

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of PETROLIA ENERGY CORPORATION, Respondent	Administrative Proceeding File No. 3-20724 ANSWER TO ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS AND NOTICE OF HEARING PURSUANT TO SECTION 12(j) OF THE SECURITIES EXCHANGE ACT OF 1934
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Respondent, Petrolia Energy Corporation, a Texas corporation (“Petrolia”), through its attorneys, hereby submits this Answer to the Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934, dated January 28, 2022 (the “Order”), as follows:

I. RESPONDENT’S STATEMENT OF FACTS

Petrolia was incorporated as a Colorado corporation on January 16, 2002. In April 2012, Petrolia became active in the exploration and development of oil and gas properties. Effective September 2, 2016, Petrolia formally changed its name to Petrolia Energy Corporation and moved the corporation from Colorado to Texas, pursuant to the filing of a Statement of Conversion with the Secretary of State of Colorado and a Certificate of Conversion with the Secretary of State of Texas.

Petrolia’s filing obligations with the Securities and Exchange Commission (the “SEC” or the “Commission”) began on December 21, 2006, upon the effectiveness of a Form SB-2 Registration Statement originally filed with the SEC on July 25, 2006.

Petrolia's common stock was subsequently registered under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on June 19, 2007.

Petrolia regularly filed its periodic reports required pursuant to Rules 13a-1 and 13a-13, from the date of the effectiveness of its original Registration Statement on Form SB-2 (on July 24, 2006), to approximately September 2018 (i.e., when it filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).

Following the filing of its Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, and effective on January 29, 2019, MaloneBailey, LLP ("MaloneBailey") resigned as the independent registered public accounting firm of Petrolia. Effective on January 31, 2019, Petrolia, with the recommendation and approval of the Board of Directors of Petrolia, engaged M&K CPAS, PLLC ("M&K"), as its independent registered public accounting firm. MaloneBailey's reports on the consolidated financial statements of Petrolia as of and for the fiscal years ended December 31, 2017 and 2016 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that such reports contained explanatory paragraphs in respect to uncertainty as to Petrolia's ability to continue as a going concern. Also, during the fiscal years ended December 31, 2017 and 2016 and through January 29, 2019 (the date of the resignation of MaloneBailey), there were no disagreements with MaloneBailey on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to MaloneBailey's satisfaction would have caused it to make reference thereto in connection with its reports on the financial statements for such years. During the fiscal years ended

December 31, 2017 and 2016 and through January 29, 2019, there were no events of the type described in Item 304(a)(1)(v) of Regulation S-K.

The change in independent auditing firm (which had been anticipated since before the due date of Petrolia's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018), resulted in Petrolia's inability to timely file its Form 10-Q Quarterly Report for the quarter ended September 30, 2018. M&K also requested certain reserve reports of Petrolia which further delayed Petrolia's ability to timely file periodic reports with the Commission.

Petrolia also had a difficult time addressing Commission comments on prior periodic filings due to a lack of financial resources and personnel, which also attributed to Petrolia's inability to timely file its periodic reports due after September 30, 2018.

Subsequently, Petrolia was able to file its Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, on May 10, 2019; its Annual Report on Form 10-K for the year ended December 31, 2018, on October 16, 2019; and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, on January 2, 2020.

Petrolia then filed, on May 27, 2021, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, and on May 27, 2021, its Annual Report on Form 10-K for the year ended December 31, 2019.

We have been advised that Petrolia received a letter from the Commission in or around May/June 2021 relating to Petrolia's deficient periodic filings, and that Petrolia committed to completing its Annual Report on Form 10-K for the year ended December 31, 2020, by December 31, 2021, in response to such letter from the Commission.

On August 3, 2021, Petrolia filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Effective September 1, 2021, Zel C. Khan, Petrolia's then Chief Executive Officer resigned from Petrolia.

On September 24, 2021, Petrolia filed its Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and on December 13, 2021, Petrolia filed its Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.

Unfortunately, due to the resignation of Mr. Khan, the lack of financial resources, and the resignation of Petrolia's controller, around September 1, 2021, as well as unexpected delays associated with compiling certain reserve reports and other financial information, Petrolia was prevented from timely completing required financial statements, and Petrolia was not able to meet the prior December 31, 2021 deadline for the filing of its Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K").

As of the date of this Answer, the following Petrolia periodic reports remain outstanding and deficient:

- (a) The Annual Report on Form 10-K for the year ended December 30, 2020;
- (b) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2021;
- (c) The Quarterly Report on Form 10-Q for the quarter ended June 30, 2021; and
- (d) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

Petrolia's management has advised us that they remain committed to making these filings and bringing Petrolia's filing obligations current with the Commission.

Management expects the 2020 Form 10-K to be filed on or around February 28, 2022, and is working with its independent auditor to complete such financial statements for inclusion in such report. Petrolia anticipates having the remaining outstanding periodic reports described above being filed by May 31, 2022, and filing its Annual Report on Form 10-K for the year ended December 31, 2021, and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, on or around June 30, 2022. Petrolia plans to remain current in all future SEC reports thereafter.

As shown by the attached letter from M&K, Petrolia's independent auditing firm, M&K has been actively engaged in completing quarterly reviews and annual audits for Petrolia and moving forward in good faith to complete its deficient filings.

II. RESPONDENT'S ANSWER TO THE ORDER'S ALLEGATIONS IN SECTION II

A. Petrolia's Answers to the Allegations Contained in Section II.A of the Order

Petrolia admits the allegations set forth in Section II.A of the Order.

B. Petrolia's Answers to the Allegations Contained in Section II.B of the Order

Section B.2

Petrolia denies the allegations in Section II.B.2 of the Order, i.e., that it has repeatedly failed to meet its obligation to file timely period reports, and failed to heed a delinquency letter sent to it by the Division of Corporate Finance. As discussed above, Petrolia has been working to catch up on deficient periodic filings over the past several years, and has consistently been filing deficient reports, as its financial and personnel

resources allow, in an effort to bring its reporting obligations current with the Commission. Furthermore, as discussed above, Petrolia is currently in the process of completing other deficient filings in an effort to become ‘current’ in its filing obligations as soon as practicable.

Section B.3

Petrolia admits the allegations set forth in Sections II.B.3 of the Order.

Section B.4

Petrolia agrees that it is deficient in its filing obligations pursuant to Rules 13a-1 and 13a-13; however Petrolia, as set forth above, is continuing to work towards preparing such filings and hopes to become current in such filing obligations as soon as possible.

III. RESPONDENT’S ANSWER TO THE ORDER’S RECOMMENDATIONS IN SECTION III

Petrolia denies that it would be necessary or appropriate for the protection of investors to either suspend the trading of, or revoke the registration of, each class of securities registered pursuant to Section 12 of the Exchange Act, of Petrolia.

IV. GENERAL DENIAL

Petrolia denies, except as expressly set forth in this Answer, generally and specifically, every allegation contained in the Order.

V. AFFIRMATIVE DEFENSES

As described above, Petrolia has made progress in filing deficient periodic reports, including on December 13, 2021, filing its Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. Petrolia is in the process (as confirmed by the letter from its independent auditors attached), of completing additional deficient filings and hopes to have

those filed by the end of May 2022. Suspending the trading of, or revoking the registration of, each class of securities registered pursuant to Section 12 of the Exchange Act, of Petrolia, would not be in the public's interest, or the best interests of shareholders of Petrolia, as such holders would no longer be able to easily liquidate their holdings. Additionally, if the Order was granted, shareholders of Petrolia would no longer be required to receive material information regarding Petrolia's operations and financial condition, which would materially adversely effect the value of Petrolia's securities and shareholders receipt of information necessary to ascertain the true value of such securities. Petrolia's failure to timely file reports with the Commission was due to lack of financial resources and personnel, changes in independent auditors, and loss of accounting personnel, and was intentionally undertaken to avoid the reporting requirements under the Exchange Act. Petrolia remains committed to bring its filings current with the Commission and is continuing to work towards that goal.

VI. CONCLUSION

For the reasons above, Petrolia requests that:

- (a) Trading in its securities be reinstated;
- (b) The Commission not revoke the registration of its securities;
- (c) Petrolia be given a reasonable period of time to complete the filing of deficient period reports which are in the process of being prepared; and
- (d) No action be taken in connection with the Order for a period of 120 days to allow Petrolia to bring its deficient period reports current with the Commission.

RESPECTFULLY SUBMITTED, this 8th day of February 2022.

THE LOEV LAW FIRM, PC

/s/ David M. Loev

David M. Loev

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(713) 524-4110

*Attorney for Respondent Petrolia
Energy Corporation*

RESPONDENT'S INDEX OF ATTACHMENTS

A Letter dated February 7, 2022, From M&K CPAS, PLLC

CERTIFICATE OF SERVICE

In accordance with Rules of Practice 150 and 151, 17 C.F.R. §§ 201.150 & .151, I certify that a copy of the Answer to Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12(j) of the Securities Exchange Act of 1934 relating to Petrolia Energy Corporation, was (a) filed on February 8, 2022, through the Commission's Electronic Filings in Administrative Proceedings (eFAP) system; and (b) was served on the following person on February 8, 2022, via email at the email address indicated:

Sandhya C. Harris
harrissan@sec.gov
Counsel for Division of Enforcement

Respondent and Respondent's legal counsel, David M. Loev, agree to waive all paper service of all opinions and orders, and agree to accept service of all opinions and orders by email delivery. Their email addresses are: [REDACTED] and dloev@loevlaw.com.

/s/ David M. Loev
David M. Loev,
The Loev Law Firm, PC
Counsel for Respondent



February 7, 2022

To whom it may concern:

In November 2020, M&K CPAS, PLLC was retained by Petrolia Energy Corporation to audit the consolidated balance sheets as of December 31, 2019 and December 31, 2020, and the related consolidated statements of operations, shareholders' equity, cash flows, and the related notes and schedules. In conjunction with the annual audit, we also agreed to perform reviews of the Company's unaudited quarterly financial information for the second and third quarter 2019 as well as the first three quarters of 2020, which are to be included in the quarterly reports.

Since we first engaged Petrolia Energy in November 2020, our client has filed their 2019 Form 10-K and five quarterly reports as follows: 2019 Q2 Form 10-Q, 2019 Q3 Form 10-Q, 2020 Q1 Form 10-Q, 2020 Q2 Form 10-Q, and 2020 Q3 Form 10-Q. We are still actively engaged with our client through the filing of the 2020 Form 10-K. We are actively working on the 2020 audit.

We are also currently in discussions with Petrolia Energy Corporation to continue to engage as their CPA for 2021 SEC filings, and beyond.

Sincerely,

M & K CPAS, PLLC

/s/ M&K CPAS, PLLC