PETROTEQ
ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED

NOVEMBER 30, 2017 AND 2016

1) Introduction

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Petroteq Energy Inc ("PQE", or the "Company") for the three months ended November 30, 2017 and 2016, was prepared in accordance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations by management of the Company on January 29, 2018 and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended November 30, 2017 and 2016 and the audited consolidated financial statements and notes thereto for the years ended August 31, 7and 2016. References to "PQE" and the "Company" herein refer to the Company and its subsidiaries taken as a whole.

The condensed consolidated interim financial statements for the three months ended November 30, 2017 and 2016 and any comparative information presented therein, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") as of January 29, 2018.

All dollar figures in this management discussion and analysis are presented in United States dollars unless otherwise indicated.

As of the date hereof the Company has one wholly-owned subsidiary, Petroteq Energy CA, Inc. ("PQECA"), a California corporation, which has two wholly-owned active subsidiary companies, Petroteq Oil Sands Recovery, LLC ("POSR") and TMC Capital, LLC ("TMC").

On July 4, 2016, the Company acquired a 57.3% interest in a Houston-based, exploration and production (E&P) company, Accord GR Energy, Inc. ("Accord") in consideration for the issuance of 59,698,300 common shares (1,989,943 post consolidated shares) of the Company and the issuance of common share purchase warrants to purchase 2,000,000 common shares (66,667 post consolidated shares) of the Company at $0.25 per share ($7.50 per post consolidated share) for a period of three years. Due to additional cash injections and share subscriptions in Accord by unrelated shareholders during the last year, the Company's ownership of Accord decreased to 44.7% and has therefore deconsolidated the results of Accord from the financial statements and accounts for the investment in Accord using the equity basis of accounting.

On May 5, 2017, the Company held a shareholders' meeting and obtained approval to change the name of the Company to "Petroteq Energy Inc" and to consolidate its share on a 30 for 1 basis, reducing the number of its outstanding shares.

The Company is now primarily focused on developing its oil sands extraction business and related mining interests.

The Audit Committee of the directors of the Company has reviewed the MD&A and other publicly reported financial information for usefulness, reliability and accuracy.

Additional information related to the Company may be found on the Company's website at www.petroteq.energy and on SEDAR at www.sedar.com.

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.

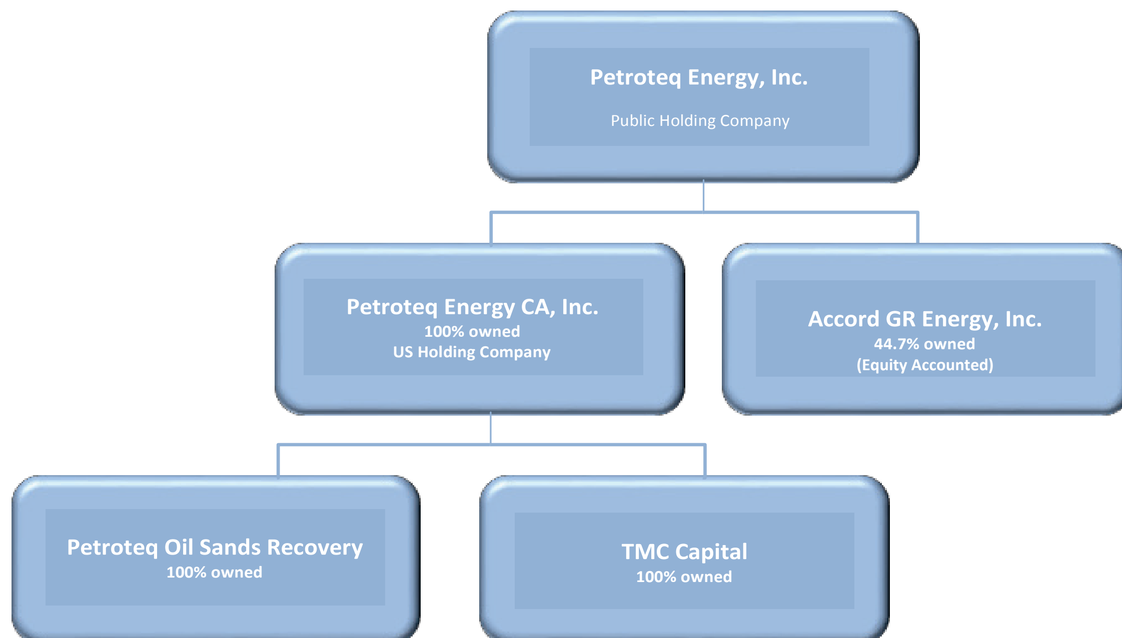
Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, oil and gas reserves, price volatility, changes in debt and equity markets, timing and availability 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.

2) Company Overview

The common shares of PQE are listed on the TMX Venture Exchange (the "TSXV") under the trading symbol "PQE" and on the OTCQX under the trading symbol "PQEFF".

As a result of a prior corporate reorganization, a disposal of the Company's entire interest in MCW Fuels and a partial acquisition of Accord, as of the date hereof the Company has one wholly-owned subsidiary, PQECA, which has two wholly-owned active subsidiary companies, POSR and TMC, and one equity accounted investment, Accord, as reflected in the organizational chart below:



PQE, through its wholly owned subsidiaries POSR and TMC, is in the business of oil sands mining and processing, through a plant using proprietary extraction technology to recover oil from surface mined bitumen deposits which has been completed on its property in Asphalt Ridge, Utah. POSR is based in Uintah, Utah. The plant is currently being relocated to the TMC mining site to improve logistical and production efficiencies of the Oil Sands recovery process. The Company will continue its expansion project, once the plant has been relocated, to increase production to at least 1,000 barrels per day.

PQE also owns the intellectual property rights to a patent-pending process (the "Extraction Technology") of extracting oil from oil sands utilizing a closed-loop solvent based extraction system, as more completely described below.

3) Business Activity

Oil Sands Exploration and Development

PQE completed its first extraction facility and the technology has been tested and performs as expected. The ongoing turmoil and volatility in energy markets limits the ability for commercial production at current outputs and the plant is currently being relocated to the TMC mining site to improve logistical and production efficiencies. Once relocated, the expansion project, previously undertaken will be completed which will enable the plant to produce a minimum of 1,000 barrels per day.

On December 29, 2010, MCW Fuels entered into an operating agreement, as the managing entity of operations of POSR, pursuant to which the Company contributed cash of $2,000,000 to POSR and Amerisands irrevocably assigned a lease for the extraction of bituminous or asphaltic sands (oil sands) to POSR. The term of the lease is for 10 years, expiring on August 11, 2018, with rights for extensions conditional on production. The lease is subject to an annual maintenance fee of approximately $14,000 and a production royalty payable to the lessor of 8% of the market price of products produced from the Lease. This royalty may be increased to 12.5% after a minimum of 10 years of production. Both parties have complied with the initial terms of the agreement. On September 30, 2014 Amerisands relinquished any ownership interest in the lease and POSR, which is now a single member LLC wholly owned by PQECA.

In June 2011, the Company commenced the development of an oil sands extraction facility on the Lease and entered into construction and equipment fabrication contracts for this purpose. The initial facility is fully permitted and was expected to be completed in March 2013 but has encountered delays due to the need for additional financing. The Company has completed the first phase of the facility in September 2015 (previously reported 2014-2015), the Company is currently relocating the plant to the TMC mining site to improve logistical and production efficiencies and to complete the expansion project undertaken in September 2015, to increase production to a minimum of 500 barrels per day. The Company is currently amortizing the cost of construction over 15 years from commencement of production. Management's current estimate of the total cost of the facility, including the expansion of the production capacity of the facility, exclusive of capitalized borrowing costs and lease costs, is between $18 million and $19 million (increased from approximately $9.5 million) of which approximately $17.7 million was spent as of November 30, 2017. The operating agreement with Amerisands has been terminated and all construction is managed by POSR.

Technology Development

PQE continues to develop its operations by processing purchased native oil sands ore, as well as native oil sands ore produced through the mining operations of its subsidiary (TMC) on a lease in Asphalt Ridge, Utah, using its patent-pending closed loop, continuous flow, anticipated scalable and environmentally safe Extraction Technology. The process will allow the extraction of hydrocarbons from a wide range of both "water- wet" and/or "oil-wet" oil sands deposits and other hydrocarbon sediment types.

The Extraction Technology utilizes no water in the process, is anticipated to produce no greenhouse gases, requires no high temperature and/or pressure for the extraction process, and expects to extract up to 99% of all hydrocarbon content and recycle up to 99% of the solvents. The proprietary solvent composition consists of hydrophobic, hydrophilic and polycyclic hydrocarbons. It is expected to dissolve up to 99% of heavy bitumen/asphalt and other lighter hydrocarbons from the oil sands, and prevent their precipitation during the extraction process. Solvents used in this composition form an azeotropic mixture which has a low boiling point of 70 – 75 C degrees and it is expected to allow recycling over 99% of the solvent. These features, in the event they produce as anticipated by the Company, make it possible to perform hydrocarbon extraction from oil sands at mild temperatures of 50 – 60 degrees C, with no vacuum or/and pressure applied that would lead to high energy and economic efficiency of the extraction of oil from the overall oil sands extraction process.

Another key element of the PQE extraction process is applying its own extractor, based on a proprietary/patent-pending "liquid fluidized bed" solvent extraction system for bitumen/oil from oil sands extraction. A "liquid fluidized bed" style reactor is anticipated to provide continuous mixing of the (liquid) solvent and the solid ore particles. It is intended to allow a continuous flow process with optimal material/mass/energy balances.

PQE has filed patent applications for elements of the Extraction Technology with both the USPTO in the United States and CIPO in Canada, as well as China and Russia, and intends to file patent applications worldwide with respect to the same elements in the future.

On March 27, 2013, PQE entered into an intellectual property license agreement with a private arm's length

Canadian company, TS Energy Ltd., which has agreed to act as the sole and exclusive licensee of the Extraction Technology within Canada and the Republic of Trinidad and Tobago.

As of March 31, 2016, PQE has returned all rented utility systems and replaced them with its own purchased systems to increase the efficiency of the oil sands extraction facility. The water cooling system has been replaced with air cooling system for greater efficiency and economic benefits as well. The weatherization of the plant has been completed. Heat trace lines have been installed. Insulation of the pipe lines and important vessels has been performed. In April 2015, PQE purchased its own excavator and ally bucket to grind and load native oil sands ore into the feeding conveyor where the ore processing begins.

Accord Acquisition

On July 4, 2016, the Company acquired a controlling interest of 57.3% in Accord. Accord's assets include a limited license for two enhanced oil recovery (EOR) technologies for use on Accord's southwest Texas oil opportunities and can also be used on PQE's 2,200 acre oil sands property in Temple Mountain, Utah. It also includes equitable title pursuant to a purchase agreement to 7,000 acres in southwest Texas, with 88 drilled and completed wells. The oil is categorized as "medium crude" and the deposits are in the light gravity range of heavy oil at 18-22 API gravity.

Due to additional cash injections and share subscriptions in Accord by the outside shareholders during the last fiscal year, the Company has relinquished control of Accord and has deconsolidated the results of Accord from the financial statements and now accounts for the investment in Accord on the equity basis of accounting. The effective holding in Accord as of August 31, 2017 is 44.7%.

Accord's SWEPT technology is designed to recover fossil hydrocarbons by improving rock and fluid properties through the use of impulse-wave based technology. Accord's S-BRPT technology, designed to recover solid and liquid hydrocarbons through aggregate conversion of them into gaseous forms followed with well-based recovery of same from greater depths, is expected to expand economic recoverability of PQE's bitumen resource at depths up to 300 feet and deeper, levels currently not economical with its existing processing capabilities.

4) Outlook

Oil Sands

PQE's technology has been tested at full capacity as of August 31, 2015 and an independent production evaluation was completed, shortly thereafter. PQE initially hired and trained its own personnel to operate the plant but has since laid off all employees due to the price volatility in the international markets reducing viable production at limited volumes. The Company is able to produce oil/hydrocarbon products which can be sold locally in Asphalt Ridge to the oil and gas distributors or refineries.

In times of high volatility, the Company expects to restrict its oil and hydrocarbon production to prevent the Company from realizing losses on barrels of product produced.

The Company has obtained the last full production permit (Ground Water Permit) in order to commence continuous plant operations.

The plant is currently being relocated to the TMC mining site to improve logistical and production efficiencies of the Oil Sands recovery process. The Company will continue its expansion project, once the plant has been relocated, to increase production to at least 1,000 barrels per day.

In order to fund the relocation of the plant and the expansion of the production capacity, the Company entered into a memorandum of understanding (the "Memorandum") with Deloro Energy, LLC ("Deloro") on September

11, 2017. Under the Memorandum, Deloro will provide financing of up to $10,000,000 to the Company, to be used primarily for the expansion of the production capacity of the Company's oil extraction plant to 1,000 barrels per day. On the completion of the plant expansion, Deloro will be entitled to receive a 49% equity interest in each of POSR and TMC. The agreement remains subject to various approvals, including regulatory approval.

On the signing of the Memorandum on September 11, 2017, Deloro paid $50,000 to PQECA. On October 20, 2017, a further $1,205,000 was received by PQECA for the planned expansion of the of the oil extraction plant processing capacity. At the time the oil extraction plant achieves commercial production of at least 1,000 barrels per day, Deloro will receive a 25% interest in POSR and TMC. A further $1,289,000 was advanced to the Company by Deloro subsequent to November 30, 2017.

Deloro will also advance a further $3,500,000 on or before February 28, 2018 and will receive a further 10% interest (a total of 35%) in POSR and TMC when the oil extraction plant achieves commercial production of at least 1,000 barrels per day.

Deloro will advance a final $3,950,000 on or before June 1, 2018 which will entitle Deloro to receive an additional interest of 14% (a total of 49%) in POSR and TMC when the oil extraction plant achieves commercial production of at least 1,000 barrels per day.

If Deloro fails to make any of the advances under the Memorandum, PQECA will have the option to repurchase the equity interests owned by Deloro within twelve months from the date of the failure to make the advance. If Deloro fails to make all the advances by June 1, 2018, the advances made to date will convert to a loan payable, with interest at 5% per annum, by June 1, 2019.

5) Summary of Quarterly Results

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

Three months ended	November 30, 2017 ($)	August 31, 2017 ($)	May 31, 2017 ($)	February 28, 2017 ($)
Total revenues	Nil	Nil	Nil	Nil
Loss from operations	3,645,712	3,101,430	3,581,788	514,637
Basic and diluted loss per share*	0.07	0.12	0.46	0.08

* Adjusted for the 30 for 1 share consolidation which took place on May 5, 2017.

The net loss for the three months ended November 30, 2017 includes stock based compensation of $2,505,647 related to the grant of 1,425,000 stock options to certain directors of the Company. In addition to this the Company incurred an increase in public relations expenditure of $202,844 to renew interest in its oil sands recovery business.

The net loss for the three months ended August 31, 2017 includes a loss on conversion of equity of $1,459,172 related primarily to an agreement entered into whereby debt due to the Chair of the Board totaling $3,000,000, including interest thereon, was converted to equity at a loss of $1,545,821.

The net loss for the three months ended May 31, 2017 includes a loss on conversion of equity of $2,253,385 related primarily to agreements entered into whereby debt totaling $12,189,956 was converted into 31,083,281 common shares on May 19, 2017. These shares were issued subsequent to the quarter end.

The net loss for the three months ended February 28, 2017 includes a gain on settlement of liabilities of $875,369 related primarily to the issuance of shares on the conversion of $2,300,000 of debt to a third party, offset by the reversal of a gain previously recognized of $499,894 which gain has been deferred until such time as regulatory approval has been obtained.

Three months ended	November 30, 2016 ($)	August 31, 2016 ($)	May 31, 2016 ($)	February 28, 2016 ($)
Total revenues	Nil	Nil	Nil	51,303
Loss from operations	741,788	1,745,747	1,762,081	3,784,588
Basic and diluted loss per share*	0.11	0.47	0.63	1.38

* Adjusted for the 30 for 1 share consolidation which took place on May 5, 2017.

The net loss for the three months ended November 30, 2016 includes a gain on settlement of liabilities of $470,601 related primarily to the issuance of shares on the conversion of loans due to the Chair of the Board of Directors.

The net loss of $1,745,747 for the three months ended August 31, 2016 includes a reduction in interest expense of $175,000 for interest capitalized on the expansion of the oil extraction plant and the write-off of all remaining ore inventory which was utilized during the testing of the oil extraction facility.

The net loss for the three months ended May 31, 2016, includes a gain on settlement of liabilities of $256,949 related primarily to the issuance of shares on the conversion of debt into equity and depreciation and amortization expense of $324,031 primarily due to depreciation on the capitalized oil extraction facility costs which commenced limited commercial production on September 1, 2015.

The net loss for the three months ended February 29, 2016, includes a loss on settlement of liabilities of $948,720 related primarily to the issuance of shares for the conversion of debt into equity and a further loss of $689,877 on common shares issued on the modification of a debt agreement and depreciation and amortization expense of $294,356 primarily due to depreciation on the capitalized oil extraction facility costs which commenced limited commercial production on September 1, 2015.

The following table compares expenditures for the three months ended November 30, 2017 and 2016 which are discussed under Section 6 below.

	Three months ended November 30, 2017	Three months ended November 30, 2016	Change ($)	Change %
Cost of Goods Sold	111,250	98,143	13,107	13.4%
General and administrative	28,478	72,137	(43,659)	-60.5%
Travel and promotion	79,814	183,536	(103,722)	-56.5%
Professional fees	274,286	76,442	197,844	258.8%
Salaries and wages	182,000	167,000	15,000	9.0%
Share-based compensation	2,505,647	13,107	2,492,540	19016.9%
Gain on settlement of liabilities	-	(470,601)	470,601	-100.0%
Loss (gain) on extinguishment of debt	-	-	-	-
Interest expense	121,484	305,127	(183,643)	-60.2%
Gain on deconsolidation of subsidiary	-	-	-	-
Share of post tax losses of equity accounted investments	44,995	-	44,995	-
Depreciation and amortization	297,758	296,898	860	0.3%

The Company incurred capital expenditures of $496,064 and $Nil for the three months ended November 30, 2017 and 2016, respectively. The capital expenditures during the current year were incurred on the production facility post relocation to the TMC mineral site. These capital expenditures will increase production capacity to 1,000 barrels per day when completed.

For the three months ended November 30, 2016, the Company reported capital expenditures of $107,262 which were incurred in developing the Accord GR Energy mineral lease prior to deconsolidating this subsidiary during the prior year.

In terms of the mineral lease agreement entered into with Asphalt Ridge, the Company spent $99,296 and $75,000 on advance royalty payments for the three months ended November 30, 2017 and 2016, respectively.

6) Comparison of results for the three months ended November 30, 2017 and 2016

Net Revenue, Cost of Sales and Gross Loss

Due to the volatility in oil markets and the limited production capacity at the plant, no production took place during fiscal 2017, resulting in no revenue generation. The cost of sales during fiscal 2017 consists of advance royalty payments which expire at the end of the calendar year two years after the payment has been made. These expired royalties have been expensed.

Operating Expenses

Operating expenses from continuing operations were $3,534,462 and $643,645 for the three months ended November 30, 2017 and 2016, respectively. The increase in operating expenses is primarily due to:

Share based compensation of $2,505,647 and $13,107 for the three months ended November 30, 2017 and 2016, respectively, an increase of $2,492,540. The increase is primarily due to the grant of 1,425,000 stock options to certain directors on November 30, 2017. The prior year stock based compensation consists of the amortization of stock options granted to an officer in 2016, in accordance with the vesting terms of the options.

Professional fees of $274,286 and $76,442 for the three months ended November 30, 2017 and 2016, respectively, an increase of $197,844. The increase is primarily due to an increase in investor relations expenditure during the current period.

Gain on settlement of liabilities of $0 and $470,601 for the three months ended November 30, 2017 and 2016,

respectively. The gain on settlement in the prior year arose on certain debt conversions settled at a discount to the carrying value of the debt.

Interest expense of $121,484 and $305,127 for the three months ended November 30, 2017 and 2016, respectively, a decrease of $183,643. The interest expense decreased during the current period as a significant portion of interest bearing debt was converted to equity during the prior year to improve the equity position of the Company and allow future funding to relocate and expand the production facility.

7) Liquidity and Capital Resources

As at November 30, 2017, the Company had liquidity of approximately $442,894, which is composed entirely of cash. The Company also had a working capital deficiency of approximately $5,117,000, due to short term loans and accrued interest thereon which remains outstanding as of November 30, 2017. These loan funds are primarily used to relocate the plant to the TMC mineral lease site and to expand the production capacity of the plant to 1,000 barrels per day.

Subsequent to November 30, 2017, in terms of various subscription agreements entered into with third parties between September 27, 2017 and November 17, 2017, the Company raised an additional $279,000. Proceeds from these subscriptions were used for general working capital purposes and in relocation of the plant to the TMC mineral lease site.

As more particularly described in Section 4, on September 11, 2017 the Company executed a memorandum of understanding with Deloro Energy LLC. Under the terms of the Memorandum, Deloro will loan the Company $10,000,000 USD in tranches which may, under the terms and conditions of the Memorandum, be converted into an equity interest of up to 49% of POSR and 49% of TMC, subject to regulatory and other approvals. As of November 30, 2017, Deloro had advanced the Company $1,255,000 and subsequent to November 30, 2017, a further $1,289,000 was advanced.

On November 2, 2017, the Company entered into a loan agreement with the Chair of the Board to receive funding up to a maximum of $2,000,000.To date the Company has drawn $369,000.

On December 1, 2017 the Company announced it has successfully purchased oil extraction equipment valued approximately at $3,000,000 for a discounted price of $838,000.

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

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

In addition to commitments otherwise reported in this MD&A, the Company's contractual obligations as at November 30, 2017, include:

Contractual Obligations	Total ($ millions)	Up to 1 Year ($ millions)	2 – 5 Years ($ millions)	After 5 Years ($ millions)
Convertible Debentures [1]	1.85	1.85	-	-
Long-Term Debt [2]	3.12	1.48	1.64	-
Total Contractual Obligations	4.97	3.33	1.64	-

1. Amount includes estimated interest payments. The recorded amount as at August 31, 2017 was approximately $nil.

2. Amount includes estimated interest payments. The recorded amount as at August 31, 2017 was approximately $0.39 million.

8) 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.

9) Related Party Transactions

During the three months ended November 30, 2017, the Company had the following related party transactions not otherwise disclosed in this MD&A:

Key Management Personnel and Director Compensation

The remuneration of the Company's directors and other members of key management, who have the authority and responsibility for planning, directing, and controlling the activities of the Company, consist of the following amounts:

	Three months ended	
	November 30, 2017	**November 30, 2016**
Salaries, fees and other benefits	$ 102,000	$ 109,040
Share based compensation	2,505,647	13,107
	$ 2,607,647	$ 122,147

At November 30, 2017 $1,224,392 is due to members of key management and directors for unpaid salaries, expenses and directors' fees (August 31, 2017 – $1,137,392).

Due to Director

During the three months ended November 30, 2017 and the year ended August 31, 2017 and 2016, the Company received additional advances of $538,650 and $421,250 from various private companies controlled by the Chair of the Board of Directors of the Company (Notes 12(b)(v) and 12(e)).

As of November 30, 2017, and August 31, 2017, the Company owed the Chair of the Board the aggregate sum of $780,900 and $242,250, respectively. These loans bear interest at 5% per annum and mature during August 2020.

As at November 30, 2017 the Company has received net advances of $192,827 from the Chair of the Board of Directors.

10) 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	56,444,257
Total common share purchase options	1,508,333
Total common share purchase warrants and broker warrants	1,200,898
Total other securities reserved for issuance	1,437,931
Fully diluted shares outstanding	60,591,419

Share Purchase Options

The Company has a 20% fixed number share option plan, most recently approved by the shareholders on March 6, 2015. Pursuant to this plan, the Company may grant up to 1,513,574 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 1,508,333 share purchase options (including 50,000 warrants treated as incentive stock options by the TSXV) were outstanding:

Option Expiry Date	Option Exercise Price (CDN$)	Number of Options Outstanding
December 31, 2018	4.80	50,000
February 1, 2026	5.85	33,333
November 30, 2027	2.27	1,425,000
Total		1,508,333

Share Purchase Warrants

As at the date hereof, an aggregate of 1,200,898 share purchase warrants were outstanding, as follows:

Warrant Expiry Date	Warrant Exercise Price (CDN$)	Number of Warrants Outstanding
November 5,2019	$28.35	25,327
April 12, 2019	$5.10	16,667
August 19, 2019	$7.50	66,666
April 8, 2021	$4.73	57,756
August 31, 2022	$0.315	1,034,482
Total		1,200,898

Other Securities Reserved for Issuance

The Company has reserved (i) 718,966 common shares for possible issuance in the event the convertible notes issued on August 31, 2017 are converted into units, (ii) 718,966 common shares for possible issuance in the event the warrants (issuable in the event the convertible notes issued on November 30, 2017 are converted into units) are fully exercised.

The company has received subscriptions of $412,190 to date for which shares are still to be issued, subject to TSXV approval..

11) Financial Instruments and Risk Management

As at November 30, 2017, 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.

12) 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.

13) Significant Accounting Policies and Critical Accounting Estimates

The following is a summary of new standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2016:

IFRS 11, Joint Arrangements ("IFRS 11") – amendments

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in *IFRS 3, Business Combinations* and other IFRS standards except where those principles conflict with IFRS 11.

IAS 1, Presentation of Financial Statements ("IAS 1") - amendments

The amendments to IAS 1 enhance financial statement disclosures and presentation.

IAS 16, Property, Plant and Equipment ("IAS 16") – amendment

The amendment to IAS 16 provides clarification of acceptable methods of depreciation and amortization.

IAS 38, Intangible Assets ("IAS 38") - amendment

The amendment to IAS 38 provides clarification of acceptable methods of depreciation and amortization.

The application of the above amendments did not have any material impact on the consolidated financial statements presented.

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these consolidated financial statements:

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages

its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of the amendments on its financial statements; however, the impact, if any, is not expected to be significant.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 Leases (IFRS 16")

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor *IAS 17 Leases*. IFRS 16 replaces *IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC -15 Operating Leases – Incentives*, and *SIC – 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if *IFRS 15 Revenue from Contracts with Customers* is also applied.

IFRS 2 Share-based Payment ("IFRS 2") – amendments

The amendments to IFRS 2 provide clarification and guidance on the treatment of vesting and non-vesting conditions related to cash-settled share-based payment transactions, on share-based payment transactions with a net settlement feature for withholding tax obligations, and on accounting for modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Company is currently assessing the impact that these new and amended standards will have on the condensed consolidated financial statements.

14) Litigation and Contingencies

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.

15) 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 its industry. 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 Extraction Technology, 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 the Lease 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, trade-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 meet contractual obligations. The Company is exposed to credit risk through its cash held at financial institutions, trade receivables from customers and notes receivable.

The Company has cash balances at various financial institutions. The Company has not experienced any loss on these accounts, although balances in the accounts may exceed the insurable limits. The Company considers credit risk from cash to be minimal.

Credit extension, monitoring and collection are performed for each of the Company's business segments. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of the customer's credit information.

Accounts receivable, collections and payments from customers are monitored and the Company maintains an allowance for estimated credit losses based upon historical experience with customers, current market and industry conditions and specific customer collection issues.

At November 30, 2017 and August 31, 2017, 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.

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 officers with conflicts of interest will be subject to and follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies. Certain 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 of experience, 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 be impacted by inflationary pressures on labor, volatile pricing for natural gas used as an energy source in transportation of fuel and in oil sands processes, and planned and unplanned maintenance.

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 economically or legally extractable.

Climate Change Legislation

Environmental legislation regulating carbon fuel standards in jurisdictions that import crude and synthetic crude oil 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.