UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **May 2022**

Commission File No. **000-55991**

PETROTEQ ENERGY INC.

(Translation of registrant's name into English)

15315 W. Magnolia Blvd., Suite 120
Sherman Oaks, California 91403
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F

Form 20-F ☑ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) ☐

SUBMITTED HEREWITH

Exhibits

99.1	Management's Discussion and Analysis for the three and six months ended February 28, 2022
99.2	Condensed Consolidated Interim Unaudited Financial Statements for the three and six months ended February 28, 2022
99.3	Form 52-109FV2 - Certification of Interim Filings of Chief Executive Officer dated April 29, 2022
99.4	Form 52-109FV2 - Certification of Interim Filings of Chief Financial Officer dated April 29, 2022

SIGNATURE

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

PETROTEQ ENERGY INC.

/s/ Vladimir Podlipskiy

Dr. Vladimir Podlipskiy
Interim Chief Executive Officer

Date: April 29, 2022

PETROTEQ ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED

FEBRUARY 28, 2022 AND 2021

1. Introduction

Set out below is management's discussion and analysis ("MD&A") of financial and operating results for Petroteq Energy Inc. ("PQE" or the "Company") for the three and six months ended February 28, 2022. It should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and six months ended February 28, 2022 and 2021 and audited consolidated financial statements and notes thereto for the years ended August 31, 2021 and 2020.

This MD&A contains forward-looking information. Readers are advised to read this MD&A in conjunction with "Forward-Looking Information and Other Advisories" found at the end of this MD&A.

2. Basis of Presentation

Financial data presented below have largely been derived from the Company's unaudited interim, consolidated financial statements for the three and six months ended February 28, 2022 and 2021 (the "financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"). Accounting policies adopted by the Company are referred to in Note 3 to the unaudited interim consolidated financial statements for the three and six months ended February 28, 2022 and 2021. The reporting currency is the United States dollar. Comparative information is provided for the three and six months ended February 28, 2021 and the year ended August 31, 2021.

3. Operational and Financial Results

Overview

Our Company is a holding company organized under the laws of Ontario, Canada, that is engaged in various aspects of the oil and gas industry. Through our wholly-owned subsidiary, Petroteq Energy CA Inc., a California corporation ("PCA") and PCA's two subsidiaries Petroteq Oil Recovery, LLC, a Utah limited liability company ("POR"), and TMC Capital, LLC, a Utah limited liability company ("TMC Capital"), we are in the business of exploring for, extracting and producing oil and hydrocarbon products from oil sands deposits and sediments located in the Asphalt Ridge area of Uintah County, Utah, utilizing our proprietary extraction technology (the "Petroteq Clean Oil Recovery Technology" or "Extraction Technology"). Our primary oil sands extraction and processing operations are conducted at our Asphalt Ridge processing facility (herein the "Asphalt Ridge Plant" or "Plant"), which is owned by POR.

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

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

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

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

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

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

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

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

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

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

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

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

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

Kahuna Ventures LLC ("Kahuna") has reviewed operating data, process simulation data, and the Front End Engineering and Design ("FEED") study for the purposes of a third-party technical evaluation. This FEED encompasses a production train capable of processing 5,000 bopd from mined oil sands ore. The Company anticipates that this FEED can become the starting basis for future 5,000 bopd train designs for use in Utah by Petroteq and potentially by additional licensees in Utah, the US, and other locations worldwide. This "standard" design may need some customization for local site conditions and ore characteristics, but differences are expected to be insignificant.

The FEED incorporates a number of lessons learned from operation of the demonstration plant into the proposed design including improvements in the mixing of crushed ore and solvent, solids separation and solvent recovery. The third-party technical verification report from Kahuna indicated extraction costs of approximately US$13.50 per barrel of oil produced. Mining and ore transport costs will add another $8.50 per barrel for an estimated operating cost of approximately $22.00 per barrel of oil produced for a 5,000 bopd plant operating 24 hours a day, 360 days a year, before corporate and SG&A costs and royalty fees.

The FEED study describes the design data, design requirements, detailed major equipment requirements and general operating philosophies for the development of the 5,000 bopd production train, including a Class 3 (± 25%) cost estimate of approximately US$110 million for construction of the plant on an undeveloped site. This provides for a capital cost of $22,000 per daily barrel of production. The proposed plant covered by the FEED study will consist of an initial 5,000 bopd production train but provides for the possible future expansion to 10,000 bopd through the addition of a second parallel 5,000 bopd train.

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

Research and Development

The Asphalt Ridge Plant has proved that Petroteq's Clean Oil Recovery Technology, including our redesigned extraction and production process, is capable of producing oil in marketable quantities and that a substantial portion of the "post processed" sand generated by our extraction and production operations may be sold for various uses. Petroteq continued to test ore from various oil sands deposits and resources in the Asphalt Ridge area of Utah, with varying degrees of oil quality and with oil saturations in the range of 5 to 10 percent by weight. Petroteq's proprietary technology and extraction process has been successful in extracting oil from the different oil sands ores that we have tested, confirming that our technology can extract and produce oil from oil sands ore and raw materials having varying specifications and composition.

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

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

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

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

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

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

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

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

The Company retained Peak Value IP, LLC ("Peak Value") to provide a third party valuation of Petroteq's Clean Oil Recovery Technology (CORT), the proprietary intellectual property (IP) behind oil sands extraction process.

Petroteq's Technology is considered a "clean technology" and is an environmentally safe and sustainable technology. While the Technology is applicable to both "water-wet" (Canada) and "hydrocarbon wet" (Utah) oils sands sediments, deposits and materials, the technology does not utilize water in its processing operations and thus there is no requirement to build and manage large tailings ponds and wastewater treatment and disposal systems and facilities. The proprietary solvents utilized in the operations of the technology are generally fully recovered and recycled, thus substantially mitigating environmental impact.

Through application of the CORT, the Company (acting through its operating subsidiaries in Utah) is able to produce a relatively sweet heavy crude oil from the Asphalt Ridge oil sands deposits without generating wastewater that would potentially harm the environment, in addition, during the course of its crude extraction and production operations, leaves a clean residual sand that can be returned to the environment or marketed as an industrial sand.

The current assets consist of Petroteq's active patents, patent applications, and associated trade secrets and know how, related to the extraction of crude oil from oil sands. The Peak Value valuation conclusions in this report are based on accepted practices using fair market value (FMV) and investment value (IV) standards, while utilizing widely recognized and internationally accepted methods valuing business enterprise, such as Cash, Market and Income Approaches. Peak Value utilized data provided by Petroteq, along with public information and industry knowledge of intellectual property licensing. In addition, Peak Value reviewed the historical costs as well as expected future revenue as it relates to the assets. This effort involved a team of financial advisory experts who have a broad experience valuing asset of this nature.

Peak Value IP's valuation study of Petroteq's CORT indicated a fair market value (FMV) ranging from $229 Million to $326 Million. The analysis of investment value (IV) ranging from $598 Million to $850 Million. The analysis has also considered a proposed production facility to be operated in Utah that will produce 5,000 barrels of oil per day. The valuation also encompasses the value of the separated sand as salable to third-parties, providing additional value to the IP beyond the market of oil. The deployment of the IP into multiple oil sand fields is a critical milestone in achieving Petroteq's goals for IP adoption.

Asphalt Ridge Processing Plant

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

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

Greenfield, a joint venture company established by TomCo and Valkor, assumed responsibility for the management and operations of our Asphalt Ridge Plant in July 2020. Greenfield has made certain upgrades to the Plant to improve its capacity and reliability. During the ensuing year, we anticipate that the Plant will be operated for the purpose of (a) extracting, processing and producing crude oil and other hydrocarbon products from oil sands ores supplied by our Asphalt Mine #1, from Greenfield and potentially from other sources and properties located in the Asphalt Ridge area, (b) evaluating and testing oil sands from varying sources that are impregnated with oils having different qualities and characteristics, and (c) demonstrating the capabilities of Petroteq's Clean Oil Recovery Technology to potential investors and prospective licensees. Recent budgets for the Plant prepared by Valkor estimate that, during the ensuing year, the Plant will require approximately $3.8 million in capital expenditures and operating expenses, and should be able to generate revenue in the range of $4 million.

Resources And Mining Operations

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

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

With respect to one of the BLM leases in the PR Spring area of Utah (the "PR Springs Lease"), a lease in which the Company acquired oil sands operating rights in 2019, the BLM has decided to remove the lease from the CHL conversion application (CHL application) originally filed by Exxon Corporation and Enercor, Inc. in 1983 under the CHL Act. The Company derives ownership of its operating rights from the record title to the lease held by Exxon and later assigned to Enercor in 2009, with Exxon's registration of the assignment of record title to Enercor having been accepted by BLM in 2010.

BLM's decision to exclude the PR Spring Lease from Exxon's 1984 CHL application appears to be based on a unilateral decision by a private company - which BLM has identified in its administrative records as the record title owner of the lease - to have the lease removed from the CHL application. Removal of the lease from the Exxon CHL application will, unless BLM's decision is corrected, undermine the Company's ability to develop the oil sands resources located on lands covered by the lease (and may adversely affect or prevent oil sands development within other leases that were included in the Exxon's 1983 CHL application.

We have determined, from title reports and land records, that the BLM has made an administrative and legal error in excluding our PR Spring lease from the new CHL issued pursuant to Exxon's 1983 CHL application. We anticipate that BLM's error will be corrected as we move our BLM leases through the BLM administrative registration process, a process that will ensure that BLM's actions are corrected if they are determined to have been erroneously made. However, if for any reason we are unsuccessful in obtaining a reversal of BLM's decision, we will at that time conduct a full impairment analysis to determine the extent to which the value of the PR Springs Lease has been permanently impaired by the BLM decision.

As described in more detail below, the TMC Mineral Lease in its original form was terminated effective August 10, 2020, and a new Short-Term Mining Lease, dated the same date, was entered into between Asphalt Ridge, Inc., as lessor, and Valkor, as lessee. Valkor and TMC Capital thereafter entered into a Short-Term Mining and Mineral Sublease dated August 20, 2020 (the "TMC Mineral Sublease") in which all of Valkor's rights and interests under the Short-Term Mining Lease were subleased to TMC Capital. As of November 30, 2021, Petroteq (through its subsidiaries) held mineral leases (or the operating rights under leases) covering approximately 7,631.91 net acres within the State of Utah, consisting of approximately 320 acres held under the TMC Mineral Sublease, 1,351.91 acres held under the Temple Mountain SITLA Leases, and 5,960 acres under the BLM Leases.

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

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

A third-party economic evaluation report dated February 10, 2022 (the "Report") in relation to sands anticipated to be produced as by-products of petroleum products from oil sands at the Asphalt Ridge NW Leases in Uintah County, Utah. The Report was prepared by Broadlands Minerals Advisory Services Ltd. ("Broadlands"), a U.S. based, independent mineral advisory company, with input from Q4 Impact Group, LLC ("Q4 Impact"), under engagement to Broadlands, on markets and prices for the sand products.

The Report is premised on the completion by Petroteq of an extraction plant capable of producing 5,000 barrels of high-grade oil per day (bpd) on what is referred to in the Report as the "Indago Lease," which consists of approximately 3,458 acres of oil sands leases that the Company recently acquired from Valkor, LLC in exchange for the Company's Temple Mountain Leases. The assignment of the Indago Lease from Valkor to the Company (acting through its subsidiary TMC Capital, LLC) remains subject to final approval by the State of Utah's School and Institutional Trust Land Administration.

The Company believes that the sands are suitable for use as (a) silica flour, (b) fracking sand, and (c) bulk construction sands and aggregates (including road base). Accordingly, Broadlands economic analysis focused on the markets available for the sale of the three categories of by-product sands. Broadlands noted that an extraction plant producing 5,000 bpd is estimated by Petroteq to be capable of yielding 6,000 tons of sand per day or 1,860,000 tons per year (based on 310 operating days per year and operating 24 hours per day), and that silica flour is postulated to be 15 percent of the saleable product, fracking quality sand 55 percent, and bulk sand 30 percent. The economic forecast is based on 20 years of sales from such a 5,000 bpd operation, following two years for construction and start-up of the extraction plant and sands processing facility and related infrastructure.

The cash flow analysis was run on a pre-income tax basis, at discount rates of 0.0, 7.5 and 15 percent; the results show potential economic benefit in the base case of a Net Present Value (NPV) of $1,285, $602, and $341 million, respectively. The base case cash flow used a selling price of $40 per ton for the unprocessed dry, clean by-product sand. Q4 Impact provided market sale price analysis to arrive at a reasonable selling price for the cash flow forecast. Broadlands notes the economic model and base case numbers may not be realized due to market factors.

Broadlands based their economic analysis on information orally conveyed to them and no testing of sands from the Indago Lease has been performed by Broadland or by the Company. Broadlands confirmed that they performed their analysis in general accordance with acceptable mineral industry standards, and that technical issues discussed in the Report are in accordance with the standards of Subpart 1300 of Regulation S-K ("**SEC S-K 1300**") promulgated by the Securities and Exchange Commission. In particular, Broadlands confirmed that they consider the sands at the Indago Lease to be Material of Economic Interest, as defined in SEC S-K 1300, and that Broadlands is required to expressly note that, as such, there is no assurance that the sands at the Indago Lease will be converted to saleable material.

Broadlands also indicated that they have relied on reports prepared for Petroteq by other parties, discussions with Petroteq and Valkor, LLC, reviews of publicly available information, and information gathered during a visit to the oil sands around Venal, Utah on December 21, 2021, which, due to illness of the party that Broadlands was to meet, was perfunctory and limited in scope. Broadlands also visited Petroteq's existing plant and examined stockpiles of raw material.

Independently, the Company has recently completed the evaluation of the clean sand tailings that are a byproduct of the oil extraction process. It was determined that 60-70% of the sand falls within a 40-140 mesh size range and has a crush strength exceeding 8,000 psi, giving the sand an 8K crush factor and confirming that the sand is suitable for use as a fracking sand. The 20% of tailings grading larger than 40 mesh can be used as an aggregate for concrete. The Company is now working to develop sales channels for the fracking sand and aggregate components of the tailings with a view towards maximizing the value of the clean sand tailings.

The Company commissioned a reserve and economic evaluation report (the "Report") which defines bitumen reserves on the bitumen properties covered by three Utah state mineral leases located in the Asphalt Ridge Northwest area of Uintah County, Utah (the "Asphalt Ridge NW Leases").

The Report was prepared by Chapman Petroleum Engineering Ltd. ("Chapman") of Calgary, Alberta, Canada, an independent qualified reserves evaluator, with an effective date of November 30, 2021. Chapman Petroleum Engineering has been working with Petroteq for a number of years on engineering and resource matters, and is very familiar with the Company's operations. Portions of the Report (the "Canadian Evaluation") were prepared in accordance with definitions, standards, and procedures contained in the *Canadian Oil and Gas Evaluation Handbook* ("COGE Handbook") and National Instrument 51-101 -*Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). Portions of the Report (the "US Evaluation") were also prepared in accordance with Rule 4-10(a) of Regulation S-X, as adopted by the United States Securities and Exchange Commission. Both the Canadian Evaluation and US Evaluation were calculated in United States dollars.

Based on the Report, the reserve profile of the Asphalt Ridge NW Leases as at November 30, 2021 is summarized below:

- **Canadian Evaluation**:
  - 26 million stock tank barrels ("**MMSTB**") of Proved Undeveloped bitumen reserves
  - 82 MMSTB of Proved Plus Probable Undeveloped bitumen reserves
  - US$265 million before-tax net present value ("**NPV**") of future net revenue for Proved Undeveloped bitumen reserves, discounted at 10%
  - US$1,017 million before-tax NPV of future net revenue for Proved Plus Probable Undeveloped bitumen reserves, discounted at 10%
- **US Evaluation**:
  - Proved Undeveloped valuation US$213 million at 10% discount (BIT)
  - Proved Plus Probable valuation US$790 million at 10% discount (BIT)

The bitumen reserves for the Asphalt Ridge NW Leases were evaluated using Chapman forecast pricing as at December 1, 2021. The NPV is prior to provision for interest, debt service charges, and general and administrative expenses. It should not be assumed that the NPV of future net revenue estimated by Chapman in the Report represents the fair market value of the reserves.

The difference between the Canadian Evaluation and the US Evaluation is the oil price used, which under the Canadian Standards price forecasts are the norm compared to the SEC Standards where a specified procedure is used to determine the appropriate Constant price for the project life. Accordingly, the Canadian evaluation uses escalated operating and capital costs and the US evaluation does not. All other technical factors in the report are identical for the Canadian and US evaluations.

The Company filed a statement of reserves data and other oil and gas information (the "Statement") on www.sedar.com on December 14, 2021 as required by NI 51-101. The effective date of the Statement is August 31, 2021. As of August 31, 2021, there were no oil or natural gas reserves attributed to the Company's properties. As such no reserve report was prepared for the year ended August 31, 2021, and no bitumen reserves were disclosed in the Company's most recent annual report on Form 10-K. The Statement included an updated evaluation of, among other things, estimates of the Company's contingent resources, effective August 31, 2021, for its working interest in all of its properties located in Utah, USA, including (A) the Asphalt Ridge area and (B) the PR Springs area. The Statement did not include an evaluation of the reserves or resources of the Asphalt Ridge NW Leases. If the Company had completed the acquisition of the Asphalt Ridge NW Leases on or prior to the effective date of the Statement (which acquisition is still pending completion, as described above), the Company's reasonable expectation of how such acquisition would have effected such Statement is that the estimates related to resources for its Asphalt Ridge area and PR Springs properties would have remained unchanged and the estimates related to reserves for the Asphalt Ridge NW Leases would have been included.

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

On August 6, 2021, the Ontario Securities Commission issued a cease trade order (the "CTO") against the Company, as a result of its failure to file its quarterly report on Form 10-Q (and related certifications) for the period ended May 31, 2021 (the "2021 Q3 Filings") on or before July 30, 2021, as required under Canadian National Instrument 51-102 - Continuous Disclosure Obligations.

The Company filed the 2021 Q3 Filings with the Canadian Securities Commission on SEDAR, and with the United States Securities and Exchange Commission (the "SEC") on EDGAR, on August 19, 2021. As a result, the Ontario Securities Commission revoked the CTO effective August 24, 2021. In addition, on August 19, 2021, the Company's amended financial statements and management's discussion and analysis for the eight quarters from May 31, 2019 to February 28, 2021 were filed on SEDAR and with the SEC, as contained in the Company's amended annual reports on Form 10-K/A for the financial years ended August 31, 2019 and August 31, 2020, and in the Company's amended quarterly reports on Form 10-Q/A for the periods ended May 31, 2019, November 30, 2019, February 29, 2020, May 31, 2020, November 30, 2020 and February 28, 2021. The Company's amended financial statements and management discussion and analysis for the period ended February 28, 2019 were filed on SEDAR on August 23, 2021, and with the SEC on August 25, 2021, as exhibits to the Company's current report on Form 8-K.

As a result of the issuance of the CTO on August 6, 2021, the TSXV suspended trading of the Company's Common Shares. As part of the TSXV's review of the Company's reinstatement application, the TSXV reviewed the Company's financial statements for the three and nine months ended May 31, 2021 and raised concerns that certain transactions may not have been submitted to the TSXV for approval, as required under the TSXV's policies. As a result of an internal investigation the Company identified several transactions (the "Transactions") which, although disclosed in the Company's public filings on SEDAR and EDGAR had not been submitted for approval by the TSXV.

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

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

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

Unsolicited takeover bid by Viston United Swiss AG

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

As set forth in the amendment to the Solicitation/Recommendation Statement on Schedule 14D-9, as filed with the SEC on January 4, 2022, on December 29, 2021, after thorough consideration of all aspects of the Viston Offer, the advice provided by Haywood and consulting with its other advisors, the Board has unanimously determined to recommend that Shareholders accept the Viston Offer and tender their Common Shares, for reasons that include the following:

Results of Strategic Review

Based on the results of the strategic review presented by Haywood, the Board believes that the immediate cash value offered to Shareholders under the Viston Offer is more favorable to Shareholders than the potential value that might otherwise result from other alternatives reasonably available to Petroteq, including remaining as a stand-alone entity and pursuing Petroteq's existing strategy, in each case taking into consideration the potential rewards, risks, timelines and uncertainties associated with those other alternatives.

Premium Over Market Price

The consideration of C$0.74 in cash per Common Share (the "Cash Consideration") under the Viston Offer represents a premium of approximately 279% over the closing price of the Common Shares on the TSXV on August 6, 2021, being the last trading day that the Common Shares were traded on the TSXV.

Unlikelihood of Superior Proposal

The Board, with the assistance of Haywood, has taken active steps to assess and solicit strategic alternatives and has attempted to secure a proposal that would be superior to the Viston Offer. However, no superior alternative to the Viston Offer has emerged and Petroteq does not expect a superior alternative to emerge in the near term.

Common Shares Remain Relatively Illiquid

Trading in the Common Shares on the TSXV remains suspended, and there is no certainty as to when the TSXV will resume trading in the Common Shares.

Certainty of Outcome

The Viston Offer provides 100% cash consideration for the Common Shares and offers Shareholders certainty of value and immediate liquidity.

Possible Decline in Market Price

If the Viston Offer is not successful and another alternative offer with superior financial terms does not emerge, the market price of the Common Shares in the public markets may decline significantly.

Reduces Inherent Business Risk

Based on the strategic review conducted with Haywood, the Viston Offer appears to provide Shareholders with the value inherent in Petroteq's portfolio of projects, assuming they are fully realized, without the long-term risks associated with the development and execution of those projects. Given the relatively early stage of Petroteq's projects, it will be several years before the projects in Petroteq's portfolio reach commercial production, if at all.

Significant Growth Funding Required

Petroteq's projects have significant funding requirements to prove and scale its technology. Petroteq currently has limited cash to fund its necessary capital projects and near-term debt maturities, which will be a further drain on cash. Equity financing sufficient to repay debt and fund the progress of Petroteq's business plan, if available, may be significantly dilutive to Shareholders.

Ability to Respond to Superior Proposals

Petroteq has not entered into a support or similar agreement with Viston in respect to the Viston Offer. The Board has reserved the ability to seek out or respond to proposals that may deliver greater value to Shareholders than the Viston Offer. There is nothing to prevent a third party from proposing or making a superior proposal or preclude Petroteq from changing its recommendation.

Recent Developments

On February 10, 2022, the Company received from Canadian legal counsel to Viston, a copy of an advice (the "Bank Advice") issued by Royal Bank of Scotland on February 7, 2022 confirming that UNIExpress Investment Holdings PLC ("UNIExpress"), as the sending bank acting on behalf of its client Viston, is holding cash funds in the amount of €420,000,000 in favor of the receiving bank's client, Kingsdale Advisors. Kingsdale Advisors has been retained by Viston as the Information Agent and Depository in connection with the tender offer to purchase all of the issued and outstanding common stock of Petroteq. The Bank Advice includes confirmation by UNIExpress that the funds are irrevocably blocked and are reserved in favor of Kingsdale Advisors for a period of 45 days.

On February 9, 2022, Viston announced completion of two key regulatory milestones - namely:

- The Hart-Scott-Rodino Act (the "HSR Act") waiting period expired on February 4, 2022. The HSR Act is a key U.S. antitrust act that enables the Federal Trade Commission and the Department of Justice to review proposed merger transactions by requiring the parties to observe a waiting period before closing their transaction.
- The initial review period under the Investment Canada Act also lapsed on February 3, 2022, with no national security related notice being issued, thereby allowing the Offer to proceed under the Canadian foreign investment rules.

The company announced on February 28, 2022 and confirms that it is continuing to assist Viston with its CFIUS with filings that have been made with the Committee on Foreign Investment in the United States (CFIUS).

The Offer had been extended until April 14, 2022 and further extended to June 17, 2022 to allow additional time to obtain clearance under CFIUS under U.S. national security regulations, which is a condition of the Offer.

Exchange of mineral leases

Under the terms of an agreement dated October 15, 2021 among POR and TMC Capital and Valkor (the "Exchange Agreement"), POR and TMC Capital agreed to assign to Valkor all of their respective rights and interests in the TMC Mineral Lease located near Temple Mountain in the Asphalt Ridge area of Utah, including interests under a sublease to the Short-Term Mining Lease obtained by Valkor in August 2020, and in three Utah state oil sands leases that are contiguous to or in close proximity to the lands encompassed by the TMC Mineral Lease.

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

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

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

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

The exchange of mineral properties between the Company's subsidiaries and Valkor - which upon completion will result in the Company's ownership of record title and the operating rights under the Asphalt Ridge NW Leases - is anticipated to create substantial benefits and opportunities for the Company, including:

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

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

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

We are in the process of submitting the assignments of the Asphalt Ridge NW Leases to SITLA for its approval under Utah's state regulations governing these leases.

Results of Operations

Financial Highlights

The following selected financial information, for the quarters as shown in the table, was prepared in accordance with IFRS:

Three months ended	February 28, 2022 (000)	November 30, 2021 (000)	August 31, 2021 (000)	May 31, 2021 (000)
Total revenues	$0	$Nil	Nil	Nil
Loss from operations	$3,408	$2,545	$3,091	$4,938
Basic and diluted loss per Share (Cents per share)	$0.01	$0.00	$0.01	$0.01
Basic and diluted weighted average number of shares outstanding	670,411	595,287	451,676	438,067

The net loss for the three months ended February 2022, includes a significant increase in legal expenses of $707,687 related to administrative proceedings that the Company is addressing with regulators and legal costs associated with the unsolicited takeover bid as discussed above, in addition, consulting expenses related to the unsolicited takeover bid has also increased as the Company explored its options.

The net loss for the three months ended November 30, 2021 included professional fees of $646K, including a once off relocation fee of $120K, an audit related fee of $124K and a research and development expense of $175K related to extraction of hydrocarbon products from shingles.

The net loss for the three months ended August 31, 2021 included an increase in travel and promotional expenses of $544K due to increased promotional activity on the Company's technology, finance costs of $1,954K, which included the amortization of debt discount of $1,641K, primarily due to the accelerated amortization of debt discount on debt conversions during the quarter, and the loss on conversion of convertible debt of $$637K due the conversion of several convertible notes at a significant discount to market prices during the quarter.

The net loss for the three months ended May 31, 2021 included a derivative liability movement of $2,041K due the issue of several convertible securities with variable conversion prices which resulted in a charge on market to market at period end. Financing costs were $1,369K, which included interest on convertible notes of $875K, including a penalty interest charge on a convertible note which was in default, and the amortization of debt discount on new convertible notes issued during the current period.

Three months ended	February 28, 2021 (000)	November 30, 2020 (000)	August 31, 2020 (000)	May 31, 2020 (000)
Total revenues	$0	$2,000	Nil	$0
Loss from operations	$1,034	$411	$4,870	$1,114
Basic and diluted loss per Share (Cents per share)	$0.00	$0.00	$0.01	$0.01
Basic and diluted weighted average number of shares outstanding	401,858	302,133	234,604	203,481

The net loss for the three months ended February 28, 2021 included general and administrative expenses of $706K, in line with normal operational expectations, finance costs of $744K, including the amortization of debt discount of $438K due to new debt issuances during the period, a loss on settlement of convertible debt of $233K as several convertible debt holders elected to convert their debt to equity, offset by a derivative liability credit of $592K which is directly correlated to the movements in our share price over the period.

The net loss for the three months ended November 2020 includes revenue of $2,000K as a result of the sale of a technology license to Valkor Energy during the current period, offset by general and administrative expenses of $1,045K, which were in line with our expectations, financing costs of $621K including the amortization of debt discount of $334K and other expenses of $544K, which included the loss on the settlement of liabilities and the conversion of convertible debt during the current period.

The net loss for the three months ended August 31, 2020 included the amortization of advance royalty payment of $663K due to the termination of the Asphalt ridge lease agreement, general and administrative expenses of $1,362K, including an increase in professional fees of $795K incurred on assessing the future production processes of the Company, interest expense of $954K which included penalty interest on notes in default and a. loss on convertible debt of $568K due the conversion of convertible debt at a significant discount to market prices.

The net loss for the three months ended May 31, 2020 included general and administrative expenses of $895K, in line with management's expectations, finance costs of $571K which included the amortization of debt discount of $368K on convertible notes, offset by the derivative liability mark to market of $628K as a direct result of the volatility of our stock price.

The following tables compares revenue and expenditures for the three months ended February 28, 2022 and 2021 which are discussed below.

($000,s)	**Three months ended February, 28 2022**	**Three months ended February 28, 2021**	**Change ($)**	**Change %**
Cost of Goods Sold	46,712	111,250	(64,538)	
Revenue from license fees	-	-	-	-
Other production and maintenance costs	140	20	120	600.0
Depreciation, depletion and amortization	11	11	-	-
Investor relations	160	(48)	208	433.3
Professional fees	1,532	179	1,353	755.9
Salaries and wages	147	90	57	63.3
Stock based compensation	-	258	(258)	(100.0)
Travel and promotion	118	31	87	280.6
General and administrative	137	196	52	(26.5)
Financing costs	1,061	743	318	42.8
Loss on conversion of convertible debt	-	233	(233)	(100.0)
Loss (gain) on settlement of liabilities	102	(86)	188	218.6
Interest income	-	(1)	(1)	(100.0)
Derivative liability movement	-	(592)	(592.0)	(100.0)

Revenues from license fees
There has been no sales during the three months ended February 28, 2022 and 2021.

Other production costs and maintenance costs

Other production and maintenance costs includes the Valkor maintenance costs for the current period.

Depreciation, depletion and amortization
Consists of deprecation for certain assets not used in the production of hydrocarbons as the plant has been in a winterized mode.

Professional fees
Professional fees increased by 755.9% primarily due to an increase in legal expenses of $594K related to administrative and regulatory matters that the Company is addressing, an increase in consulting fees incurred on the unsolicited tender offer by Viston of approximately $228K, an increased in consulting expenses incurred on capital markets and financial structure of approximately $256K and an increase in professional fees of $200K related to potential relocation of plant in future periods.

Salaries and wages
The increase in salaries and wages of 63.3% is due to the increase in management personnel during the current period.

Stock based compensation
Stock based compensation decreased by 100.0% due to the full amortization of the option compensation expense in June 2021, no new options were issued during the current period.

Travel and promotion
Travel and promotion expenses increased by 280.6%. In the prior period the Company had reduced expenditure as it considered its future options with respect to the plant, in the current period, the Company has re-engaged its marketing of the company and its technology.

General and administrative
General and administrative expenses decreased by 26.5%. This is made up of several individually insignificant expenses.

Finance costs
Finance costs increased by 42.8%, primarily due to the increase in amortization of debt discount of $490K, related to the conversion of several convertible notes during the current period, which resulted in an accelerated amortization expense, offset by a reduction in interest expense of $172K due to reduction in the total debt outstanding during the period.

Loss on conversion of convertible debt
In the prior period several convertible notes with beneficial conversion features were converted into equity, resulting in a loss on conversion.

Loss (gain) on settlement of liabilities
During the current period, debt settlement agreements that were approved by the TSXV were settled by the issuance of equity resulting ibn a loss on settlement of $102K, in the prior period debt settlements resulted in a gain to the Company.

Interest income
Interest income is immaterial

Derivative liability movement
The derivative liability movement in the prior year represented the mark-to-market of convertible debt with variable conversion features. During the current period, all debts with variable conversion features were modified, thereby eliminating the derivative liability.

The following tables compares revenue and expenditures for the six months ended February 28, 2022 and 2021 which are discussed below.

($000,s)	Six months ended February, 28 2022	Six months ended February 28, 2021	Change ($)	Change %
Cost of Goods Sold	46,712	111,250	(64,538)	
Revenue from license fees	-	2,000	(2,000)	(100.0)
Other production and maintenance costs	425	365	60	16.4
Depreciation, depletion and amortization	22	23	(1)	(4.3)
Investor relations	206	40	166	415.0
Professional fees	2,178	578	1,600	276.8
Research and development	175	-	175	100.0
Salaries and wages	303	178	125	70.2
Stock based compensation	-	458	(458)	(100.0)
Travel and promotion	201	114	87	76.3
General and administrative	425	383	52	13.9
Financing costs	1,687	1,365	322	23.6
Forgiveness of federal relief loans	(134)	-	(134)	(100.0)
Loss on conversion of convertible debt	-	313		
Loss on debt extinguishment	444	330	114	34.5
Loss on settlement of liabilities	102	48	54	112.5
Interest income	(29)	(2)	(27)	(1,350.0)
Derivative liability movement	(52)	(749)	697	93.1

Revenues from license fees
In the prior year, the Company sold a license to utilize the Company's proprietary extraction technology to Valkor.

Other production costs and maintenance costs
Other production and maintenance costs includes the Valkor maintenance costs for the current period.

Depreciation, depletion and amortization
Consists of deprecation for certain assets not used in the production of hydrocarbons as the plant has been in a winterized mode.

Professional fees
Professional fees increased by 276.8% primarily due to an increase in legal expenses of $532K related to administrative and regulatory matters that the Company is addressing, an increase in consulting fees incurred on the unsolicited tender offer by Viston of approximately $210K, an increased in consulting expenses incurred on capital markets and financial structure of approximately $370K and an increase in professional fees of $200K related to potential relocation of plant in future periods.

Salaries and wages
The increase in salaries and wages of 70.2% is due to the increase in management personnel during the current period.

Stock based compensation
Stock based compensation decreased by 100.0% due to the full amortization of the option compensation expense in June 2021, no new options were issued during the current period.

Travel and promotion
Travel and promotion expenses increased by 76.3%. In the prior period the Company had reduced expenditure as it considered its future options with respect to the plant, in the current period, the Company has re-engaged its marketing of the company and its technology.

General and administrative
General and administrative expenses increased by 13.9%. This is made up of several individually insignificant expenses.

Finance costs
Finance costs increased by 23.6%, primarily due to the increase in amortization of debt discount of $531K, related to the conversion of several convertible notes during the current period, which resulted in an accelerated amortization expense, offset by a reduction in interest expense of $209K due to reduction in the total debt outstanding during the period.

Loss on conversion of convertible debt
In the prior period several convertible notes with beneficial conversion features were converted into equity, resulting in a loss on conversion of $313K

Loss on debt extinguishment
The Company renegotiated the terms of certain convertible notes which were in default, and assumed by third parties resulting in a loss realized on extinguishment. These amounts are not comparable as the loss was dependent on the terms that the Company was able to negotiate.

Loss (gain) on settlement of liabilities
During the current period, debt settlement agreements that were approved by the TSXV were settled by the issuance of equity resulting ibn a loss on settlement of $102K, in the prior period debt settlements resulted in a net loss to the Company of $48K.

Interest income
Interest income of $29K was realized on certain short-term advances made by the company during the current period.

Derivative liability movement
The derivative liability movement in the prior year represented the mark-to-market of convertible debt with variable conversion features. During the current period, all debts with variable conversion features were modified, thereby eliminating the derivative liability.

4. LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2022, we had cash of approximately $2,528K. We also had a working capital of approximately $662K, due primarily to the reduction in convertible debt outstanding by the conversion of this debt into equity. The Company also received proceeds from the exercise of warrants of $5,649K and restitution payments for convertible note issuances that were not in compliance with TSXV rules of $1,440K. The Company also repaid $754K on certain convertible promissory notes.

We have spent, and expect to continue to spend, a substantial amount of funds in connection with implementing our business strategy and do not have sufficient cash on hand to implement our business strategy. Our financial statements have been prepared assuming we are a going concern. To date, we have generated minimal revenue from operations and have financed our operations primarily through sales of our securities, and we expect to continue to seek to obtain our required capital in a similar manner. There can be no assurance that we will be able to generate sufficient revenue to cover our operating costs and general and administrative expense or continue to raise funds through the sale of debt. If we raise funds by securities convertible into common shares, the ownership interest of our existing shareholders will be diluted.

We anticipate that if the unsolicited offer to acquire all of the outstanding shares of Petroteq is not successful that we will need to raise approximately $110 million to fund a commercially viable extraction plant. Alternatively we will license our technology and generate royalty revenues. Should we need to raise funding, we will attempt to raise though share or debt issuances, if we are not successful in our efforts, we may need to delay our development plans and reduce our current expenditure.

We have 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.

In addition to commitments otherwise reported in this MD&A, the Company's contractual obligations as at February 28, 2022, include:

In addition to commitments otherwise reported in this MD&A, the Company's contractual obligations as at February 28, 2022, include:

Contractual Obligations	Total ($ millions)	Up to 1 Year ($ millions)	2 - 5 Years ($ millions)	After 5 Years ($ millions)
Convertible Debt[1]	5.6	2.1	3.5	-
Promissory notes	0.0	0.0	-	-
Operating lease liabilities	0.2	0.1	01	-
Federal relief loans	0.6	0.2	0.0	0.4
Total Contractual Obligations	6.4	2.4	3.6	0.4

(1) Amount includes estimated interest payments and discount amortization. The recorded amount as at November 30 2021 was approximately $2.2 million after debt discount of $3.6 million.

5. OFF-BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

6. RELATED PARTY TRANSACTIONS

We have outstanding directors fees of $224,333 and $264,064 as at February 28, 2022 and August 31, 2021, respectively, and outstanding salaries and fees to officers and directors of $0 and $447,500 for the six months ended February 28, 2022 and the year ended August 31, 2021, respectively.

Related party payables represent non-interest-bearing payables that are due on demand.

The balances outstanding are as follows:

Related Party payables	February 28, 2022	August 31, 2021
Payable to Aleksandr Blyumkin	$ 296,607	$ 493,549

Alex Blyumkin

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

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

On July 1, 2021, Mr. Blyumkin entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

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

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

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

During the current period, Mr. Blyumkin made restitution payments to the Company of $1,439,803 for conversion of convertible debt by third party convertible debt holders to common shares at prices below those allowed by the TSXV regulations.

The Company owed Mr. Blyumkin $296,607 and $493,549 as at February 28, 2022 and August 31, 2021, respectively.

George Stapleton

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

On August 7, 2020, Mr. Stapleton was awarded options exercisable for 3,000,000 common shares exercisable at $0.085 per share and valued at $165,855. The options vested over an eight month period. These options expired on February 28, 2022.

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

Dr. Gerald Bailey

On July 1, 2021, Dr. Bailey entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

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

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

Mr. Bailey retired as a director and officer of the Company on January 24, 2022.

Robert Dennewald

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

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

On July 1, 2021, Mr. Dennewald entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

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

James Fuller

On July 1, 2021, Mr. Fuller entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

On July 12, 2021, the Company issued Mr. Fuller 228,668 common shares valued at $16,007 in partial settlement of directors fees outstanding.

Dr. Vladimir Podlipsky

The Board of Directors has appointed Dr. Vladimir Podlipsky, currently the Chief Technology Officer of the Company, as a director, with effect from August 6, 2021, to fill the vacancy on the Board created by Mr. Blyumkin's resignation. On January 24, 2022, following the resignation of Dr. Bailey, Dr. Podlipsky was appointed to the role of Interim Chief Executive Officer.

The Company advanced Manhatten Enterprises, a company controlled by Dr. Podlipsky, 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.

During the current quarter, the Company paid $175,025 to V Science Technologies Inc., in terms of a sponsored research agreement. V Science Technologies, Inc. is controlled by Dr. Podlipsky, a director and the interim chief executive officer of the Company.

Ron Cook

Mr. Cook was appointed as the Chief Financial Officer of the Company with effect from October 31, 2021. On January 24, 2022, Mr. Cook resigned as the Chief Financial Officer of the Company.

Mark Korb

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

Michael Hopkinson

Mr. Hopkinson was appointed as the Chief Financial Officer of the Company with effect from January 24, 2022.

Robert Chenery

Mr. Robert Chenery was appointed to the Company's Board of Directors on January 24, 2022.

7. OUTSTANDING SHARE DATA

As at the date hereof, the Company had the following common shares, share purchase options, warrants and convertible securities outstanding:

Total common shares outstanding	765,492,123
Total common share purchase options	4,250,000
Total common share purchase warrants and broker warrants(1)	8,161,628
Contractual obligations to issue securities(2)	10,963,335
Fully diluted shares outstanding	788,867,086

(1) Includes 151,785 warrants which are not approved by the TSXV.
(2) The Company has contractual obligations to issue 10,62,499 shares to third parties in terms of debt settlement agreements with third parties and a further 600,836 shares to directors in partial settlement of outstanding directors fees.

Share Purchase Options

The Company has a 20% fixed number share option plan Pursuant to this plan, the Company may grant up to 153,098,424 share purchase options to directors, officers, employees, and consultants. Such options are non-transferable, will have a maximum term of ten years and terminate 12 months (or other such shorter time as determined by the directors) following cessation of the optionee's position with the Company, subject to the expiry date of such option. As at the date hereof, an aggregate of 4,250,000 share purchase options were outstanding:

Expiry Date	Exercise Price		Options Outstanding	Options Exercisable
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	3,300,000
			4,250,000	7,250,000
Weighted average remaining contractual life			6.2 years	5.3 years

Share Purchase Warrants

As at the date hereof, an aggregate of 8,161,628 share purchase warrants were outstanding, as follows:

	Warrants outstanding and exercisable	
Exercise price	Number of shares	Weighted average remaining years
$0.1000	276,512	0.75
$0.1200	7,733,331	1.24
$0.1400	151,785	2.73
$0.1004	**18,303,083**	**1.25**

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at February 28, 2022, the Company's financial instruments are comprised of cash, trade and other receivables, accounts payable and accrued expenses, the fair values of which approximate their carrying values due to their short-term maturity, and convertible debentures and long-term debt, which are carried at amortized cost. The Company classifies its cash as fair value through profit or loss. The Company's financial instruments are exposed to a variety of related risks. The Company's risk exposures and the impact on the Company's financial instruments are described under "Risks and Uncertainties" below.

9. 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 at an acceptable level. The Company considers its capital for this purpose to be its shareholders' equity and long-term liabilities.

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.

10. LITIGATION AND CONTINGENCIES

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

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

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

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

From time to time, the Company is the subject of litigation arising out of the Company's normal course of operations. While the Company assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defend itself 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. 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 the Company's consolidated financial position.

11. RISKS AND UNCERTAINTIES

Due to the nature of the Company's business and present stage of development, the Company is subject to significant risks. Risk factors relating to the Company include, but are not limited to, risks relating to reliance on major customers and key personnel, reliance on banking facilities and dependence on sustainability of customer orders, the risk that the Company's business plan may fail, risks relating to operations, risks related with compliance with environmental protection regulations, risks related to uninsurable or uninsured risks, risks related to the start-up of the Company's technology business and risks related to conflicts of interest of directors and officers.

Operating Hazards and Risk
The Company's current business involves risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to its operations, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage.

Environmental Risks and Other Regulatory Requirements
The Company's current and future operations are and may be governed by laws and regulations governing itsindustry. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company currently operates its business in a regulated industry. There can be no assurances that the Company may not be negatively affected by changes in the Canadian, American or other legislation, or by any decisions or orders of any governmental or administrative body or applicable regulatory authority.

Technology

The intellectual property and proprietary systems developed by PQE, including in particular, the ExtractionTechnology, have not previously been used in a commercial project. As such, the project carries with it a greater degree of technological risk than similar projects that employ commercially proven technologies despite the steps taken to reduce the risk of using these new processes through the utilization of an experienced and qualified process development and engineering team to anticipate and mitigate the majority of the process and mechanical challenges. Since a major portion of the processes used in the modular extraction unit are based on commercially unproven technologies and the detailed design is still being finalized, the Extraction Technology may not perform as anticipated by PQE or at all and the cost estimate may be subject to more variation than would be expected for commercially proven technology. If major process design changes are needed, the current cost contingency may not be adequate.

Intellectual Property

The success and ability of the Company to successfully complete development of the subject property of theLease and to be economically viable will depend to a significant extent on the intellectual property and proprietary technology of PQE. The ability of the Company to prevent others from copying such proprietary technologies will be critical to sustaining the project's commercial advantage. PQE currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trad e-mark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents, to protect its proprietary technology. However, some of PQE's intellectual property is currently under patent pending applications. PQE intends to continue to seek patent protection for the Extraction Technology.

Without patent and other similar protection, other companies could offer substantially identical products for sale without incurring the sizeable development costs that PQE has incurred. The Company's ability to recover these expenditures and realize profits upon the development of its technologies could be diminished. The process of obtaining patents can be time consuming and expensive, with no certainty of success. Even if the Company spends the necessary time and money, a patent may not be issued, or it may insufficiently protect the technology it was intended to protect. If PQE's pending patent applications are not approved for any reason, the degree of future protection for its proprietary technology will remain uncertain.

The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This type of litigation can be time consuming and expensive, regardless of whether or not the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any pending or future patent applications of the Company or PQE will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technologies that are similar or superior to the technology of PQE or design around the patents owned by PQE.

Despite the efforts of the Company, the intellectual property rights, particularly existing or future patents, of PQE may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Company's operations will prevent misappropriation or infringement of the right to use or license others to use the Extraction Technology and/or PQE Process and accordingly may conduct an oil sands extraction operation similar to that of the Company.

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meetcontractual 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.

At February 28, 2022 and August 31, 2021, the Company had no trade receivables. The Company considers its maximum exposure to credit risk to be its trade and other receivables and notes receivable.

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 investments of varying maturities as well as through certain floating rate instruments. The Company considers its exposure to interest rate risk to be minimal.

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. The Company believes that it would be able to obtain adequate liquidity to fund its oil sands operations, If the Company is unable to obtain further funding in order to complete the oil sands plant and for sufficient operating working capital, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Foreign Currency Exchange Risk

PQE generally incurs expenses denominated in U.S. dollars which is the functional currency of the Company and is therefore not subject to significant foreign exchange risk.

Liquidity Concerns and Future Financing Requirements

The Company will require additional financing in order to fund its plan of operations. The Company's ability to
arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as the Company's resulting business success. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the same. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and existing shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of other opportunities, curtail business operations or cancel planned projects, or otherwise remain in business. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Volatility of Share Price

Factors such as announcements of quarterly variations in operating results, as well as market conditions in the Company's industry, may have a significant impact on the market price of the Company's shares. Global stock markets and exchanges in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in many industries have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will develop or be sustained for the Company on the TSXV or the Nasdaq Pink Sheets Markets..

Volatility of Oil Prices

Oil prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond the Company's control. These factors include, but are not limited to, worldwide political instability, foreign supply of oil and natural gas, the level of consumer product demand, government regulations and taxes, the price and availability of alternative fuels and the overall economic environment. Any decline in oil or natural gas prices could have a material adverse effect on the Company's operations, financial condition and the level of expenditures for the development of its resources. No assurance can be given that oil and natural gas prices will be at levels which will generate profits for the Company. The economics of developing some of the Company's properties may change as a result of lower oil prices. The Company might also elect not to develop or delay development of certain properties at lower oil prices. All of these factors could result in a material decrease in the Company's development activities.

Dependence on, and Protection of, Key Personnel

The Company is dependent upon the continued support and involvement of its directors, officers and key technical personnel to develop its business and operations. If the Company were to lose any of their services, the Company's ability to implement its business plans could be severely curtailed or delayed.

Conflicts of Interest and Time

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 the Company. 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 officer s 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 directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses.

Nature of Oil Sands Exploration and Development

Oil sands exploration and development are very competitive and involve many risks that even a combination ofexperience, knowledge and careful evaluation may not be able to overcome. As with any petroleum property, there can be no assurance that the Extraction Technology will perform as anticipated by PQE or at all, or that commercial deposits of bitumen will be produced from PQE's permit lands in the State of Utah. Furthermore, the marketability of any resource will be affected by numerous factors beyond the Company's 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 and environmental protection). The extent of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Operation Risk

Operation risk is a function of the Company's ability to manage operating costs. Operating costs could beimpacted 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.

Bitumen Supply Risk

Supply risk is a function of the unavailability of third party bitumen, poor ore grade quality or density, unplanned mine equipment and extraction plant maintenance, storage costs and in situ reservoir and equipment performance could impact production targets.

Reserves and Resources

The Company has not yet established any reserves. There are numerous uncertainties inherent in estimating quantities of bitumen resources and 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. All such estimates are, to some degree, uncertain and classifications of resources and reserves are only attempts to define the degree of uncertainty involved. 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 eco nomically or legally extractable.

Climate Change Legislation

Environmental legislation regulating carbon fuel standards in jurisdictions that import crude and synthetic crudeoil in the United States could result in increased costs and/or reduced revenue. For example, both California and the United States federal governments have passed legislation which, in some circumstances, considers the lifecycle greenhouse gas emissions of purchased fuel and which may negatively affect the Company's business, or require the purchase of emissions credits, which may not be economically feasible.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward- looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the validation of and commercial viability of PQE's Extraction Technology (defined below); the ability of the Extraction Technology to commence commercial production; the environmental friendliness of the Extraction Technology; the bbl/d capacity of the Extraction Technology; the schedule for certain events to occur and production to commence; capital efficacy and economics of the Extraction Technology; completion of certain acquisitions; potential of PQE's properties to contain reserves; PQE' ability to meet its working capital needs; the plans, costs, timing and capital for future exploration and development of PQE's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for oil and gas; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, oil and gas reserves, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to properties, the possibility that future exploration results or the validation of technology will not be consistent with the Company's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the oil and gas industry, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for PQE's exploration and development activities; operating and exploration costs; PQE's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration and production projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward -looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward -looking statements, unless required by law.

PETROTEQ ENERGY, INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBERUARY 28, 2022 AND 2021

Expressed in US dollars

(UNAUDITED)

Notice to Reader

The accompanying unaudited interim condensed consolidated financial statement of Alpine Energy Summit Partners. Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements have not been reviewed by the Company's auditors.

PETROTEQ ENERGY, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)
Expressed in US dollars

	Notes	February 28, 2022	August 31, 2021
ASSETS			
Current assets			
Cash		$ 2,527,816	$ 1,012,929
Trade and other receivables		17,303	17,303
Ore inventory		16,800	16,800
Other inventory		90,176	90,176
Notes receivable - related party	5	94,844	92,959
Notes receivable	5	-	430,000
Prepaid expenses and other current assets	1,6	3,659,120	2,539,120
Total Current Assets		**6,406,059**	**4,199,287**
Non-Current assets			
Mineral leases	7	34,911,143	34,911,143
Property, plant and equipment	8	41,031,261	41,049,417
Right of use asset	9	143,462	167,048
Intangible assets	10	707,671	707,671
Total Non-Current Assets		**76,793,537**	**76,835,279**
Total Assets		**$ 83,199,596**	**$ 81,034,566**
LIABILITIES			
Current liabilities			
Accounts payable	11	$ 2,384,738	$ 2,105,449
Accrued expenses	11	1,580,662	1,564,616
Ore Sale advances		283,976	283,976
Promissory notes payable	12	23,298	23,298
Current portion of convertible debentures, net of discount of $293,419 and $529,372, respectively	13	951,375	5,255,874
Current portion of Federal relief loans	14	171,972	291,332
Finance lease liabilities	9	-	75,058
Current portion of operating lease liabilities	9	51,809	48,376
Related party payables	21	296,607	493,549
Derivative liability	15	-	322,186
Total Current Liabilities		**5,744,437**	**10,463,714**
Non-Current liabilities			
Convertible debentures, net of discount of $2,382,309 and $3,449,338, respectively	13	1,240,643	891,662
Federal relief loans	14	428,994	437,096
Operating lease liabilities	9	91,653	118,672
Reclamation and restoration provision	16	2,970,497	2,970,497
Total Non-Current Liabilities		**4,731,787**	**4,417,927**
Total Liabilities		**10,476,224**	**14,881,641**
Commitments and contingencies	25		
SHAREHOLDERS' EQUITY			
Share capital	17	173,045,607	137,798,526
Subscription receipts		6,000	756,000
Share option reserve	18	4,535,268	15,759,176
Share warrant reserve	19	1,228,072	11,977,815
Deficit		(106,091,575)	(100,138,592)
Total Shareholders' Equity		**72,723,372**	**66,152,925**
Total Liabilities and Shareholders' Equity		**$ 83,199,596**	**$ 81,034,566**

"Signed" Vladimir Podlipsky
Director

"Signed" Robert Dennewald
Director

See accompanying notes to the condensed consolidated financial statements

PETROTEQ ENERGY INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENISVE LOSS
For the three and six months ended February 28, 2022 and 2021
(unaudited)
Expressed in US dollars

	Notes	Three months ended February 28, 2022	Three months ended February 28, 2021	Six months ended February 28, 2022	Six months ended February 28, 2021
Revenues from licensing fees		$ -	$ -	$ -	$ 2,000,000
Revenues from hydrocarbon sales		-	-	-	-
Production and maintenance costs		(139,984)	(19,279)	(424,938)	(364,565)
Advance royalty payments		-	-	-	-
Gross Profit (Loss)		(139,984)	(19,279)	(424,938)	1,635,435
Operating Expenses					
Depreciation, depletion and amortization	7	10,280	11,522	21,662	23,045
Selling, general and administrative expenses		2,094,854	706,427	3,488,606	1,751,284
Financing costs		1,061,447	743,601	1,687,466	1,364,988
Derivative liability movements		-	(591,914)	(52,420)	(748,912)
Other expenses (income), net		101,170	145,393	382,731	689,852
Total expenses, net		3,267,751	1,015,029	5,528,045	3,080,257
Net loss before income taxes		3,407,735	1,034,308	5,952,983	1,444,822
Income tax expense		-	-	-	-
Net loss		$ 3,407,735	$ 1,034,308	$ 5,952,983	$ 1,444,822
Weighted Average Number of Shares Outstanding - Basic and Diluted	18	670,410,632	401,858,398	632,641,336	353,952,701
Basic and Diluted Loss per Share		$ (0.01)	$ 0.00	$ (0.01)	$ 0.00

See accompanying notes to the condensed consolidated financial statements

PETROTEQ ENERGY INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three and six months ended February 28, 2022 and 2021
(unaudited)
Expressed in US dollars

	Number of Shares Outstanding	Share Capital	Subscription Receipts	Share Warrant Reserve	Share Option Reserve	Deficit	Shareholders' Equity
Balance at August 31, 2021	564,159,881	$ 137,798,526	756,000	11,977,815	15,759,176	$ (100,138,592)	$ 66,152,925
Conversion of convertible debt	81,893,940	4,300,000	-	-	-	-	4,300,000
Beneficial conversion feature on debt extinguishment	-	714,164	-	-	-	-	714,164
Restitution for conversion of convertible debt not in compliance with TSX Venture regulations	-	499,970	-	-	-	-	499,970
Net loss	-	-	-	-	-	(2,545,248)	(2,545,248)
Balance at November 30, 2021	646,053,821	143,312,660	756,000	11,977,815	15,759,176	(102,683,840)	69,121,811
Warrants exercised	58,317,964	16,956,389	-	(11,307,352)	-	-	5,649,037
Common share subscriptions	6,250,000	192,391	(750,000)	557,609	-	-	-
Settlement of liabilities	3,155,867	420,426	-	-	-	-	420,426
Restitution for conversion of convertible debt not in compliance with TSX Venture regulations	-	939,833	-	-	-	-	939,833
Transfer of reserve on option expiration	-	11,223,908	-	-	(11,223,908	-	-
Net loss	-	-	-	-	-	(3,407,735)	(3,407,735)
Balance at February 28, 2022	**713,777,652**	**$ 173,045,607**	**$ 6,000**	**$ 1,228,072**	**$ 4,535,268**	**$ (106,091,575)**	**$ 72,723,372**

	Number of Shares Outstanding	Share Capital	Subscription Receipts	Share Warrant Reserve	Share Option Reserve	Deficit	Shareholders' Equity
Balance at August 31, 2020	274,450,337	$ 121,454,930	41,000	8,142,141	15,155,932	$ (90,664,349)	$ 54,129,654
Conversion of convertible debt	38,735,555	1,835,726	-	-	-	-	1,835,726
Settlement of liabilities	60,023,777	2,849,661	-	-	-	-	2,849,661
Common shares subscriptions	7,416,666	445,000	(35,000)	-	-	-	410,000
Warrants exercised	2,268,169	68,045	-	-	-	-	68,045
Share-based compensation	-	-	-	-	199,632	-	199,632
Fair value of convertible debt warrants issued	-	532,464		250,829		-	783,293
Net loss	-					(410,514)	(410,514)
Balance at November 30, 2020	382,894,504	$ 127,185,826	6,000	8,392,970	15,355,564	(91,074,863)	59,865,497
Conversion of convertible debt	14,580,675	668,256	-	-	-	-	668,256
Settlement of liabilities	11,608,460	631,822	-	-	-	-	631,822
Common shares subscriptions	1,032,475	136,923	-	-	-	-	136,923
Warrants exercised	1,176,470	35,293	-	-	-	-	35,293
Share-based compensation	1,000,000	58,879	-	-	199,632	-	258,511
Fair value of beneficial conversion feature	-	5,484	-	-	-	-	5,484
Net loss	-	-	-	-	-	(1,034,308)	(1,034,308)
Balance at February 28, 2021	**412,292,584**	**128,722,483**	**6,000**	**8,392,970**	**15,555,196**	**(92,109,171)**	**60,567,478**

See accompanying notes to the condensed consolidated financial statements

PETROTEQ ENERGY INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended February 28, 2022 and 2010
(Unaudited)
Expressed in US dollars

	Six months ended February 28, 2021	Six months ended February 28, 2021
Cash flow used for operating activities:		
Net loss	$ (5,952,983)	$ (1,444,822)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	21,662	23,045
Amortization of debt discount	1,302,982	771,892
Loss on conversion of debt	-	313,198
Loss (gain) on settlement of liabilities	102,107	48,283
Loss on debt extinguishment	444,398	330,256
Share-based compensation	-	458,143
Gain on forgiveness of federal relief loans	(133,890)	-
Mark to market of derivative liabilities	(52,420)	(748,812)
Other	(21,885)	11,298
Changes in operating assets and liabilities:		
Accounts payable	279,288	(103,742)
Accounts receivable	-	(304,473)
Accrued expenses	135,795	464,102
Prepaid expenses and deposits	(1,120,000)	4,043
Inventory	-	(12,501)
Net cash used in operating activities	(4,994,946)	(190,090)
Cash flows used for investing activities:		
Purchase and construction of property and equipment	(3,506)	(1,673,448)
Proceeds from notes receivable	450,000	-
Net cash used in investing activities	446,494	(1,673,448)
Cash flows from financing activities:		
Repayments to related parties	(196,943)	(22,755)
Proceeds on private equity placements	-	546,923
Proceeds from warrants exercised	5,649,037	103,339
Proceeds from promissory notes	-	42,000
Restitution for conversion of convertible debt not in compliance with TSX Venture regulations	1,439,803	-
Proceeds from federal relief loans	-	267,716
Payments of debt	-	(10,000)
Payment of finance lease liability	(75,058)	(83,473)
Proceeds from convertible debt	-	1,219,500
Repayments of convertible debt	(753,500)	(100,000)
Net cash from financing activities	6,063,339	1,963,250
Increase (decrease) in cash	1,514,887	99,612
Cash, beginning of the period	1,012,929	62,404
Cash, end of the period	$ 2,527,816	$ 162,016
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 51,024	$ 197,872
Shares issued to settle liabilities	$ -	$ 3,481,483
Shares issued on conversion of convertible debt	$ 4,720,426	$ 2,503,982
Fair value of warrants issued	$ 557,609	$ 788,777

See accompanying notes to the condensed consolidated financial statements

1. GENERAL INFORMATION

Background

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

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

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

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

Change Of U.S. Reporting Status To A Foreign Private Issuer

The Company filed a 6-K with the United States Securities and Exchange Commission (the "SEC") on March 15, 2022 informing the SEC and investors that the Company is now a "foreign private issuer" as defined in Rule 405 under the U.S. Securities Act of 1933, as amended and Rule 3b-4 under the U.S Securities Exchange Act of 1934, as amended (the "Exchange Act").
The Company has requalified as a foreign private issuer because management has determined that less than 50% of the Company's outstanding voting securities were held of record by residents of the United States as of February 28, 2022 (being the last business day of its most recent fiscal quarter). As a consequence, we are now exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are no longer required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within four months after the end of each fiscal year an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, commencing with our annual report for the year ending August 31, 2022.
We are also required to furnish additional continuous disclosure materials to the SEC on Form 6-K under the Exchange Act, including unaudited quarterly financial statements and related management's discussion and analysis, and proxy materials prepared in accordance with Canadian requirements. Specifically, we are required to furnish on Form 6-K whatever information, not previously furnished, that we

(i) make or are required to make public pursuant to the applicable Canadian laws, or
(ii) file or are required to file with any stock exchange on which our securities are traded and which is made public by that exchange, or
(iii) distribute or are required to distribute to our security holders.

The information that we are required to furnish on Form 6-K is that which is material with respect to our Company and our subsidiaries concerning: changes in business; changes in management or control; acquisitions or dispositions of assets; bankruptcy or receivership; changes in our certifying accountants; the financial condition and results of operations; material legal proceedings; changes in securities or in the security for registered securities; defaults upon senior securities; material increases or decreases in the amount outstanding of securities or indebtedness; the results of the submission of matters to a vote of our security holders; transactions with directors, officers or principal security holders; the granting of options or payment of other compensation to directors or officers; and any other information which we deem to be of material importance to our security holders.

Each report on Form 6-K is required to be furnished promptly after the material contained in the report is made public as described above.

1. GENERAL INFORMATION (continued)

Mineral Rights

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

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

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

On July 22, 2019, the Company acquired the remaining 50% of the operating rights under U.S. federal oil and gas leases, administered by the BLM, covering approximately 5,960 gross acres (2,980 net acres) within the State of Utah for a total consideration of $13,000,000 settled by the issuance of 30,000,000 shares at an issue price of $0.40 per share, and cash of $1,000,000, of which $900,000 has been paid to date.

With respect to one of the BLM leases in the PR Spring area of Utah, a lease in which the Company has acquired oil sands operating rights in 2019, the BLM has decided to remove the lease from the combined hydrocarbon lease application (CHL application) originally filed by Exxon Corporation and Enercor, Inc. in 1983 under the (U.S.) Combined Hydrocarbon Act of 1981. The Company derives ownership of its operating rights from the record title to the lease held by Exxon and assigned to Enercor in 2009, with Exxon's registration of the assignment of record title to Enercor having been accepted by BLM in 2010.

BLM decision to exclude the PR Spring lease from the 1984 Exxon CHL application appears to be based on a unilateral decision by a private company - which BLM has identified in its administrative records as the record title owner of the lease - to have the lease removed from the CHL application. Removal of the lease from the original Exxon CHL application will, unless BLM's decision is corrected, undermine the Company's ability to develop the oil sands resources located on lands covered by the lease (and on the lands covered by other leases that were included in the 1983 Exxon CHL application.

We have determined, from title reports and land records, that the BLM has made an administrative and legal error in excluding our PR Spring lease from the new CHL issued pursuant to the 1983 Exxon CHL application. We anticipate that BLM's error will be corrected as we move our BLM leases through the BLM administrative registration process, a process that will ensure that BLM's actions are corrected if they are determined to have been erroneously made. However, if for any reason the Company is unsuccessful in obtaining a reversal of BLM's decision, we will at that time conduct a full impairment analysis to determine the extent to which the value of the lease has been permanently impaired by the BLM decision.

Between March 14, 2019 and February 28, 2022, the Company made cash deposits of $1,907,000 (acting through TMC Capital), included in prepaid expenses and other current assets on the condensed consolidated statements of financial position for the acquisition of 100% of the operating rights under U.S. federal oil and gas leases in Garfield and Wayne Counties, Utah, covering approximately 8,480 gross acres in P.R. Springs and the Tar Sands Triangle within the State of Utah. The total consideration of $3,000,000 has been partially settled by a cash payment of $1,907,000, with the balance of $1,093,000 still outstanding.

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

1. GENERAL INFORMATION (continued)

Mineral Rights (continued)

TMC Capital, POR and Valkor have entered into an Agreement Governing Reciprocal Assignment of mineral Leases dated October 15, 2021 (the "Exchange Agreement"), under which (a) TMC and POR agreed to assign to Valkor all of their respective rights and interests in the TMC Mineral Lease (and the Short-Term Mining Lease dated August 10, 2020 held by Valkor) and in the Temple Mountain SITLA Leases, and (b) Valkor agreed to assign to TMC Capital all of its rights and interests (including the record lease title and operating rights) in the Asphalt Ridge NW Leases consisting of three Utah state mineral leases located in the Asphalt Ridge Northwest area of Uintah County, Utah. Under this agreement, once the exchange of SITLA Leases is approved by SITLA, Petroteq (acting through TMC Capital) will hold three new SITLA Leases encompassing approximately 3,458.22 acres in an area called "Asphalt Ridge Northwest".
In addition, under other agreements entered into between or among TMC Capital, POR and Valkor in October 2021, (a) Valkor granted to TMC Capital the right to participate, up to a 50% working interest, in all exploratory, mining and production operations conducted by Valkor under its Short-Term Mining Lease encompassing the acreage that is subject to the TMC Mineral Sublease, and (b) TMC Capital granted to Valkor the operating rights in at or below 500 feet below the surface under the Asphalt Ridge NW Leases, with TMC Capital reserving the right to participate, at up to a 50% working interest, in all exploratory and production operations conducted by Valkor in deeper (below 500 feet subsurface or more) oil sands deposits and reservoirs.

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

The assignment of the Temple Mountain SITLA leases by Petroteq's subsidiaries to Valkor and Valkor's assignment of the Asphalt Ridge NW Leases to TMC Capital are subject to approval by SITLA before the transactions are considered final.

We are in the process of submitting the assignments of the Indago Leases to SITLA for its approval under Utah's state regulations governing these leases.

Management and Operations

Under the terms of a Management and Operations Services Agreement ("Management Agreement") entered into between the Company and 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 prepare quarterly Royalty Reports to be delivered to a third party to calculate royalties payable to the holders of royalty interests under various mineral rights leases.

On November 24, 2020, the Company entered into a Technology License Agreement ("License Agreement") with Greenfield Energy, LLC ("Greenfield"), whereby the Company grants to Greenfield a non-exclusive, non-transferable license under the patent rights and know-how for use in the design, construction and operation of any and 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 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 (in which case the royalty is reduced to 3%).

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

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

1. GENERAL INFORMATION (continued)

Suspension of trading on the TSX Venture Exchange

On August 6, 2021, the Ontario Securities Commission issued a cease trade order (the "CTO") against the Company, as a result of its failure to file its quarterly report on Form 10-Q (and related certifications) for the period ended May 31, 2021 (the "2021 Q3 Filings") on or before July 30, 2021, as required under Canadian National Instrument 51-102 - *Continuous Disclosure Obligations.*

The Company filed the 2021 Q3 Filings on SEDAR and with the Canadian Securities Administration on SEDAR, and with the United States Securities and Exchange Commission (the "SEC") on EDGAR on August 19, 2021. As a result, the Ontario securities Commission revoked the CTO effective August 24,2021. In addition, on August 19, 2021, the Company's amended financial statements and management's discussion and analysis for the eight quarters from May 31, 2019 to February 28, 2021 were filed on SEDAR and with the SEC, as set forth in the Company's amended annual reports on Form 10-K/A for the financial years ended August 31, 2019 and August 31, 2020, and in the Company's amended quarterly reports on Form 10-Q/A for the periods ended May 31, 2019, November 30, 2019, February 29, 2020, May 31, 2020, November 30, 2020 and February 28, 2021. The Company's amended financial statements and management discussion and analysis for the period ended February 28, 2019 were filed on SEDAR on August 23, 2021, and with the SEC on August 25, 2021, as exhibits to the Company's current report on Form 8-K.

As a result of the issuance of the CTO on August 6, 2021, the TSX Venture Exchange (the "TSXV") suspended trading of the Company's Common Shares. As part of the TSXV's review of the Company's reinstatement application, the TSXV reviewed the Company's financial statements for the three and nine months ended May 31, 2021 and raised concerns that certain transactions may not have been submitted to the TSXV for approval, as required under the TSXV's policies. As a result of an internal investigation the Company identified several transactions (the "Transactions") which although disclosed in the Company's public filings on SEDAR and EDGAR, had not been submitted for approval by the TSXV.

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

The Transactions, described below, were all disclosed in the Company's financial statements (all dollar amounts are expressed in U.S. currency unless otherwise indicated):

- On May 7, 2020, the Company issued to an arm's length lender a $64,300 convertible note (including a 10% original issue discount) for a purchase price of $58,000, bearing interest at 12% per annum, maturing on May 7, 2021, and convertible into Common Shares. The note was ultimately converted on November 12, 2020 ($25,000 at $0.0308 for 811,688 Common Shares), November 13, 2020 ($20,000 at $0.0296 for 675,676 Common Shares) and November 13, 2020 ($22,780, including $3,480 of accrued and unpaid interest, at $0.0296 for 769,595 Common Shares). There is currently no principal or interest remaining on the note.

- On June 4, 2020, the Company issued to an arm's length lender a $69,900 convertible note (including a 10% original issue discount) for a purchase price of $63,000, bearing interest at 12% per annum, maturing on June 4, 2021, and convertible into Common Shares. The note was ultimately converted on December 15, 2020 ($18,000 at $0.0282 for 638,298 Common Shares), December 22, 2020 ($18,000 at $0.0338 for 532,544 Common Shares), December 28, 2020 ($20,000 at $0.0338 for 591,716 Common Shares), and January 4, 2021 ($17,680, including $3,780 of accrued and unpaid interest, at $0.0325 for 544,000 Common Shares). There is currently no principal or interest remaining on the note.

- On June 19, 2020, the Company issued to an arm's length lender a $82,500 convertible note (including a 10% original issue discount) for a purchase price of $75,000, bearing interest at 12% per annum, maturing on June 19, 2021, and convertible into Common Shares. The note was ultimately converted on January 7, 2021 ($20,000 at $0.0326 for 613,497 common shares), January 11, 2021 ($27,000 at $0.0326 for 828,221 Common Shares), January 13, 2021 ($22,000 at $0.0326 for 674,847 Common Shares) and January 20, 2021 ($18,000, including $4,500 of accrued and unpaid interest, at $0.0326 for 552,147 Common Shares). There is currently no principal or interest remaining on the note.

1. GENERAL INFORMATION (continued)

Suspension of trading on the TSX Venture Exchange (continued)

- On July 22, 2020, the Company issued to an arm's length lender a $150,000 convertible note (including a 15% original issue discount) for a purchase price of $135,000, bearing interest at 8% per annum, maturing on April 22, 2021, and convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. The note was ultimately converted on January 25, 2021 ($21,805 at $0.03115 for 700,000 Common Shares), January 28, 2021 ($46,725 at $0.03115 for 1,500,000 Common Shares), February 5, 2021 ($30,957.50 at $0.0309575 for 1,000,000 Common Shares), February 22, 2021 ($33,381.25 at $0.03338125 for 1,000,000 Common Shares) and March 2, 2021 ($34,011.25 at $0.03401125 for 1,000,000 Common Shares). There is currently $3,120 in principal remaining on the note.

- On August 26, 2020, a convertible debenture (which was originally approved by the TSXV), bearing interest at 10% per annum owing to an arm's length lender, which had matured on April 29, 2019, was acquired by another an arm's length lender pursuant to a Debt Assignment and Purchase Agreement. On August 26, 2020, pursuant to a Securities Exchange Agreement, the convertible promissory note was exchanged for a convertible redeemable note with an aggregate principal amount of $192,862, bearing interest at 10% per annum, maturing on August 26, 2021, and convertible into Common Shares. On October 1, 2020, the $192,862 convertible redeemable note was converted into 10,285,991 Common Shares at $0.01875 per share. There is currently no principal or interest remaining on the note.

- On November 6, 2020, the Company issued to an arm's length lender a $140,800 convertible note (including a 10% original issue discount) for a purchase price of $128,000, bearing interest at 12% per annum, maturing on November 6, 2021, and convertible into Common Shares. The note was ultimately converted on May 10, 2021 ($50,000 at $0.036 for 1,388,889 Common Shares), May 14, 2021 ($50,000 at $0.0326 for 1,533,742 Common Shares), May 19, 2021 ($48,480, including $7,680 of accrued and unpaid interest, at $0.0312 for 1,553,846 Common Shares). There is currently no principal or interest remaining on the note.

- Between August 2019 and March 2020, a director of the Company (Robert Dennewald), loaned $125,000 to the Company to assist the Company in meeting its financial obligations. Subsequently, on February 12, 2021, in exchange for the three non-convertible promissory notes issued to Mr. Dennewald, the Company issued a convertible promissory note with an aggregate principal amount of $125,000, bearing interest at 8% per annum, maturing on February 12, 2022, and convertible into Common Shares. On June 10, 2021, pursuant to an Assignment and Purchase of Debt Agreement, the $125,000 convertible promissory note was purchased and assigned by Mr. Dennewald to an arm's length lender. On June 15, 2021, the arm's length lender converted the $125,000 principal amount of the convertible promissory note into 3,048,780 Common Shares at $0.041 per share.

- On January 12, 2021, the Company issued an arm's length lender a $86,350 convertible note (including a 10% original issue discount) for a purchase price of $78,500, bearing interest at 12% per annum, maturing on January 12, 2022, and convertible into Common Shares. The note was ultimately converted on July 13, 2021 ($50,000 at $0.0871 for 574,053 Common Shares) and July 14, 2021 ($41,060, including $4,710 of accrued and unpaid interest, at $0.0863 for 475,782 Common Shares. There is currently no principal or interest remaining on the note.

- On February 25, 2021, the Company issued an arm's length lender a $86,350 convertible promissory note (including a 10% original issue discount) for a purchase price of $78,500, bearing interest at 12% per annum, maturing on February 24, 2022, and convertible into Common Shares. The Company has since repaid the convertible promissory note in full (including principal and interest) in cash.

- On March 22, 2021, the Company and an arm's length lender entered into an amending agreement extending the maturity date of a convertible debenture originally issued on September 17, 2018 from March 31, 2021 to October 31, 2021. The original issuance of the convertible debenture, including a prior amendment to the debenture, was approved by the TSXV. The current unpaid purchase price of the debenture ($2,900,000) is convertible at $0.055 per share.

- On April 21, 2021, the Company issued an arm's length lender a $92,125 convertible promissory note (including a 10% original issue discount) for a purchase price of $83,750, bearing interest at 12% per annum, maturing on April 21, 2022, and convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. No Common Shares have been issued in connection with this convertible promissory note, which remains outstanding.

- On May 20, 2021, the Company issued an arm's length lender a $141,625 convertible promissory note (including a 10% original issue discount) for a purchase price of $128,750, bearing interest at 12% per annum, maturing on May 20, 2022, and convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. No Common Shares have been issued in connection with this convertible promissory note, which remains outstanding.

1. GENERAL INFORMATION (continued)

Suspension of trading on the TSX Venture Exchange (continued)

- On October 30, 2018, an arm's length lender loaned $350,000 to the Company. Subsequently, on June 16, 2021, pursuant to an Exchange Agreement, the non-convertible promissory note was exchanged for a convertible redeemable note with an aggregate principal amount of $191,779 bearing interest at 10% per annum, maturing on June 16, 2022, and convertible into Common Shares. On June 16, 2021, pursuant to an Assignment and Purchase of Debt Agreement, the $191,779 convertible redeemable note was purchased and assigned to another arm's length lender and on the same day it was converted into 4,677,532 Common Shares at $0.04100004 per share.

- On June 24, 2021, a non-convertible secured debenture, bearing interest at 12% per annum owing to an arm's length lender with an aggregate amount outstanding of CAD$962,085 (including interest and penalty), which had matured, was acquired by another arm's length lender pursuant to an Assignment and Purchase of Corporate Debt Agreement. On June 30, 2021, pursuant to a Securities Exchange Agreement dated June 28, 2021, the debenture was exchanged for a convertible redeemable note with an aggregate principal amount of $771,610, bearing interest at 8% per annum, maturing on June 30, 2022, and convertible into Common Shares at $0.041 per share. On July 1, 2021, the convertible redeemable note was converted into 18,819,756 Common Shares at $0.041 per share.

- On June 24, 2021, a non-convertible secured debenture, bearing interest at 12% per annum and owing to an arm's length lender, with an aggregate amount outstanding of CAD$38,217 (including interest and penalty), which had matured, was acquired by another arm's length lender pursuant to an Assignment and Purchase of Corporate Debt Agreement. On June 30, 2021, pursuant to a Securities Exchange Agreement dated June 28, 2021, the debenture was exchanged for a convertible redeemable note with an aggregate principal amount of $30,652, bearing interest at 8% per annum, maturing on June 30, 2022 and convertible into Common Shares at $0.041 per share. On July 1, 2021, the convertible redeemable note was converted into 747,616 Common Shares at $0.041 per share.

- On July 2, 2021, the Company issued to an arm's length lender a $114,125 convertible promissory note (including a 10% original issue discount) for a purchase price of $103,750, bearing interest at 12% per annum, maturing on July 2, 2022 and principal and interest convertible into Common Shares based on a discount to the market price of the Common Shares upon conversion. No Common Shares have been issued in connection with this convertible promissory note.

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

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

Unsolicited takeover bid by Viston United Swiss AG

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

As set forth in the amendment to the Solicitation/Recommendation Statement on Schedule 14D-9, as filed with the SEC on January 4, 2022, on December 29, 2021, after thorough consideration of all aspects of the Viston Offer, the advice provided by Haywood and consulting with its other advisors, the Board unanimously determined to recommend that Shareholders accept the Viston Offer and tender their Common Shares, for reasons that include the following:

Results of Strategic Review

Based on the results of the strategic review presented by Haywood, the Board believes that the immediate cash value offered to Shareholders under the Viston Offer is more favorable to Shareholders than the potential value that might otherwise result from other alternatives reasonably available to Petroteq, including remaining as a stand-alone entity and pursuing Petroteq's existing strategy, in each case taking into consideration the potential rewards, risks, timelines and uncertainties associated with those other alternatives.

1. GENERAL INFORMATION (continued)

Premium Over Market Price

The consideration of C$0.74 in cash per Common Share (the "Cash Consideration") under the Viston Offer represents a premium of approximately 279% over the closing price of the Common Shares on the TSXV on August 6, 2021, being the last trading day that the Common Shares were traded on the TSXV.

Unlikelihood of Superior Proposal

The Board, with the assistance of Haywood, has taken active steps to assess and solicit strategic alternatives and has attempted to secure a proposal that would be superior to the Viston Offer. However, no superior alternative to the Viston Offer has emerged and Petroteq does not expect a superior alternative to emerge in the near term.

Common Shares Remain Relatively Illiquid

Trading in the Common Shares on the TSXV remains suspended, and there is no certainty as to when the TSXV will resume trading in the Common Shares.

Certainty of Outcome

The Viston Offer provides 100% cash consideration for the Common Shares and offers Shareholders certainty of value and immediate liquidity.

Possible Decline in Market Price

If the Viston Offer is not successful and another alternative offer with superior financial terms does not emerge, the market price of the Common Shares in the public markets may decline significantly.

Reduces Inherent Business Risk

Based on the strategic review conducted with Haywood, the Viston Offer appears to provide Shareholders with the value inherent in Petroteq's portfolio of projects, assuming they are fully realized, without the long-term risks associated with the development and execution of those projects. Given the relatively early stage of Petroteq's projects, it will be several years before the projects in Petroteq's portfolio reach commercial production, if at all.

Significant Growth Funding Required

Petroteq's projects have significant funding requirements to prove and scale its technology. Petroteq currently has limited cash to fund its necessary capital projects and near-term debt maturities, which will be a further drain on cash. Equity financing sufficient to repay debt and fund the progress of Petroteq's business plan, if available, may be significantly dilutive to Shareholders.

Ability to Respond to Superior Proposals

Petroteq has not entered into a support or similar agreement with Viston in respect to the Viston Offer. The Board has reserved the ability to seek out or respond to proposals that may deliver greater value to Shareholders than the Viston Offer. There is nothing to prevent a third party from proposing or making a superior proposal or preclude Petroteq from changing its recommendation.

Recent Tender Offer developments

On February 10, 2022, the Company received from Canadian legal counsel to Viston, a copy of an advice (the "Bank Advice") issued by Royal Bank of Scotland on February 7, 2022 confirming that UNIExpress Investment Holdings PLC ("UNIExpress"), as the sending bank acting on behalf of its client Viston, is holding cash funds in the amount of €420,000,000 in favor of the receiving bank's client, Kingsdale Advisors. Kingsdale Advisors has been retained by Viston as the Information Agent and Depository in connection with the tender offer to purchase all of the issued and outstanding common stock of Petroteq. The Bank Advice includes confirmation by UNIExpress that the funds are irrevocably blocked and are reserved in favor of Kingsdale Advisors for a period of 45 days.

On February 9, 2022, Viston announced completion of two key regulatory milestones - namely:

- The Hart-Scott-Rodino Act (the "HSR Act") waiting period expired on February 4, 2022. The HSR Act is a key U.S. antitrust act that enables the Federal Trade Commission and the Department of Justice to review proposed merger transactions by requiring the parties to observe a waiting period before closing their transaction.
- The initial review period under the Investment Canada Act also lapsed on February 3, 2022, with no national security related notice being issued, thereby allowing the Offer to proceed under the Canadian foreign investment rules.

The company announced on February 28, 2022 and confirms that it is willing to assist Viston with its CFIUS filings.

The Offer had been extended until April 14, 2022 and further extended to June 17, 2022 to allow additional time to obtain clearance under U.S. national security regulations, which is a condition of the Offer.

2. BASIS OF PREPARATION

a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as defined in the Chartered Professional Accountants Canada Handbook (the "CPA Canada Handbook"). The CPA Canada Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended August 31, 2021.

Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of February 28, 2022.

b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in the audited consolidated financial statements for the year ended August 31, 2021.

c) Functional and presentation currency

These condensed consolidated financial statements are presented in U.S. dollars, which is the Corporation's functional currency.

d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control All significant inter-company accounts and transactions have been eliminated in the condensed consolidated financial statements. The entities included in these condensed consolidated financial statements are as follows:

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

The condensed consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Estimates

The preparation of the condensed consolidated financial statements requires the Company to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed 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 unaudited condensed 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.

b) 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.

c) Revenue recognition

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

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 23.

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.

d) 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.

e) 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.

f) Income taxes

Income tax expense or recovery comprises current and deferred income tax. Income tax expense or recovery is recognized in income or loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are only offset when they are within the same legal entity and same tax jurisdiction. Deferred income tax assets and liabilities are presented as noncurrent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) Cash and cash equivalents

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

i) Accounts receivable

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

j) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) 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.

l) 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 condensed consolidated statements of financial position. 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.

m) 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.

n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments

Classification and Measurement
On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on their context within the Company's business model and the characteristics of the contractual cash flows as described below:

Financial Assets	**Subsequent Measurement**
Cash	Amortized cost
Trade and other receivables	Amortized cost
Notes receivable	Amortized cost
Prepaid expenses and other current assets	Amortized cost
Financial liabilities	
Accounts payable	Amortized cost
Accrued expenses	Amortized cost
Ore sale advances	Amortized cost
Promissory notes payable	Amortized cost
Convertible debentures	Amortized cost
Federal relief loans	Amortized cost
Finance lease liabilities	Amortized cost
Operating lease liabilities	Amortized cost
Derivative assets and liabilities	Fair value thorough statement of loss and comprehensive loss

Derivative assets and liabilities
Derivative instruments executed by the Company to manage market risk are classified as fair value through the statement of loss and comprehensive loss are recorded on the Consolidated Statement of Financial Position as derivatives assets and liabilities measured at fair value. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics, risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through the statement of loss and comprehensive loss. Gains and losses on derivative instruments are recorded as gains and losses on derivatives in the Consolidated Statement of loss and comprehensive loss in the period they occur. Gains and losses on derivative instruments are comprised of cash receipts and payments associated with periodic settlement that occurs over the life of the instrument, and non-cash gains and losses associated with changes in the fair values of the instruments, which are remeasured at each reporting date.

Impairment of Financial Assets
The Company applies an expected credit loss ("ECL") to financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income (loss). For the Company's financial assets measured at amortized cost, loss allowances are determined based on the ECL over the asset's lifetime. ECLs are a probability-weighted estimate of credit losses, considering possible default events over the expected life of a financial asset. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive) over the life of the financial asset, discounted at the effective interest rate specific to the financial asset.

p) Comparative amounts

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

4. GOING CONCERN

The Company has incurred losses for several years and, at February 28, 2022, has an accumulated deficit of $106,091,575 (August 31, 2021 - $100,138,592) and working capital of $661,622 (August 31, 2021 deficiency of $(6,264,427)). These condensed 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 condensed 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.

5. NOTES RECEIVABLE

The Company's notes receivables consist of:

	Maturity Date	Interest Rate	Principal due February 28, 2022	Principal due August 31, 2021
Notes Receivable - Related Party				
Manhatten Enterprises	March 16, 2020	5%	$ 76,000	$ 76,000
Interest accrued			18,844	16,959
			$ 94,844	**$ 92,959**
Notes Receivable				
Deweast Limited	January 31, 2022	-	$ -	$ 200,000
Unhide Inc	September 30, 2021	-	-	230,000
			$ -	$ 430,000

Manhatten Enterprises - Related Party

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

Manhatten Enterprises is controlled by the interim Chief Executive Officer and director of the Company, Dr. Vladimir Podlipsky.

Deweast Limited

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

The principal sum of $200,000 plus accrued interest of $20,000 was repaid during the current year.

Unhide, Inc.

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

The principal sum of $230,000 plus accrued interest thereon of $8,000 was repaid during the current year.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

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

In terms of a letter agreement dated April 17, 2020 between the transferor of the oil and gas leases and TMC, as transferee, due to uncertainty as to whether all of the 10 leases which the Company had initially paid deposits for are available, an adjustment to the purchase price has been agreed upon as follows: (i) should all 10 of the leases be available, the Company will pay the additional $1,093,000 for the rights under the leases; (ii) if only a portion of the leases ranging from 4 to 9 of the leases are available, the Company will adjust the final purchase price of the leases to between $1.5 million and $2.5 million; and (iii) notwithstanding the above, if after a period of 7 years from April 17, 2020, if at least six of the leases are not available to the Company, then the Company may demand a refund of $1.2 million or instruct the Seller to acquire other leases in the same area for up to $1.2 million.

6. PREPAYMENTS AND OTHER CURRENT ASSETS (continued)

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

The assignment of the SITLA leases are subject to approval by SITLA before the agreement comes into effect.

In addition, included in prepaid expenses is an amount of $800,000 paid to Chain West LLC. To evaluate emerging technologies in the production of hydrocarbon products and evaluating and potentially acquiring for the Company, Canadian oil sands property leases and operating rights for the application of the Company's proprietary technology. The prepayment is comprised of a service fee of $250,000 which has been prepaid and a further $550,000 of deposit funds to retain professionals to assist Chain west in its undertaking to the Company. Chain west is to provide calendar quarterly reports to the Company detailing the usage of the deposit funds. Upon termination or expiry of the agreement, Chain West will within 15 days refund the unexpended portion of the deposit.

In addition, included in prepaid expenses is an amount of $170,000 paid to Saskatchewan Ltd., in terms of a transport and mobilization planning agreement whereby Saskatchewan will evaluate the logistics of large equipment transportation in Canada, with the possibility of the Company relocating its current plant based in Uintah, Utah to a Canadian location. The agreement is for a period of one year, subject to any extensions agreed to in writing and may be terminated following the expiration of the initial 180 days of the agreement. The prepayment consists of a prepaid fee of $150,000 and a further advance of $20,000 to cover out of pocket expenses.

As of February 28, 2022, the Company has paid retainers to lawyers of $150,000 for administrative matters it is currently defending.

7. MINERAL LEASES

	TMC Mineral Lease	SITLA Mineral Lease	BLM Mineral Lease	Total
Cost				
August 31, 2020	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143
Additions	-	-	-	-
August 31, 2021	11,091,388	19,755	23,800,000	34,911,143
Additions	-	-	-	-
February 28, 2022	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143
Accumulated Amortization				
August 31, 2020, 2021 and February 28, 2022	$ -	$ -	$ -	$ -
Carrying Amounts				
August 31, 2020	$ 11,091,388	$ 19,755	$ 23,800.000	$ 34,911,143
August 31, 2021	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143
February 28, 2022	$ 11,091,388	$ 19,755	$ 23,800,000	$ 34,911,143

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

7. MINERAL LEASES (continued)

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

The assignment of the SITLA leases are subject to approval by SITLA before the agreement comes into effect.

(a) TMC Mineral Lease

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

The salient terms of the lease were as follows:

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

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

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

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

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

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

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

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

7. 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.

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

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

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

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

7. MINERAL LEASES (continued)

(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.

With respect to one of the BLM leases in the PR Spring area of Utah, a lease in which the Company has acquired oil sands operating rights in 2019, the BLM has decided to remove the lease from the combined hydrocarbon lease application (CHL application) originally filed by Exxon Corporation and Enercor, Inc. in 1983 under the (U.S.) Combined Hydrocarbon Act of 1981. The Company derives ownership of its operating rights from the record title to the lease held by Exxon and assigned to Enercor in 2009, with Exxon's registration of the assignment of record title to Enercor having been accepted by BLM in 2010.

BLM decision to exclude the PR Spring lease from the 1984 Exxon CHL application appears to be based on a unilateral decision by a private company - which BLM has identified in its administrative records as the record title owner of the lease - to have the lease removed from the CHL application. Removal of the lease from the original Exxon CHL application will, unless BLM's decision is corrected, undermine the Company's ability to develop the oil sands resources located on lands covered by the lease (and on the lands covered by other leases that were included in the 1983 Exxon CHL application.

We have determined, from title reports and land records, that the BLM has made an administrative and legal error in excluding our PR Spring lease from the new CHL issued pursuant to the 1983 Exxon CHL application. We anticipate that BLM's error will be corrected as we move our BLM leases through the BLM administrative registration process, a process that will ensure that BLM's actions are corrected if they are determined to have been erroneously made. However, if for any reason the Company is unsuccessful in obtaining a reversal of BLM's decision, we will at that time conduct a full impairment analysis to determine the extent to which the value of the lease has been permanently impaired by the BLM decision.

8. PROPERTY, PLANT AND EQUIPMENT

	Oil Extraction Plant	Other Property and Equipment	Total
Cost			
August 31, 2020	$ 37,627,885	$ 438,860	$ 38,066,745
Additions	5,512,715	-	5,512,715
August 31, 2021	43,140,600	438,860	43,579,460
Additions	-	3,506	3,506
February 28, 2022	$ 43,140,600	$ 442,366	$ 43,582,966
Accumulated Amortization			
August 31, 2020	$ 2,148,214	$ 336,019	$ 2,484,233
Additions	-	45,810	45,810
August 31, 2021	2,148,214	381,829	2,530,043
Additions	-	21,662	21,662
February 28, 2022	$ 2,148,214	$ 403,491	$ 2,551,705
Carrying Amount			
August 31, 2020	$ 35,479,671	$ 102,841	$ 35,582,512
August 31, 2021	$ 40,992,386	$ 57,031	$ 41,049,417
February 28, 2022	$ 40,992,386	$ 38,875	$ 41,031,261

8. PROPERTY, PLANT AND EQUIPMENT (continued)

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.

Included in the cost of construction is capitalized borrowing costs as at February 28, 2022 and August 31, 2021 of $4,421,055. No borrowing costs were capitalized for the six months ended February 28, 2022 and the year ended August 31, 2021.

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 9) 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 six months ended February 28, 2022 and for the year ended August 31, 2021 as there has only been test production during these periods.

9. LEASES

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 (adjustable-rate mortgage) 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.

9. LEASES (continued)

Right of use assets

Right of use assets included in the condensed consolidated statement of financial position is as follows:

	February 28, 2022	August 31, 2021
Non-current assets		
Right of use assets - operating leases, net of amortization	$ 143,462	$ 167,048
Right of use assets - finance leases, net of depreciation - included in property, plant and equipment	657,683	677,853

Lease costs consist of the following:

	Six months ended February 28, 2022	Six months ended February 28, 2021
Finance lease cost:	**$ 26,474**	**$ 36,412**
Depreciation of right of use assets	20,170	23,045
Interest expense on lease liabilities	6,304	13,367
Operating lease expense	**31,451**	**19,764**
Total lease cost	**$ 57,925**	**$ 56,176**

Other lease information:

	Six months ended February 28, 2022	Six months ended February 28, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ (6,304)	$ (13,367)
Operating cash flows from operating leases	(31,451)	(19,764)
Financing cash flows from finance leases	$ (75,058)	$ (83,473)
Weighted average remaining lease term - finance leases	-	0.86 years
Weighted average remaining lease term - operating leases	2.50 years	3.50 years
Weighted average discount rate - finance leases	13.52%	13.52%
Weighted average discount rate - operating leases	10.00%	10.00%

Maturity of Leases

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

	February 28, 2022	August 31, 2021
Undiscounted minimum future lease payments		
Total instalments due:		
Within 1 year	$ -	$ 80,700
	-	80,700
Imputed interest	-	(5,642)
Total finance lease liability	$ -	$ 75,058
Disclosed as:		
Current portion	$ -	$ 75,058

9. LEASES (continued)

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

	February 28, 2022	August 31, 2021
Undiscounted minimum future lease payments		
Total instalments due:		
Within 1 year	$ 63,846	$ 62,903
1 to 2 years	65,762	64,790
2 to 3 years	33,367	66,734
	162,975	194,427
Imputed interest	(19,513)	(27,379)
Total operating lease liability	$ 143,462	$ 167,048
Disclosed as:		
Current portion	$ 51,809	$ 48,376
Non-current portion	91,653	118,672
	$ 143,462	$ 167,048

10. INTANGIBLE ASSETS

	Oil Extraction Technologies
Cost	
August 31, 2020	$ 809,869
Additions	-
August 31, 2021	809,869
Additions	-
February 28, 2022	$ 809,869
Accumulated Amortization	
August 31, 2020	$ 102,198
Additions	-
August 31, 2021	102,198
Additions	-
February 28, 2022	$ 102,198
Carrying Amounts	
August 31, 2020	$ 707,671
August 31, 2021	$ 707,671
February 28, 2022	$ 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 six months ended February 28, 2022 and the year ended august 31, 2021.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as at February 28, 2022 and August 31, 2021 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 February 28, 2022 and August 31, 2021 consist primarily of other operating expenses and interest accruals on promissory notes (Note 12) and convertible debentures (Note 13).

12. PROMISSORY NOTES PAYABLE

Lender	Maturity Date	Interest Rate	Principal due February 28, 2022	Principal due August 31, 2021
Promissory notes				
Private lender	April 29, 2022	10.00 %	$ 23,298	$ 23,298

On April 29,2021 the Company issued a promissory note to a private lender in the aggregate sum of $500,000. The promissory note bears interest at 10% per annum and is repayable on April 29, 2022. The Company repaid $476,702 of the outstanding balance as at February 28, 2022. The balance remaining at February 28, 2022 is $23,298.

13. CONVERTIBLE DE\

Lender	Maturity Date	Interest Rate	Principal due February 28, 2022	Principal due August 31, 2021
Calvary Fund I LP	July 31, 2021	12.00 %	$ -	$ 80,000
	August 7, 2021	0 %	-	25,000
Cantone Asset Management LLC	December 17, 2021	7.00 %	240,000	240,000
	December 30, 2021	18.00 %	-	50,000
	July 1, 2023	8.00 %	300,000	300,000
Private lender	October 29, 2020	10.00 %	200,000	200,000
Petroleum Capital Funding LP.	November 26, 2023	10.00 %	265,000	318,000
	December 4, 2023	10.00 %	360,000	432,000
	March 30, 2024	10.00 %	392,500	471,000
	July 21, 2025	10.00 %	2,500,000	3,000,000
Power Up Lending Group LTD	April 21, 2022	12.00 %	-	92,125
	May 20, 2022	12.00 %	-	141,625
	July 2, 2022	12.00 %	-	114,125
EMA Financial, LLC	April 22, 2021	8.00 %	3,120	3,120
Morison Management S.A	October 15, 2020	10.00 %	184,251	184,251
	January 16, 2021	10.00 %	55,000	55,000
	April 21, 2022	12.00 %	92,125	-
	May 20, 2022	12.00 %	141,625	-
	July 2, 2022	12.00 %	114,125	-
Bellridge Capital LP.	March 31, 2021	15.00 %	-	2,900,000
	September 30, 2021	5.00 %	-	1,400,000
Private lender	July 24, 2022	8.00 %	20,000	120,000
			4,867,746	10,126,246
Unamortized debt discount			(2,675,728)	(3,978,710)
Total loans			$ 2,192,018	$ 6,147,536

The maturity date of the convertible debentures are as follows:

	February 28, 2022	August 31, 2021
Principal classified as repayable within one year	$ 951,375	$ 5,255,874
Principal classified as repayable later than one year	1,240,643	891,662
	$ 2,192,018	$ 6,147,536

13. CONVERTIBLE DEBENTURES (continued)

(a) Cavalry Fund I LP

(i) On August 19, 2019, the Company issued a convertible debenture to Calvary Fund LLP ("Cavalry") 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 an Amended and Restated Amending Agreement between the parties entered into on August 7, 2020, the maturity date of the convertible debenture was amended to July 31, 2021 and the conversion price was amended to $0.0412 per share and the exercise price of the warrant was amended to $0.0412 per share and the maturity date was amended to July 31, 2021.

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

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

In terms of a debt settlement agreement totaling $158,060 entered into and settled effective January 26, 2022, the aggregate principal amount of $80,000 and interest thereon of $30,560 on this note was settled thereby extinguishing the note.

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

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

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

In terms of a debt settlement agreement totaling $158,060 entered into and settled effective January 26, 2022, the aggregate principal amount of $25,000 on this note was settled thereby extinguishing the note.

13. CONVERTIBLE DEBENTURES (continued)

(b) Cantone Asset Management, LLC

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

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

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

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

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

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

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

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

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

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

On January 14, 2022, the Company repaid the remaining principal balance of $50,000.

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

13. CONVERTIBLE DEBENTURES (continued)

(c) 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.

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 expired on October 29, 2020.

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

(d) Petroleum Capital Funding LP

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

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

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

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

On September 22, 2020, the Company entered into an Amending Agreement, whereby the conversion price of the convertible debenture was amended to $0.055 per share and the exercise price of the warrant exercisable for 1,558,730 shares was amended to $0.055 per share, in terms of the Amending Agreement the conversion price became $0.08 per share on September 22, 2021.

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

On January 26, 2022, the Company paid $53,000 of the outstanding principal. The balance outstanding as of February 28, 2022 was $265,000.

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

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

On September 22, 2020, the Company entered into an Amending Agreement, whereby the conversion price of the convertible debenture was amended to $0.055 per share and the exercise price of the warrant exercisable for 2,117,520 shares was amended to $0.055 per share, in terms of the Amending Agreement the conversion price became $0.08 per share on September 22, 2021.

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

On January 26, 2022, the Company paid $72,000 of the outstanding principal. The balance outstanding as of February 28, 2022 was $360,000.

13. CONVERTIBLE DEBENTURES (continued)

(d) Petroleum Capital Funding LP (continued)

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

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

On September 22, 2020, the Company entered into an Amending Agreement, whereby the conversion price of the convertible debenture was amended to $0.055 per share and the exercise price of the warrant exercisable for 4,906,250 shares was amended to $0.055 per share, in terms of the Amending Agreement the conversion price became $0.08 per share on September 22, 2021.

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

On January 26, 2022, the Company paid $78,500 of the outstanding principal. The balance outstanding as of February 28, 2022 was $392,500.

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

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

On January 26, 2022, the Company paid $500,000 of the outstanding principal. The balance outstanding as of February 28, 2022 was $2,500,000.

(e) Power Up Lending Group Ltd.

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

On November 17, 2021, Power Up entered into a debt assignment agreement with Morison Management S.A. ("Morison Management"), whereby the convertible note was assigned to Morison Management.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $83,750 will be convertible under the note at a conversion price of $0.048 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

13. CONVERTIBLE DEBENTURES (continued)

(e) Power Up Lending Group Ltd. (continued)

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

On November 17, 2021, Power Up entered into a debt assignment agreement with Morison Management, whereby the convertible note was assigned to Morison Management.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $128,750 will be convertible under the note at a conversion price of $0.042 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

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

On November 17, 2021, Power Up entered into a debt assignment agreement with Morison Management, whereby the convertible note was assigned to Morison Management.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $103,750 will be convertible under the note at a conversion price of $0.042 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

(f) EMA Financial, LLC

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

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

(g) Morison Management S.A.

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

During December 2019, the maturity date of the convertible loan was extended to October 15, 2020 and the conversion price of the note was reset to $0.18 per share. On February 25, 2021, the Company repaid principal of $16,516 and interest thereon of $33,484, totaling $50,000 and on March 9, 2021, the Company repaid a further $49,232 of principal and interest of $768, totaling 50,000.

On August 3, 2021, in terms of a debt assignment agreement entered into with SBI Investments, SBI Investments assigned an October 15, 2018 convertible debenture with an aggregate principal amount outstanding of $184,251.

13. CONVERTIBLE DEBENTURES (continued)

(g) Morison Management S.A. (continued)

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

On August 3, 2021, in terms of a debt assignment agreement entered into with SBI Investments, SBI Investments assigned a January 26, 2020 convertible debenture with an aggregate principal amount outstanding of $55,000, to Morison Management.

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

On November 17, 2021, Power Up entered into a debt assignment agreement with Morison Management, whereby the convertible note was assigned to Morison Management.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $83,750 will be convertible under the note at a conversion price of $0.048 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

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

On November 17, 2021, Power up entered into a debt assignment agreement with Morison Management, whereby the convertible note was assigned to Morison Management.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $128,750 will be convertible under the note at a conversion price of $0.042 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

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

On November 17, 2021, Power Up entered into a debt assignment agreement with Morison Management, whereby the convertible note was assigned to Morison Management.

On November 17, 2021, in terms of an Amending Agreement entered into with the Company by Morison Management, the Company amended the note to comply with TSXV requirements, whereby only the aggregate principal sum of $103,750 will be convertible under the note at a conversion price of $0.042 per common share and the maximum amount due under the note in terms of interest rate, fees or other payments is restricted to a rate of 24% per annum.

13. CONVERTIBLE DEBENTURES (continued)

(h) Bellridge Capital LP.

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

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

On November 10, 2021, in terms of a conversion notice received, Bellridge Capital LP, converted the aggregate principal sum of $2,900,000 into 52,727,273 common shares at a conversion price of $0.055 per share.

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

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

On September 21, 2021, in terms of a conversion notice received, Bellridge Capital LP, converted the aggregate principal sum of $1,400,000 into 29,166,667 common shares at a conversion price of $0.048 per share.

(i) Private lender

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

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

On January 21, 2022, in terms of a conversion notice received, $100,000 of the convertible note was converted into 833,333 common shares at a conversion price of $0.12 per share.

14. FEDERAL RELIEF LOANS

Small Business Administration Disaster Relief loan

On June 16, 2020, POR 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, PCA 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, POR 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.

14. FEDERAL RELIEF LOANS (continued)

Payroll Protection Plan loans ("PPP Loans")

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

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

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

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

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

On November 15, 2021, The remaining PPP loan in the Company's wholly owned subsidiary, PCA amounting to $133,890 and all accrued interest thereon was forgiven.

15. DERIVATIVE LIABILITY

Convertible note issued to several lenders, disclosed in note 12(e), above had conversion rights that were linked to the Company's stock price, at 75% of an average stock price over a period of 15 days prior to the date of conversion. The number of shares issuable upon conversion of these convertible notes was therefore not determinable until conversion took place. The Company had determined that these conversion features met the requirements for classification as derivative liabilities and had 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. In terms of amending agreements entered into with Morison Management, as disclosed on note 12(g) (iii) to (v), the terms of the notes were amended and the variable conversion price was amended to fixed conversion prices. The derivative liability was no longer applicable. The derivative liability was evaluated on November 17, 2021, the date of amendment, and the net value of the derivative liability at that date was included in the calculation of the loss on debt extinguishment, based on the beneficial conversion feature of the amended notes on November 17, 2021.

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

	Six months ended February 28, 2022
Conversion price	USD$0.042 to $0.146
Risk free interest rate	0.35 %
Expected life of derivative liability	6 months
Expected volatility of underlying stock	145.4 to 195.6%
Expected dividend rate	0 %

15. DERIVATIVE LIABILITY (continued)

The movement in derivative liability is as follows:

	February 28, 2022	August 31, 2021
Opening balance	$ 322,186	$ 841,385
Derivative financial liability arising from convertible notes	-	653,826
Fair value adjustment to derivative liability	(52,420)	(1,173,025)
Fair value of derivative included in beneficial conversion feature	(269,766)	-
	$ -	$ 322,186

16. RECLAMATION AND RESTORATION PROVISIONS

	Oil Extraction Facility	Site Restoration	Total
Balance at August 31, 2020	$ 498,484	$ 2,472,013	$ 2,970,497
Accretion expense	-	-	-
Balance at August 31, 2021	498,484	2,472,013	2,970,497
Accretion expense	-	-	-
Balance at February 28, 2022	$ 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 6 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%.

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.

(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%.

17. COMMON SHARES

Authorized	unlimited common shares without par value
Issued and Outstanding	713,777,652 common shares as at February 28, 2022

Contractual obligations to issue common shares

On July 1, 2021, the Company entered into debt conversion agreements with 4 directors whereby 600,836 common shares are to be issued at $0.094 per share to settle $56,479 of outstanding directors fees. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

On August 27, 2021, the Company entered into a debt conversion agreement with a creditor whereby an unpaid invoice for $30,000 for services rendered was convertible into 250,000 common shares at a conversion price of $0.12 per share. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

On August 27, 2021, the Company entered into a debt conversion agreement with a creditor whereby an unpaid invoice for $670,000 for services rendered was convertible into 5,583,333 common shares at a conversion price of $0.12 per share. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

On October 15, 2021, the Company entered into a debt conversion agreement with Strategic IR whereby the aggregate amount due to Strategic of $299,719 in terms of unpaid professional services rendered to the Company will be settled by the issue of 2,518,645 common shares at an issue price of $0.119 per share, subject to approval of the Board of Directors and the TSXV.

On October 15, 2021, the Company entered into a debt conversion agreement with Morison Management whereby the aggregate principal amount of convertible debt of $239,251 related to an October 2018 convertible debenture of $184,251 and a January 20, 2020 convertible debenture of $55,000 will be convertible into 2,010,521 common shares at a conversion price of $0.119 per share, subject to approval of the Board of Directors and the TSXV.

Convertible debt conversions

Between September 2, 2021 and January 21, 2022, in terms of conversion notices received, the Company issued 82,727,273 shares of common stock for convertible debt in the aggregate sum of $4,400,000.

Debt settlements

On July 9, 2021, the Company entered into a debt conversion agreement with Alpha Capital Anstalt whereby $60,258 representing accrued and unpaid interest on a secured convertible note issued on November 6, 2020 was convertible into 641,046 common shares at a conversion price of $0.094 per share. These shares were issued on January 26, 2022.

On July 6, 2021, the Company entered into a debt conversion agreement with Cavalry Fund I LP whereby unpaid interest of $22,500 on a convertible note entered into on October 12, 2018, unpaid principal of $80,000 and interest thereon on a convertible note entered into on August 19, 2019 and unpaid principal of $25,000 on a convertible note entered into on August 7, 2020, totaling $158,060 was convertible into 1,681,488 common shares at a conversion price of $0.094 per share. These shares were issued on January 26, 2022.

Share subscriptions

During August 2021 the Company received $750,000 from a private investor in terms of an irrevocable subscription agreement for the issue of 6,250,000 units, at an issue price of $0.12 per unit. Each unit consists of one common share and one transferable share purchase warrant exercisable at $0.12 per share, for a period of twenty four months from closing. These shares were issued on February 12, 2022.

Warrants exercised

Between January 12, 2022 and February 1, 2022, the Company received warrant exercise notices from several investors exercising warrants for 58,317,964 shares for gross proceeds of $5,649,037 at an average exercise price of $0.097 per share.

Restitution Receipts

Between November 3, 2021 and January 12, 2022, the Company received $1,439,803 in restitution for convertible debt converted into common shares at prices below that allowed by the TSX Ventures exchange regulations.

18. STOCK OPTIONS

During the six months ended February 28, 2022 and 2021, the share-based compensation expense was $0 and $399,264.

Stock option transactions under the stock option plan were:

	Six months ended February 28, 2022			Year ended August 31, 2021		
	Number of Options	Weighted average exercise price		Number of options	Weighted average exercise price	
Balance, beginning of period	7,250,000	CAD$	0.79	9,470,000	CAD$	0.63
Options granted	-		-	-		-
Options forfeited	(3,000,000)		0.085	(2,220,000)	CAD$	0.11
Balance, end of period	4,250,000	CAD$	1.28	7,250,000	CAD$	0.79

Stock options outstanding and exercisable as at February 28, 2022 are:

Expiry Date	Exercise Price		Options Outstanding	Options Exercisable
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	3,300,000
			4,250,000	7,250,000
Weighted average remaining contractual life			6.2 years	5.3 years

19. SHARE PURCHASE WARRANTS

During August 2021 the company received $750,000 from a private investor in terms of an irrevocable subscription agreement for the issue of 6,250,000 units, at an issue price of $0.12 per unit. Each unit consists of one common share and one transferable share purchase warrant exercisable at $0.12 per share, for a period of twenty four months from closing. These warrants were issued on February 12, 2022.

A summary of the Company's warrant activity during the period September 1, 2020 and February 28, 2022 is as follows:

	Six months ended February 28, 2022			Year ended August 31, 2021		
	Number of Options	Weighted average exercise price		Number of options	Weighted average exercise price	
Balance, beginning of period	73,148,824	$	0.1053	48,342,714	$	0.4254
Warrants granted	6,250,000		0.1280	66,496,016		0.1021
Warrants exercised	(58,317,964)		0.0969	(14,690,739)		0.0433
Warrants forfeited	(2,777,777)		0.2300	(26,999,167)		0.7042
Balance, end of period	18,303,083	$	0.1210	73,148,824	$	0.1053

The following table summarizes information about warrants outstanding as of February 28, 2022:

	Warrants outstanding and exercisable	
Exercise price	Number of shares	Weighted average remaining years
$0.0562	444,839	0.91
$0.0800	392,500	2.08
$0.1000	276,512	0.91
$0.1200	10,493,747	1.46
$0.1280	6,250,000	1.96
$0.1400	151,785	2.9
$0.1700	293,700	1.76
$0.1004	**18,303,083**	**1.64**

19. SHARE PURCHASE WARRANTS (continued)

The warrants exercisable for 151,785 shares at $0.14 per share have not been approved by the TSXV at the date of this report.

20. DILUTED LOSS PER SHARE

The Company's potentially dilutive instruments are convertible debentures, stock options, share purchase warrants and contractual obligations to issue securities. 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 six months ended February 28, 2022 and 2021, the following stock options, share purchase warrants, convertible securities and contractual obligations to issue securities were excluded from the computation of diluted loss per share as the result of the computation was anti-dilutive:

	Six months ended February 28, 2022	Six months ended February 28, 2021
Share purchase options	4,250,000	7,250,000
Share purchase warrants	18,303,083	40,726,567
Convertible securities	41,572,968	116,995,941
Contractual obligations to issue securities	11,296,668	
	75,422,719	164,972,508

Included in the share purchase warrants are warrants exercisable for 151,785 common shares which have not been approved by the TSXV, refer note 19 above.

The Company has contractual obligations to issue 11,296,668 common shares in terms of various debt conversion agreements entered into.

21. RELATED PARTY TRANSACTIONS

Related party transactions are as follows:

The Company owes outstanding directors fees of $224,333 and $264,064 as at February 28, 2022 and August 31, 2021, respectively, and outstanding salaries and fees to officers and directors of $0 and $447,500 for the six months ended February 28, 2022 and the year ended August 31, 2021, respectively.

Related party payables represent non-interest-bearing payables that are due on demand.

The balances outstanding are as follows:

Related Party payables	**February 28, 2022**	**August 31, 2021**
Payable to Aleksandr Blyumkin	$ 296,607	$ 493,549

Alex Blyumkin

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

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

On July 1, 2021, Mr. Blyumkin entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

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

21. RELATED PARTY TRANSACTIONS (continued)

Alex Blyumkin (continued)

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

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

During the current period, Mr. Blyumkin made restitution payments to the Company of $1,439,803 for conversion of convertible debt by third party convertible debt holders to common shares at prices below those allowed by the TSXV regulations.

The Company owed Mr. Blyumkin $296,607 and $493,549 as at February 28, 2022 and August 31, 2021, respectively.

George Stapleton

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

On August 7, 2020, Mr. Stapleton was awarded options exercisable for 3,000,000 common shares exercisable at $0.085 per share and valued at $165,855. The options vested over an eight month period. These options expired on February 28, 2022.

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

Dr. Gerald Bailey

On July 1, 2021, Dr. Bailey entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

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

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

Mr. Bailey retired as a director and officer of the Company on January 24, 2022.

Robert Dennewald

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

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

On July 1, 2021, Mr. Dennewald entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

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

James Fuller

On July 1, 2021, Mr. Fuller entered into a debt conversion agreement whereby $14,120 of outstanding directors fees will be settled by the issue of 150,209 common shares. Due to the suspension of trading by the TSXV, these shares have not been approved for issue by the TSXV and have not been issued yet.

On July 12, 2021, the Company issued Mr. Fuller 228,668 common shares valued at $16,007 in partial settlement of directors fees outstanding.

21. RELATED PARTY TRANSACTIONS (continued)

Dr. Vladimir Podlipsky

The Board of Directors has appointed Dr. Vladimir Podlipsky, currently the Chief Technology Officer of the Company, as a director, with effect from August 6, 2021, to fill the vacancy on the Board created by Mr. Blyumkin's resignation. On January 24, 2022, following the resignation of Dr. Bailey, Dr. Podlipsky was appointed to the role of Interim Chief Executive Officer.

The Company advanced Manhatten Enterprises, a company controlled by Dr. Podlipsky, 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.

During the current quarter, the Company paid $175,025 to V Science Technologies Inc., in terms of a sponsored research agreement. V Science Technologies, Inc. is controlled by Dr. Podlipsky, a director and the interim chief executive officer of the Company.

Ron Cook

Mr. Cook was appointed as the Chief Financial Officer of the Company with effect from October 31, 2021. On January 24, 2022, Mr. Cook resigned as the Chief Financial Officer of the Company.

Mark Korb

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

Michael Hopkinson

Mr. Hopkinson was appointed as the Chief Financial Officer of the Company with effect from January 24, 2022.

Robert Chenery

Mr. Robert Chenery was appointed to the Company's Board of Directors on January 24, 2022.

22. FINANCING COSTS, NET

Financing costs, net, consists of the following:

Financing costs, net, consists of the following:

	Three months ended February 28, 2021	Three months ended February 29, 2020	Six months ended February 28, 2021	Six months ended February 29, 2020
Interest expense on borrowings	$ 133,520	$ 305,457	$ 384,484	$ 593,096
Amortization of debt discount	927,927	438,144	1,302,982	771,892
	$ 1,061,447	$ 743,601	$ 1,687,466	$ 1,364,988

23. OTHER EXPENSE (INCOME), NET

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

	Three months ended February 28, 2022	Three months ended February 29, 2021	Six months ended February 28, 2022	Six months ended February 29, 2021
Loss (gain) on settlement of liabilities	$ 102,107	$ (86,207)	$ 102,107	$ 48,283
Loss (gain) on conversion of convertible debt	-	232,535	-	313,196
Loss on debt extinguishment	-	-	444,398	330,256
Forgiveness of federal relief loan	-		(133,890)	-
Interest income	(937)	(935)	(29,884)	(1,883)
	$ 101,170	$ 145,393	$ 382,731	$ 689,852

24. SEGMENT INFORMATION

The Company operated in two reportable segments within the USA during the six months ended February 28, 2022 and 2021, oil extraction and processing operations and mining operations. 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 six months ended February 28, 2022 and 2021. Other information about reportable segments are:

	February 28, 2022		
(in '000s of dollars)	**Oil Extraction**	**Mining Operations**	**Consolidated**
Additions to non-current assets	$ 4	$ -	$ 4
Reportable segment assets	45,802	37,398	83,200
Reportable segment liabilities	(10,476)	-	(10,476)
	$ 35,326	$ 37,398	$ 72,724

	February 28, 2021		
(in '000s of dollars)	**Oil Extraction**	**Mining Operations**	**Consolidated**
Additions to non-current assets	$ 4,778	$ -	$ 4,778
Reportable segment assets	45,554	33,240	78,794
Reportable segment liabilities	$ 18,076	$ 150	$ 18,226

24. SEGMENT INFORMATION (continued)

	February 28, 2022		
(in '000s of dollars)	**Oil Extraction**	**Mining operations**	**Consolidated**
Revenue from license fees	**$ -**	**$ -**	**$ -**
Other production and maintenance costs	(425)	-	(425)
Gross Loss	**(425)**	**-**	**(425)**
Operating Expenses			
Depreciation, depletion and amortization	22	-	22
Selling, general and administrative expenses	3,488	-	3,488
Investor relations	206	-	206
Professional fees	2,178	-	2,178
Research and development	175		175
Salaries and wages	303	-	303
Travel and promotional expenses	201	-	201
Other	425	-	425
Financing costs	1,687	-	1,687
Other expense (income)	383	-	383
Forgiveness of federal relief loans	(134)	-	(134)
Loss on debt extinguishment	444	-	444
Loss on settlement of liabilities	102		102
Interest income	(29)		(29)
Derivative liability movements	(52)	-	(52)
Net loss	**$ 5,953**	**$ -**	**$ 5,953**

	February 28, 2021		
(in '000s of dollars)	**Oil Extraction**	**Mining operations**	**Consolidated**
Revenue from license fees	**$ 2,000**	**$ -**	**$ 2,000**
Revenues from hydrocarbon sales	**-**	**-**	**-**
Other production and maintenance costs	(365)	-	(365)
Gross Profit	**1,635**	**-**	**1,635**
Operating Expenses			
Depreciation, depletion and amortization	23	-	23
Selling, general and administrative expenses	1,751	-	1,751
Investor relations	40	-	40
Professional fees	578	-	578
Salaries and wages	178	-	178
Share-based compensation	458	-	458
Travel and promotional expenses	114	-	114
Other	383	-	383
Financing costs	1,365	-	1,365
Other expense (income)	689	-	689
Gain on settlement of liabilities	48	-	48
Loss on conversion of convertible debt	313	-	313
Loss on debt extinguishment	330	-	330
	(2)		(2)
Derivative liability movements	(749)	-	(749)
Net loss	**$ 1,444**	**$ -**	**$ 1,444**

25. COMMITMENTS AND CONTINGENCIES

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

	February 28, 2022
Undiscounted minimum future lease payments	
Total instalments due:	
Within 1 year	$ 63,846
1 to 2 years	65,762
2 to 3 years	33,367
Total operating lease liability	$ 162,975

Legal Matters

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

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

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

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

26. SUBSEQUENT EVENTS

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

Unsolicited takeover bid by Viston United Swiss AG

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

As set forth in the amendment to the Solicitation/Recommendation Statement on Schedule 14D-9, as filed with the SEC on January 4, 2022, on December 29, 2021 after thorough consideration of all aspects of the Viston Offer, the advice provided by Haywood and consulting with its other advisors, the Board unanimously determined to recommend that Shareholders accept the Viston Offer and tender their Common Shares, for reasons that include the following:

Results of Strategic Review

Based on the results of the strategic review presented by Haywood, the Board believes that the immediate cash value offered to Shareholders under the Viston Offer is more favorable to Shareholders than the potential value that might otherwise result from other alternatives reasonably available to Petroteq, including remaining as a stand-alone entity and pursuing Petroteq's existing strategy, in each case taking into consideration the potential rewards, risks, timelines and uncertainties associated with those other alternatives.

26. SUBSEQUENT EVENTS (continued)

Unsolicited takeover bid by Viston United Swiss AG (continued)

Premium Over Market Price

The consideration of C$0.74 in cash per Common Share (the "Cash Consideration") under the Viston Offer represents a premium of approximately 279% over the closing price of the Common Shares on the TSXV on August 6, 2021, being the last trading day that the Common Shares were traded on the TSXV.

Unlikelihood of Superior Proposal

The Board, with the assistance of Haywood, has taken active steps to assess and solicit strategic alternatives and has attempted to secure a proposal that would be superior to the Viston Offer. However, no superior alternative to the Viston Offer has emerged and Petroteq does not expect a superior alternative to emerge in the near term.

Common Shares Remain Relatively Illiquid

Trading in the Common Shares on the TSXV remains suspended, and there is no certainty as to when the TSXV will resume trading in the Common Shares.

Certainty of Outcome

The Viston Offer provides 100% cash consideration for the Common Shares and offers Shareholders certainty of value and immediate liquidity.

Possible Decline in Market Price

If the Viston Offer is not successful and another alternative offer with superior financial terms does not emerge, the market price of the Common Shares in the public markets may decline significantly.

Reduces Inherent Business Risk

Based on the strategic review conducted with Haywood, the Viston Offer appears to provide Shareholders with the value inherent in Petroteq's portfolio of projects, assuming they are fully realized, without the long-term risks associated with the development and execution of those projects. Given the relatively early stage of Petroteq's projects, it will be several years before the projects in Petroteq's portfolio reach commercial production, if at all.

Significant Growth Funding Required

Petroteq's projects have significant funding requirements to prove and scale its technology. Petroteq currently has limited cash to fund its necessary capital projects and near-term debt maturities, which will be a further drain on cash. Equity financing sufficient to repay debt and fund the progress of Petroteq's business plan, if available, may be significantly dilutive to Shareholders.

Ability to Respond to Superior Proposals

Petroteq has not entered into a support or similar agreement with Viston in respect to the Viston Offer. The Board has reserved the ability to seek out or respond to proposals that may deliver greater value to Shareholders than the Viston Offer. There is nothing to prevent a third party from proposing or making a superior proposal or preclude Petroteq from changing its recommendation.

26. SUBSEQUENT EVENTS (continued)

Unsolicited takeover bid by Viston United Swiss AG (continued)

Recent Developments

On February 10, 2022, the Company received from Canadian legal counsel to Viston, a copy of an advice (the "Bank Advice") issued by Royal Bank of Scotland on February 7, 2022 confirming that UNIExpress Investment Holdings PLC ("UNIExpress"), as the sending bank acting on behalf of its client Viston, is holding cash funds in the amount of €420,000,000 in favor of the receiving bank's client, Kingsdale Advisors. Kingsdale Advisors has been retained by Viston as the Information Agent and Depository in connection with the tender offer to purchase all of the issued and outstanding common stock of Petroteq. The Bank Advice includes confirmation by UNIExpress that the funds are irrevocably blocked and are reserved in favor of Kingsdale Advisors for a period of 45 days.

On February 9, 2022, Viston announced completion of two key regulatory milestones - namely:

- The Hart-Scott-Rodino Act (the "HSR Act") waiting period expired on February 4, 2022. The HSR Act is a key U.S. antitrust act that enables the Federal Trade Commission and the Department of Justice to review proposed merger transactions by requiring the parties to observe a waiting period before closing their transaction.
- The initial review period under the Investment Canada Act also lapsed on February 3, 2022, with no national security related notice being issued, thereby allowing the Offer to proceed under the Canadian foreign investment rules.

The company announced on February 28, 2022 and confirms that it is willing to assist Viston with its CFIUS filings.

The Offer had been extended until April 14, 2022 and further extended to June 17, 2022 to allow additional time to obtain clearance under U.S. national security regulations, which is a condition of the Offer.

Convertible debt conversions

Between March 24, 2022 and April 4, 2022, in terms of conversion notices received, the Company issued 41,572,966 shares of common stock for convertible debt in the aggregate sum of $4,133,750.

Exercise of warrants

In terms of warrant exercise notices received from various investors, warrants exercisable for 7,641,505 common shares were exercised between March 29, 2022 and April 13, 2022, for gross proceeds of $927,162 at exercise prices ranging from $0.08 to $0.12 per share.

Other than disclosed above, the Company has evaluated subsequent events through the date the financial statements were issued, other than disclosed above, the Company did not identify any other subsequent events that would have required adjustment or disclosure in the financial statements.

FORM 52-109FV2
CERTIFICATION OF INTERIM FILINGS
VENTURE ISSUER BASIC CERTIFICATE

I, Vladimir Podlipskiy, Interim Chief Executive Officer of Petroteq Energy Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Petroteq Energy Inc. (the "issuer") for the interim period ended February 28, 2022.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Dated: April 29, 2022

/s/ *Vladimir Podlipskiy*
Vladimir Podlipskiy
Chief Executive Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

FORM 52-109FV2
CERTIFICATION OF INTERIM FILINGS
VENTURE ISSUER BASIC CERTIFICATE

I, Michael Hopkinson, Chief Financial Officer of Petroteq Energy Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Petroteq Energy Inc. (the "issuer") for the interim period ended February 28, 2022.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Dated: April 29, 2022

/s/ *Michael Hopkinson*
Michael Hopkinson
Chief Financial Officer

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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