

July 16, 2021



Petroteq Announces Expected Late Filing of Financial Statements and Application for Management Cease Trade Order; Cautions Against Reliance on Certain Previously-Issued Financial Statements

SHERMAN OAKS, CA / ACCESSWIRE / July 16, 2021 /Petroteq Energy Inc. ("Petroteq" or the "Company") (TSXV:PQE) (OTC PINK:PQEFF)(FSE:PQCF), an integrated oil company focused on the development and implementation of its proprietary oil-extraction and remediation technologies, cautions that, on July 16, 2021, the independent members of the Audit Committee (with Mr. Alex Blyumkin abstaining, the "Audit Committee") of the Board of Directors of the Company (the "Board"), after discussion with the Company's Chief Financial Officer, concluded that:

1. the following previously-issued financial statements (the "**Periodic Financial Statements**") of the Company should no longer be relied upon:

- a. as contained in the Company's annual reports (each, an "**Annual Report**") on Form 10-K for the financial years ended August 31, 2019 and August 31, 2020, originally filed with the United States Securities and Exchange Commission (the "**SEC**") on December 16, 2019 and December 15, 2020, respectively, and with the Canadian Securities Administrators (the "**CSA**") on December 19, 2019 and December 15, 2020, respectively;
- b. as contained in Amendment No. 1 to the Annual Report for the financial year ended August 31, 2020, originally filed with the SEC on December 28, 2020;
- c. the unaudited condensed consolidated interim financial statements for the three and six months ended May 31, 2019 and 2018, filed with the CSA on July 30, 2019, and contained in the Company's quarterly report on Form 10-Q for the period ended May 31, 2019, filed with the SEC on October 7, 2019;
- d. as contained in the Company's quarterly reports on Form 10-Q for the periods ended November 30, 2019, February 29, 2020, May 31, 2020, November 30, 2020 and February 28, 2021, originally filed with the SEC on January 21, 2020, June 3, 2020, July 20, 2020, January 19, 2021 and April 20, 2021, and with the CSA on January 29, 2020, June 9, 2020, July 22, 2020, January 20, 2021 and April 20, 2021; and

2. the Company's previously-issued unaudited condensed consolidated financial statements for the three and six months ended February 28, 2019 and 2018 (together with the Periodic Financial Statements, the "**Financial Statements**"), contained in the following SEC filings should no longer be relied on:

- a. Company's registration statement (the "**Registration Statement**") on Form 10 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), filed on May

22, 2019;

- b. Amendment No. 1 to the Registration Statement, filed on June 24, 2019; and
- c. Amendment No. 2 to the Registration Statement, filed on July 5, 2019.

The Board has concurred with the conclusions of the Audit Committee.

The Company had issued a secured promissory note dated December 27, 2018 (the "**Note**") payable to Redline Capital Management S.A. ("**Redline**") in the principal amount of US\$6,000,000, maturing 24 months following its date of issue, and bearing interest at the rate of 10% per annum. The Company's obligations under the Note are purportedly secured by collateral consisting of the Company's right, title and interest in certain federal oil and gas leases (the "**Oil and Gas Leases**") relating to the Company's Asphalt Ridge Project, pursuant to a security agreement between the parties dated December 27, 2018 (the "**Security Agreement**").

The Note had been issued pursuant to the terms of a settlement agreement between the parties dated December 27, 2018 (the "**Settlement Agreement**") which purported to settle certain claims asserted by Redline against the Company. Shortly following the Settlement Agreement, in early 2019, Mr. Alex Blyumkin, the Company's Executive Chairman, has indicated he undertook an internal review of the claims made by Redline and concluded that the Settlement Agreement, the Note and the Security Agreement are void and unenforceable, and that they did not have to be disclosed to the Board or to the Company's Chief Financial Officer. Mr. Blyumkin has indicated he verbally advised Redline that the Company considered the Settlement Agreement, and therefore the Note and the Security Agreement, to be void and unenforceable. However, no action was taken to document this position. Since maturity of the Note, on December 27, 2020, Redline has not filed any legal action to enforce payment of the Note.

In response to a request from Staff at the SEC, Mr. Blyumkin determined that it was appropriate to raise the Settlement Agreement, the Note and the Security Agreement for consideration by the Company's Chief Financial Officer and the Audit Committee, and, in particular, to review his conclusion that they did not have to be disclosed in the Financial Statements. The Audit Committee has determined that, notwithstanding the results of the internal review of Redline's claims undertaken by Mr. Blyumkin in early 2019, the Settlement Agreement, the Note and the Security Agreement should have been disclosed, and that the obligations referenced in the Note should have been disclosed in the Financial Statements regardless of the Company's position of their validity and enforceability.

The Company intends to file restatements of its Periodic Financial Statements, and to amend and restate other disclosure in the affected periodic reports as appropriate. The restatements may have an impact on the Company's losses previously disclosed in the Periodic Financial Statements, and related disclosures and Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee intends to engage legal counsel to undertake a review of the Settlement Agreement, the Note and the Security Agreement with the view to determining whether they are enforceable (and, in particular, whether the Security Agreement has properly charged the Company's right, title and interest in the Oil and Gas Leases as personal property, and whether any security interests purportedly granted pursuant to the Security Agreement have been perfected under applicable law), and whether the related liability should be classified as an actual or contingent liability.

The Company will be unable to file its quarterly report on Form 10-Q (and related certifications) for the period ended May 31, 2021 (the "**Documents**") until it has completed the planned restatements of the Periodic Financial Statements, which is anticipated to take several weeks - well beyond the extended filing deadline of July 20, 2021 prescribed by Exchange Act Rule 12b-25(b)(2)(ii), and the filing deadline of July 30, 2021, prescribed under Canadian National Instrument 51-102 - *Continuous Disclosure Obligations* .

Accordingly, the Company will inform staff of the Ontario Securities Commission about its anticipated delay in filing the Documents and will be applying to the Ontario Securities Commission pursuant to Part 4 of National Policy 12-203 - *Management Cease Trade Orders* ("**NP 12-203**") for a Management Cease Trade Order ("**MCTO**") pending the filing of the Documents, which MCTO will prohibit the Company's management from trading in the securities of the Company until such time as the Documents are filed. No decision has yet been made by the Ontario Securities Commission on this application. The Ontario Securities Commission may grant the application and issue the Management Cease Trade Order or it may impose an issuer cease trade order if the Documents are not filed by July 30, 2021. The Company will comply with the alternative information guidelines set out in Section 9 of NP 12-203 and will file bi-weekly default status reports in the form of press releases. The Company anticipates to file the Documents on or about September 10, 2021.

If a MCTO is issued, during the period of default and until filing of the Documents, the Company intends to satisfy the provisions of the "alternative information guidelines" as set out in NP 12-203, including the requirement to file bi-weekly status reports in the form of press releases containing prescribed updating information. There can be no assurance that a MCTO will be issued. Until the Company has filed the Documents, members of the Company's management and other insiders are subject to an insider trading black-out as per its internal Insider Trading and Reporting Policy. The Company confirms that, other than as disclosed in prior press releases and material change reports, there have been no material business developments since the filing with the CSA on April 20, 2021 of the Company's latest quarterly report on Form 10-Q for the period ended February 28, 2021.

The Company is not currently subject to any insolvency proceedings. If the Company provides any information to any of its creditors during the period in which it is in default of filing the Documents, the Company confirms that it will also file material change reports on SEDAR containing such information as is required, and that it will file current reports with the SEC on Form 8-K as appropriate.

Management is assessing the effect of the restatements on the Company's internal control over financial reporting and its disclosure controls and procedures. The Company expects to report one or more material weaknesses following completion of its investigation of the cause of these restatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. The existence of one or more material weaknesses precludes a conclusion by management that a company's disclosure controls and procedures and internal control over financial reporting are effective. In addition, the Audit Committee, the Board and management have begun evaluating appropriate remediation actions. The Company's remediation plans and changes to internal control over financial reporting will be disclosed in its future periodic filings.

About Petroteq Energy Inc.

Petroteq is an integrated oil company focused on the development and implementation of a new proprietary technology for oil extraction and remediation. The Company has an environmentally safe and sustainable technology for the extraction and reclamation of heavy oil and bitumen from oil sands and shallow oil deposits. Petroteq is engaged in the development and implementation of its patented environmentally friendly heavy oil processing and extraction technologies. Petroteq is currently focused on developing its oil sands resources and expanding production capacity at Asphalt Ridge located near Vernal, Utah.

For more information, visit www.Petroteq.energy.

Forward-Looking Statements

Certain statements contained in this press release contain forward-looking statements within the meaning of the U.S. and Canadian securities laws. Words such as "may," "would," "could," "should," "potential," "will," "seek," "intend," "plan," "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company are intended to identify forward-looking information, including the planned restatement and filing of the Periodic Financial Statements noted herein and the issuance of a Management Cease Trade Order in respect of the Company. Readers are cautioned that there is no certainty that it will be commercially viable to produce any portion of the resources. All statements other than statements of historical fact may be forward-looking information. Such statements reflect the Company's current views and intentions with respect to future events, based on information available to the Company, and are subject to certain risks, uncertainties and assumptions. Material factors or assumptions were applied in providing forward-looking information. While forward-looking statements are based on data, assumptions and analyses that the Company believes are reasonable under the circumstances, whether actual results, performance or developments will meet the Company's expectations and predictions depends on a number of risks and uncertainties that could cause the actual results, performance and financial condition of the Company to differ materially from its expectations. Certain of the "risk factors" that could cause actual results to differ materially from the Company's forward-looking statements in this press release include, without limitation: failure by the Exchange or the directors of the Company to provide necessary approvals; all closing conditions being satisfied or waived; uncertainties inherent in the estimation of resources, including whether any reserves will ever be attributed to the Company's properties; since the Company's extraction technology is proprietary, is not widely used in the industry, and has not been used in consistent commercial production, the Company's bitumen resources are classified as a contingent resource because they are not currently considered to be commercially recoverable; full scale commercial production may engender public opposition; the Company cannot be certain that its bitumen resources will be economically producible and thus cannot be classified as proved or probable reserves in accordance with applicable securities laws; changes in laws or regulations; the ability to implement business strategies or to pursue business opportunities, whether for economic or other reasons; status of the world oil markets, oil prices and price volatility; oil pricing; state of capital markets and the ability of the Company to raise capital; litigation; the commercial and economic viability of the Company's oil sands hydrocarbon extraction technology, and other proprietary technologies developed or licensed by the Company or its subsidiaries, which currently are of an experimental nature and have not been used at full capacity for an extended period of time; reliance on suppliers, contractors, consultants and key personnel; the ability of the Company

to maintain its mineral lease holdings; potential failure of the Company's business plans or model; the nature of oil and gas production and oil sands mining, extraction and production; uncertainties in exploration and drilling for oil, gas and other hydrocarbon-bearing substances; unanticipated costs and expenses, availability of financing and other capital; potential damage to or destruction of property, loss of life and environmental damage; risks associated with compliance with environmental protection laws and regulations; uninsurable or uninsured risks; potential conflicts of interest of officers and directors; risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and other general economic, market and business conditions and factors, including the risk factors discussed or referred to in the Company's disclosure documents, filed with United States Securities and Exchange Commission and available at www.sec.gov (including, without limitation, its most recent annual report on Form 10-K under the Securities Exchange Act of 1934, as amended), and with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com.

Should any factor affect the Company in an unexpected manner, or should assumptions underlying the forward- looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking information is expressly qualified in its entirety by this cautionary statement. Moreover, the Company does not assume responsibility for the accuracy or completeness of such forward-looking information. The forward-looking information included in this press release is made as of the date of this press release, and the Company undertakes no obligation to publicly update or revise any forward-looking information, other than as required by applicable law.

Unless otherwise specified, all dollar amounts in this press release are expressed in U.S. dollars.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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