, which is composed entirely of cash. The Company also had a working capital deficiency of approximately $12,955,134, 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, 2020. To date, we have not generated sufficient revenue to support our operating and general and administrative expenses. During the year ended August 31, 2020, we raised $3,143,374 in private placements, a further net proceeds of $2,337,438 from convertible debt, $356,154 from promissory notes and a further $577,490 from Federal relief loans. These funds were primarily used to fund operational expenditure during the current year.

Subsequent to August 31, 2020, in terms of various subscription agreements entered into with third parties, we raised an additional $445,000 in proceeds from private equity issues and a further $103,339 on warrants exercised.

Between September 22, 2020 and November 6, 2020, we raised an additional $436,500 from convertible debentures and promissory notes issued to various investors.

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

We have substantially completed our 400-500 barrel per day plant and expect capital expenditure to be channeled into construction of new oil extraction facilities to increase our production output. We expect to construct a further two facilities, each facility is estimated to cost $10,000,000 and minor modifications to the existing facility may cost an additional $500,000.

Other Commitments

In addition to commitments otherwise reported in this MD&A, the Company's contractual obligations as at August 31, 2020, include:

		Contractual cash flows			
(in '000s of dollars)	**Carrying amount**	**Total**	**1 year or less**	**2 - 5 years**	**More than 5 years**
Accounts payable	$ 2,407	$ 2,407	$ 2,407	$ -	$ -
Accrued liabilities	1,770	1,770	1,770	-	-
Convertible debenture	8,834	11,694	10,061	1,633	-
Debt	684	740	740	-	-
Finance lease liabilities	247	274	193	81	-
Operating lease liabilities	209	255	61	194	-
Federal relief loans	580	931	76	196	659
	$ 14,731	$ 18,071	$ 15,308	$ 2,104	$ 659

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

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Changes in Stockholders' Deficit	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

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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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two year period ended August 31, 2020, 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 15, 2020
We have served as the Company's independent auditor since *2012*

PETROTEQ ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
As at August 31, 2020 and 2019
Expressed in US dollars

	Notes	August 31, 2020	August 31, 2019
ASSETS			
Current assets			
Cash		$ 62,404	$ 50,719
Trade and other receivables	4	12,830	144,013
Current portion of advanced royalty payments	7	-	446,362
Ore inventory	6	14,749	176,792
Other inventory		12,250	39,038
Current portion of notes receivable	5	89,159	85,359
Prepaid expenses and other current assets	1	2,043,510	1,499,120
Total Current Assets		**2,234,902**	**2,441,403**
Non-Current assets			
Advanced royalty payments	7	-	421,667
Notes receivable	5	-	760,384
Mineral leases	8	34,911,143	34,911,143
Property, plant and equipment	9	35,582,512	33,613,650
Right of use asset	10	209,101	-
Intangible assets	11	707,671	707,671
Total Non-Current Assets		**71,410,427**	**70,414,515**
Total Assets		**$ 73,645,329**	**$ 72,855,918**
LIABILITIES			
Current liabilities			
Accounts payable	12	$ 2,406,665	$ 2,081,756
Accrued expenses	12	1,769,749	2,048,399
Ore Sale advances		283,976	283,976
Promissory notes payable		8,000	-
Debt	13	683,547	867,230
Current portion of convertible debentures	14	8,227,257	6,188,872
Current portion of Federal relief loans	15	74,383	-
Current portion of finance lease liabilities	10	172,374	189,933
Current portion of operating lease liabilities	10	42,053	-
Related party payables	22(c)	680,647	50,000
Derivative liability	16	841,385	-
Total Current Liabilities		**15,190,036**	**11,710,166**
Non-Current liabilities			
Convertible debentures	14	607,067	140,597
Federal relief loans	15	505,969	-
Finance lease liabilities	10	75,058	215,695
Operating lease liabilities	10	167,048	-
Reclamation and restoration provision	17	2,970,497	2,970,497
Total Non-Current Liabilities		**4,325,639**	**3,326,789**
Total Liabilities		**19,515,675**	**15,036,955**
Commitments and contingencies	29		
SHAREHOLDERS' EQUITY			
Share capital	18,19,20	144,794,003	136,104,245
Deficit		(90,664,349)	(78,285,282)
Total Shareholders' Equity		**54,129,654**	**57,818,963**
Total Liabilities and Shareholders' Equity		**$ 73,645,329**	**$ 72,855,918**

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, 2020 and 2019
Expressed in US dollars

	Notes	Year ended August 31, 2020	Year ended August 31, 2019
Revenues from hydrocarbon sales		$ 290,809	$ 59,335
Production and maintenance costs		(1,713,638)	(1,347,766)
Advance royalty payments applied or expired	7	(988,029)	(291,057)
Gross Loss		**(2,410,858)**	**(1,579,488)**
Expenses			
Depreciation, depletion and amortization	9	103,888	73,650
Selling, general and administrative expenses	24	6,183,745	11,543,432
Financing costs	25	2,671,611	1,225,435
Impairment of investments	2(b)	75,000	914,468
Other expenses (income), net	26	746,564	451,413
Derivative liability movements	16	187,401	-
Total Expenses, net		9,968,209	14,208,398
Net loss before income taxes		**12,379,067**	**15,787,886**
Income tax expense		-	-
Net loss and Comprehensive loss		**12,379,067**	**15,787,886**
Weighted Average Number of Shares Outstanding		201,401,437	114,166,768
Basic and Diluted Loss per Share		$ 0.06	$ 0.14

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, 2020 and 2019
Expressed in US dollars

	Number of Shares Outstanding	Share Capital	Deficit	Shareholders' Equity
Balance at August 31, 2018	85,163,631	$ 95,426,796	$ (62,497,396)	$ 32,929,400
Settlement of debt	462,011	424,604	-	424,604
Settlement of liabilities	7,793,557	3,313,380	-	3,313,380
Common shares subscriptions	36,397,547	12,177,513	-	12,177,513
Share based payment for mineral rights	45,000,000	21,000,000		21,000,000
Share-based payments	1,425,000	1,364,086	-	1,364,086
Share-based compensation	-	916,240	-	916,240
Beneficial conversion feature of convertible debt	-	728,356	-	728,356
Fair value of convertible debt warrants issued	-	753,270	-	753,270
Net loss	-	-	(15,787,886)	(15,787,886)
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

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, 2020 and 2019
Expressed in US dollars

	Year ended August 31, 2020	Year ended August 31, 2019
Cash flow used for operating activities:		
Net loss	$ (12,379,067)	$ (15,787,886)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	103,888	73,650
Amortization of debt discount	1,414,626	1,217,340
Loss on conversion of debt	744,918	99,548
Penalty on convertible debt	610,312	-
Gain on debt extinguishment	(54,378)	-
(Gain) loss on share based settlements	(524,971)	434,933
Impairment of investments	75,000	914,468
Share-based compensation	887,818	916,240
Shares issued for services	38,193	470,602
Shares issued to settle liabilities	2,055,083	3,313,380
Non-cash compensation expense	553,333	-
Derivative liability movement	187,401	-
Non-cash amortization of advanced royalty payments	988,029	291,057
Other	8,315	(72,671)
Changes in operating assets and liabilities:		
Accounts payable	324,909	161,000
Accounts receivable	131,183	225,000
Accrued expenses	118,830	(235,765)
Prepaid expenses and deposits	65,610	129,568
Inventory	188,831	(22,198)
Net cash used for operating activities	(4,462,137)	(7,871,734)
Cash flows used for investing activities:		
Purchase and construction of property and equipment	(2,072,750)	(7,932,937)
Purchase of mineral lease rights	-	(1,800,000)
Mineral rights deposits paid	(610,000)	(1,297,000)
Investment in notes receivable	(702,612)	(2,694,000)
Proceeds from notes receivable	1,150,522	1,043,500
Advance royalty payments - net	(120,000)	(360,000)
Net cash used for investing activities	(2,354,840)	(13,040,437)
Cash flows from financing activities:		
Advances from related parties	724,902	347,256
Proceeds on private equity placements	3,143,374	12,177,514
Payments of debt	(193,196)	(546,611)
Proceeds from debt	-	517,000
Proceeds from convertible debt	2,337,438	6,227,730
Repayment of convertible debt	(117,500)	(400,000)
Proceeds from promissory notes	356,154	-
Proceeds from Federal relief loans	577,490	-
Net cash from financing activities	6,828,662	18,322,889
Increase (decrease) in cash	11,685	(2,589,282)
Cash, beginning of the period	50,719	2,640,001
Cash, end of the period	$ 62,404	$ 50,719
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 284,753	$ 19,700
Non cash financing and investing activities:		
Value of warrants issued to convertible debt holders	$ 747,384	$ 753,270
Beneficial conversion feature on debt extinguishment	$ 109,275	$ -
Beneficial conversion feature of convertible debt issued	$ -	$ 728,356
Shares issued on conversion of convertible debt	$ 1,155,059	$ -
Shares issued to settle debt	$ 822,529	$ 424,604
Shares issued to settle related party payables	$ 86,996	$ -

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

1. GENERAL INFORMATION

Petroteq Energy Inc. (the "Company") is an Ontario, Canada corporation which conducts oil sands mining and oil extraction operations in the USA. It operates through its indirectly wholly owned subsidiary company, Petroteq Oil Sands Recovery, LLC ("POSR"), which is engaged in mining and oil extraction from tar sands.

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.

POSR is engaged in a tar sands mining and oil processing operation, using a closed-loop solvent based extraction system that recovers bitumen from surface mining, and has completed the construction of an oil processing plant in the Asphalt Ridge area of Utah.

In November 2017, the Company formed a wholly owned subsidiary, Petrobloq, LLC, to design and develop a blockchain-powered supply chain management platform for the oil and gas industry.

On June 1, 2018, the Company finalized the acquisition of a 100% interest in two leases for 1,312 acres of land within the Asphalt Ridge, Utah area.

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, 2020, the Company 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 a cash payment of $1,907,000, with the balance of $1,093,000 still outstanding.

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, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 transaction 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.

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 28.

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.

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.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): "Measurement of Credit Losses on Financial Instruments", which replaces the incurred loss methodology with an expected credit loss methodology that is referred to as the current expected credit loss (CECL) methodology. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The amendments in this update are required to be applied using the modified retrospective method with an adjustment to accumulated deficit and are effective for the Company beginning with fiscal year 2020, including interim periods. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. An entity with trade receivables will be required to use historical loss information, current conditions, and reasonable and supportable forecasts to determine expected lifetime credit losses. Pooling of assets with similar risk characteristics is also required.

Since adopted on January 1, 2020, there has not been any material impact on the Company's financial position, results of operations, and related disclosures.

*In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740),*this update reduce the complexity in accounting for income taxes by removing certain exceptions to accounting for income taxes and deferred taxes and simplifying the accounting treatment of franchise taxes, a step up in the tax basis of goodwill as part of business combinations, the allocation of current and deferred tax to a legal entity not subject to tax in its own financial statements, reflecting changes in tax laws or rates in the annual effective rate in interim periods that include the enactment date and minor codification improvements.

This ASU is effective for fiscal years and interim periods beginning after December 15, 2020.

The effects of this ASU on the Company's financial statements is not considered to be material.

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, 2020, has an accumulated deficit of $90,664,349, (August 31, 2019 - $78,285,282) and working capital (deficiency) of $12,955,134 (August 31, 2019 - $9,268,763). 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:

	August 31, 2020	August 31, 2019
Goods and services tax receivable	$ 12,830	$ 59,013
Other receivables	-	85,000
	$ 12,830	$ 144,013

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

5. NOTES RECEIVABLE

The Company's notes receivables consist of:

	Maturity Date	Interest Rate	Principal due August 31, 2020	Principal due August 31, 2019
Private debtor	March 16, 2020	5%	$ 76,000	$ 76,000
Private debtor	August 20, 2021	5%	-	642,581
Private debtor	August 20, 2021	5%	-	117,000
Interest accrued			13,159	10,162
			$ 89,159	$ 845,743
Disclosed as follows:				
Current portion			$ 89,159	$ 85,359
			-	760,384
			$ 89,159	$ 845,743

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 and is currently on demand until a new agreement is negotiated.

Strategic IR

The Company advanced Strategic IR a total of $642,581 during the year ended August 31, 2019. This was memorialized by a promissory note that bears interest at 5% per annum and is repayable on August 20, 2021. During the year ended August 31, 2020, the Company advanced Strategic IR a further $125,000 and received repayments totaling $196,000. Consulting fees owing to Strategic IR in terms of a consulting agreement entered into amounting to $553,333 were offset against the balance owing to the Company. The Debt owing by Strategic IR was extinguished during the current year.

Beverly Pacific Holdings

The company advanced Beverly Pacific Holdings a net amount of $117,000 during the year ended August 31, 2019, memorialized by a promissory note that bears interest at 5% per annum and is repayable on August 20, 2021. During the current period, the Company advanced a further $577,612, which has subsequently been settled by Beverly Pacific. As of August 31, 2020, the balance owing to the Company is $0.

6. 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") holds the rights to mine ore from the Asphalt Ridge deposit. The mining and crushing of the bituminous sands has been contracted to an independent third party.

During the year ended August 31, 2020, the cost of mining, hauling and crushing the ore, amounting to $162,043 (2019 - $176,792), was recorded as the cost of the crushed ore inventory.

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 (2019 - $2,250,336) 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. MINERAL LEASES

	TMC Mineral Lease	SITLA Mineral Lease	BLM Mineral Lease	Total
Cost				
August 31, 2018	$ 11,091,388	$ 19,755	$ -	$ 11,111,143
Additions	-	-	23,800,000	23,800,000
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
Accumulated Amortization				
August 31, 2018, 2019 and 2020	$ -	$ -	$ -	$ -
Carrying Amounts				
August 31, 2018	$ 11,091,388	$ 19,755	$ -	$ 11,111,143
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

8. 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.

On June 1, 2015, the Company acquired TMC Capital, LLC ("TMC"). TMC holds a mining and mineral lease, subleased from Asphalt Ridge, Inc., on the Asphalt Ridge property located in Uintah County, Utah (the "TMC Mineral Lease").

The salient terms of the lease are 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.

8. 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.

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.

8. MINERAL LEASES (continued)

(b) SITLA Mineral Lease (Petroteq Oil Sands 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 POSR, 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Oil Extraction Plant	Other Property and Equipment	Total
Cost			
August 31, 2018	$ 23,101,035	$ 394,555	$ 23,495,590
Additions	12,454,792	43,613	12,498,405
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
Accumulated Amortization			
August 31, 2018	$ 2,148,214	$ 158,481	$ 2,306,695
Additions	-	73,650	73,650
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
Carrying Amount			
August 31, 2018	$ 20,952,821	$ 236,074	$ 21,188,895
August 31, 2019	$ 33,407,613	$ 206,037	$ 33,613,650
August 31, 2020	$ 35,479,671	$ 102,841	$ 35,582,512

9. PROPERTY, PLANT AND EQUIPMENT(continued)

(a) Oil Extraction Plant

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.

The cost of construction includes capitalized borrowing costs for the year ended August 31, 2020 of $0 (2019 - $2,190,309) and total capitalized borrowing costs as at August 31, 2020 of $4,421,055 (2019 - $4,421,055).

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 2020 and 2019 fiscal years as there has only been test production during these years.

10. 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.

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, 2020	August 31, 2019
Non-current assets		
Right of use assets – operating leases, net of amortization	$ 209,101	$ -
Right of use assets – finance leases, net of depreciation – included in property, plant and equipment	718,193	758,534

Lease costs consist of the following:

	Year ended August 31, 2020	Year ended August 31, 2019
Finance lease cost:	**$ 82,878**	**$ 93,883**
Depreciation of right of use assets	40,341	40,341
Interest expense on lease liabilities	42,537	53,542
Operating lease expense	**59,292**	**-**
Total lease cost	**$ 142,170**	**$ 93,883**

10. LEASES (continued)

Other lease information:

	Year ended August 31, 2020	Year ended August 31, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ (42,537)	$ (53,542)
Operating cash flows from operating leases	(59,292)	-
Financing cash flows from finance leases	$ (157,388)	$ (196,611)
Right-of -use assets obtained in exchange for new operating leases	$ 245,482	-
Weighted average remaining lease term – finance leases	1.25 years	2.25 years
Weighted average remaining lease term – operating leases	4 years	-
Weighted average discount rate – finance leases	12.36%	11.54%
Weighted average discount rate – operating leases	10.00%	-

Maturity of Leases

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

	August 31, 2020	August 31, 2019
Undiscounted minimum future lease payments		
Total instalments due:		
Within 1 year	$ 193,680	$ 229,176
1 to 2 years	80,700	186,852
2 to 3 years	-	46,713
	274,380	462,741
Imputed interest	(26,948)	(57,113)
Total finance lease liability	$ 247,432	$ 405,628
Disclosed as:		
Current portion	$ 172,374	$ 189,933
Non-current portion	75,058	215,695
	$ 247,432	$ 405,628

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

	August 31, 2020	August 31, 2019
Undiscounted minimum future lease payments		
Total instalments due:		
Within 1 year	$ 61,070	$ -
1 to 2 years	62,903	-
2 to 3 years	64,790	-
3 to 4 years	66,734	-
	255,497	-
Imputed interest	(46,396)	-
Total operating lease liability	$ 209,101	$ -
Disclosed as:		
Current portion	$ 42,053	$ -
Non-current portion	167,048	-
	$ 209,101	$ -

11. INTANGIBLE ASSETS

	Oil Extraction Technologies
Cost	
August 31, 2018	$ 809,869
Additions	-
August 31, 2019	809,869
Additions	-
August 31, 2020	$ 809,869
Accumulated Amortization	
August 31, 2018	$ 102,198
Additions	-
August 31, 2019	102,198
Additions	-
August 31, 2020	$ 102,198
Carrying Amounts	
August 31, 2018	$ 707,671
August 31, 2019	$ 707,671
August 31, 2020	$ 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 2020 and 2019 fiscal years.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as at August 31, 2020 and 2019 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, 2020 and 2019 consist primarily of other operating expenses and interest accruals on debt (Note 13) and convertible debentures (Note 14).

Information about the Company’s exposure to liquidity risk is included in Note 31(c).

13. DEBT

Lender	Maturity Date	Interest Rate	Principal due August 31, 2020	Principal due August 31, 2019
Private lenders	On demand	10.00%	115,000	200,000
Private lenders	August 31, 2020	5.00%	468,547	567,230
Private lenders	On demand	10.00%	100,000	100,000
			$ 683,547	$ 867,230

The maturity date of debt is as follows:

	August 31, 2020	August 31, 2019
Principal classified as repayable within one year	$ 683,547	$ 867,230
Principal classified as repayable later than one year	-	-
	$ 683,547	$ 867,230

(a) Private lenders

(i) On July 3, 2018, the Company received a $200,000 advance from a private lender bearing interest at 10% 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 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.

(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. The maturity date of the debentures are currently being renegotiated.

(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. Subsequent to year end, 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.

14. CONVERTIBLE DEBENTURES

Lender	Maturity Date	Interest Rate	Principal due August 31, 2020	Principal due August 31, 2019
GS Capital Partners	January 15, 2020	10.00%	-	143,750
Calvary Fund I LP	September 4, 2019	10.00%	-	250,000
	July 31, 2021	12.00%	250,000	250,000
	July 31, 2021	12.00%	480,000	480,000
	August 7, 2021	0%	150,000	-
SBI Investments LLC	December 15, 2020	10.00%	250,000	250,000
	January 16, 2021	10.00%	55,000	-
Bay Private Equity, Inc.	March 31, 2021	5.00%	3,661,874	2,900,000
	February 20, 2021	5.00%	2,400,000	2,400,000
Cantone Asset Management LLC	October 19, 2020	7.00%	300,000	300,000
	December 17, 2020	7.00%	240,000	-
	January 14, 2021	7.00%	240,000	-
Private lender	October 29, 2020	10.00%	200,000	-
Petroleum Capital Funding LP.	November 26, 2023	10.00%	318,000	-
	December 4, 2023	10.00%	432,000	-
	March 30, 2024	10.00%	471,000	-
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	-
EMA Financial, LLC	April 22, 2021	8.00%	150,000	-
Morison Management S.A	July 31, 2021	10.00%	192,862	-
			10,007,436	6,973,750
Unamortized debt discount			(1,173,112)	(644,281)
Total loans			$ 8,834,324	$ 6,329,469

The maturity date of the convertible debentures are as follows:

	August 31, 2020	August 31, 2019
Principal classified as repayable within one year	$ 8,227,257	$ 6,188,872
Principal classified as repayable later than one year	607,067	140,597
	$ 8,834,324	$ 6,329,469

14. CONVERTIBLE DEBENTURES (continued)

(a) GS Capital Partners

On December 28, 2018, the Company issued a convertible debenture to GS Capital Partners ("GS")of $143,750 including an Original Issue Discount ("OID") of $18,750, together with warrants exercisable for 260,416 shares of common stock at an exercise price of $0.48 per share with a maturity date of April 29, 2019. The debenture has a term of four months and one day and bears interest at a rate of 10% per annum payable at maturity and at the option of the holder the purchase amount of the debenture (excluding the original issue discount of 15%) is convertible into 260,416 common shares of the Company at $0.48 per share in accordance with the terms and conditions set out in the debenture.

On August 26, 2020, the convertible debenture 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.

(b) 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 and expired 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, which warrant expired on 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.

(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.

14. CONVERTIBLE DEBENTURES (continued)

(c) 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.

The warrants expired on October 15, 2019 unexercised.

During December 2019, the maturity date of the convertible loan was extended to October 12, 2020 and the conversion price of the note was reset to $0.18 per share.

Subsequent to year end, the Company repaid $50,000, and the maturity date of the loan has been extended to December 15, 2020.

(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 matures 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, expiring on January 16, 2021.

(d) 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.

On September 17, 2019, the warrants expired, unexercised.

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.

Subsequent to year end 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 (Note 14(d)(i)).

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.

14. CONVERTIBLE DEBENTURES (continued)

(e) 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 matured 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.

(ii) On September 19, 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 matures 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 the Amendment 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.

(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, and matures 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.

(f) 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. The Company is currently renegotiating the terms of the convertible debenture with the lender.

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, which warrant expired on October 29, 2020.

14. CONVERTIBLE DEBENTURES (continued)

(g) 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.

Subsequent to year end, 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.

(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.

Subsequent to year end, 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.

(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.

Subsequent to year end, 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.

14. CONVERTIBLE DEBENTURES (continued)

(h) Power Up Lending Group LTD.

(i) On October 11, 2019, the Company issued a convertible promissory note to Power Up Lending Group LTD ("Power Up") in the aggregate principal sum of $158,000, including an original issue discount of $15,000, for net proceeds of $140,000 after certain expenses. The note bore interest at 12% per annum and matured on October 17, 2020. The note could 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 was 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 5, 2020 and June 8, 2020, Power Up converted the aggregate principal sum of $158,000, including interest thereon of $8,580 into 6,861,225 common shares at an average conversion price of $0.024 per share, thereby extinguishing the note.

(ii) On December 17, 2019, the Company issued a convertible promissory note to Power Up in the aggregate principal sum of $81,000, including an original issue discount of $8,000, for net proceeds of $70,000 after certain expenses. The note bears interest at 12% per annum and matures on December 17, 2020. 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 June 18, 2020 and June 25, 2020, Power Up converted the aggregate principal sum of $81,000, including interest thereon of $3,960 into 4,317,500 common shares at an average conversion price of $0.020 per share, thereby extinguishing the note.

(iii) 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.

(iv) 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.

(v) 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.

14. CONVERTIBLE DEBENTURES (continued)

(i) EMA Financial, LLC

(i) On November 21, 2019, the Company issued a convertible promissory note to EMA Financial, LLC ("EMA") for the aggregate principal sum of $150,000, including an original issue discount of $22,500, for net proceeds of $123,750 after certain expenses. The note bears interest at 8% per annum and matures on August 20, 2020. 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 price during the fifteen trading days including and immediately preceding the conversion date.

Between June 8, 2020 and June 30, 2020, EMA converted the aggregate principal sum of $43,021 into 3,800,000 common shares at an average conversion price of $0.011 per share.

On July 31, 2020, the remaining principal balance of the note amounting to $106,979, including interest thereon of $8,273 was acquired by Global Business Partners ("GBP") and the Company issued a new convertible note to GBP, bearing interest at 8% per annum and maturing on July 31, 2021. 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 70% of the two lowest average trading price during the previous fifteen prior trading days.

On August 3, 2020, the convertible note issued to GBP was assigned to Morison Management S.A. ("Morison"). On the same day, Morison converted the aggregate principal sum of $106,979, including interest thereon of $8,600 into 13,037,710 common shares at a conversion price of $0.009 per share, thereby extinguishing the note.

(ii) 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.

(j) 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.

15. FEDERAL RELIEF LOANS

Small Business Administration Disaster Relief loan

On June 16, 2020, Petroteq Oil Sands 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 Sands 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 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.

16. 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.

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 $187,401 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, 2020
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%
Expected dividend rate	0%

The movement in derivative liability is as follows:

	August 31, 2020
Opening balance	$ -
Derivative financial liability arising from convertible notes	653,984
Fair value adjustment to derivative liability	187,401
	$ 841,385

17. RECLAMATION AND RESTORATION PROVISIONS

	Oil Extraction Facility	Site Restoration	Total
Balance at August 31, 2018	$ 371,340	$ 212,324	$ 583,664
Re-evaluation of reclamation and restoration provision	119,716	2,255,443	2,375,159
Accretion expense	7,428	4,246	11,674
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

(a) Oil Extraction Plant

In accordance with the terms of the sub-lease agreement disclosed in note 8 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 was 2.0%.

(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 was 2.0%.

18. COMMON SHARES

Authorized	unlimited common shares without par value
Issued and Outstanding	274,450,337 common shares as at August 31, 2020.

(a) Settlement of debt

Between September 19, 2019 and August 20, 2020, the Company issued 19,853,808 common shares and 1,111,111 warrants to certain lenders to settle $909,288 of unpaid principal and interest on promissory notes and convertible debt.

(b) Settlement of liabilities

Between September 24, 2019 and August 20, 2020, the Company issued 8,540,789 common shares to several vendors in settlement of $2,055,083 of trade debt.

(c) Common share subscriptions

Between September 19, 2019 and August 24, 2020, the Company issued 39,001,185 common shares to various investors for net proceeds of $3,733,824.

(d) Convertible debt conversions

Between May 8, 2020 and August 4, 2020, in terms of conversion notices received, the Company issued 28,016,435 common shares for convertible debt in the aggregate sum of $410,140.

(e) Share based payments for services

Between September 24, 2019 and May 21, 2020, the Company issued 190,000 shares valued at $38,193 as compensation for professional services and labor rendered to the Company.

(e) Shares issued to settle investment obligations

On October 28, 2019, the Company issued 250,000 shares valued at $75,000 to settle the outstanding investment obligation in Petrobloq.

(f) Shares issued to settle Related Party payables

On August 20, 2020, the company issued 2,356,374 common shares to a related party to settle debt in the aggregate sum of $92,255.

19. 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 54,890,067 common shares reserved for issue at August 31, 2020.

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.

19. STOCK OPTIONS (continued)

(a) Stock option plan (continued)

During the year ended August 31, 2020 the share-based compensation expense of $887,818 (2019 - $916,240) relates to the vesting of options granted during the current fiscal year and the fiscal year ended August 31, 2018.

(b) Stock options

Stock option transactions under the stock option plan were:

	Year ended August 31, 2020			Year ended August 31, 2019		
	Number of Options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	9,808,333	CAD$	1.20	9,858,333	CAD$	1.22
Options granted	5,220,000	CAD$	0.10	-		-
Options forfeited	(5,558,333)	CAD$	1.14	(50,000)	CAD$	4.80
Balance, end of period	9,470,000	CAD$	0.63	9,808,333	CAD$	1.20

Stock options outstanding and exercisable as at August 31, 2020 are:

Expiry Date		Exercise Price	Options Outstanding	Options Exercisable
February 20, 2021	CAD$	0.110	2,220,000	2,220,000
August 7, 2025	CAD$	0.085	3,000,000	-
November 30, 2027	CAD$	2.270	950,000	950,000
June 5, 2028	CAD$	1.000	3,300,000	2,475,000
			9,470,000	5,645,000
Weighted average remaining contractual life			5.1 years	4.8 years

The total grant-date fair value of stock options granted during the year ended August 31, 2020 was $259,220, determined by applying the Black-Scholes option pricing model with the following inputs and assumptions:

	Year ended August 31, 2020
Conversion price	CAD$0.085 to CAD$0.11
Risk free interest rate	0.19 to 0.30%
Expected life of derivative liability	0.5 to 5 years
Expected volatility of underlying stock	135 to 192%
Expected dividend rate	0%

20. SHARE PURCHASE WARRANTS

Share purchase warrants outstanding as at August 31, 2020 are:

Expiry Date	Exercise Price		Warrants Outstanding
September 6, 2020	US$	1.01	925,925
October 11, 2020	US$	1.35	510,204
October 11, 2020	US$	1.50	10,204
October 19, 2020	US$	0.24	1,315,789
October 29, 2020	US$	0.18	555,555
November 7, 2020	US$	0.61	20,408
November 7, 2020	US$	0.66	300,000
November 8, 2020	US$	1.01	918,355
December 7, 2020	US$	0.67	185,185
December 7, 2020	US$	1.50	3,188,735
December 17, 2020	US$	0.26	952,380
January 10, 2021	US$	1.50	1,437,557
January 11, 2021	US$	1.50	307,692
January 14, 2021	US$	0.20	1,176,470
January 16, 2021	US$	0.14	357,142
Mar 29, 2021	US$	0.465	1,481,481
April 8, 2021	CAD$	4.73	57,756
May 22, 2021	US$	0.91	6,000,000
May 22, 2021	US$	0.30	1,133,333
May 22, 2021	US$	1.50	65,759
July 5, 2021	US$	0.25	52,631
July 5, 2021	US$	0.28	131,578
July 5, 2021	US$	0.35	3,917,771
July 21, 2021	US$	0.0412	2,666,666
August 7, 2021	US$	0.0412	3,033,980
August 16, 2021	CAD$	0.29	120,000
August 16, 2021	US$	0.18	4,210,785
September 20, 2021	US$	0.23	1,111,111
September 30, 2021	US$	0.23	2,777,777
November 26, 2023	US$	0.17	1,683,230
December 4, 2023	US$	0.17	2,286,720
March 30, 2024	US$	0.08	392,500
March 30, 2024	US$	0.15	4,906,250
January 25, 2025	US$	0.14	151,785
			48,342,714
Weighted average remaining contractual life			1.21 years
Weighted average exercise price	USD$	0.43	

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, 2020.

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 $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.

From September 6, 2018 to May 22, 2019, the Company issued 23,375,948 warrants in accordance with the terms of common share subscription agreements entered into with various investors. The fair value of the warrants granted was estimated using the relative fair value method at between $0.049 and $0.36 per warrant.

20. SHARE PURCHASE WARRANTS (continued)

The share purchase warrants issued, during the year ended August 31, 2020, were valued at $918,147 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, 2020
Share price	CAD$	0.18
Exercise price	CAD$	0.22
Expected share price volatility		123.5%
Risk-free interest rate		1.11%
Expected term		2.69

21. 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.

For the years ended August 31, 2020 and 2019, 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, 2020	Year ended August 31, 2019
Share purchase options	9,470,000	9,808,333
Share purchase warrants	48,342,714	50,660,474
Convertible securities	93,941,474	39,593,517
	151,754,188	100,062,324

22. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel and director compensation

At August 31, 2020, $547,660 was due to members of key management and directors for unpaid salaries, expenses and directors' fees (2019 – $748,682).

(b) Transactions with directors and officers

During the year ended August 31, 2020, no common shares were granted as compensation to key management and directors of the Company.

On September 19, 2019 and July 31, 2020, the Chairman of the board 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 the Chairman of the board entered into a debt settlement agreement, whereby 2,356,374 shares were issued to settle an outstanding promissory note of $94,255.

On October 31, 2019 and March 11, 2020, a director advanced the Company $50,000 and $25,000, respectively as a short-term loan. The loan is interest free and is expected to be repaid within three months. The total loan outstanding as of August 31, 2020 was $125,000.

(c) Due to/from director

As of August 31, 2020 and 2019, the Company owed the chairman of the Board and the various companies controlled by him $395,647 and $0, respectively, in funds advanced to the Company for working capital purposes, in addition, the Company owes the chairman of the board $160,000, and $286,000 respectively, in unpaid salaries.

As of August 31, 2020 and 2019, the Company owed a director $125,000 and $50,000, respectively in working capital advances to the Company. The advance is interest free with no fixed terms of repayment.

23. 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 pay 250,000 common shares to FBCC as a final settlement of the agreement. The investment has been fully provided for as of August 31, 2020.

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consists of the following:

	Year ended August 31, 2020	Year ended August 31, 2019
Investor relations and public relations	$ (92,179)	$ 1,484,845
Professional fees	2,614,540	6,194,176
Research and development expenses	-	112,625
Salaries and wages	1,043,647	1,404,793
Share-based compensation	887,818	916,240
Travel and promotional expenses	713,662	683,409
Other	1,016,257	747,344
	$ 6,183,745	$ 11,543,432

25. FINANCING COSTS, NET

Financing costs, net, consists of the following:

	Year ended August 31, 2020	Year ended August 31, 2019
Interest expense on borrowings	$ 1,256,985	$ 8,095
Amortization of debt discount	1,414,626	1,217,340
	$ 2,671,611	$ 1,225,435

26. OTHER EXPENSE (INCOME), NET

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

	Year ended August 31, 2020	Year ended August 31, 2019
(Gain) loss on settlement of liabilities	$ (524,971)	$ 534,480
Loss on conversion of convertible debt	744,918	-
Gain on debt extinguishment	(54,378)	-
Penalty on convertible notes	610,312	-
Interest income	(29,317)	(83,067)
	$ 746,564	$ 451,413

27. INCOME TAXES

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

	2020	2019
Property, plant and equipment and intangible assets	$ (18,502,900)	$ (18,458,345)
Non-capital tax loss carry-forwards	14,418,180	12,508,132
Other tax-related balances and credits	(160,286)	162,286
Valuation allowance	4,247,006	5,787,927
Net deferred tax assets (liabilities)	$ -	$ -

A reconciliation of the provision for income taxes is:

	2020	2019
Net loss before income taxes	$ 12,379,067	$ 15,787,886
Combined federal and state statutory income tax rates	26.5%	26.5%
Tax recovery using the Company's domestic tax rate	3,280,453	4,183,790
Effect of tax rates in foreign jurisdictions	-	(1,043,076
Net effect of (non-deductible) deductible items	(2,369,610)	(589,711)
Current year deductible amounts	1,638,692	35,489
Current period losses not recognized	(2,549,535)	(2,586,492)
Provision for income taxes	$ -	$ -

As at August 31, 2020, the Company has, on a consolidated basis, non-capital losses of approximately $91 million for income tax purposes which may be used to reduce taxable incomes of future years. If unused, these losses will expire between 2030 and 2040.

28. SEGMENT INFORMATION

The Company operated in two reportable segments within the USA during the year ended August 31, 2020 and 2019, 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, 2020 and 2019. Other information about reportable segments are:

	August 31, 2020		
(in '000s of dollars)	**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

	August 31, 2019		
(in '000s of dollars)	**Oil Extraction**	**Mining Operations**	**Consolidated**
Additions to non-current assets	$ 12,498	23,800	36,298
Reportable segment assets	36,690	36,166	72,856
Reportable segment liabilities	$ 11,663	3,374	15,037

	August 31, 2020		
(in '000s of dollars)	**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)**
Operating 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**

28. SEGMENT INFORMATION (continued)

	August 31, 2019		
(in ’000s of dollars)	**Oil Extraction**	**Mining operations**	**Consolidated**
Revenues from hydrocarbon sales	**$ 59**	**$ -**	**$ 59**
Other production and maintenance costs	1,347	-	1,347
Advance royalty payments	-	291	291
Gross Loss	**(1,288)**	**(291)**	**(1,579)**
Operating Expenses			
Depreciation, depletion and amortization	74	-	74
Selling, general and administrative expenses	11,531	13	11,544
Investor relations	1,485	-	1,485
Professional fees	6,194	-	6,194
Research and development expenses	113	-	113
Salaries and wages	1,405	-	1,405
Share-based compensation	916	-	916
Travel and promotional expenses	683	-	683
Other	735	13	748
Financing costs	1,225	-	1,225
Impairment of investments	914	-	914
Other expense (income)	452	-	452
Gain on settlement of liabilities	535	-	535
Interest income	(83)	-	(83)
Net loss	**$ 15,484**	**$ 304**	**$ 15,788**

29. COMMITMENTS

The company has commitments under equipment financing arrangements entered into in prior periods, see Note 10, above.

Maturity of Leases

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

	August 31, 2020
Undiscounted minimum future lease payments	
Total instalments due:	
Within 1 year	$ 193,680
1 to 2 years	80,700
Total finance lease liability	$ 274,380

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:

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

	August 31, 2020
Undiscounted minimum future lease payments	
Total instalments due:	
Within 1 year	$ 61,070
1 to 2 years	62,903
2 to 3 years	64,790
3 to 4 years	66,734
Total operating lease liability	$ 255,497

30. 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.

31. 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, 2020 and 2019, the Company had $12,830 and $144,013 in trade and other receivables, respectively and $89,159 and $845,743 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.

31. 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, 2020

		Contractual cash flows			
(in '000s of dollars)	Carrying amount	Total	1 year or less	2 - 5 years	More than 5 years
Accounts payable	$ 2,407	$ 2,407	$ 2,407	$ -	$ -
Accrued liabilities	1,770	1,770	1,770	-	-
Convertible debenture	8,834	11,694	10,061	1,633	-
Debt	684	740	740	-	-
Finance lease liabilities	247	274	193	81	-
Operating lease liabilities	209	255	61	194	-
Federal relief loans	580	931	76	196	659
	$ 14,731	$ 18,071	$ 15,308	$ 2,104	$ 659

32. SUBSEQUENT EVENTS

Events after the reporting date not otherwise separately disclosed in these consolidated financial statements are:

(a) Common shares

On September 17, 2020 and December 9, 2020, a warrant holder exercised warrants over a total of 3,444,639 shares for gross proceeds of $103,339 at an exercise price of $0.03 per share.

On November 13, 2020 the Company entered into subscription agreements with various investors whereby 7,416,666 common shares were issued for gross proceeds of $445,000.

(b) Debt settlements

Between September 21, 2020 and December 7, 2020, the Company entered into lability settlement agreements with various vendors, whereby 87,754,843 shares were issued in settlement of liabilities amounting to $4,091,943.

(c) Debt conversions

Between October 1, 2020 and November 13, 2020, convertible note holders converted $260,642 of convertible debt into 12,542,950 common shares at an average conversion price of $0.045 per share.

(d) Related party settlements

On December 9, 2020, the Company entered into debt settlement agreements with certain directors whereby outstanding directors fees as of November 30, 2020, amounting to $277,165 were settled by the issue of 3,959,498 shares at an issue price of $0.07 per share.

32. SUBSEQUENT EVENTS (continued)

(e) Financing Activity

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 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 October 5, 2020, the Company issued a promissory note to an investor for gross proceeds of $49,000, the promissory note bears interest at 0% per annum and matures on September 21, 2021. On October 14, 2020, the Company entered into a debt settlement agreement with the investor whereby the Company issued 671,232 shares to settle the aggregate principal amount of $49,000 thereby extinguishing the note.

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.

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. The convertible debenture matures on November 24, 2021.

32. SUBSEQUENT EVENTS (continued)

(f) Management and Operations Services Agreement

In 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.

(f) Technology License Agreement

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 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 undertakes 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.

33. 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, 2020	Year ended August 31, 2019
Advanced royalty payments	$ 120	$ 360
Mineral lease acquisition costs – Unproven properties	-	23,800
Construction of oil extraction plant	2,073	12,455
	$ 2,193	$ 36,615

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, 2020	Year ended August 31, 2019
Advanced royalty payments applied or expired	$ 988	$ 291
Production and maintenance costs	1,714	1,348
	$ 2,702	$ 1,639

Proven reserves

The Company does not have any proven hydrocarbon reserves as of August 31, 2020 and 2019.

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, 2020 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, 2020, 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, 2020 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
Aleksandr Blyumkin	49	Executive Chairman, Chief Executive Officer and Chairman of the Board of Directors
George Stapleton	67	Chief operating Officer
Mark Korb	53	Chief Financial Officer
Gerald Bailey	78	Director and President
Vladimir Podlipskiy	56	Chief Technology Officer
Robert Dennewald	67	Director
James Fuller	81	Director

Biographies

The following are brief biographies of our officers and directors:

Aleksander Blyumkin, *Executive Chairman and Chairman of the Board of Directors*

Mr. Blyumkin has been our Executive Chairman since March 26, 2018 and the Chairman of our Board of Directors of our company and MCW Fuels, Inc. (formerly McWhirter Distributing Co. Inc.) since November 2006. He also has served as our Executive Chairman from December 12, 2012 to July 18, 2017 and as our Chief Executive Officer from July 2017 to March 26, 2018. Mr. Blyumkin has vast experience in the oil and fuel industry. He has owned and managed several ventures in the oil and fuel industry and has developed oil properties in Eastern Europe, Central Asia and, most recently, in the United States. Since 2011, Mr. Blyumkin has been the Chief Executive Officer of Dalex Industries, Inc., a developer and operator of gasoline service stations in California. Mr. Blyumkin studied Economics and International Relations at Odessa State University, Ukraine.

Mr. Blyumkin was selected to serve on our board due to his vast experience in the oil and fuel industry.

George Stapleton, *Chief operating officer*

Mr. Stapleton brings over forty years of experience in all aspects of design, construction, fabrication and project management for onshore and offshore plant and energy infrastructure related projects. Mr. Stapleton spent over 20 years of his career with McDermott, Inc., a premier international engineering, construction and procurement firm. Most recently he held the position of Senior Director for all fabrication operations for McDermott, Inc. in North, Central and South America.

Mr. Stapleton was a Director of E-T Energy Ltd. from 2003-2017 where he was responsible for the definition and development of a pilot program to prove the application of patented environmental remediation technology to the production of bitumen from shallow Athabasca oil sands and managed the design and construction of surface production facilities.

In connection with Mr. Stapleton’s recruitment and as part of his compensation package with Petroteq he was awarded 1,000,000 common shares of the Company and incentive stock options vesting over eight months for 3,000,000 common shares at $0.085 per share expiring after five years. The 1,000,000 common shares issuable to Mr. Stapleton are subject to approval of the TSX Venture Exchange.

Mark Korb, *Chief Financial Officer*

Mark Korb has served as our Chief Financial Officer since August 2014. Mr. Korb has over 20 years’ experience with high-growth companies and experience taking startup operations to the next level. Since July 2011, First South Africa Management, a company for which Mr. Korb has served as the Chief Financial Officer since January 2010 has been providing consulting services to us, including the financial expertise required of public companies. First South Africa Management provides financial management and strategic management services to various companies.

From 2007 to 2009, Mr. Korb was the group chief financial officer and director of Foodcorp (Proprietary) Limited (“Foodcorp”), a multimillion dollar consumer goods company based in South Africa. In his role as chief financial officer, Mr. Korb delivered operational and strategic leadership for the full group financial function during a period of change including mergers, acquisitions and organic growth. As a board director he cultivated relationships with shareholders, bond holders, financial institutions, rating agencies, and auditors. Mr. Korb was also responsible for leading the group IT strategy and implementation and supervised 16 direct reports including 10 divisional financial directors. From 2001 to 2007 Mr. Korb was the group Chief Financial Officer of First Lifestyle, initially a publicly traded company on the Johannesburg Stock Exchange in South Africa which was then purchased by management which included Mr. Korb. He anchored the full group financial function with responsibility for mergers and acquisitions activity, successfully leading the process whereby the company was sold to Foodcorp mentioned above. Upon completion of the merger, Mr. Korb was appointed as the group Chief Financial Officer of Foodcorp. Mr. Korb is also the Chief Financial Officer to several other companies including, Icagen, Inc., a Delaware corporation engaged in pharmaceutical industry.

Gerald Bailey, ***President and Director***

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.

Vladimir Podlipskiy, ***Chief Technology Officer***

Mr. Podlipskiy 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. Mr. Podlipskiy 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.

Mr. Podlipskiy 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) since 2006 and is 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 a director of ING Luxembourg S.A. and of Redline Capital Partners S.A., the president of investment fund EUREFI S.A. and the angel investor of Cleantech Company APATEQ and IT company e-Kenz. 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, 2020 and August 31, 2019 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 ($)	Option Awards ($)[7][8]	Total $
Aleksander Blyumkin	2020	366,254	-	60,000[2]		-	426,254
Executive Chairman and director	2019	240,000	-	46,000[3]		-	286,000
David Sealock	2020	39,185	-	18,387[4]		127,256[5]	184,828
Former Chief Executive Officer and director	2019	88,718	-	27,107[5]		183,250[6]	299,075
Vladimir Podlipskiy	2019	-	-	-		173,068[6]	173,068
Chief Technology Officer	2019	74,788	-	-		183,250[6]	258,038

(1) The business address for each officer listed above is: Petroteq Energy Inc., 15315 Magnolia Blvd., #120, Sherman Oaks, California 91403.

(2) Mr. Blyumkin earned $60,000 of director's fees for the financial years ended August 31, 2020.

(3) Mr. Blyumkin earned $46,000 of director's fees for the financial years ended August 31, 2019.

(4) Mr. Sealock earned $18,387 of director's fees for the financial years ended August 31, 2020.

(5) Mr. Sealock earned $27,107 of director's fees for the financial years ended August 31, 2019.

(6) On June 6, 2018, David Sealock and Vladimir Podlipskiy 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. Mr. Sealock resigned with effect from March 3, 2020, his options expired on June 3, 2020 and were no longer amortized from that date.

(7) The share purchase options issued to directors and officers 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%.

(8) 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, 2020:

	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** ($)
Aleksandr Blyumkin	-	-	-	-	-	-	-	-	-
Mark Korb	-	-	-	-	-	-	-	-	-
Vladimir Podlipskiy[1]	750,000	250,000	-	CDN 1.00	6/6/2028	-	-	-	-
George Stapleton[2]	-	3,000,000	-	CDN 0.085	8/7/25	-	-	-	-

(1) Dr. Podlipskiy was awarded 1,000,000 options on June 6, 2018 of which 750,000 are vested the remaining 250,000 vest on June 6, 2021.

(2) 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, 2020 and 2019, 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 no 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, 2019 and 2018, 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 54,890,067, 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, 2020.

	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	9,470,000	CDN$ 0.86	45,420,067

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 Podlipskiy certain intellectual property rights relating to extracting bitumen from oil sands (the "Acquired Technology"), we also agreed to employ Mr. Podlipskiy 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 Mr. Podlipskiy'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 Mr. Podlipskiy 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, 2020 regarding the compensation of our directors who at August 31, 2020 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]	173,068[2]	-	209,068
Travis Schneider	18,387[1]	127,256[2]	-	145,643
Gerald Bailey	36,000[1]	173,068[2]	4,000[3]	213,068

1. Mr. Dennewald and Dr. Bailey have each earned $36,000 of director's fees for the financial year ended August 31, 2020. Mr. Schneider earned $18,387 in directors fees up to the date of his resignation from the Company on March 3, 2020.

2. On June 6, 2018, Mr. Schneider, Mr. Dennewald and Dr. Bailey were each 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. Mr. Schneider's options expired on June 3, 2020, three months after his resignation.

3. Dr. Bailey was paid a fee of $4,000 for serving as President of the Company, prior to his resignation.

4. As of August 31, 2020, 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	-
Gerald Bailey[b]	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.

(b) The options outstanding includes; (i) on November 30, 2017, Mr. Bailey was awarded an option to purchase 475,000 common shares of which all are vested; (ii) on June 6, 2018, Mr. Bailey 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, 2020, 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]
Aleksandr Blyumkin, *Director (Chairman) and Executive Chairman*	25,274,388(3)	6.6%
Gerald Bailey, *Director and President*	1,388,831(4)	*
Mark Korb, *Chief Financial Officer*	7,079(5)	*
Vladimir Podlipskiy, *Chief Technology Officer*	766,667(6)	*
Robert Dennewald, *Director*	1,519,030(7)	*
All executive officers and directors as a group (5 persons)	30,567,730	7.9%
5% shareholders		
Valkor LLC	60,624,666(8)	15.8%
Petrollo LP Corp.	30,678,571(9)	8.0%

* 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 384,432,965 common shares outstanding as of December 11, 2020.

(3) Is comprised of 24,765,274 common shares held directly, 2,016 common shares held through the Alexander & Polina Blyumkin Trust and 507,098 common shares held indirectly through five entities in which Mr. Blyumkin has a controlling interest.

(4) Is comprised of 163,831 common shares and share purchase options exercisable for 1,475,000 common shares, of which 1,225,000 are vested and 0 which vest within the next 60 days.

(5) Is comprised of 7,079 common shares.

(6) Is comprised of 16,667 common shares and share purchase options exercisable for 1,000,000 common shares, of which 750,000 are vested and 0 which vest within the next 60 days.

(7) Is comprised of 294,030 common shares and share purchase options exercisable for 1,475,000 common shares, of which 1,225,000 are vested and 0 which vest within the next 60 days.

(8) Is comprised of 60,624,666 common shares. The registered address of Valkor LLC is 21,732 Provincial Blvd. Suite 160, Katy, Texas. Steven Byle exercises voting and/or dispositive power with respect to the common shares beneficially owned by Valkor LLC.

(9) Is comprised of 30,678,571 common shares. The registered address of Petrollo LP Corp. is 401 Ryland Street, Suite 200A, Reno, Nevada, 89502. Elena Housherr exercises voting and/or dispositive power with respect to the common shares beneficially owned by Petrollo LP Corp.

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 Aleksander Blyumkin, 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 Alex Blyumkin, 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

On September 19, 2019 and July 31, 2020, the Chairman of the board 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 the Chairman of the board entered into a debt settlement agreement, whereby 2,356,374 shares were issued to settled an outstanding promissory note of $94,255.

On October 31, 2019 and March 11, 2020, a director advanced the Company $50,000 and $25,000, respectively as a short-term loan. The loan is interest free and is expected to be repaid within three months. The total loan outstanding as of August 31, 2020 was $125,000.

On August 7, 2020, the Company granted 3,000,000 stock options to Mr. Stapleton, our Chief operating Officer, which options vest equally over an eight month period.

On December 9, 2020, the Company entered into debt settlement agreements whereby directors' fees owing to the Directors were settled by the issue of shares of common stock as follows:

Name	Description	Amount	Shares issuable
Aleksandr Blyumkin	Directors fees	$ 114,934	1,641,917
Gerald Bailey	Directors fees	68,716	981,655
Robert Dennewald	Directors fees	68,934	984,
James Fuller	Directors fees	24,581	351,152
		$ 277,165	**3,959,498**

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, 2020 and 2019 by our auditors:

	Year ended August 31, 2020	Year ended August 31, 2019
Audit fees and expenses	$ 155,000	$ 155,000
Taxation preparation fees	5,000	5,000
Audit related fees	20,000	20,000
Other fees	-	-
	$ 180,000	$ 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, 2020 and 2019, respectively.

(4) We incurred fees to our independent auditors of $0 for other fees during the fiscal years ended August 31, 2020 and 2019.

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, 2020.

1. Independent Auditor's Report
2. Consolidated Balance Sheets as of August 31, 2020 and 2019
3. Consolidated Statements of Loss and Comprehensive Loss for the years ended August 31, 2020 and 2019
4. Consolidated Statements of changes in Shareholders' Equity for the years ended August 31, 2020 and 2019
5. Consolidated Statements of Cash Flows for the years ended August 31, 2020 and 2019
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	Convertible Debenture between MCW Energy Group Limited and Aleksandr Blyumkin dated April 9, 2014 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
4.3	Secured Convertible Note Due May 5, 2016 between MCW Energy Group Limited and Alpha Capital Anstalt dated November 5, 2014 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
4.4	Secured Convertible Note Due May 20, 2016 between MCW Energy Group Limited and Alpha Capital Anstalt dated November 24, 2014 (Incorporated by reference to the registration on Form 10 (Commission No. 000-55991) filed with the Securities and Exchange Commission on May 22, 2019)
4.5	Secured Convertible Note Due June 15, 2017 between MCW Energy Group Limited and Alpha Capital Anstalt dated December 15, 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)

4.6	Secured Convertible Note Due October 8, 2017 between MCW Energy Group Limited and Alpha Capital Anstalt dated April 8, 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)
4.7	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 Podlipskiy, 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	Securities Purchase Agreement between MCW Energy Group Limited and Alpha Capital Anstalt dated November 5, 2014 (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	Securities Purchase Agreement between MCW Energy Group Limited and Alpha Capital Anstalt dated November 24, 2014 (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	Loan Agreement between Atlands Overseas Corp. and MCW Energy CA, Inc. dated February 9, 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)
10.6	Amendment No. 1 to Loan Agreement between MCW Energy CA, Inc. and Atlands Overseas Corp. dated July 21, 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)
10.7	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)
10.8	Securities Purchase Agreement between MCW Energy Group and Alpha Capital Anstalt dated December 15, 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)
10.9	Amendment No. 2 to Loan Agreement between MCW Energy CA, Inc. and Atlands Overseas Corp. dated February 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)
10.10	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)
10.11	Securities Purchase Agreement between MCW Energy CA, Inc. and Alpha Capital Anstalt dated April 8, 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)
10.12	Amendment No. 3 to Loan Agreement between MCW Energy CA, Inc. and Atlands Overseas Corp. dated July 26, 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)
10.13	Debt Conversion Agreement between Petroteq Energy Inc. and Aleksandr Blyumkin dated May 18, 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)
10.14	Debt Conversion Agreement between Petroteq Energy Inc. and Palmira Associates, Inc. dated May 18, 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)
10.15	Debt Conversion Agreement between Petroteq Energy Inc. and Express Consulting, LLC dated May 18, 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
10.16	Debt Conversion Agreement between Petroteq Energy Inc. and Aleksandr Blyumkin dated May 18, 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
10.17	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#

10.18	Office Lease, between Camp Granada LLC, as Lessor, and PetroBloq LLC, as Leasee, 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)
10.19	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)
10.20#	Employment Agreement between the Company and David Sealock dated as of March 15, 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)
10.21	Debt Conversion Agreement between Petroteq Energy Inc. and Aleksandr Blyumkin dated August 3, 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)
10.22	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)
10.23	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)
10.24	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)
10.25	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)
10.26	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)
10.27	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)
10.28	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)
10.29	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)
10.30	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
10.31	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)
10.32	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)
10.33*	Management and Operations Services Agreement dated as of May 1, 2020 between Petroteq Energy Inc. and Valkor LLC.
10.34*	Amended and Restated Debt Conversion Agreement dated as of August 15, 2020 between Petroteq Energy Inc. and Valkor LLC.
10.35*	Technology License Agreement dated November 14, 2020 between Petroteq Energy Inc. and Greenfield Energy, LLC.
10.36*	Short-Term Mining and Mineral Sublease dated as of August 20, 2020 between Valkor, LLC and TMC Capital, LLC
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/ Aleksandr Blyumkin Aleksandr Blyumkin	Chief Executive Officer and President (Principal Executive Officer)	December 15, 2020
/s/ Mark Korb Mark Korb	Chief Financial Officer (Principal Financial and Accounting Officer)	December 15, 2020

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Aleksandr Blyumkin and Mark Korb, 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 15, 2020	By:	*/s/ Aleksandr Blyumkin* Aleksandr Blyumkin Executive Chairman and Chief Executive Officer
Date: December 15, 2020	By:	*/s/ James Fuller* James Fuller Director
Date: December 15, 2020	By:	*/s/ Robert Dennewald* Robert Dennewald Director
Date: December 15, 2020	By:	*/s/ Gerald Bailey* Gerald Bailey Director

Exhibit 10.33

MANAGEMENT AND OPERATIONS SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AND OPERATIONS AGREEMENT ("Agreement") is entered into by and between Petroteq Energy, Inc. ("Petroteq"), an Ontario, Canada corporation with an office at 15315 West Magnolia Boulevard, Suite 120, Sherman Oaks, California 91403, and Valkor, LLC ("Valkor"), a Texas limited liability with an office at 21732 Provincial Boulevard Kat y, Texas 77450 ("Valkor") as of May 1, 2020 ("Effective Date"). Petroteq and Valkor may each be referred to individually as a "Party" and collectively as the "Parties" to this Agreement.

A. Petroteq holds certain patent and other rights in a technology for the production of commercial quality oil from oil sands ("Oil Sands Technology") and is a producer of oil using this technology at a plant located in or near Vernal, Utah (" Plant") with respect to which Valkor has been providing technical and design assistance with the goal of maximizing capacity, optimizing OPEX per barrel and achieving long-term production;

B. Valkor is an energy services company, with expertise in the area of oil and gas processing, providing engineering, design optimization, construction, supply, installation, and various other services required to serve Petroteq in its expansion and optimization programs and is both technically capable of scaling up the Oil Sands Technology with substantial expertise in design automation and the modularization of oil and gas plants, and capable of assuming the management and operation of the Plant for and on behalf of Petroteq; and

C. Petroteq has requested that Valkor provide overall management and operations services at the Plant, and Valkor has agreed to provide such management and operations services as of the Effective Date, pursuant to and in accordance with the terms of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the Parties hereby agree as follows:

1. Scope and Term of Services.

1.1. During the term of this Agreement, Valkor shall be the "operator" of the Plant under and pursuant to the terms of this Agreement including, without limitation, primary management and operations services at and with respect to the Plant as set forth in greater detail in Exhibit A hereto "(Services").

1.2. In providing the Services, Valkor shall, except as otherwise provided herein, be responsible for providing, employing , managing, supervising and compensating all personnel employed at or assigned to the Plant or the performance of specific projects, assignments or work from time to time and all decisions with regard to such employment shall be made by Valkor in its sole discretion. In this regard, Valkor will employ, provide or otherwise assign to the Plant experienced and qualified employees of Valkor ("Personnel") and outside or independent contractors ("Contractors") that Valkor will retain or hire, manage and supervise on behalf of Petroteq in connection with Valkor's management and operation of the Plant.

1.3. Petroteq and Valkor acknowledge and agree that, in providing the Services under this Agreement, Valkor will be acting as an independent contractor in providing: (a) Services for TMC Capital, LLC ("TMC Capital"), an indirect operating subsidiary of Petroteq under or in connection with mineral rights, working interests, and operating rights owned or held by TMC in mineral properties or under mineral leases; and (b) Services for Petroteq Oil Recovery, LLC ("Petroteq Oil"), an indirect operating subsidiary of Petroteq and the owner of the Plant. TMC Capital and Petroteq Oil are each executing this Agreement and, in authorizing Valkor to provide the Services herein, shall be vested with all of the rights and obligations of Petroteq hereunder.

1.4. Except as otherwise set forth in this Agreement or a separate written agreement, the Services provided to Petroteq hereunder may also be provided to any of Petroteq's affiliates and subsidiaries, and the terms and provisions of this Agreement shall apply thereto; provided, however, that should Valkor provide Services to any of Petroteq's affiliates or subsidiaries, then such affiliate or subsidiary shall be deemed to be the contract party under this Agreement, and Valkor shall look only to such entity for its rights hereunder, and hereby specifically waives all rights it may have towards Petroteq or any of its other affiliates and subsidiaries in connection with the Services so provided.

1.5. This Agreement shall commence on the Effective Date and shall continue for a term of one (1) year ("Original Term") and shall automatically renew for up to four (4) additional one (1)-year terms for after the end of Original Term (each a "Renewal Term") unless either Party notifies the other Party no less than ninety (90) days prior to the expiration of the Original Term or any Renewal Term that such notifying Party does not wish to renew this Agreement . This Agreement will continue month-to-month thereafter the expiration of the Original Term and all four (4) Renewal Terms. Termination of this Agreement, however, shall not affect any work orders still in effect at that time.

1.6. Valkor represents and warrants that the Services shall be free from defects and shall be performed in a good and workmanlike manner in accordance with good practices for the industry in which Valkor operates and for the specific place in which Services are provided; that all Personnel and Contractors shall be fully trained and shall perform the Services competently and safely; that Valkor has the expertise to perform the Services properly and shall exercise due diligence in performing the Services; that Valkor will comply with all applicable laws, statutes, codes, rules and regulations, which are now or may become applicable to the Services or arising out of the performance of such Services; and that all Services will be in compliance with the industry standards, the standards and requirements in or under this Agreement, and any work order.

1.7. In the event of a breach by Valkor under this Agreement, Valkor shall promptly cure such breach. If Valkor fails to cure such breach within a reasonable time after being notified of the breach in writing by Petroteq, Petroteq may cure such breach directly or through another contractor. Valkor shall reimburse Petroteq the reasonable and necessary costs incurred to cure such breach within thirty (30) days after receipt of a written invoice from Petroteq.

2. Personnel and Contractors.

2.1. The Personnel shall at all times be and remain employees of Valkor. Valkor shall be solely responsible for all salaries, benefits, taxes, social security, Medicare and other withholding requirements applicable to Personnel. Notwithstanding any other provision of this Agreement, Petroteq may make withholdings on behalf of Valkor or Personnel in the event necessary or as required by law. All Contractors will contract directly with and be supervised by Valkor.

2.2. Valkor shall provide Personnel and Contractors that are capable of performing the work for which they are engaged. Valkor, Personnel and Contractors shall comply with Petroteq's policy on drug and alcohol abuse and with all Petroteq's security, computer usage and safety requirements and/or obligations as overseen and managed by Valkor.

3. Intellectual Property and Information; Ownership and Rights.

3.1. Petroteq is and shall be the full and exclusive owner of all proprietary and/or confidential technical, business and other information of Petroteq and its subsidiaries and affiliates, which may be disclosed or otherwise made accessible to Valkor, Personnel and/or Contractors in connection with the performance of the Services, along with all intellectual property rights in all forms of technology developed, created or devised by Valkor and/or Personnel in connection with this Agreement, including but not limited to patents, trademarks, copyrights, trade secrets, inventions, discoveries, know-how, techniques, and the Confidential Information described in Section 4.0 below.

3.2. Valkor and Personnel will promptly furnish to Company a record of any and all ideas, discoveries, inventions, writings and improvements that are believed to be patentable, or which consist of unpatentable technical information, know-how or trade secrets (within the meaning of U.S. or applicable state law), which Valkor or Personnel solely or jointly with others may conceive, discover, invent, develop or reduce to practice in connection with (or relate in any way to): (a) the Oil Sands Technology; or (bl any Services provided or rendered by Valkor or the Personnel under or in connection with this Agreement (all such patentable or unpatentable information being referred to herein collectively as "New Intellectual Property"). All such New Intellectual Property shall be subject to a "work for hire" condition and shall be owned in its entirety by Company . In each such case, Valkor and its Personnel (including any inventor of any such Intellectual Property) shall execute such instruments as may be provided by Company from time to time in and under which Valkor and Personnel shall assign and convey to Company all of the right, title and interest that Valkor (or its Personnel) may otherwise have in and to any and all such New Intellectual Property. Valkor and Company shall negotiate in good faith on terms for filing and prosecuting, in Company's name and on its behalf, any and all patent applications that Company determines should be filed and prosecuted in or with respect to any New Intellectual Property and the terms under which the right to practice under or use any such New Intellectual Property (including any patents issued with respect thereto) shall be licensed on a non-exclusive basis to Valkor.

3.3. All works of copyrightable subject matter created by Valkor or Personnel pursuant to this Agreement shall be deemed works made for hire and shall be owned by Company. If any such works may not be deemed works made for hire by operation of law, Valkor and Personnel hereby assign ownership of all copyright in such works to Company, including any and all rights under the (U.S.) Visual Artists Rights Act of 1990, which shall be waived, to the extent authorized or permitted thereunder, by Valkor and any Personnel considered the "artist" under or with respect to any work of visual art created under or in connection with the Services. To the extent of any pre-existing ideas, discoveries, inventions, writings and improvements of Valkor or Personnel (excluding Personnel previously employed by Company or any of its subsidiaries or affiliates as employees or contractors, as the case may be), Valkor shall and hereby does grant to Company an irrevocable, non-exclusive, world-wide, royalty-free license to: (a) use, execute, reproduce, display, perform, distribute (internally and externally) copies of, and prepare derivative works based upon, such pre-existing materials and derivative works thereof; and (b) authorize others to do any, some, or all of the foregoing.

3.4. Petroteq shall grant Valkor a global, non-exclusive license to use: (a) the Oil Sands Technology; (b) the New Intellectual Property; (c) the copyrightable subject matters covered by Section 3.3 above; and (d) the Confidential Information described in Section 4 below, pursuant to a separate Technology License Agreement executed by the Parties concurrently with the execution of this Agreement .

4. Confidential Information.

4.1. Petroteq and Valkor acknowledge and understand that, during the term of this Agreement, Petroteq will provide or otherwise make available to Valkor, or Valkor and the Personnel shall gain access to or otherwise develop, either singularly or in concert with others, non-public information and materials that are deemed to be or consist of "Confidential Information."

4.2. Valkor covenants and agrees that, during the term of this Agreement and for an additional period of three (3) years after the termination or expiration of this Agreement (collectively, the "Confidentiality Period"), Valkor shall: (a) not use, copy or reproduce the Confidential Information for any purpose other than as necessary to perform the Services, and to exercise its rights and obligations, under this Agreement (or in connection with any other services agreement entered into by and between Petroteq (of any of its subsidiaries and affiliates) and Valkor; and (b) keep and maintain the Confidential Information as confidential and shall not disclose any of the Confidential Information to any person or entity other than: (i) to Petroteq and its subsidiaries, and to each of their respective directors, officers, members, managers and employees; (ii) to the Personnel and any Contractors on a "need to know" basis that have executed confidentiality agreements or undertakings that contain confidentiality obligations that are at least as protective as the confidentiality obligations undertaken by Valkor in this Agreement; or (iii) that otherwise has been authorized by Petroteq in or under a separate writing executed by an executive officer of Petroteq.

4.3. Valkor agrees, during the Confidentiality Period, to protect and safeguard all such Confidential Information through use of security measures and precautions that are reasonably designed to prevent unauthorized use, access to or misappropriation of the Confidential Information by any person or entity that is not authorized to receive or have access to such Confidential Information.

4.4. Valkor shall ensure that all Contractors that it retains or employs to perform work at the Plant have executed written agreements with Valkor that, among other things, contain confidentiality provisions that are designed to protect the Confidential Information from unauthorized disclosure, use or misappropriation, whether by inadvertence or otherwise.

5. Compensation.

5.1. For the purposes of this Agreement, the term "Personnel Cost and Expenses" means the fully burdened cost of all employees, consultants and independent contractors working at the Plant, whether such costs or expenses are paid by Valkor directly from accounts maintained in Valkor's name or from one or more special accounts established and maintained in the name of Valkor and Petroteq for the purpose of administering this Agreement

5.2. For the purposes this Agreement, the term "Operations Costs and Expenses" means all identifiable, verifiable and auditable costs and expenses (including capital expenditures approved in writing by Petroteq) incurred and paid by Valkor in performing the Services, whether such costs or expenses (and capital expenditures approved in writing by Petroteq) are paid by Valkor directly from accounts maintained in Valkor's name or from one or more special accounts established and maintained in the name of Valkor and Petroteq for the purpose of administering this Agreement.

5.3. For the purposes of this Agreement, the term "Costs and Expenses" shall refer to the sum total of all "Personnel Costs and Expenses" and all "Operations Costs and Expenses."

5.4. Petroteq shall pay to Valkor, for the Services conducted and performed under this Agreement, fees and cost reimbursements on a periodic basis consisting of the following:

5.4.1. Reimbursement of all identifiable "Costs and Expenses" (excluding any costs or expenses paid by Petroteq from any special account established by the Parties funded by amounts deposited by Petroteq or received by Petroteq from and pursuant to licensing and other arrangements with Valkor or any third party);

5.4.2. A fee equal to twelve percent (12%) of the Personnel Costs and Expenses ("Personnel Management Fee") calculated pursuant to this Agreement; and

5.4.3. . A fee equal to five percent (5%) of the Operations Costs and Expenses ("Operations Management Fee") calculated pursuant to this Agreement.

S.S. Where work is performed by Valkor for Petroteq outside the scope of this Agreement, including without limitation, any engineering or related technical work provided by Valkor on a specific project or assignment ("Special Assignments"), a work order shall be prepared by Valkor and approved in writing by Petroteq prior to the start of any such Special Assignment . For Special Assignments, Petroteq shall pay Valkor at the rates set forth in Exhibit B hereto based upon and pursuant to written billing statements prepared and submitted by Valkor to Petroteq that describe the nature of work performed and completed, the individual(s) providing or performing the work (and any costs or expenses incurred by such individuals in performing the work), and the time required to perform and complete such work.

5.6. Valkor shall not be required to submit time sheets for work in performing Special Assignments that are required to be paid as a fixed or lump sum amount under any work order approved or authorized by Petroteq.

5.7. Valkor shall pay all taxes, licenses, fees and governmental charges levied or assessed on Valkor in connection with or incident to the performance of the Services by any governmental agency. Valkor agrees to require the same actions by any of its Contractors and Valkor shall be liable for any breach of these provisions by any of its Contractors. Valkor shall pay all claims for labor, goods, equipment, services, supplies, machinery, and/or facilities of any kind furnished in connection with Valkor's obligations under this Agreement, with all such costs and expenses paid by Valkor being included within the "Operations Costs and Expenses" for purposes of Section 5.2 above, and agrees to allow no lien or charge to be fixed upon any of the Plant or the Lease or any other property or assets of Petroteq (or any of its subsidiaries and affiliates) or any person for whom Petroteq is the Services.

5.8. Notwithstanding the above, Valkor shall not incur, assume or become liable in any way for any payments, duties, fees, penalties, judgements, compensation, liabilities, responsibilities, violations, incidents, levies, fines, assessments and/or any other obligations of Petroteq ("Petroteq Liabilities"), including any such Petroteq Liabilities incurred in connection with the management and operation of the Plant prior to the Effective Date of this Agreement.

6. Quarterly Production Reports.

6.1. For each calendar quarter during the term of this Agreement (each such quarter being a "Reporting Quarter"), Valkor shall deliver to Petroteq, within thirty (30) days after the end of each Reporting Quarter, a report (each a "Quarterly Production Report") that, for and with respect such Reporting Quarter, sets forth the following:

6.1.1. The quantity of oil-bearing ore and sediments mined, extracted and produced from each of the Leases and transported or delivered to the Plant;

6.1.2. The quantity of crude oil, synthetic oil, bitumen oil and other petroleum products (collectively "Oil Products") produced, saved and sold at and from the Plant, identifying separately the volume of Oil Products in storage and the volume of Oil Products that has been sold and delivered to purchasers;

6.1.3. The quantity or volume of feedstocks, solvents, and other chemicals: (a) purchased or acquired by Valkor; and (b) used, recycles or consumed in operations at the Plant; and

6.1.4. The gross proceeds derived from and received by Valkor from the sale of Oil Products to purchasers, together with: (a) the amount of any production-related, sales or value added taxes imposed on or with respect to the Oil Products produced or sold from the Plant; and (b) the amount of any transportation taxes incurred and paid by Valkor that are attributable to the sale or other disposition of Oil Products sold at or from the Plant (or debited against the proceeds derived from the sale of such Oil Pro ducts) . In the event that, during any Reporting Quart er, the Oil Products produced and sold from the Plant were derived from mined ores or sediments from more than one Lease, the reported production and sale of Oil Products shall be allocated to such Leases in proportion to the volume of mined ore or sediments contributed by each Lease to such Oil Products produced, saved and sold from the Plant during such Reporting Quarter.

6.2. Each Quarterly Production Report delivered to Petroteq shall be certified by Valkor or the preparer of the report as true, correct and complete in all material respects. If, during any Reporting Quarter, no production or sale of Oil Products from the Plant has occurred, or if no proceeds from the sale or other disposition of Oil Products has been received by Valkor, the Quarterly Production Report generated with respect to such Reporting Quarter shall so state.

7. Quarterly Operating Reports.

7.1. For each Reporting Quarter, Valkor shall deliver to Petroteq, within thirty (30) days after the end of each Reporting Quarter, a report (each a "Quarterly Operating Report") that, for and with respect such Reporting Quart er, sets forth the following:

7.1.1. All revenue received by Valkor from the sale or other disposition of Oil Products produced, saved and sold from the Plant;

7.1.2. A detailed accounting of all "Costs and Expenses" that, expressed as separate line items, have been incurred and/or paid by Valkor during such Reporting Quarter, including any estimated cost reserves established by Valkor for recurring costs or expenses or for any capital expenditures that have been or will be paid, either in whole or in part, during the calendar year; and

7.1.3. The amount of the Operations Management Fee and Personnel Management Fees earned by Valkor during such Reporting Quarter.

7.2. Each Quarterly Operating Report delivered to Petroteq shall be certified by Valkor, or by the preparer of the report, as true, correct and complete in all material respects. If, during any Reporting Quarter, no revenue from the production and sale of Oil Products has occurred, or if no Costs and Expenses were incurred or paid by Valkor during such Reporting Quarter, the Quarterly Operating Report shall so state.

8. Quarterly Royalty Reports.

8.1. Within thirty (30) days after the end of each Reporting Quarter, Valkor shall deliver a copy of the Quarterly Production Report to an independent third party ("Third Party Payor") retained for the purpose of: (a) calculating the production royalty (including any overriding royalty or "ORRI") owed by TMC Capital or Petroteq Oil, as the case may be, to holders of royalty interests under the Leases based on the sale or other disposition of Oil Products from the Plant during such Reporting Quarter; and (b) developing a report (each a "Quarterly Royalty Report"), prepared for and addressed to each holder of royalty interests under the Leases (including holders of ORRI reserved under the Leases or granted in any valid instrument) showing: (i) the quantity of Oil Products sold from the Plant during such Reporting Quarter that is attributable or returnable to each Lease; (ii) the applicable royalty rate under each Lease and in any instrument governing an ORRI; and (iii) the production royalty (or overriding royalty) payable to such royalty owner, together with the quantity of Oil Products sold, the price or prices received, and the associated transportation and other costs used in calculating the royalty under each Lease or under any instrument governing an ORRI.

8.2. The Third-Party Payor shall, with funds provided from the Special Account, transmit or mail each Quarterly Royalty Report, together payment of applicable royalty, to owners of royalty interests under any applicable Lease and, if applicable, under any instrument governing an ORRI.

9. Records & Audit Rights.

9.1. Valkor shall maintain complete and accurate records of or reflecting: (a) the quantities of raw oil-bearing ore and sediments mined, extracted, and produced from the Leases; and (b) all information and data required under this Agreement of or reflecting the operations conducted at the Plant and the sale or disposition of Oil Products produced, saved and sold from the Plant, including the information and data captured, stored and used in the generation of Quarterly Production Reports, Quarterly Operating Reports, and Quarterly Royalty Reports. All such records shall contain sufficient information to permit Petroteq to confirm the accuracy of any reports prepared by Valkor under this Agreement and shall be retained by Valkor continuously during the term of this Agreement and for a period of five (5) years after the termination or expiration of this Agreement .

9.2. Petroteq shall have the right, at its sole cost and within a period of one hundred twenty (120) days after the end of each calendar year during the term of this Agreement, to cause its accountants , auditors and other designated representatives to inspect and audit the records (including banking records) maintained by Valkor with respect to the Services or that are otherwise required to be maintained by Valkor under or in connection with this Agreement. Each such inspection and audit may be scheduled by Petroteq at any time after giving at least ten (10) days prior written notice to Valkor and shall be conducted during normal business hours at any location at which any of Valkor's records may be located or maintained. Each such inspection and audit shall be conducted for the purpose of verifying the accuracy of the reports generated or prepared by Valkor under this Agreement and Valkor's compliance with the terms of this Agreement.

10. Insurance.

10.1. Valkor shall maintain, at all times during the term of this Agreement and for a period of at least one (1) year after the expiration or termination hereof, the following insurance coverage, with limits not less than the limits specified below:

10.1.1. Comprehensive General Liability Insurance ("CGL Insurance"), covering personal injury, death or property damage resulting from each occurrence, on an unamended basis (including without limitation contractual liability, pollution and completed operations/products coverage), with limits of no less than One Million Dollars ($1,000,000) per occurrence, or the amount required by law, whichever is higher, with CG 2503 or its equivalent amending aggregate limits applying;

10.1.2. Business Auto Liability Insurance ("AL Insurance"), covering owned, non-owned and hire motor vehicles, with a combined single limit of One Million Dollars ($1,000,000); and

10.1.3. Excess Liability Insurance ("Excess Insurance"), which may be "following form" extending coverage in excess of the CGL Insurance and AL Insurance coverages, with limits of not less than One Million Dollars ($1,000,000) combined single limit each occurrence and in the aggregate; and

10.1.4. Workers' Compensation Insurance ("WC Insurance") as required by applicable law; and Employer's Liability Insurance ("EL Insurance") with limits of One Million Dollars ($1,000,000) per accident or illness;

10.2. The insurance policies maintained by Valkor shall be issued by or through insurance carriers that carry a financial rating of at least "A" with A.M. Best Co. or that are otherwise acceptable to Petroteq. Any deductible or self-insurance retention of insurable risk shall be for Valkor's account.

10.3. Valkor will furnish to Petroteq certificates of Insurance, signed by its insurance carriers, evidencing the insurance required hereunder. Each certificate will provide that at least thirty (30) days prior written notice will be given to Petroteq in the event of cancellation, suspension, or material change in the policy to which it relates. Notwithstanding anything contained in this Agreement to the contrary, in no event will Petroteq have any liability to the insurers for payment of premiums. It is expressly agreed and understood that the cost of premiums and the deductibles for insurance required by this Section 10 will be borne by Valkor.

10.4. The insurance policies maintained by Valkor hereunder, and as reflected in the certificates of insurance delivered annually to Petroteq, shall satisfy the following:

10.4.1. The liability insurance policies maintained by Valkor (CGL Insurance, AL Insurance, and Excess Insurance) shall name Petroteq and its subsidiaries and affiliates (including TMC Capital and Petroteq Oil) as additional insureds on either: (a) an ISO Form CG 20 10 11 85 (November 1985 edition) (covering both ongoing and completed operations); or (b) an ISO Form CG 20 (post November 1985 edition) (ongoing operations) and an ISO Form 20 37 (post November 1985 edition) (completed operations);

10.4.2. All of the insurance policies maintained by Valkor (CGL Insurance, AL Insurance, Excess Insurance, WC Insurance and EL Insurance) shall include clauses providing that each insurance carrier (including each issuer and underwriter) shall waive its rights of recovery, under any theory of subrogation or otherwise, against Petroteq and its subsidiaries and affiliates for claims, losses or liabilities within the scope of such policies;

10.4.3. Each insurance policy maintained by Valkor shall include clauses stating that the policy shall be primary and not excess or non-contributing to any insurance policies carried by Petroteq or any of its subsidiaries or affiliates; and

10.4.4. The policies and insurance certificates shall provide coverage in those nations, states or geographic areas or territories as may be applicable to the locations where the Services will be performed by Valkor under the terms of this Agreement.

10.5. Valkor hereby waives any right of recovery, under any theory of subrogation or otherwise, against Petroteq and its subsidiaries for any claims, losses or liabilities within the scope insurance policies maintained by Valkor as provided hereunder.

10.6. Unless the Parties agree otherwise, fifty percent (50%) of the premiums paid by Valkor for the insurance policies maintained by Valkor hereunder shall be included in the "Operations Costs and Expenses" for the Plant for purposes of Section 5.2 above.

11. Entire Agreement and Waiver.

11.1. This Agreement constitutes the entire agreement between the Parties and shall supersede all prior agreements and understandings between the Parties regarding the subject matter bereof. No representations or statements made by any representative of Petroteq or of Valkor which are not stated herein shall be binding. No modification or amendment to this Agreement shall be binding unless in writing and signed by a duly authorized representative of each Pa rt y.

11.2. No waiver of any breach of any of the provisions of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provisions hereof. No such waiver shall be effective unless in writing andthen only to the extent expressly set forth in writing. Failure of either Party to enforce rights under this Agreement shall not constitute a waiver of such right s.

12. Compliance with Laws. Valkor agrees to comply with all applicable federal, state and local rules, regulations, orders and laws in the performance of this Agreement.

13. Indemnity.

13.1. VALKOR AGREES TO PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS PETROTEQ AND EACH OF ITS SUBSIDIARIES AND AFFILIATED COMPANIES, TOGETHER WITH EACH OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, MANAGERS, EMPLOYEES, CONTRACTORS AND AGENTS (COLLECTIVELY, THE "INDEMNITEES"), FREE AND HARMLESS FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, LIENS, DEMANDS AND CAUSE OF ACTION OF EVERY KIND AND CHARACTER, INCLUDING BUT NOT LIMITED TO ANY AND ALL CLAIMS ASSERTED OR THREATENED BY ANY THIRD PARTY ON ACCOUNT OF OR RESULTING FROM ANY OF THE FOLLOW ING:

13.1.1.DEATH, PERSONAL INJURY, AND DAMAGE TO PROPERTY ARISING OUT OF, IN CONNECTION WITH OR RESULTING FROM WORK PERFORMED BYVALKOR OR PERSONNEL IN CONNECTION WITH THIS AGREEMENT, INCLUDING ANY DEATH, INJURY OR PROPERTY DAMAGE CAUSED BY OR RESULTING FROM : (a) THE SOLE, CONCURRENT OR COMBINED NEGLIGENCE OR FAULT OF VALKOR OR ANY OF ITS DIRECTORS, OFFICERS, MEMBERS, MANAGERS, CONTRACTORS, EMPLOYEES OR AGENTS, INCLUDNG ANY OF THE PERSONNEL; OR (b) WHERE LIABILITY WITH OR WITHOUT FAULT IS STRICTLY IMPOSED BY OPERATION OF LAW WITHOUT REGARD TO FAULT;

13.1.2.ANY AND ALL COSTS AND EXPENSES AT THE PLANT ARISING AFTER THE EFFECTIVE DATE, INCLUDING SALARIES, BENEFITS, TAXES AND WITHHOLDING REQUIREMENTS APPLICABLE TO PERSONNEL, WHETHER OR NOT SUCH LOSSES, CLAIMS, LIENS, DEMANDS AND CAUSE OF ACTION RESULT FROM THE INDEMNITEES' SOLE OR CONTRIBUTORY NEGLIGENCE;

13.1.3.ANY FAILURE BY VALKOR TO COMPLY WITH ANY APPLICABLE LAW, INCLUDING FEDERAL, STATE AND LOCAL HEALTH, SAFETY AND ENVIRONMENTAL LAWS, RULES AND REGULATIONS THAT ARE APPLICABLE TO VALKOR OR ITS OPERATIONS AT THE PLANT AFTER THE EFFECTIVE DATE; AND

13.1.4.ANY ENVIRONMENTAL CONDITION, INCLUDING THE RELEASE OF CHEMICALS, HYDROCARBONS OR OTHER SUBSTANCES INTO THE ENVIRONMENT, CREATED OR CAUSED BY VALKOR IN CONNECTION WITH THE OPERATIONS OF THE PLANT AFTER THE EFFECTIVE DATE.

13.2. Valkor's indemnity obligations herein shall not limit, and shall not be limited by, any insurance protection provided to Petroteq and its subsidiaries and affiliates under the insurance policies maintained by Valkor as required under this Agreement.

14. Governing Law and Dispute Resolution; Survival.

14.1. THIS AGREEMENT SHALL BE GOVERNED, INTERPRETED AND ENFORCED IN ALL RESPECT UNDER AND IN ACCORDANCE WITH THE LAWS OF THE STATED OF UTAH WITHOUT REGARD TO THE CONFLICTS OF LAWS OR CHOICE OF LAWS PRINCIPLES THEREOF.

14.2. Any dispute, controversy or claim arising out of or relating to this Agreement which the Parties are unable to resolve amicably shall be finally settled by binding arbitration in Houston, Texas in accordance with the Commercial Arbitration rules of the American Arbitration Association. The award of the arbitrator shall be binding and may be entered as a judgment in any court of competent jurisdiction.

14.3. Any termination or expiration of this Agreement shall not affect or prejudice the rights and obligations contained in Sections 3, 4, 9, 11, 13 and 14 of this Agreement and all such rights and obligations contained in such sections shall suNive any expiration or termination of this Agreement.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement effective as of the Effective Date.

PETROTEQ ENERGY, INC.	VALKOR, LLC
Name: [illegible]	Name: Steven Byle
Title: CEO	Title: CEO
Date: 20 November 2020	Date: 20 November 2020

TMC CAPITAL, LLC	PETROTEQ OIL RECOVERY, LLC
Name: [illegible]	Name: [illegible]
Title: CEO	Title: CEO
Date: 20 November 2020	Date: 20 November 2020

EXHIBIT A

SCOPE OF PRIMARY SERVICES

A. Operations Management Services. Valkor will provide management and operations services ("Services"), including without limitation, primary management and operations services at and with respect to the Plant as set forth in Section 1 of the Agreement and in this Exhibit A. as follows:

1. All operations conducted at and within the Plant, including the design, engineering, acquisition, installation, operation and maintenance of equipment, tanks, units, pipelines facilities, vehicles and other property maintained at the site of the Plant or used or operated in connection therewith.

2. Procurement of all property and materials to be used or installed at the Plant, including the supervision, control and acquisition of: (a) raw mined ores, materials, feedstocks, and other materials; and (b) all power, water, natural gas, sewage and other utilities that may be required, installed at or used by the Plant.

3. Storage, transportation and marketing and sale, in arms-length transactions, of all crude oil, synthetic oil, bitumen oil and other hydrocarbon or petroleum products extracted, generated or produced at the Plant and the collection, accounting and disbursement of all proceeds derived from the sale of disposition thereof in accordance with the requirements and procedures set forth in the Agreement or otherwise developed between Valkor and Petroteq Oil.

4. Control all access to the Plant and oversee all security maintained or reasonably required at the Plant in order to: (a) protect Personnel and Contractors located or working within the Plant; (b) protect and safeguard the Confidential Information and all other non-public equipment, units, configurations, processes, methods, inventions, know-how and other trade secrets of Petroteq or Valkor deployed, used or stored at the Plant; and (c) to protect the integrity of the Plant and its equipment, tanks, units pipelines, facilities, vehicles and other property located at the Plant or used in connection with its operations, including any security that may be reasonably required to safeguard the Plant from access by unauthorized persons or entities.

5. Such other Services as may be described or contemplated under the Agreement. including such Services and the incidents thereto as may be reasonably required or necessary to aid Valkor in performing and discharging its duties under the Agreement.

B. Mining and Extraction Services; the Leases. TMC Capital LLC ("TMC Capital"), an indirect subsidiary of Petroteq, holds certain mineral rights under mineral leases in, at or near the vicinity of the Plant near Vernal, Utah, including without limitation: (a) the mineral lease previously entered into by and between Asphalt Ridge, Inc. a Utah corporation, as lessor, and TMC Capital, as lessee; (b) one or more mineral leases entered into by and between the Utah School and Institutional Trust Lands Administration (SITLA), as lessor, and TMC Capital or Petroteq Oil, as lessee; and (c) such other federal, state or private mineral lands, right or leases as TMC Capital or Petroteq Oil, as the case may be, may acquire or hold at any time during the term of this Agreement (collectively, the "Leases"). Under this Agreement, Valkor will assist TMC Capital or Petroteq Oil, as the case may be, in providing or conducting, through such Personnel or Contractors as Valkor may retain from time to time, to conduct all exploratory, mining, extraction and production operations on or with respect to the Leases and to arrange for mined, extracted and produced oil-bearing materials, whether in solid, semi-solid or liquid form to be gathered, stockpiled and transported to the Plant for processing as contemplated under this Agreement.

C. Financial Management Services. Valkor has secured a licensee for the Petroteq process with early payments to go towards the plant upgrade, operation, and to a limited degree make payments on past due accounts payable. The plant is currently selling crushed rock for use in paving and will eventually the plant shall be producing petroleum products for sale. Valkor shall establish a separate account ("Project Account") the funds in which shall not be comingled with funds from any other source and managed as follows:

1. All incoming relating to the Plant will be deposited in the Project Account, including: (a) all funds paid by TomCo and/or any other licensee of the Oil Sands Technology; (b) all revenue from the operation ofthe Plant; and (c) all sales of ore, oil or other products from the Plant premise s.

2. Valkor will provide reports of payables, receivables, income and payments as required in the Agreement and will use funds per mutually agreed budgets to cover plant upgrade, plant operations, and past due payables as determined by Valkor.

3. Valkor shall work with Petroteq with regards to compliance with debt forgiveness provisions on any Payroll Protection funds received from the US government. The Parties will agree on a spreadsheet of all past due accounts payable and periodic future payments (such as continuing leases) that are due and Valkor's responsibility will be limited to addressing those obligations, unless voluntarily agreed by Valkor to add or incur additional obligations. Valkor anticipates that at least Fifty Thousand Dollars ($50,000) will be made available towards accounts payable .

4. Valkor will endeavor to make payments on accounts payable but takes no responsibility for any past due payables or any newly generated payable, except where the Parties specifically agree otherwise. Petroteq shall not make, attempt to make, nor commit to make any payments or additional financial commitments on behalf of the Plant and no such payments shall be made from the Project Account except as approved in advance in writing by Valkor.

5. Provided that funds are available, Petroteq shall be due a minimum of Five Hundred Thousand Dollars ($500,000) from the Project Account within ninety (90) days after the Effective Date of the Agreement for Petroteq to use for its own purposes.

6. Within thirty (30) days after the expiration or termination of the Agreement, funds in the Project Account shall be used to pay Valkor all amounts owed to Valkor under the Agreement and any remaining funds shall be transferred to Petroteq.

EXHIBIT B

PROFESSIONAL SERVICES RATE SHEET - SPECIAL ASSIGNMENTS

CATALOGUING	RATE PER HOUR	
Senior Principal Engineer/Project Manager	$	195.00
Principal Engineer	$	180.00
Senior Staff Engineer /Lead Engineer	$	165.00
Staff Engineer	$	147.00
Senior Engineer	$	130 .00
Engineer	$	116.00
Lead Design	$	95 ..00
Senior Designer	$	75.00
Draftsman	$	60.00
Project Controls	$	SO.DO
Clerical	$	38.00

SOFTWARE	COST PER HOUR	
SACS/StruCAD	$	23 .00
ANSYS	$	1 7.00
AQWA	$	26.00
MOSES/HARP	$	22 ..00
Orcaflex/Flexcom	$	23.00
Solidwork	$	10.00
AutoCAD	$	8.00

Exhibit 10.34

AMENDED AND RESTATED DEBT CONVERSION AGREEMENT
(United States Creditor)

Made as of the 15th day of August, 2020.

BETWEEN:

PETROTEQ ENERGY INC.
(the "**Company**")

- and -

VALKOR LLC
(the "**Creditor**")

WHEREAS this Agreement amends and restates the Debt Conversion Agreement dated July 20, 2020 between Company and the Creditor.

AND WHEREAS the Company is indebted to the Creditor in the amount of US$2,500,000 for services rendered pursuant to an invoice dated July 13, 2020 (the "**Debt**"), attached hereto as Schedule "A";

AND WHEREAS the Creditor has agreed to accept 56,666,666 common shares of the Company (the '**Debt Shares**") at a deemed price per share of $0.04 for 45,000,0000 of the Debt Shares and US$0.06 for 11,666,666 of the Debt Shares, in full and final satisfaction and repayment of the Debt (the "**Debt**").

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT for and in consideration of the mutual premises and agreements hereinafter contained, the sum of $1.00 now paid by each party to the other and other good and valuable consideration (the receipt and sufficiency of which is hereby irrevocably acknowledged), the parties hereto hereby agree as follows:

1. Subject to the terms and conditions hereafter contained, the Creditor agrees to accept, in full and final satisfaction of the Debt, the Debt Shares. The Creditor further agrees that, upon the issuance and delivery of the Debt Shares to the Creditor, or as the Creditor may direct, the Creditor shall fully release the Company in respect of the Debt and acknowledges the full repayment thereof by the Company.

2. The issuance of the Debt Shares shall be conditional on (i) the issuance of the Debt Shares being exempt from the prospectus and registration requirements under applicable securities laws, the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and applicable state securities laws, (ii) approval of this Agreement by the directors of the Company, (iii) the Company receiving final approval from the TSX Venture Exchange (the "**TSXV**") or any other applicable stock exchange for the issuance and listing of the Debt Shares, and (iv) the closing of this Agreement (the "**Closing**") taking place no later than thirty(30) business days subsequent to the date hereof, or such later time the parties hereto agree.

3. The Company hereby represents and warrants to and covenants with the Creditor as follows, and acknowledges that the Creditor is relying thereon, both at the date hereof and at the Closing:

   (a) The execution and delivery of this Agreement is within the corporate power and authority of the Company and has been duly authorized by all necessary corporate action and this Agreement constitutes a valid and binding obligation of the Company enforceable against it and its successors in accordance with its terms, subject to the usual qualification as to enforceability being limited by bankruptcy and other laws effecting the enforcement of creditors' rights generally, equitable remedies being discretionary remedies and rights to indemnification and contribution being limited by applicable laws.

   (b) None of the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of or compliance with the terms and provisions hereof do or will, with the giving of notice, or the lapse of time or both (i) to the best of the knowledge of the Company, violate any provision of any law or administrative regulation or any administrative orders, award, judgment or decree applicable to the Company, (ii) conflict with any of the terms, conditions or provisions of the memorandum of association or articles of the Company or any resolution of its directors or shareholders, or (iii) conflict with, result in a breach or constitute a default under, or accelerate or permit the acceleration of the performance required by, any material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which the Company is a party or by which it is bound or to which the property of it is subject.

   (c) The Debt Shares will, upon issuance and delivery, be validly issued and outstanding as fully paid and non-assessable common shares.

   (d) It is a company duly amalgamated and organized under the laws of the Province of Ontario and is presently in good standing thereunder with full corporate power to own its properties and carry on its business as now being conducted.

   (e) The Company has exercised reasonable care, in accordance with U.S. Securities and Exchange Commission rules and guidance, to determine whether any Covered Person (as defined below) is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the U.S. Securities Act ("**Disqualification Events**"). To the Company's knowledge, no Covered Person is subject to a Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the U.S. Securities Act. The Company has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the U.S. Securities Act. "**Covered Persons**" means those persons specified in Rule 506(d)(1) under the U.S. Securities Act, including the Company; any predecessor or affiliate of the Company; any director or executive officer of the Company; any beneficial owner of twenty percent (20%) or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the U.S. Securities Act) connected with the Company in any capacity at the time of the sale of the Debt Shares; and any person that has been or will be paid (directly or indirectly) remuneration for solicitation in connection with the sale of the Debt Shares (a "**Solicitor**"), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the offering of any Solicitor or general partner or managing member of any Solicitor.

4. The Creditor hereby represents and warrants to and covenants with the Debtor and the Company as follows, and acknowledges that the Debtor and the Company are relying thereon, both at the date hereof and at the Closing:

   (a) The Creditor is domiciled in Thompson, Pennsylvania. Such address was not created and is not used solely for the purpose of acquiring the Debt Shares and the Creditor was solicited to purchase the Debt Shares in such jurisdiction.

(b) The Creditor is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D under the U.S. Securities Act, and has properly completed, executed and delivered to the Company Schedule "B", attached hereto, and the information contained therein is true and correct.

(c) The information, representations, warranties and covenants contained herein and in Schedule "B", will be true and correct both as of the date of execution of this Agreement and as of the time of Closing.

(d) The execution and delivery of this Agreement, the performance and compliance with the terms hereof, the issuance of the Debt Shares and the completion of the transactions described herein by the Creditor will not result in any material breach of, or be in conflict with or constitute a material default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a material default under any term or provision, if applicable, of the constating documents, by laws or resolutions of the Creditor, of applicable securities laws or any other laws applicable to the Creditor, any agreement to which the Creditor is a party, or any judgment, decree, order, statute, rule or regulation applicable to the Creditor.

(e) The Creditor is acquiring the Debt Shares as principal for the Creditor's own account and not for the benefit of any other person (within the meaning of applicable securities laws) and not with a view to the resale or distribution of all or any of the Debt Shares.

(f) This Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding agreement of, the Creditor. This Agreement is enforceable in accordance with its terms against the Creditor.

(g) If the Creditor is (i) a corporation, it is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Agreement, to acquire the Debt Shares as contemplated herein and to carry out and perform its obligations under the terms of this Agreement, (ii) a partnership, syndicate or other form of unincorporated organization, it has the necessary legal capacity and authority to execute and deliver this Agreement and to observe and perform its covenants and obligations hereunder and has obtained all necessary approvals in respect thereof, or (iii) an individual, it is of the full age of majority and is legally competent to execute this Agreement and to observe and perform his or her covenants and obligations hereunder.

(h) If required by applicable securities laws or the Company, the Creditor will execute, deliver and file or assist the Company in filing such reports, undertakings and other documents with respect to the issue of the Debt Shares as may be required by any securities commission, stock exchange or other regulatory authority.

(i) The Creditor has been advised to consult their own legal advisors with respect to trading in the Debt Shares and with respect to the resale restrictions imposed by applicable securities laws of the jurisdiction in which the Creditor resides and other applicable securities laws, and acknowledges that no representation has been made respecting the applicable hold periods imposed by applicable securities laws or other resale restrictions applicable to such securities which restrict the ability of the Creditor to resell such securities, that the Creditor is solely responsible to find out what these restrictions are and the Creditor is solely responsible (and the Company is in no way responsible) for compliance with applicable resale restrictions and the Creditor is aware that it may not be able to resell such securities except in accordance with limited exemptions under applicable securities laws.

(j) The Creditor has not received or been provided with a prospectus or offering memorandum, within the meaning of applicable securities laws, or any sales or advertising literature in connection with the issuance of the Debt Shares to the Creditor and the Creditor's decision to acquire the Debt Shares was not based upon, and the Creditor has not relied upon, any verbal or written representations as to facts made by or on behalf of the Company.

(k) The Creditor is not acquiring the Debt Shares with knowledge of material information concerning the Company which has not been generally disclosed.

(l) No person has made any written or oral representations (i) that any person will resell or repurchase the Debt Shares, or (ii) as to the future price or value of the Debt Shares.

(m) Neither (i) the Creditor, (ii) any of its directors, executive officers, other officers that may serve as a director or officer of any company in which it invests, general partners or managing members, nor (iii) any beneficial owner of the Company's voting equity securities (in accordance with Rule 506(d) of the U.S. Securities Act) held by the Creditor is subject to any Disqualification Event, except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the U.S. Securities Act and disclosed reasonably in advance of the Closing in writing in reasonable detail to the Company.

(n) It has not purchased the Debt Shares as a result of any form of general solicitation or general advertising (as such terms are understood pursuant to the provisions of Rule 502 of Regulation D), including advertisements, articles, press releases, notices or other communications published in any newspaper, magazine or similar media or on the Internet, or broadcast over radio or television, or the Internet or other form of telecommunications, including electronic display, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(o) The Debt Shares will be issued to the Creditor as "**restricted securities**" (as defined in Rule 144(a)(3) under the U.S. Securities Act) and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, without prior registration under the U.S. Securities Act and applicable state securities laws, and the Creditor agrees that if it decides to offer, sell, pledge or otherwise transfer, directly or indirectly, any of the securities absent such registration, it will not offer, sell, pledge or otherwise transfer, directly or indirectly, such securities, directly or indirectly, except (i) to the Company, (ii) outside the United States in an "offshore transaction" meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act, if available, and in compliance with applicable local laws and regulations, (iii) in compliance with the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities laws, or (iv) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws and regulations governing the offer and sale of securities, and, in the case of each of (iii) and (iv) it has prior to such sale furnished to the Company an opinion of counsel in form and substance reasonably satisfactory to the Company stating that such transaction is exempt from registration under applicable securities laws.

5. The Creditor acknowledges and agrees as follows:

(a) The Debt Shares have not been recommended by the United States Securities and Exchange Commission or by any state securities commission or regulatory authority.

(b) The Debt Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any State.

(c) The offer and sale of the Debt Shares contemplated hereby is being made in reliance on an exemption from such registration requirements contained in the provisions of Rule 506(b) of Regulation D or in the provisions of Section 4(a)(2) of the U.S. Securities Act.

(d) There may be material tax consequences to the Creditor of an acquisition, disposition or exercise of any of the Debt Shares. The Company gives no opinion and makes no representation with respect to the tax consequences to the Creditor under United States, State, local or foreign tax law of the undersigned's acquisition or disposition of such securities. In particular, no determination has been made whether the Company will be a "passive foreign investment company" within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended.

(e) The financial statements of the Company prior to and during the nine months ended May 31, 2019 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and therefore (i) may be materially different from financial statements prepared under U.S. generally accepted accounting principles and (ii) may not be comparable to financial statements of United States companies.

(f) The Creditor consents to the Company making a notation on its records or giving instruction to the registrar and transfer agent of the Company in order to implement the restrictions on transfer set forth and described herein.

(g) The Company is incorporated outside the United States, consequently, it may be difficult to provide service of process on the Company and it may be difficult to enforce any judgment against the Company.

(h) The Creditor is not purchasing the Debt Shares with a view to any resale, distribution or other disposition of such securities in violation of United States federal or state securities laws. The Debt Shares shall be subject to additional statutory resale restrictions under applicable securities laws, and the Creditor covenants that it will not resell the Debt Shares except in compliance with such laws. The Creditor acknowledges that it is solely responsible for compliance with any applicable securities laws governing the resale of the Debt Shares.

(i) The certificates representing the Debt Shares will bear legends substantially in the following form and with the necessary information inserted:

> **"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE <INSERT THE DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER THE DATE OF CLOSING>."**

and subject to the policies of the TSXV may bear a legend substantially in the following form and with the necessary information inserted:

> **"WITHOUT PRIOR WRITTEN APPROVAL OF TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL <INSERT THE DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER THE DATE OF CLOSING>."**

(j) In addition to the legends contemplated in subsection 5(j) hereof, the Debt Shares shall be issued as "restricted securities" as defined in Rule 144(a)(3) under the U.S. Securities Act, and the certificate representing the Debt Shares as well as all certificates issued in exchange therefor or in substitution thereof, until such time as is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws, will bear the following legend:

> **"THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), AND HAVE BEEN OR WILL BE ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. SUCH SECURITIES MAY NOT BE REOFFERED FOR SALE OR RESOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S, PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE U.S. SECURITIES ACT, OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT."**

provided, that if any Debt Shares are being sold otherwise than to the Company, the legend may be removed by delivery to the registrar and transfer agent and the Company of an opinion of counsel, of recognized standing, in form and substance reasonably satisfactory to the Company, that such legend is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws.

(k) The Company previously has been an issuer (a "**shell company**") with no or nominal operations and no or nominal assets other than cash and cash equivalents, with the result that Rule 144, as interpreted by Staff at the United States Securities and Exchange Commission (the "**SEC**"), will not be available to facilitate resale of any Debt Shares unless and until all of the conditions in Rule 144(i)(2) are satisfied at the time of the proposed sale, including, without limitation:

   (i) the requirement that the Company have filed current "Form 10 information" with the SEC reflecting its status as an entity that is no longer shell company,

   (ii) one year has elapsed from the date that the Company filed "Form 10 information" with the SEC, and

   (iii) the Company shall have filed all reports and material required to be filed under section 13 of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") during the preceding 12 months, other than Form 8-K reports.

(l) Although the Company has registered its common shares as a class under section 12(g) of the Exchange Act by filing a registration statement with the SEC on Form 10 under the Exchange Act on May 22, 2019 (SEC File No. 000-55991) (which registration statement, as amended, constitutes "Form 10 information" as such term is used in Rule 144(i)(2) under the U.S. Securities Act, and was declared effective by order of the SEC on July 12, 2019),

   (i) the Company is not obligated to make or otherwise keep Rule 144 under the U.S. Securities Act available for resales of any Debt Shares; and

   (ii) accordingly, the Company will authorize removal of the U.S. restrictive legend endorsed on the certificate or other instrument representing the Debt Shares pursuant to Rule 144(b)(1) under the U.S. Securities Act only in connection with their resale by the Creditor.

(m) The Company has determined that it ceased to qualify as a Foreign Private Issuer as of February 28, 2019 (being the last business day of the second fiscal quarter of the fiscal year ended August 31, 2019), and ceased to be eligible to rely on the rules and forms available to Foreign Private Issuers on August 31, 2019.

(n) Rule 905 of Regulation S provides in substance that any "restricted securities" that are equity securities of a Domestic Issuer (as such term is defined in Rule 902(e) of Regulation S), including an issuer that no longer qualifies as a Foreign Private Issuer, will continue to be deemed to be restricted securities notwithstanding that they were acquired in a resale transaction pursuant to Rule 901 or 904 of Regulation S, and, as interpreted by Staff at the U.S. Securities and Exchange Commission, Rule 905 applies to equity securities that, at the time of issuance were those of a Domestic Issuer.

(o) By operation of Rule 905 of Regulation S, any Debt Shares that are resold outside the United States in compliance with the requirements of Rule 901 or Rule 904 of Regulation S will continue to be "restricted securities" and will continue to be subject to the requirement that they be represented by a physical certificate imprinted with a U.S. restrictive legend. The presence of the U.S. restrictive legend on the certificate(s) representing the Debt Shares may impair the ability of the holder of such securities to make "good delivery" of the Debt Shares on the TSXV or any other Canadian stock exchange.

(p) The Creditor shall execute, deliver, file and otherwise assist the Company with filing all documentation required by the applicable securities laws to permit the issuance of the Debt Shares.

(q) The Company is relying on the representations, warranties and covenants contained herein and in Schedule "B", attached hereto, to determine the Creditor's eligibility to acquire the Debt Shares under applicable securities laws and the Creditor agrees to indemnify the Company and its directors and officers, employees and agents against all losses, claims, costs, expenses, damages or liabilities which any of them may suffer or incur as a result of or arising from reliance thereon. The Creditor undertakes to immediately notify the Company of any change in any statement or other information relating to the Creditor set forth herein and in Schedule "B", attached hereto, which takes place prior to the time of Closing.

(r) The Creditor hereby waives (i) all prior and all existing breaches, defaults and events of defaults under or with respect to the Debt, and (ii) all penalty or default interest, late charges, fees, expenses and other similar amounts due under or with respect to the Debt. This waiver extends only to past and current matters and shall not extend to any future matter, whether or not similar in nature to any past matter.

(s) The Creditor is responsible for obtaining such legal and tax advice as it considers appropriate in connection with the execution, delivery and performance of this Agreement.

(t) The Creditor is knowledgeable of securities legislation in the Creditor's jurisdiction of residence that may have application over the Creditor or transactions contemplated herein which would apply to this Agreement and is satisfied that the Company and the Creditor will not breach such laws by completing the transactions contemplated hereby.

(u) The issuance of the Debt Shares by the Company to the Creditor requires the final approval of the TSXV.

7. All of the covenants, representations, and warranties contained herein and in Schedule "B", attached hereto, shall survive the issuance of the Debt Shares hereunder.

8. The Creditor hereby consents to (a) the disclosure of Personal Information by the Company to the Exchange (as defined in Appendix 6A of the TSXV) pursuant to TSXV Form 4E *Shares for Debt Filing Form* ("**Form 4E**"), and (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6A of the TSXV or as otherwise identified by the Exchange, from time to time. "**Personal Information**" means any information about an identifiable individual, and includes the information contained in the tables, as applicable, found in Form 4E.

9. Time shall in all respects be of the essence of this Agreement.

10. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of Ontario.

11. Unless otherwise specified, all references to $ refer to lawful currency of the United States.

12. The parties agree to execute and deliver to each other such further instruments and other written assurances and to do or cause to be done such further acts or things as may be necessary or convenient to carry out and give effect to the intent of this Agreement or as any of the parties may reasonably request in order to carry out the transactions contemplated herein.

13. This Agreement sets forth the entire agreement among the parties hereto pertaining to the specific subject matter hereof and replaces and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties hereto, and there are no warranties, representations or other agreements, whether oral or written, express or implied, statutory or otherwise, between the parties hereto in connection with the subject matter hereof except as specifically set forth herein. No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

14. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby, and any such invalid, illegal or unenforceable provision shall be deemed to be severable, and the remainder of the provisions of this Agreement shall nevertheless remain in full force and effect.

15. This Agreement may be executed by the parties hereto in separate counterparts or duplicates each of which when so executed and delivered shall be an original, but all such counterparts or duplicates shall together constitute one and the same instrument. A signed facsimile, portable document format (PDF) or telecopied copy of this Agreement shall be effective and valid proof of execution and delivery.

16. This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, assigns and legal representatives. This Agreement may not be assigned without the prior written consent of the parties, which consent may not be unreasonably withheld.

[*Signature page follows*]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

PETROTEQ ENERGY INC.

By: /s/ Aleksandr Blyumkin
Name: Aleksandr Blyumkin
Title: Director

VALKOR LLC

By: /s/ Steven Byle
Name: Steven Byle
Title: CEO

SCHEDULE "A"

CREDITOR'S INVOICE

See attached.

Valkor LLC
21732 Provincial Blvd Ste 160
Katy, TX 77450
(832) 226 5022

INVOICE

BILL TO
Petroteq Inc.
15165 Ventura Blvd
Suite 200
Sherman, CA.
91403

INVOICE # CM202015
DATE 07/13/2020
DUE DATE 09/11/2020
TERMS Net 60

DESCRIPTION	QTY	UNIT PRICE	PRICE US $
Milestone 2: Completion of Pilot Plant Redesign and Pre-FEED study on 3000 bpd plant (8.33%) W.O. No. - VESL-001803M-002 Supply and Installation of 300 bopd Facility per CEPJ-001818P in Vernal, Utah This Work Order is governed by Master Services Agreement, VESL-001803M dated 01 November 2018, and incorporates by reference the attached proposal: CEPJ-001818P, 3000 BBL PER DAY OIL SANDS EXTRACTION UNIT	1	2,500,000.00	2,500,000.00

Please make Payment to: BALANCE DUE $ 2,500,000.00

Chase Bank
Name: Valkor LLC
Account: 215 365 661
Routing: 111000614

SCHEDULE "B"

U.S. ACCREDITED INVESTOR CERTIFICATE

Any person who is a U.S. Person (as such term is defined in Rule 902(k) of Regulation S) (the '**Subscriber**") covenants, represents and warrants to Petroteq Energy Inc. (the "**Corporation**") that it is an "accredited investor" as defined in Regulation D by virtue of satisfying one or more of the categories indicated below**(please hand-write your initial on the appropriate lines and write "SUB" for the criteria the Subscriber meets and "BEN" for the criteria any persons for whose account or benefit the Subscriber is purchasing the Debt Shares meets)**:

__________ Category 1. A bank, as defined in Section 3(a)(2) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or

__________ Category 2. A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act, whether acting in its individual or fiduciary capacity; or

__________ Category 3. A broker or dealer registered pursuant to Section 15 of the *U.S. Securities Exchange Act of 1934*; or

__________ Category 4. An insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; or

__________ Category 5. An investment company registered under the *Investment Company Act of 1940*; or

__________ Category 6. A business development company as defined in Section 2(a)(48) of the *Investment Company Act of 1940*; or

__________ Category 7. A small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958*; or

__________ Category 8. A plan established and maintained by a state, its political subdivision or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with assets in excess of U.S. $5,000,000; or

__________ Category 9. An employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company or registered investment advisor, or an employee benefit plan with total assets in excess of U.S. $5,000,000 or, if a self-directed plan, the investment decisions are made solely by persons who are accredited investors; or

__________ Category 10. A private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940*; or

__________ Category 11. An organization described in Section 501(c)(3) of the *Internal Revenue Code*, a corporation, a limited liability company, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the Debt Shares, with total assets in excess of U.S. $5,000,000; or

__________ Category 12. A director, executive officer or general partner of the Corporation; or

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__________ Category 13. A natural person whose individual net worth, or joint net worth with that person's spouse, exceeds U.S. $1,000,000 (for the purposes of calculating net worth, (i) the person's primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of the securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability); or

__________ Category 14. A natural person who had an individual income in excess of U.S. $200,000 in each year of the two most recent years or joint income with that person's spouse in excess of U.S. $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or

__________ Category 15. A trust, with total assets in excess of U.S. $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under Regulation D; or

__________ Category 16. An entity in which each of the equity owners meets the requirements of one of the above categories.

If you checked Category 16, please indicate the name and category of accredited investor (by reference to the applicable number in this Schedule "B") of each of:

Name of Equity Owner	Category of Accredited Investor
Steven Byle	13 & 14
Coby Crawford	13 & 14
Aldo Benavides	13 & 14

Dated 8/15/2020_________

X ____________________
Signature of individual (if Subscriber **is** an individual)

X /s/ Steven Byle
Authorized signatory (if Subscriber is **not** an individual)

Valkor LLC
Name of Subscriber **(please print)**

Steven Byle
Name of authorized signatory **(please print)**

CEO
Official capacity of authorized signatory **(please print)**

TECHNOLOGY LICENSE AGREEMENT

This **TECHNOLOGY LICENSE AGREEMENT** ("Agreement"), dated and made effective as of November 14, 2020 ("Effective Date"), is entered into by and between PETROTEQ ENERGY INC. a corporation organized and existing under the laws of the Province of Ontario (Canada), having offices at 15315 West Magnolia Boulevard, Suite 120, Sherman Oaks, California 91403 ("Petroteq" or "Licensor"), and GREENFIELD ENERGY, LLC, a limited liability company organized and existing under the laws of the State of Utah having offices at 21732 Provincial Boulevard, Suite 160, Katy, Texas 77450 (" Licensee") (the parties hereto sometimes referred to individually as a "Party" or collectively as the "Parties".

RECITALS

A. Petroteq is engaged in the commercial development of Oil Sands Plants that use or deploy devices, processes and methods claimed under the Patent Rights and/or in the Petroteq Know-How in the extraction, processing and production of Crude Oil and other hydrocarbon products from oil sands, tar sands, and other hydrocarbon-bearing sandstones and structures.

B. Licensee wishes to finance, construct and operate Oil Sands Plants that use or deploy devices, processes and methods claimed under the Patent Rights and the Petroteq Know-How in connection with the extraction, processing and production of Licensed Products and therefore wishes to obtain a license under the Patent Rights and the Petroteq Know-How under and in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties agree as follows:

ARTICLE 1.0 – DEFINITIONS

1.01 Defined Terms. Certain capitalized terms used in this Agreement, unless otherwise defined in the text hereof or unless the context otherwise requires, shall have the meanings and definitions ascribed to them as set forth in Schedule X hereto.

1.02 Interpretation; Protocols.

(1) The name assigned to this Agreement and the Article and Section (or subsection) captions used herein are for convenience of reference only and shall not be construed to affect the meaning, construction or effect hereof. The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Unless otherwise specified, the terms "hereof," "herein" and similar terms refer to this Agreement as a whole and references herein to Articles or Sections refer to Articles or Sections of this Agreement. 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.

(2) For purposes of this Agreement, the words, "include," "includes" and "including," when used herein, shall be deemed in each case to be followed by the words "without limitation". For purposes of this Agreement, references to "licensee" or "sublicensee" shall be deemed to include any licensee or sublicensee of the rights, privileges and immunities that may be granted by Licensee under and pursuant to authority contained in this Agreement.

(3) 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 Schedule X - Definitions. The attached Schedule X is hereby incorporated into and made a part of this Agreement for all purposes.

ARTICLE 2.0 GRANT OF LICENSE

2.01 License. Subject to the terms and conditions set forth in this Agreement, Petroteq hereby grants to Licensee a non-exclusive, non-transferable license under the Patent Rights and the Petroteq Know-How for use in the design, construction and operation of any and all future Oil Sands Plants in the United States of America.

2.02 No Other Grant of Rights. Except as expressly provided in this Agreement, nothing in this Agreement shall be construed to confer any ownership interest, license, right, title, interest or other rights upon Licensee by implication, estoppel or otherwise as to any of the Patent Rights or the Petroteq Know-How, or to any technology, intellectual property rights, or products of Petroteq or any other entity, regardless of whether such technology, intellectual property rights, or products are dominant, subordinate or otherwise related to any Patent Rights or the Petroteq Know- How. Any and all rights, titles and interests not specifically granted by Petroteq hereunder are hereby reserved. For greater clarity, Petroteq shall continue to own all Patent Rights and the Petroteq Know-How, including all parts and components of or in implementing the Patent Rights and the Petroteq Know-How for use in the operation of Oil Sands Plants, all improvements of the foregoing regardless of by whom developed, and all intellectual property rights in any and all of the foregoing.

2.03 No Licensing or Sublicensing Rights. Licensee shall have no right or authority to license, sublicense or otherwise market to any Person this Agreement or any of the rights and license granted to Licensee herein. Any such purported license or sublicense of rights under this Agreement by Licensee shall be deemed null and void and shall constitute a material breach of this Agreement.

ARTICLE 3.0 CONSIDERATION FOR GRANT OF LICENSE

3.01 License Fee. Licensee agrees to pay Petroteq a one-time non-refundable license fee of Two Million Dollars ($2,000,000) ('License Fee") for Oil Sands Plants designed, developed and constructed by Licensee. The Parties recognize and acknowledge that One Million, Five Hundred Thousand Dollars ($1,500,000) of the License Fee has already been paid by Licensee prior to the Effective Date of this Agreement in the form of investment in the existing Oil Sands Plant owned by Petroteq located in Vernal, Utah ("Petroteq Oil Sands Plant"). Licensee shall pay the remaining Five Hundred Thousand Dollars ($500,000) of the License Fee to Licensor by investing an additional Five Hundred Thousand Dollars ($500,000) in the Petroteq Oil Sands Plant to be applied in the manner that the Licensee directs, with payment required no later than twenty (20) days after the Effective Date of this Agreement. No additional License Fee shall be required in connection with the construction of additional Oil Sands Plants by Licensee under this Agreement.

3.02 License Production Royalty.

(a) Licensee shall pay to Petroteq a License Production Royalty equal to five percent (5%) of the Net Revenue received by Licensee from the production, sale or other disposition of Licensed Products from each Oil Sands Plant; provided, however, if any Licensed Product produced and sold from any Oil Sands Plant is not covered by a Valid Claim in the country in which such Licensed Product is made, used or sold, Licensee shall pay Petroteq an amount equal to three percent (3%) of the Net Revenue received by Licensee from the production, sale or other disposition of any such Licensed Product.

(b) License Production Royalty that becomes owed or payable to Petroteq based on the sale or other disposition of Licensed Products from an Oil Sands Plant during any calendar quarter shall be paid to Petroteq within thirty (30) days after the end of such quarter.

3.03 Engineering Services. Licensee shall be obligated to engage Valkor, LLC (or an affiliate named by Valkor) as the sole and exclusive provider of engineering, planning and construction services ("Engineering Services") for all Oil Sands Plants built by or under the direction or on behalf of Licensee pursuant to this Agreement; provided, however, that fees charged by Valkor for such engineering, planning and construction services must be competitive and reasonably consistent with industry standard pricing. If, in the reasonable opinion of Licensee, Valkor is unable to provide such services at a reasonably competitive rate and to the requisite standard, then Licensee shall be entitled to engage one or more other parties to provide such services. Any third party engaged to provide Engineering Services for an Oil Sands Plant under this Agreement shall be required to execute a binding NDA with Licensee to protect Petroteq's Confidential Information and Petroteq Know-How pursuant to terms consistent with the terms of this Agreement.

ARTICLE 4.0 REPORTS, PAYMENTS & RECORDS

4.01 Reports and Payments.

(a) *Quarterly Production Reports*. Beginning with the first calendar quarter following the Completion Date of each Oil Sands Plant and for each ensuing calendar quarter (each such quarter being a "Reporting Quarter"), Licensee shall deliver to Petroteq, within thirty (30) days after the end of each Reporting Quarter, a Quarterly Production Report for each such Plant. Each Quarterly Production Report generated and delivered to Petroteq for each Oil Sands Plant shall contain or include, for and during the Reporting Quarter, the following information and data:

(1) The quantity or volume of each Licensed Product (described separately) produced at or from the Plant during the Reporting Quarter;

(2) The quantity or volume of each Licensed Product sold or otherwise disposed of during the Reporting Quarter, together with the price at which each such Licensed Product was sold (or disposed of), the Gross Revenue received or paid to Licensee for each Licensed Product (or that would be paid by the purchaser thereof prior to deductions for taxes, transportation costs or other agreed upon expenses) and the costs, expenses and other permitted deductions (if any) applied or used by Licensee in determining the "Net Revenue" received by Licensee for and with respect to each such Licensed Product, including the exchange rates used for any conversion or adjustments to U.S. Dollars;

(3) The License Production Royalty payable to Petroteq from and based on the sale (or other disposition) of Licensed Products during each Reporting Quarter, together with a description of the costs, expenses and permitted deductions (if any) used in calculating the Net Revenue received by Licensee and the License Production Royalty payable to Petroteq for or with respect to each such Licensed Product; and

(4) A description of the "Credits" generated by Base License Fees previously paid to Petroteq, subject to the two (2)-year limitation on the use of such Credits, that have been applied by Licensee to reduce the License Production Royalty payable to Petroteq for or with respect to each Licensed Product; and

(5) Such other information and data as may be reasonably required by Petroteq from time to time that relates or otherwise will contribute to a full and complete accounting of all Licensed Products produced from each Oil Sands Plant during each Reporting Quarter, the calculation of the Net Revenue received by Licensee during such Reporting Quarter, and the License Production Royalty owed or payable to Petroteq for or with respect to such Reporting Quarter.

Each Quarterly Production Report delivered to Petroteq shall be certified on behalf of Licensee as true, correct and complete in all material respects. If, with respect to any Oil Processing Plant, no production of Licensed Products has occurred during any Reporting Quarter, or if no Net Revenue is received by Licensee (as to which License Production Royalty would be owed to Petroteq) during any Reporting Quarter, the Quarterly Production Report generated with respect to such Oil Processing Plant for such Reporting Quarter shall so state.

(b) *Valid Claims Data*. Each Quarterly Production Report shall include a list of Petroteq Case numbers for all Patent Rights that have Valid Claims covering the Licensed Products.

(c) *Payment of Royalties*. Within thirty (30) days after the end of each Reporting Quarter for each Oil Sands Plant, Licensee shall pay to Petroteq all License Production Royalty owed for and with respect to such Reporting Quarter.

4.02 Payment Currency. All payments that become due and owing to Petroteq under this Agreement, including all monetary information and data contained in each Quarterly Production Report, will be expressed and paid in U.S. Dollars. Conversion of foreign currency to U.S. Dollars will be made at the conversion rate existing in the United States (as reported in the Wall Street Journal) on the last working day of each Reporting Quarter for each Oil Sands Plant. All such payments to Petroteq, except for use of Credits from License Fees previously paid by Licensee hereunder, shall be paid to Petroteq without deduction of exchange, setoff, collection, or other charges.

4.03 Records. Licensee shall maintain, and shall cause its Affiliates to maintain, complete and accurate records of Licensed Products that are produced, used or sold during each Reporting Quarter under this Agreement and any License Production Royalty and other amounts payable to Petroteq with respect to each Oil Sands Plant under this Agreement, which records shall contain sufficient information to permit Petroteq to confirm the accuracy of any reports or notifications delivered to Petroteq under this Article 4.0. Licensee and/or its Affiliates, as applicable, shall retain such records relating to each Reportable Quarter at or for each Oil Sands Plant for at least five (5) years after the conclusion of each such Reporting Quarter (at each Plant), during which time Petroteq will have the right, at its expense, to cause its accountants, auditors or other designated representatives ("Designated Audit Representatives") to inspect such records during normal business hours for the purposes of verifying the accuracy of any reports and payments delivered under this Agreement and Licensee's compliance with the terms of this Agreement. All such information and data inspected and reviewed by the Designated Audit Representatives shall be maintained by Petroteq as confidential information as provided in Article 10. The Parties shall reconcile any underpayment or overpayment within thirty (30) days after the Designated Audit Representatives delivers to Petroteq the results of any inspection, review or audit hereunder. If any inspection, review or audit by Designated Audit Representatives of the records maintained by Licensee (or any Affiliates) as provided hereunder reveals an underpayment in excess of five percent (5%) in any calendar year, Licensee shall reimburse Licensor for all amounts incurred in connection with such inspection, review or audit. Licensor may exercise its rights to inspect, review and audit the records of Licensee under the provisions hereof only once every calendar year for Licensee and (separately) for each Affiliate that owns (in whole or in part) or operates, whether directly or indirectly, an Oil Sands Plant, provided that, in each such case, Petroteq gives to Licensee (or any Affiliate, as the case may

be) written notice of at least ten (10) days prior to any such inspection, review or audit as provided herein.

4.04 Late Payments. Any payments by Licensee that are not paid on or before the date on which each such payment is due or required to be made to Petroteq under this Agreement will bear interest at the lower of (a) three quarters of one percent (0.75%) per month and (b) the maximum rate allowed by law. Interest will accrue beginning on the first day following the due date for each such payment and will be compounded quarterly. Payment of such interest by Licensee will not limit, in any way, Petroteq's right to exercise any other remedies that it may have as a consequence of the lateness of any such payment.

4.05 Payment Method. Each payment due and owing to Petroteq under this Agreement shall be paid by check or wire transfer of funds to Petroteq's account in accordance with written instructions provided by Petroteq. If made by wire transfer, such payments shall be marked so as to refer to this Agreement.

4.06 Withholding and Similar Taxes. All amounts to be paid to Petroteq pursuant to this Agreement shall be without deduction of exchange, collection, or other charges, and, specifically, without deduction of withholding or similar taxes or other government-imposed fees or taxes, except as permitted in the determining the License Production Royalty owed and payable to Petroteq as provided in this Agreement.

ARTICLE 5.0 WARRANTY; LIMITATION OF LIABILITY

5.01 Compliance with Law. Licensee represents and warrants that it will comply, and will ensure that its Affiliates comply, with all local, state, federal and international laws and regulations relating to the development, manufacture, use, sale and export/import of Licensed Products. Without limiting the foregoing, Licensee represents and warrants that it will comply, and will ensure that its Affiliates comply, with all United States export control laws and regulations.

5.02 No Warranty.

(a) NOTHING CONTAINED HEREIN SHALL BE DEEMED TO BE A WARRANTY BY PETROTEQ THAT IT CAN OR WILL BE ABLE TO OBTAIN PATENTS ON PATENT APPLICATIONS INCLUDED IN THE PATENT RIGHTS, OR THAT ANY OF THE PATENT RIGHTS WILL AFFORD ADEQUATE OR COMMERCIALLY WORTHWHILE PROTECTION.

(b) PETROTEQ MAKES NO WARRANTIES WHATSOEVER AS TO THE COMMERCIAL OR SCIENTIFIC VALUE OF THE PATENT RIGHTS. PETROTEQ MAKES NO REPRESENTATION THAT THE PRACTICE OF THE PATENT RIGHTS OR THE DEVELOPMENT, MANUFACTURE, USE, SALE OR IMPORTATION OF ANY LICENSED PRODUCT, OR ANY ELEMENT THEREOF, WILL NOT INFRINGE ANY PATENT OR PROPRIETARY RIGHTS.

(c) EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTY WITH RESPECT TO ANY TECHNOLOGY, PATENTS, GOODS, SERVICES, RIGHTS OR OTHER SUBJECT MATTER OF THIS AGREEMENT AND EACH PARTY HEREBY DISCLAIMS WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT WITH RESPECT TO ANY AND ALL OF THE FOREGOING.

5.03 Limitation of Liability.

(a) Except with respect to matters for which Licensee is obligated to indemnify Petroteq under Article 8.0, neither Party will be liable to the other with respect to any subject matter of this Agreement under any contract, negligence, strict liability or other legal or equitable theory for (a) any indirect, incidental, consequential or punitive damages or lost profits, or (b) cost of procurement of substitute goods, technology or services.

(b) Petroteq's aggregate liability for all damages of any kind arising out of or relating to this Agreement or its subject matter under any contract, negligence, strict liability or other legal or equitable theory shall not exceed fifty percent (50%) of the amounts paid to Petroteq under this Agreement.

(c) Licensee's aggregate liability for all damages of any kind arising out of or relating to this Agreement or its subject matter under any contract, negligence, strict liability or other legal or equitable theory shall not exceed the lesser of (1) all amounts paid as License Fees and Royalties by Licensee to Petroteq under this Agreement, or (2) Five Million Dollars ($5,000,000), provided however, that such limitation of liability shall not apply to damages resulting from: (I) misappropriation of Confidential Information, Petroteq Know-How and or any trade secrets as defined under federal and/or state law; and/or (II) any damages, loss or liability covered by or within the scope of any insurance policy maintained by Licensee, whether or not such insurance is required by this Agreement.

ARTICLE 6.0 IMPROVEMENTS

6.01 Ownership; License. Petroteq at all times shall have or be entitled to ownership of all Improvements, including the intellectual property rights embodied or contained therein or attaching thereto, regardless of whether any such Improvements are conceived, discovered, invented or developed by Petroteq or Licensee, or by their joint efforts. In each such case, any such Improvements, subject to the exclusive ownership rights and interests of Petroteq as provided herein, shall otherwise be subject to and within the scope of this Agreement as specified in Section 6.03(c) below.

6.02 Improvements by Licensor.

(a) Petroteq agrees to disclose to Licensee any and all Improvements upon the invention, discovery or development thereof by Petroteq or any of its Representatives that have reached a stage of development suitable for evaluation, testing or commercial use or operation. Petroteq shall permit Licensee and its Representatives to inspect, evaluate and test all such Improvements to determine whether they, or any of them, may be useful in the practice, development or use of the Patent Rights and the Petroteq Know-How or in the design, construction or operation of Oil Sands Plants.

(b) If Licensee deems the Improvements useful, Petroteq shall grant Licensee a license to use such Improvements pursuant to the same terms and conditions under which Licensee is entitled to use the Patent Rights and Petroteq Know-How pursuant to this Agreement. Petroteq shall promptly execute all documents and instruments necessary to grant such rights to Licensee.

6.03 Improvements by Licensee.

(a) Licensee agrees to disclose to Petroteq any and all Improvements upon the invention, discovery or development thereof by Licensee or any of its Representatives that have reached a stage of development suitable for evaluation, testing or commercial use or operation ("Licensee Improvements"). Licensee shall permit Petroteq and its Representatives to inspect, evaluate and test all such Licensee Improvements to determine whether they, or any of them, may be useful in the practice, development or use of the

Patent Rights and Petroteq Know-How or in the design, construction or operation of Oil Sands Plants.

(b) Upon Petroteq's written request, Licensee shall promptly assign and transfer to Petroteq, by execution and delivery of such instruments as may be reasonably required by Petroteq, all of Licensee's rights, title and interests in or to any Licensee Improvement conceived, discovered, invented or developed by Licensee or any of its Representatives, or by or through the joint or cooperative efforts of Petroteq and Licensee, including all of the intellectual property rights embodied or contained therein or attaching or arising with respect thereto. Upon any such assignment or transfer to Petroteq, Licensee shall deliver to Petroteq a copy of all Documentation relating to any such Licensee Improvement.

(c) In the event that any Licensee Improvements are assigned and transferred from Licensee to Petroteq pursuant to subsection (b) above, then Petroteq shall grant Licensee a license to use such Licensee Improvement pursuant to the same terms and conditions under which Licensee is entitled to use the Patent Rights and/r Petroteq Know-How pursuant to this Agreement. Petroteq shall promptly execute all documents and instruments necessary to grant such rights to Licensee.

6.04 Intellectual Property Rights Protection. With respect to any Improvement, Petroteq shall have the exclusive right, exercisable in its sole discretion, to prepare, file and prosecute patents and patent applications, copyrights and copyright applications, and other intellectual property applications and registrations with Governmental Authorities, in each case in its own name anywhere in the world, and to pursue and take such other actions steps as may be necessary in its sole judgment to protect its ownership of the intellectual property rights contained or embodied in, or otherwise attaching to, any Improvement, regardless of whether such Improvement was invented, discovered or developed by Petroteq (or any of its Representatives) or by Licensee (or any of its Representatives).

6.05 Mutual Assistance; Further Assurance. Each Party shall, upon any request by the other Party, take such actions and execute all documents, and cause its Representatives to take all actions and execute all documents, as may be necessary or appropriate to carry out the provisions of this Article 6.0.

ARTICLE 7.0 PATENT & INTELLECTUAL PROPERTY RIGHTS

7.01 Petroteq's Patent/IP Rights. Petroteq shall have the exclusive right (but not the obligation), in its own name and at its own cost and expense, to file, make and prosecute, in any nation, country or jurisdiction anywhere in the world, patents and patent applications, copyrights and copyright applications, and other intellectual property filings or registrations that are equivalent to, or that are based upon or embody claims or features contained in the Patent Rights or the Petroteq Know-How, as the case may be, or in any Improvement; and in each case to conduct or comply with all maintenance requirements relating to any patent, copyright or other protective right issued to Petroteq by any Governmental Authority with respect to any of the foregoing.

7.02 Licensee's Patent/IP Rights.

(a) Licensee shall be entitled from time to time to request in writing (each a 'Patent/IP Filing Request") that Petroteq file, make and prosecute, in any nation, country or jurisdiction in which Licensee has developed firm plans to construct and operate an Oil Sands Plant under and pursuant to this Agreement, patents and patent applications, copyrights and copyright applications, and other intellectual property filings or registrations that are equivalent to, or that are based upon or embody claims or features contained in the Patent Rights or the Petroteq Know-How, as the case may be, or in any Improvement; and in each case to conduct or comply with all maintenance requirements relating to any patent, copyright or other protective right issued to Petroteq by any Governmental Authority with respect to any of the foregoing.

(b) Within forty-five (45) days after receiving a written request Following receipt of any such request by Licensee, Petroteq shall notify Licensee in writing of one of the following proposed courses of action:

(1) Petroteq will proceed, at Licensee's sole cost and expense (and subject to such advance payments of estimated fees, costs and expenses as Petroteq may reasonably require of Licensee) to file, make and prosecute a patent, copyright or other intellectual property application, in the nation, country or jurisdiction requested by Licensee, that are equivalent to, or that are based upon or embody claims or features contained in the Patent Rights, the Petroteq Know-How, or any Improvement (and will undertake, at Licensee's expense, all maintenance requirements relating to any patent, copyright or other intellectual property right issued by any Governmental Authority in response to (or with respect to) any such application filed by Licensee as contemplated herein; or

(2) Petroteq and Licensee will enter into a mutually acceptable agreement under or pursuant to which (i) Petroteq will authorize Licensee, at Petroteq's attorney-in- fact and agent, to file, make and prosecute, in Petroteq's name and on its behalf, any such patent, copyright or other intellectual property application in the nation, country or jurisdiction requested by Licensee, (ii) Licensee will prepare, file and prosecute all such applications at its sole costs and expenses, including payment of application and filing fees, attorneys' fees and other fees and expenses arising or required in connection therewith, and (iii) Licensee will thereafter undertake, at its sole cost and expense, to manage and comply with all maintenance requirements relating to any patent, copyright or other intellectual property right issued by any Governmental Authority in response to (or with respect to) any such application filed by Licensee as contemplated herein; or

(3) Petroteq and License will explore, without any obligation on the part of either Party, any other agreement or arrangement that will satisfy the Patent/IP Request submitted by Licensee hereunder.

7.03 Ownership of Patent/IP Rights; License. Each patent and patent application, copyright and copyright application and other intellectual property right filed, made and prosecuted by either Party under the provisions of this Article 7.0, together with any patent, copyright or other intellectual property right granted or issued by any Governmental Authority in response to (or with respect to) any such application or filings, (a) shall be owned in its/their entirety by Petroteq, and (b) shall be part of and within the scope of the non-exclusive and non- transferable rights and license granted to Licensee under this Agreement.

ARTICLE 8.0 INDEMNIFICATION

8.01 Licensee shall indemnify, defend and hold harmless Petroteq and its Affiliates, together with each of their respective current and former Representatives, and each of their respective successors, heirs and assigns (collectively, the "Petroteq Indemnitees"), individually and collectively, from and against any claim, action, judgment, settlements, interest, liability, penalties, fines, cost, expense, damage, deficiency, loss or obligation of any kind or nature (including reasonable attorneys' fees and other costs and expenses of litigation as well as the cost of enforcing any right to indemnification hereunder) based upon, arising out of or otherwise relating to this Agreement, including any cause of action relating to any patent or other intellectual property or proprietary right infringement or product liability concerning any product, process or service made, used, sold or performed pursuant to any right or license granted under this Agreement (collectively "Claims"). Neither Licensee nor Petroteq shall settle any Claim without the prior written consent of the other, which consent shall not be unreasonably withheld.

8.02 Licensee shall, at its own expense, provide attorneys reasonably acceptable to Petroteq to defend against any actions brought or filed against any Petroteq Indemnitee hereunder with respect to the subject of indemnity contained herein, whether or not such actions are rightfully brought.

ARTICLE 9.0 CHALLENGES TO PATENT RIGHTS

9.01 Licensee agrees not to institute or actively participate as an adverse party, or otherwise provide material support to, any action, suit or other proceeding to invalidate or limit the scope of the Patent Rights or the Petroteq Know-How licensed hereunder, or any claim, title, right or interest asserted or existing therein, or obtain or seek to obtain any ruling that any claim under any of the Patent Rights is unenforceable or not patentable or that any Licensed Product would not, but for the licenses granted hereunder, infringe one or more claims of any Patent Rights. This Section shall survive the termination or expiration of this Agreement.

ARTICLE 10.0 CONFIDENTIALITY AND PETROTEQ KNOW-HOW

10.01 Licensee acknowledges that, in connection with this Agreement, it will gain access to Confidential Information that is owned (whether directly or through licenses from Third Persons) or controlled, or that has been developed, by Petroteq or its Affiliates, including the Petroteq Know-How. As a condition to being provided with Confidential Information, Licensee shall (a) not use the Confidential Information other than as necessary to exercise its rights and perform its obligations under this Agreement, and (b) maintain the Confidential Information in confidence and not disclose the Confidential Information to any Third Person without Petroteq's prior written consent.

10.02 If Licensee becomes legally compelled to disclose any Confidential Information, Licensee shall provide prompt written notice to Petroteq so that Petroteq may seek a protective order or other appropriate remedy or waive its rights and disclose only the portion of Confidential Information that it is legally required to furnish. If a protective order or other remedy is not obtained, or Petroteq waives compliance, Licensee shall, at its own expense, use reasonable efforts to obtain assurance that confidential treatment will be afforded the Confidential Information.

ARTICLE 11.0 TERM AND TERMINATION

11.01 Term. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in this Article, shall continue in full force and effect until the expiration of the last to expire Valid Claim (the "Term").

11.02 Termination.

(a) *Termination for Default*. In the event that either Party commits a material breach of its obligations under this Agreement and fails to cure that breach within ninety (90) days after receiving written notice thereof from the non-breaching Party, the non-breaching Party may terminate this Agreement immediately upon written notice to the Party in breach.

(b) *Bankruptcy*. Petroteq may terminate this Agreement upon notice to Licensee if Licensee becomes insolvent, is adjudged bankrupt, applies for judicial or extra-judicial settlement with its creditors, makes an assignment for the benefit of its creditors, voluntarily files for bankruptcy or has a receiver or trustee (or the like) in bankruptcy appointed by reason of its insolvency, or in the event an involuntary bankruptcy action is filed against Licensee and is not dismissed within ninety (90) days, or if Licensee becomes the subject of liquidation or dissolution proceedings or otherwise discontinues its business.

11.03 Effect of Termination or Expiration.

(a) *Termination of Rights*. Upon expiration or termination of this Agreement by either Party under or pursuant to any provision of this Agreement:

(1) The rights and licenses granted to Licensee shall terminate and expire and shall revert immediately to Petroteq without any further obligation on the part of Petroteq hereunder and Petroteq shall continue to own all of the Patent Rights and Petroteq Know-How, including all parts and components of or implementing the Patent Rights for use in the operation of Oil Sands Plants, all improvements of any of the foregoing regardless of by whom developed, and all intellectual property rights in any and all of the foregoing. Other than as set out in Section 11.02(a), neither Licensee nor its Affiliates may make any other use or exploitation of the Patent Rights or the Petroteq Know-How; and

(2) Notwithstanding the provisions contained in Section 11.03(a)(1), this Agreement and the rights and obligations of the Parties hereunder shall survive and shall continue in full force and effect as to (i) any Oil Sands Plant that, as of the date of any such termination or expiration under this Agreement, is in operation, under construction, or in planning wherein at least $50,000 has been expended, (ii) any rights, duties or obligations that, by their nature or as provided in this Agreement, are to extend beyond the termination of this Agreement. In such event and with respect to any such Oil Sands Plant, Petroteq shall have and retain all of its rights and remedies available to it under this Agreement based on or as a result of any material breach hereof by Licensee, including (i) the right to terminate this Agreement in its entirety in the event that Licensee breaches or otherwise fails to comply with any material term, condition or obligation under this Agreement, and/or (ii) the right to enforce compliance with Licensee's obligations or seek damages for the breach or violation thereof under the provisions contained in Section 11.02(b).

(b) *Accruing Obligations*. Termination or expiration of this Agreement shall not relieve the Parties of obligations accruing prior to such termination or expiration, including obligations to pay amounts accruing hereunder up to the date of any such termination or expiration.

ARTICLE 12.0 MISCELLANEOUS

12.01 No Security Interest. Licensee shall not enter into any agreement under which Licensee grants to or otherwise creates in any Third Person a security interest in this Agreement or any of the rights granted to Licensee herein. Any grant or creation of a security interest purported or attempted to be made in violation of the terms of this Section shall be null and void and of no legal effect.

12.02 Use of Name. Except as provided below, each Party shall not, and shall ensure that its Affiliates shall not, use or register the name of the other Party (alone, as part of another name, or in part by reference to a Party's member or shareholder) or any trademarks, logos, seals, insignia or other words, names, symbols or devices that

identify the other Party or any other Party unit, division or affiliate with the other Party ("Party Names") for any purpose except with the prior written approval of Petroteq and in accordance with any restrictions or conditions that it may imposed with respect to any use of the Party's Names. Without limiting the foregoing, Licensee shall, and shall ensure that its Affiliates shall, cease all use of Petroteq Names on the termination or expiration of this Agreement except as otherwise approved in writing by Petroteq in advance of any such use by Licensee or any Affiliate. This restriction shall not apply to any information required by law to be disclosed to any governmental entity.

12.03 Entire Agreement. This Agreement is the sole agreement with respect to the subject matter hereof and, except as expressly set forth herein, supersedes all other agreements and understandings between the Parties with respect to the same.

12.04 Notices. Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and may be delivered personally, or may be sent by facsimile, expedited delivery or certified mail, return receipt requested, to the following addresses, unless the parties are subsequently notified of any change of address in accordance with this Section:

If to Petroteq:

Petroteq Energy Inc.
15315 West Magnolia Boulevard, Suite 120
Sherman Oaks, California 91403
Telephone: (800) 979-1897
Email: executive@petroteq.energy.com
If to Licensee:
Greenfield Energy, LLC
21732 Provincial Boulevard, Suite 160
Katy, Texas 77450
Telephone: (832) 859-5060
Email: steven.byle@valkor.com

Any notice shall be deemed to have been received as follows: (a) by personal delivery or expedited delivery, upon receipt; {b) by facsimile, one business day after transmission or dispatch; (c) by certified mail, as evidenced by the return receipt. If notice is sent by facsimile, a confirming copy of the same shall be sent by mail to the same address.

12.05 Governing Law; Choice of Forum.

(a) This Agreement will be governed by, and construed in accordance with, the substantive laws of the state of Utah, USA without giving effect to any choice or conflict of law provision, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

(b) Any action, suit or other proceeding that shall be instituted by a Party and arising under or relating to this Agreement (each an "Action") shall be brought exclusively in federal and state courts located in the State of Utah and in no other jurisdiction or forum, and each of the Parties hereby submits and consents to the personal jurisdiction of the federal and state courts sitting in Salt Lake City, Utah. Each Party agrees not to raise any objection at any time to the laying or maintaining of the venue of any Action in any of the specified courts, irrevocably waives any claim that the Action has been brought in any inconvenient forum and further irrevocably waives the right to object, with respect to any Action, that such court does not have any jurisdiction over such Party.

12.06 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors and permitted assigns.

12.07 Headings. Article, section and subsection headings are inserted for convenience of reference only and do not form a part of this Agreement.

12.08 Counterparts. The Parties may execute this Agreement in two or more counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument. Transmission by facsimile or electronic mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. If by electronic mail, the executed Agreement must be delivered in a .pdf format.

12.09 Amendment; Waiver. This Agreement may be amended, modified, superseded or canceled, and any of the terms may be waived, only by a written instrument executed by each Party or, in the case of waiver, by the Party waiving compliance. The delay or failure of either Party at any time or times to require performance of any provisions hereof shall in no manner affect the rights at a later time to enforce the same. No waiver by either Party of any condition or of the breach of any term contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or considered as, a further or continuing waiver of any such condition or of the breach of such term or any other term of this Agreement.

12.10 No Agency or Partnership. Nothing contained in this Agreement shall give either Party the right to bind the other or be deemed to constitute either Party as agent for or partner of the other or any Third Person.

12.11 Assignment and Successors.

(a) This Agreement is a non-transferrable license and may not be assigned by Licensee, and no sublicense or other user rights may be licensed, sublicensed or otherwise granted or extended hereunder by Licensee to any Person.

(b) Petroteq shall have the right at any time to assign all or any part of this Agreement to any Person provided that, in each case the assignee agrees in writing to be bound by the terms of this Agreement.

(c) Any assignment, sublicense or other grant of rights under this Agreement by Licensee without complying with the provisions hereof shall constitute a material breach of this Agreement. Any assignment, sublicense or other grant of rights under this Agreement purported or attempted to be made in violation of the terms of this Section shall be null and void and of no legal effect.

12.12 Force Majeure. Except Licensee's obligation to pay license fees, royalties and other monetary obligations hereunder, neither Party will be responsible for delays resulting from causes that are wholly beyond the reasonable control of such Party, including fire, explosion, flood, war, strike, or riot, provided that the nonperforming Party

uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed.

12.13 Interpretation. Each Party acknowledges and agrees that (a) it and/or its counsel reviewed and negotiated the terms and provisions of this Agreement and has contributed to its revision, (b) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement, (c) the terms and provisions of this Agreement shall be construed fairly as to both Parties and not in favor of or against either Party, regardless of which Party was generally responsible for the preparation of this Agreement.

12.14 Severability. If any provision of this Agreement is or becomes invalid or is ruled invalid by any court of competent jurisdiction or is deemed unenforceable, it is the intention of the Parties that the remainder of this Agreement shall not be affected.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each Party has agreed, executed, and delivered this Agreement with effect for all purposes as of the date first hereinabove written.

LICENSOR:

PETROTEQ ENERGY INC.

By: /s/ Aleksandr Blyumkin
Name: Aleksandr Blyumkin
Title: Executive Chairman
Date: 11/14/2020

LICENSEE:

GREENFIELD ENERGY, LLC

By: /s/ Steven M. Byle
Name: Steven M. Byle
Title: Manager
Date: 11/14/2020

By: /s/ John Potter
Name: John Potter
Title: Manager
Date: 11/14/2020

SCHEDULE X
DEFINED TERMS

Capitalized terms used in this Agreement, unless otherwise defined in the text thereof, shall have the following meanings:

"Affiliate" means, with respect to a Party, any other Person controlling, controlled by or under the common control of such Party. For purposes hereof, the term "control" (or any equivalent term) means having ownership of at least fifty percent (50%) of the voting securities of a Person or the power, whether through voting power or otherwise, to control the management policies of such Person.

"Applicable Law" means all Laws and Orders enacted, adopted, promulgated or issued by any Governmental Authority having jurisdiction over all or any portion of this Agreement or the performance thereof, or by any Court having jurisdiction over the Parties, including (a) any procedural rules or requirements that are or may be applicable to any claim or other legal or equitable relief taken or pursued by a Party hereunder, (b) permits, authorizations, certifications, requirements and restrictions imposed by Applicable Law.

"Claim" means any claim, demand, suit, action, arbitration, cause of action, complaint, criminal prosecution, charge or proceeding, notice of violation or other legal or administrative action or proceeding, threatened or initiated in or before any Court or Governmental Authority, or otherwise, having or alleging subject matter jurisdiction and personal jurisdiction over the parties, seeking declaratory relief, monetary damages, civil penalties, fines, permanent or temporary injunctive or other equitable relief, remedial or removal action, corrective action or measures, or any other remedy available at law or in equity, or otherwise.

"Completion Date" means, with reference to Article 4.0 of this Agreement, the date on which the construction of any Oil Sands Plant has been completed and the startup of such Plant has been successfully achieved.

"Confidential Information" means all non-public information, data and documentation disclosed or otherwise made available by Petroteq to Licensee or any of its Affiliates, or to any of their respective Representatives, either directly or indirectly, whether in oral, written, electronic or other form or media, and whether or not such information is marked, designated or otherwise identified as "confidential" and including any information that, due to the nature of its subject matter or circumstances surrounding its disclosure, would reasonably be understood to be confidential or proprietary, consisting of, involving or relating to any of the following:

(a) This Agreement and any other agreement, contract, correspondence, report, summary and other writing (whether in print or digital format or otherwise) executed or exchanged between or among the Parties or their Representatives (and including any drafts or summaries thereof);

(b) Corporate, business, financial, accounting, legal, regulatory and operating information and data of Petroteq and its Affiliates, including organization charts, business, strategic and marketing plans, governance records, financial statements, contracts and leases, properties, production and test data, reserves and resources studies, estimates and valuations, suppliers, client and customer lists, product and raw material prices and costs, photographs and other media and image recordings or depictions of plants and equipment, and any other information and data developed, deployed or used by Petroteq or any of its Affiliates in their respective businesses or operations;

(c) Petroteq Know-How and other unpatented inventions, ideas, methods and methodologies, processes, products, product designs, configurations, discoveries, technical information, know-how, unpublished patent applications, invention disclosures, invention summaries and other confidential intellectual property;

(d) All designs, specifications, documentation, components, images, icons, audiovisual components and objects, schematics, drawings, protocols, processes, and other visual depictions, in whole or in part, of any of the foregoing; information technology, systems, platforms and software, including source code, object code, algorithms and other components of any software; and all notes, analyses, compilations, reports, forecasts, studies, samples, data, statistics, summaries, interpretations and other materials that contain, are based on, or otherwise reflect or are derived from any of the foregoing, in whole or in part;

(e) Any Improvement (except to the extent disclosed in any patent application or other public filing required by law);

(f) All Documentation; and

(g) Information considered a "trade secret" under the (U.S.) Defend Trade Secrets Act (Pub. L. No. 114-153, 130 Stat. 376, codified in Title 18, United States Code) ("DTSA") and/or under the Utah Uniform Trade Secrets Act.

"Crude Oil" means A mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Depending upon the characteristics of the crude stream, it may also include
1. Small amounts of hydrocarbons that exist in gaseous phase in natural underground reservoirs but are liquid at atmospheric pressure after being recovered from oil well (casing head) gas in lease separators and are subsequently comingled with the crude stream without being separately measured. Lease condensate recovered as a liquid from natural gas wells in lease or field separation facilities and later mixed into the crude stream is also included; 2. Small amounts of nonhydrocarbons produced with the oil, such as sulfur and various metals; 3. Drip gases, and liquid hydrocarbons produced from tar sands, oil sands, gilsonite, and oil shale. [see https://www.eia.gov/tools/glossary/index.php?id=C]

"Governmental Authority" means any legislature, agency, bureau, branch, department, division, commission, court, tribunal, magistrate, justice, multi-national organization, quasi- governmental body, or other similar recognized organization or body of any nation, country or politically sovereign entity, including any federal, state, county, municipal, local, provincial government.

"Gross Revenue" means the gross proceeds derived from or generated by the sale or disposition of any Licensed Product produced and sold from any Oil Sands Plant, defined as the lesser of (a) the sales price less all direct, reasonable Post-Processing costs, including third party technology costs, or (b) the value of the Licensed Product at the exit from the Oil Sands Plant as established by more than one commercial quote by third parties.

"Improvements" means (a) any and all patentable or non-patentable inventions, discoveries, technology and information of any type whatsoever, including processes, methods, trade secrets, formulae, compositions, designs, devices, operating techniques, technical information, knowledge, experience, improvements, modifications, derivative works, enhancements and know-how, in each case that relates in any way to the claims asserted or embodies in the Patent Rights or the Petroteq Know-How, and (b) all of the intellectual property rights contained in or derived from any of the foregoing.

"License Fees" means a fixed sum, expressed in U.S. Dollars, that must be paid by Licensee to Petroteq for each Oil Sands Plant developed by Licensee as provided in Section 3.01 of this Agreement.

"License Production Royalty" means the royalty payable to Petroteq based on the License Products produced and sold from an Oil Sands Plant as provided in Section 3.02 of this Agreement.

"Licensed Product" means (a) all forms of Crude Oil, Petroleum, or other hydrocarbon products extracted or produced from tar sands, oil sands, gilsonite and oil shale, and (b) all commercially salable sand or silica products that may be produced at or in an Oil Sands Plant by a device(s), process(es) or other means covered by a Valid Claim.

"Net Revenue" means, with respect to an Oil Sands Plant, the Gross Revenue reduced by
(a) any costs and expenses incurred by Licensee in transporting Licensed Products from the tailgate of an Oil Sands Plant to the delivery point for the first sale or other disposition of the Licensed Products, or any of them, (b) any production-related taxes or royalties imposed by any governmental authority or landowner on the value of the Licensed Products following the production thereof at any Oil Sands Plant, and (c) the cost of any chemical(s) and solvent(s) consumed in the production process.

"Oil Sands Plant" means a facility that, using or deploying claims under the Patent Rights or any Petroteq Know-How, is designed or has the capacity to extract, process and/or produce one or more Licensed Products from hydrocarbon-bearing sandstones, sediments and soils. The basic steps in the process are (a) crushing of ore, (b) mixing ore with solvent, and (c) then separating solids from liquids, wherein the solid stream is dried to produce sand and the liquid stream is heated to recover all or a fraction of the solvent and other chemicals (if any) for reuse, thereby producing a bitumen product. Each Oil Sands Plant shall be considered singular, whether one or multiple trains, so long the facilities, equipment and trains are contained within one (1) mile of each other or on a single oil sands deposit and under a single oil, gas or minerals estate, agreement or lease.

"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, entity or instrumentality.

"Petroleum" means a broadly defined class of liquid hydrocarbon mixtures, including crude oil, lease condensate, unfinished oils, refined products obtained from the processing of Crude Oil and natural gas plant liquids.
[see https://www.eia.gov/tools/glossary/index.php?id=P#petro]

"Petroleum Products" means oil or hydrocarbon products obtained from the processing of Crude Oil (including lease condensate), natural gas, and other hydrocarbon compounds and include unfinished oils, liquefied petroleum gases, pentanes plus, aviation gasoline, motor gasoline, naphtha-type jet fuel, kerosene-type jet fuel, kerosene,

distillate fuel oil, residual fuel oil, petrochemical feedstocks, special naphthas, lubricants, waxes, petroleum coke, asphalt, road oil, still gas, and miscellaneous products.
[see https://www.eia.gov/tools/glossary/index.php?id=P#petro]

"Petroteq Know-How" means any non-public information and other valuable resources owned by and/or controlled by Petroteq or any of its Affiliates and pertaining to any Patent Right or that otherwise may be useful in the extraction, processing, production and/or upgrade of any Licensed Product, in each case that may be provided to Licensee as reasonably required to accomplish the intent of this Agreement as determined by Petroteq, directly or indirectly, including technical information, trade secrets, formulas and formulations, prototypes, configurations, specifications, directions, instructions, test protocols, procedures and results, studies, analyses, raw material sources, production data, formulation or production technologies, conceptions, ideas, innovations, discoveries, inventions, processes, methods, materials, machines, devices, equipment, enhancements, modifications, technological developments, techniques, systems, tools, designs, drawings, plans, software, documentation, programs, software and other knowledge, information, skills and materials, and any modifications, variations, derivative works and improvements to or otherwise relating to any of the foregoing. For greater certainty, any of the above information and other valuable resources that may be disclosed to Licensee by Petroteq shall be considered Petroteq Know-How and subject to this Agreement.

"*Patent/IP Request*" has the meaning specified in Section 7.02(a).

"Patent Rights" means, in each case to the extent owned, developed or controlled by Petroteq, (a) the patents and patent applications filed by or issued to Petroteq in any country or jurisdiction or that are entitled to any form of exclusivity or other protection in any country or jurisdiction (including any PCT and/or U.S. utility application claiming priority to such application(s) that are filed on or before the one year conversion date of such application(s)); (b) any patent or patent application that claims priority to and is a divisional, continuation, reissue, renewal, reexamination, substitution or extension of any patent application identified in clause (a) herein; (c) any patents issuing on any patent application identified in clause (a) or (b) herein, including any reissues, renewals, reexaminations, substitutions or extensions thereof; (d) any claim of a continuation-in-part application or patent (including any reissues, renewals, reexaminations, substitutions or extensions thereof) that is entitled to the priority date of, and is directed specifically to subject matter specifically described in, at least one of the patents or patent applications identified in clause (a), (b) or (c) herein; (e) any foreign counterpart (including PCTs) of any patent or patent application identified in clauses (a), (b) or (c) herein or of the claims identified in clause (d) herein; and (f) any supplementary protection certificates, exclusivity periods, any other patent term extensions and exclusivity periods and the like of any patents and patent applications identified in clauses (a) through (e) herein.

"Post Processing" are processes performed upon the Licensed Product, wherein the Licensed product is one of two product streams. First is the Petroleum product output from the end of the solvent recovery process, typically a low API bitumen product, wherein additional processes may be performed to upgrade the value of the bitumen into different petroleum products such as removing the light end diesel fractions, or mixing with other substances to form an emulsion, or potentially cracking the oil into a higher API product. Second is the potential sand or silica product, typically dry sand with a range of particle sizes that may be post-processed by washing, screening, grinding, milling or other process to make the sand salable or increase the sale price.

"Petroteq Indemnitees" has the meaning specified in Section 8.01 above.

"Quarterly Production Report" means the report delivered by Licensee to Petroteq under and in accordance with Article 4.0 of this Agreement.

"Reporting Quarter" means, with reference to Article 4.0 of this Agreement, each calendar quarter for and with respect to which Licensee generates and delivers a Quarterly Production Report to Petroteq.

"Representative(s)" means, with respect to a Party, its directors, officers, principals, members, managers, employees, contractors, advisors, attorneys, accountants, and duly authorized agents or representatives.

"Third Person" means any Person other than the Parties (including any Affiliate that becomes a Party under or pursuant to Section 2.04).

"Valid Claim" means (a) a claim of an issued and unexpired patent within the Patent Rights that has not been (1) held permanently revoked, unenforceable, unpatentable or invalid by a decision of a court or governmental body of competent jurisdiction in a final, non-appealable (or non-appealed) judgment, order or decision, (2) rendered unenforceable through disclaimer or otherwise, (3) abandoned, or (4) permanently lost through an interference or opposition proceeding without any right of appeal or review; or (b) a pending claim in or under a pending patent application within the Patent Rights that (1) has been asserted and continues to be prosecuted in good faith, and (2) has not been abandoned or finally rejected without the possibility of appeal or refiling.

August 20, 2020

SHORT-TERM MINING & MINERAL SUBLEASE

between

VALKOR, LLC
a Texas limited liability company

and

TMC CAPITAL, LLC
a Utah Limited Liability Company

Covering Property Located
in Uintah County, Utah

SHORT-TERM MINING & MINERAL SUBLEASE

[Asphalt Ridge, Utah]

This **SHORT-TERM MINING & MINERAL SUBLEASE** ("Sublease"), dated and made effective as of 20 August 2020 ('Effective Date"), is made and entered into by and between VALKOR, LLC, a Texas limited liability company, having offices at 21732 Provincial Blvd, STE 160, Katy, TX 77450 (" Sublessor"), and **TMC CAPITAL, LLC,** a Utah limited liability company, having offices at 15315 W Magnolia Blvd, Suite 120, Sherman Oaks, CA 91403 ('Sublessee") (the parties sometimes referred to individually as a "Party" or collectively as the "Parties").

RECITALS

A. Under the terms of that certain "Short-Term Mining Lease" dated as of 08/10/2020 (the 'Base Lease"), executed by and between Asphalt Ridge, Inc., as lessor ("Base Lessor"), and Valkor, LLC, as Lessee (herein "Sublessor"), Base Lessor has granted to Sublessor, in, under and to certain property situated in Uintah County, Utah and more fully described in Exhibit A hereto (the 'Property"), and subject to the "Reserved Rights" by Lessor in paragraph 2 of the Base Lease, the following leasehold rights in the Property together with the Water Rights:

> "The exclusive right and privilege during the term of this Lease 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 Lessor.
>
> The right to use any or all of the Water Rights at any time during the term of this Lease 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."

B. Subject to the terms and conditions contained in the Base Lease, including without limitation the consent of Base Lessor to this Sublease as specified in Paragraph 19 of the Base Lease, Sublessor has agreed to grant, convey and sublease to Sublessee, on an exclusive basis under the terms of this Sublease, all of the rights, interests and privileges granted to Sublessor under and pursuant to the terms of the Base Lease.

NOW, THEREFORE, for and in consideration of the covenants, promises and obligations contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

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1. Leasehold Grant. Excepting and reserving to Lessor the Reserved Rights under paragraph 2 of the Base Lease, Sublessor does hereby grant, convey and sublease unto Sublessee the following leasehold rights in the Property and the Water Rights:

(a) 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

(b) 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.

2. Reserved Rights. This Sublease shall be subject to the "Reserved Rights" of Base Lessor as provided in Paragraph 2 of the Base Lease (herein "Lessor Reserved Rights").

3. Term. This Sublease is granted for a term that coincides and is co-extensive with the term of the Base Lease, including any extension or renewal to the term thereof. This Sublease shall terminate upon the termination or expiration of the Base Lease.

4. Purposes. 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.

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5. Restriction on Use. Sublessee shall not use the Property or any portion thereof for processing, treating, handling, or storing of minerals or mineral products or by-products mined from or resulting from operations on any properties other than the Property.

6. Rental Payments. Sublessee shall pay Sublessor the following rental payments when due:

(a) The sum of Twenty-five Thousand and 00/100 Dollars ($25,000.00 U.S.) upon the Effective Date; and

(b) The sum of Fifteen Thousand and 00/100 Dollars ($15,000.00 U.S.) payable monthly during the Term of this Sublease beginning on July 1, 2020, and on the first day of the month thereafter until and including December 1, 2020.

7. Production Royalty. Sublessee agrees to pay Sublessor a royalty ("Production Royalty") on Minerals produced and sold from the Property as follows:

(a) Rental payments shall not be credited against any Production Royalty. The Production Royalty 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; it being the intent of the parties hereto that calculation of Production Royalty for Bitumen Product, shall be determined solely by the actual number of tons, cubic yards, barrels of Bitumen Product produced and sold from Tar Sands contained within the Property. The "gross sales revenue" of Bitumen Product shall be calculated by multiplying the volume of Bitumen Product in whatever form, such as barrels (forty-two U.S. gallons per barrel), tons, or cubic yards, times the sales price received for the Bitumen Product at the Property. No deduction may be made for any process chemicals, including but not limited to the condensate/naphtha component.

(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(a) wherein sales of products and by- products 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 by- products 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.

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8. Production Royalty Payments. All payments of Production Royalty shall be made no later than forty-five (45) days after the end of each calendar month in which Bitumen Product or any byproducts or other Minerals have been sold. Such payment shall be accompanied by a royalty settlement statement that will show the mathematical calculation of how the payment amount was calculated, and will be accompanied by appropriate documentation, including copies of sales records, monthly mining and processing records, and annual summaries. If Sublessor does not give Sublessee written notice objecting to any Production Payment within six months of receipt of the

statement, it shall be conclusively deemed correct except if during the quarterly measurement of mined Minerals there is a discrepancy between what was stockpiled, processed, or sold, the review period is extended to obtain the correct balance. All royalty settlement statements shall be delivered to Sublessor and payments to the Depository Agent as designated hereinafter.

9. Depository Agent. All payments due to Sublessor under the terms of this Sublease shall be made by Sublessee to Wells Fargo Bank, N.A., 1200 Disc Drive, Sparks, NV 89436, which Sublessor hereby appoints as Sublessor's agent for the receipt of such payments, or to such other organization as Sublessor may from time to time designate ("Agent") by written notice given to Sublessee. All payments made to Sublessor's Depository Agent as designated by Sublessor shall be considered to have been made to Sublessor, and having made payment to such Agent, Sublessee shall be relieved of all responsibility or liability for the disbursement thereof. Sublessee shall send documentation of payments directly to Sublessor.

10. Operations of Sublessee. Sublessee shall conduct all mining and other operations under this Sublease in accordance with good mining practices and sound principles of conservation including, but not limited to the principles and practices set forth as Exhibit A to the Base Lease and in accordance with all applicable laws, rules and regulations promulgated by federal, state, and local authorities, and shall obtain and maintain in force and effect all governmental permits and approvals required for Sublessee's operations on the Property.

11. Survey. Sublessee shall conduct a survey of the Property using lidar, drones, or aerial photography a minimum of once per calendar quarter and shall perform ore removal volumetric and grade calculations monthly, which shall be made available to Sublessor for inspection.

12. Accounts and Records. Sublessee shall keep and maintain true and correct books of account and records which shall show the amount of Minerals produced and sold from the Property and the amount of proceeds derived from the sale of all Minerals produced and sold. Said books and records shall be open for inspection and audit by Sublessor or its agents at all reasonable times and for a period of sixty (60) days following termination of this Sublease, upon Sublessor giving Sublessee at least two (2) weeks advance written notice.

13. Water Rights. Throughout the term of this Sublease, if Sublessee chooses to utilize any of the Water Rights, Sublessee shall take reasonable steps to appropriately change the Water Rights to allow their use on the Property for mining purposes and then to keep the Water Rights in good standing. In the event that the requirements to keep the Water Rights in good standing become unreasonably burdensome in Sublessee's sole discretion, Sublessee shall have the right to notify Sublessor in a timely manner that Sublessee will no longer maintain the Water Rights in good standing and shall transfer the Water Rights to Sublessor without being in breach of this Sublease. Sublessor may thereafter deal with the Water Rights in any manner Sublessor deems appropriate.

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14. Sublessor's Right of Access and Inspection. Sublessor expressly reserves the right, at Sublessor's option and expense, to have an agent or other form of observation (cameras) on the Property for the purpose of verifying production and to check, inspect and keep account of operations on and all production from the Property, provided that such agent or devices and any inspections made do not interfere with Sublessee's operations.

15. Insurance. The parties specifically agree that Sublessor shall not be liable to third parties, or employees, or agents of the Sublessee as a result of the activities and operations of Sublessee during the term hereof. Prior to commencement of operations hereunder, Sublessee shall obtain and shall thereafter maintain and shall require any contractors or subcontractors to obtain and maintain in force the following insurance:

(a) Commercial general liability insurance in the minimum amount of $1,000,000 per occurrence with a $2,000,000 general policy aggregate, with provisions (i) naming Sublessor (and the Base Lessor) as an additional insured, (ii) requiring not less than thirty (30) days prior notice to Sublessor before cancellation, termination, or modification of such policy, (iii) waiving all rights of subrogation against Sublessor (and Base Lessor);

(b) Workmen's compensation insurance with limits as required by the State of Utah and employers' liability coverage in the amount of $1,000,000 per loss;

(c) Commercial automobile liability insurance that provides coverage for owned, hired, and non- owned automobiles, in the minimum amount of $500,000 per person, $1,000,000 per accident, $250,000 per occurrence for property damage, or a single combined limit of $1,000,000; and

(d) Such other policies of insurance against other risks for which Sublessor may reasonably be considered to have exposure as a result of Sublessee's operations on or rights in the Property.

Sublessee shall obtain and maintain such insurance at Sublessee's own expense throughout the duration of this Sublease, and whenever Sublessor requests, Sublessee shall furnish to Sublessor evidence that all such insurance is being maintained.

16. Approval of Mining and Posting of Adequate Reclamation Surety. 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.

Sublessee acknowledges the previous mining and processing operations conducted on the Property by the prior mining operator permitted by the Division and Sublessee understands it will need to assume or replace the existing Reclamation Surety provided by the prior mining operator and provide such additional Reclamation Surety as the Division may determine necessary in order to grant its approval to Sublessee.

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17. No Liens. Neither Sublessee, nor any of its agents, contractors and subcontractors, shall suffer, incur or permit to stand any liens against the Property or the Water Rights. In the event that any notice of lien be filed or given against the Property or the Water Rights, Sublessee shall promptly, and in no event later than thirty (30) days after the date thereof, cause the same to be released of record and discharged by either payment, deposit or bond.

18. Indemnity. Sublessee expressly agrees to indemnify and hold Sublessor harmless from and against any and all liability, claims and causes of action for personal injury or death, damage to, or loss or destruction of property and any other costs or obligations which may arise from, occur resulting from Sublessee's Operations or other activities on or around the Property, and from and against all liabilities and responsibilities for environmental damages, response costs, natural resource damages, charges, fines and penalties of any and every kind.

19. Assignment by Sublessee. Sublessee may not sublease, assign or otherwise transfer or encumber (collectively the "transaction") any rights in whole or in part under this Sublease without first receiving written consent from Sublessor.

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

21. Taxes. Sublessee shall timely pay all taxes and assessments that may be levied or assessed against the Property or against Mineral production therefrom, except those taxes which Sublessee is contesting in good faith, and except real property taxes assessed against the Property for the 2020 property tax year, which taxes shall be pro-rated between Sublessee and Sublessor on the fraction of the calendar year that this Sublease is or was in force.

22. No Warranties. Sublessor makes no warranties, express or implied, as to the title, value, or condition of the Property, or to the existence or recoverability of Minerals therefrom, or as to the validity or use of, or title to, the Water Rights.

23. Force Majeure. In the event that Sublessee shall be prevented from operating upon the Property or from performing its obligations hereunder by reason of Acts of God, Government, the Utah Legislature, or of the common enemy, insurrection, riot, labor disputes, fire, explosion, flood, earthquake, interruption of transportation, inability to obtain permits, or other circumstances and matters which are beyond the reasonable control of Sublessee, whether or not similar to those specifically enumerated herein, Sublessee shall be relieved of its obligations hereunder, but only for the duration of such disruption; provided that an event of Force Majeure shall not excuse or otherwise relieve Sublessee for any obligation to remit any rental, royalty or other sum owed Sublessor which becomes due and payable under the terms of this Sublease. In no event, shall any force majeure extend the term of this Sublease by more than 90 days.

24. Termination Date. This Sublease shall terminate at 11:59 p.m. MST on June 30, 2021, unless terminated earlier as follows:

(a) This Sublease shall terminate immediately upon the failure of Sublessee to make a Rental Payment on the date due.

(b) As provided under Paragraph 27, in the event of Sublessee's noncompliance with the terms of this Sublease.

(c) Sublessee may at any time after the date hereof surrender this Sublease, provided thirty (30) days advance written notice of termination is given to Sublessor.

25. Obligations on Termination. Upon termination of this Sublease:

(a) All rights and obligations of Sublessee hereunder shall cease, save and excepting all accrued and continuing obligations of Sublessee, including but not limited to legal compliance, insurance, indemnity, and reclamation obligations, which shall survive any termination of this Sublease, upon termination of this Sublease;

(b) Sublessee shall promptly and diligently comply with and complete all reclamation requirements of the Division and shall have a continuing right to enter upon the Property to complete required reclamation and to remove from the Property within 60 days all equipment, machinery, facilities and other items excepting those necessary for completion of reclamation belonging to Sublessee in accordance with the Division's standards and all relevant operating permits and reclamation plans, and to the Division's satisfaction.

(c) Sublessee's reclamation obligations shall be deemed complete upon final release by the Division of Sublessee's Reclamation Surety.

(d) Sublessee shall leave the Property in a clean, good and safe condition and in accordance with all applicable laws and regulations.

26. Non-Compliance. In the event of Sublessee's failure to comply with any material provision of this Sublease, Sublessor shall provide Sublessee with written notice setting forth the nature of such non-compliance after receipt of which, if the non-compliance relates to the payment of production royalty, Sublessee shall have not less than thirty (30) days to cure such non-compliance. If the non-compliance relates other than to the payment of money, Sublessee shall have not less than forty-five (45) days to take, and to pursue diligently, appropriate action to cure the non-compliance. In the event Sublessee fails to cure or take appropriate action to cure the non-compliance within the prescribed period, Sublessor may thereupon terminate this Sublease by giving Sublessee written notice to that effect. However, should there be an issue as to whether or not non-compliance has occurred, then the provisions of Paragraph 27 are applicable.

27. Disputes. If Sublessor and Sublessee are unable to resolve any dispute arising out of or in connection with this Sublease within thirty (30) days after a party has given written notice to the other party of such a dispute, each party shall have all remedies available at law or in equity to resolve the dispute in a court in the State of Utah having jurisdiction and proper venue to adjudicate the dispute. The prevailing party in any litigation will be entitled to all costs of litigation, including but not limited to, costs of court, and reasonable attorney's and witness fees.

28. Notices. Notices which are to be delivered pursuant to the terms of this Sublease shall be given in writing and shall be hand-delivered, or sent by U.S. certified mail, return receipt requested, to the parties at the following addresses:

Sublessor:
Valkor LLC
21732 Provincial Blvd, STE 160
Katy, TX 77474

Sublessee:
TMC Capital, LLC
15315 W Magnolia Blvd, STE 120 Sherman Oaks, CA 91403

Notices shall be deemed effective when received which, if mailed, shall be deemed effective when delivered into the U.S. mail. Any party may change its address for receipt of notices by sending notice of the change to the other party as provided for in this paragraph 28.

29. Memorandum of Sublease. Upon execution of this Sublease, the parties shall also execute a recordable short form of sublease ("Memorandum of Sublease") in the form attached hereto as Exhibit B hereto, which either party may record its expense in the office of the Uintah County Recorder. The execution, recording and filing of the

Memorandum of Sublease shall not limit, increase or in any manner affect any of the terms of this Sublease or any rights, interests or obligations of the parties.

30. No Partnership. Nothing herein shall be deemed to constitute either party the partner, agent or legal representative of the other party, or to create any partnership, joint venture or fiduciary relationship between the parties.

31. Non-Disclosure. Sublessee shall not, without the prior written consent of Sublessor, disclose any information concerning the terms of this Sublease or operations conducted under this Sublease (except information and data that is generally available to the public), nor issue any press releases concerning such information.

32. Miscellaneous Provisions.

(a) This Sublease shall be interpreted and governed by the laws of the State of Utah. If any provision of this Sublease is, for any reason, declared to be invalid or unenforceable, the validity of the remaining portions shall not be affected thereby.

(b) Failure of either party to enforce any provision hereof at any tune shall not be construed as a waiver of such provision or of any other provision.

(c) This Sublease shall be binding upon Sublessor and Sublessee and their respective successors, and assigns.

(d) This Sublease supersedes all prior agreements between Sublessor and Sublessee relating to the Property and constitutes the entire agreement thereof.

(e) No amendment or modification of this Sublease shall be binding on either Sublessor or Sublessee unless made in writing and duly executed by both.

(f) This Sublease may be executed in multiple counterparts each of which shall be deemed to be an original, all which together shall consulate one and the same Sublease.

(g) On an ongoing basis during the term of this Sublease, Sublessee shall provide Sublessor with copies of all data and documents acquired by Sublessee regarding the exploration, mapping, use of or developing water rights (not acquisition), assaying, metallurgical testing, conduct of operations, permitting, feasibility studies, and construction of plant and surface facilities, including any data acquired from Petroteq or previous operators ("Data"). All Data acquired by Sublessee shall become the sole property of Sublessor upon termination of this Sublease for any reason.

IN WITNESS WHEREOF the parties have executed this Lease effective as of the day and year first above written.

SUBLESSOR:

VALKOR, LLC

By: ______________________
Name:
Title: Manager or Managing Member

SUBLESSEE:

TMC CAPITAL, LLC

By: /s/ Aleksandr Blyumkin
Name: Aleksandr Blyumkin
Title: Manager or Managing Member

EXHIBIT A
THE PROPERTY

Certain lands and property situated and lying in Uintah County (SLM), State of Utah, being and comprising all of the lands and property more particularly described as follows:

Township 5 South, Range 22 East (SLM), Uintah County, Utah.

Section 31:	Lot 3, SW¼SE¼, E½SW¼
Section 31:	N½SE¼, SE¼SE¼ (Cameron No. 1 patented mining claim)
Section 32:	SW¼

EXHIBIT B

MEMORANDUM OF SUBLEASE

When recorded mail to:

MEMORANDUM OF SUBLEASE

THIS MEMORANDUM OF SUBLEASE (“Memorandum”) is made and entered into effective as of the 10th day of August 2020 (“Effective Date”), by and between VALKOR, LLC, a Texas limited liability company with a mailing address of 21732 Provincial Blvd. (“Sublessor”), and TMC CAPITAL, LLC, a Utah limited liability company with a mailing address of 15315 W Magnolia Blvd, STE 120, Sherman Oaks, CA 91403 (“Sublessee”).

RECITALS:

A. Sublessor is the lessee under and pursuant to the terms of a Short Term Mining Lease dated 10 August 2020, executed between Asphalt Ridge, Inc., a Utah corporation, as Lessor, and Valkor, LLC, a Texas limited liability company, as Lessee, in, to and covering the following described property in Uintah County, Utah:

Township 5 South, Range 22 East, SLM
Section 31: Lot 3, SW¼SE¼, E½SW¼, N½SE¼, SE¼SE¼ Section 32: SW¼

hereinafter referred to as the “Property,” and the Lessor is also the owner of Water Rights Nos. (45-1421, 45-1426, and 45-1718, hereinafter referred to as the "Water Rights."

B. Sublessor and Sublessee have entered into a Short-Term Mining Sublease dated as of 10 August 2020 (the “Sublease”), under which Sublessor has granted, conveyed and leased to Sublessee all of Sublessor’s rights, title and interest as lessee under the terms of the Base Lease in and to the Property (but only down to 3,000 feet above Mean Sea Level) and the Water Rights, for the purposes and on the terms provided in the Sublease.

C. Sublessor and Sublessee intend to give record notice of the Sublease by this Memorandum.

NOW, THEREFORE, in consideration of the promises, covenants, and agreements in the Sublease, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Sublessor and Sublessee hereby give notice of the following:

SUBLEASE. Sublessor has granted, conveyed and leased unto Sublessee, on the terms and provisions set forth in the Sublease, mineral leasehold rights to Tar Sands and other Minerals in and under the Property (but only down to 3,000 feet above Mean Seal Level) and to the Water Rights, and excepted and reserved unto Lessor the Lessor Reserved Rights as described in the Sublease.

TERM. The Sublease shall terminate at 11:59 p.m. MST on December 31, 2020, unless terminated earlier in accordance with its terms.

TERMS and CONDITIONS. The Sublease contains terms and conditions addressing various matters, including, but not limited to, Lessor’s Reserved Rights and Sublessee’s rights and obligations regarding rentals and production royalties, operations, and other matters.

EFFECT of MEMORANDUM. The purpose of this Memorandum is to give record notice of the Sublease. This Memorandum shall not limit, increase or in any manner affect any of the terms of the Sublease or of any rights, interests or obligations of Sublessor or Sublessee thereunder or hereunder. In the event of any conflict or inconsistency between this Memorandum and the Sublease, the Sublease shall govern. Further information concerning the Sublease may be obtained from Sublessor or Sublessee at the addresses set forth above.

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Memorandum to be effective as of the day and year first above written.

SUBLESSOR:

VALKOR, LLC

By:
Name:
Title: Manager or Managing Member

SUBLESSEE:

TMC CAPITAL, LLC

By: /s/ Aleksandr Blyumkin
Name: Aleksandr Blyumkin
Title: Manager or Managing Member

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14 OR RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Sealock, 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 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on 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.

Dated: December 15, 2020

/s/ David Sealock

Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14 OR
RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Korb, 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 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on 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.

Dated: December 15, 2020

/s/ Mark Korb
Chief Financial 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., a company formed under the laws of Ontario, Canada (the "Company"), on Form 10-K for the period ended August 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Sealock, Chief Executive Officer of the Company, certify, pursuant to Section 18 U.S.C. 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) and 15(d) of the Securities Exchange Act of 1934; and

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

/s/ David Sealock
President and Chief Executive Officer
December 15, 2020

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., a company formed under the laws of Ontario, Canada (the "Company"), on Form 10-K for the period ended August 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Korb, Chief Financial Officer of the Company, certify, pursuant to Section 18 U.S.C. 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) and 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Mark Korb
Chief Financial Officer
December 15, 2020