EVALUATION OF CONTINGENT RESOURCES

ASPHALT RIDGE
UTAH

Owned by

PETROTEQ ENERGY INC.

May 31, 2018
(June 1, 2018)

Chapman Petroleum Engineering Ltd.
1122 - 4th Street S.W., Suite 700, Calgary, Alberta T2R 1M1 • Phone: (403) 266-4141 • Fax: (403) 266-4259 • www.chapeng.ab.ca

June 19, 2018

Petroteq Energy Inc.
181 Bay Street, Suite 4400
Toronto, ON
M5J 2T3

Attention: Mr. David Sealock

Dear Sir:

Re: Evaluation of Contingent Resources – Petroteq Energy Inc.
Asphalt Ridge, Utah, USA – May 31, 2018

In accordance with your authorization, we have prepared a resource evaluation report on the Contingent Resources on the Asphalt Ridge area in Utah, for Petroteq Energy Inc. (the "Company"), in order to determine the mineable volume of bitumen of this property. This report relates to all the Company lands held within the area, including the 1,312 acres newly acquired in April 2018.

This evaluation has been conducted in accordance with National Instrument 51-101, Sec. 5.9, of the Canadian Securities Administrators pertaining to disclosure of resources and is compliant with the internationally accepted Petroleum Resources Management System (PRMS) standard and the Canadian Oil and Gas Evaluation Handbook (COGEH).

The INTRODUCTION contains the authorization and purpose of the report and describes the methodology used in the preparation of the report.

The DISCUSSION contains a description of the property and our analysis and results including a review of the available technical data including the core data from previous exploration on the property. We have considered the availability of market access, and production and transportation infrastructure within economic reach in the area.

Contingent resources have been determined for the Company's interest position for a Best Estimate (2C), Low Estimate (1C) and a High Estimate (3C).

A REPRESENTATION LETTER from the Company confirming that to the best of their knowledge all the information they provided for our use in the preparation of this report was complete and accurate as of the effective date, is enclosed following the Glossary.

All data gathered and calculations created in support of this report are stored permanently in our files and can be made available or presented on request. We reserve the right to make revisions to this report in

light of additional information made available or which becomes known subsequent to the preparation of this report. Due to the risks involved in exploring for oil and gas reserves, our assessment of the project cannot be considered a guarantee that any wells drilled will be successful.

Prior to public disclosure of any information contained in this report, or our name as author, our written consent must be obtained, as to the information being disclosed and the manner in which it is presented. This report may not be reproduced, distributed or made available for use by any other party without our written consent and may not be reproduced for distribution at any time without the complete context of the report, unless otherwise reviewed and approved by us.

We consent to the use of this report for corporate disclosure purposes in accordance with applicable securities regulations.

It has been a pleasure to perform this evaluation and the opportunity to have been of service is appreciated.

Yours very truly,
Chapman Petroleum Engineering Ltd.

[Original Signed By:]

C.W. Chapman

C.W. Chapman, P.Eng.,
President

[Original Signed By:]

Roger D. Sakatch

Roger D. Sakatch, P.Eng.,
Senior Associate

rds/lml/6471

PERMIT TO PRACTICE
CHAPMAN PETROLEUM ENGINEERING LTD.
Signature [Original Signed By:] *C.W. Chapman*
Date *June 19, 2018*
PERMIT NUMBER: P 4201
The Association of Professional Engineers and Geoscientists of Alberta

CERTIFICATE OF QUALIFICATION

I, C. W. CHAPMAN, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta and a member of the Australasian Institute of Mining and Metallurgy.

2. THAT I graduated from the University of Alberta with a Bachelor of Science degree in Mechanical Engineering in 1971.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.

4. THAT I have in excess of 40 years in the conduct of evaluation and engineering studies relating to oil & gas fields in Canada and around the world.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Petroteq Energy Inc., dated June 19, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Petroteq Energy Inc., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

C.W. Chapman

C.W. Chapman, P.Eng.
President

PERMIT TO PRACTICE
CHAPMAN PETROLEUM ENGINEERING LTD.
[Original Signed By:]
Signature *C.W. Chapman*

Date *June 19, 2018*
PERMIT NUMBER: P 4201
The Association of Professional Engineers and Geoscientists of Alberta

CERTIFICATE OF QUALIFICATION

I, ROGER D. SAKATCH, a Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a Professional Engineer in the Province of Alberta.

2. THAT I graduated from the University of Alberta with a Bachelor of Engineering degree in 1987.

3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, operations, and evaluations during that time.

4. THAT I have in excess of 10 years of experience in the conduct of evaluation and engineering studies relating to oil and gas fields in Canada and internationally.

5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Petroteq Energy Inc., dated June 19, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Petroteq Energy Inc., its participants or any affiliate thereof.

7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Roger D. Sakatch

Roger D. Sakatch, P.Eng.,
Senior Associate

CERTIFICATE OF QUALIFICATION

I, REBECCA J. HOWE, of the City of Calgary, Alberta, Canada, officing at Suite 700, 1122 – 4th Street S.W., hereby certify:

1. THAT I am a Certified Petroleum Geologist as recognized by the Division of Professional Affairs of the American Association of Petroleum Geologists and a member of the Canadian Society of Petroleum Geologists.

2. THAT I graduated from Brandon University, Manitoba with a Bachelor of Science degree in Geology in 2007.

3. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for Petroteq Energy Inc., dated June 19, 2018 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.

4. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of Petroteq Energy Inc., its participants or any affiliate thereof.

5. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.

6. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

[Original Signed By:]

Rebecca J. Howe

Rebecca J. Howe, B.Sc.
Associate

EVALUATION OF CONTINGENT RESOURCES

ASPHALT RIDGE
UTAH

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PETROTEQ ENERGY INC.

May 31, 2018
(June 1, 2018)

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INTRODUCTION

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INTRODUCTION

1. AUTHORIZATION

This evaluation has been authorized by Mr. David Sealock, on behalf of Petroteq Energy Inc. The engineering analysis has been performed during the months of May and June 2018.

2. PURPOSE OF THE REPORT

The purpose of this report was to independently determine the feasibility of the Company undertaking the exploration and development of the Contingent Resources in Asphalt Ridge, Utah and to determine the range of the magnitude of the Contingent Resources before and after the consideration of risk.

3. USE OF THE REPORT

The report is intended to support internal corporate requirements and financial planning.

4. SCOPE OF THE REPORT

4.1 Methodology

The evaluation of the Contingent Resources on the properties included in this report has been conducted in accordance with the Canadian Oil & Gas Evaluation Handbook (COGEH). COGEH describes a project as "a defined activity, or set of activities, that provides the basis for assessment and classification of resources".

This evaluation of Contingent Resources is considered to be a development study.

Contingent Resources are "discovered resources" which are usually estimated based on deterministic methods based on data from existing wells on the same or analogous properties.

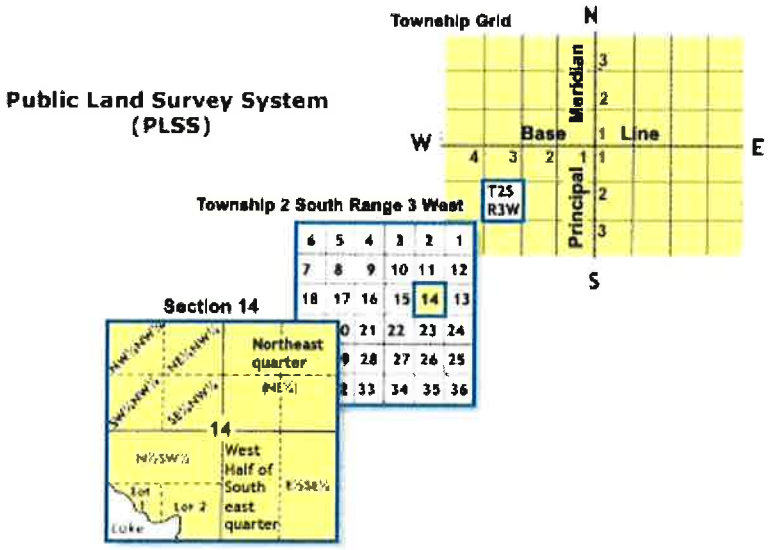
In preparing the evaluation the same methods and/or criteria are used as for evaluating reserves, except that certain "contingencies" exist which need to be overcome before a reserves classification can be assigned. The assumption is made in the evaluation procedure

that the contingencies would be solved and any capital requirements to accomplish this are appropriately accounted for. The results of the evaluation are then adjusted to account for the probability of the contingencies being resolved.

The Evaluation Standard, Section 6.0 of this Introduction presents the COGEH resource definitions and other related terms used in the evaluation of Contingent Resources.

4.2 Land Survey System

Mineral and surface rights in Utah are described by and administered according to the Public Land Survey System (PLSS). The PLSS typically divides land into 6-mile-square townships, which is the level of information included in the National Atlas. Townships are subdivided into 36 one-mile- square sections. Each township is identified with a township and range designation. Township designations indicate the location north or south of the baseline, and range designations indicate the location east or west of the Principal Meridian.



Source: http://www.utahcounty.gov/dept/surveyor/plss.html

4.3 Economics

An economic analysis was not conducted in this report.

4.3 Barrels of Oil Equivalent

If at any time in this report reference is made to "Barrels of Oil Equivalent" (BOE), the conversion used is 6 Mscf : 1 STB (6 Mcf : 1 bbl).

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

4.4 Environmental Liabilities

We have been advised by the Company that they are in material compliance with all Environmental Laws and do not have any Environmental Claims pending, as demonstrated in the Representation Letter attached.

5. BASIS OF REPORT

5.1 Sources of Information

Sources of the data used in the preparation of this report are as follows:

i) Interests have been derived from the Company's land records and the royalty regime has been determined from the royalty agreement entered into by the Company;
ii) Core data from earlier exploration formed the basis of the geological mapping and bitumen yields.

5.2 Fiscal Regime

The fiscal regime, i.e. royalties, production sharing terms, etc., has been described in the body of the report discussion.

6. EVALUATION STANDARD USED

6.1 General

The following definitions, extracted from Section 5.2 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1) published by the Petroleum Society of CIM, and the Calgary Chapter of the Society of Petroleum Evaluation Engineers (SPEE), as specified by Canadian Securities Regulations NI 51-101. These definitions relate to the subdivisions in the resources classification framework of Figure 1, which follows, and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS.

6.2 Resource Definitions

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

Discovered Petroleum Initially-In-Place (equivalent to "discovered resources") is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

a) Production

Production is the cumulative quantity of petroleum that has been recovered at a given date.

b) Reserves

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be sub-classified based on development and production status.

c) Contingent Resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

d) Unrecoverable

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

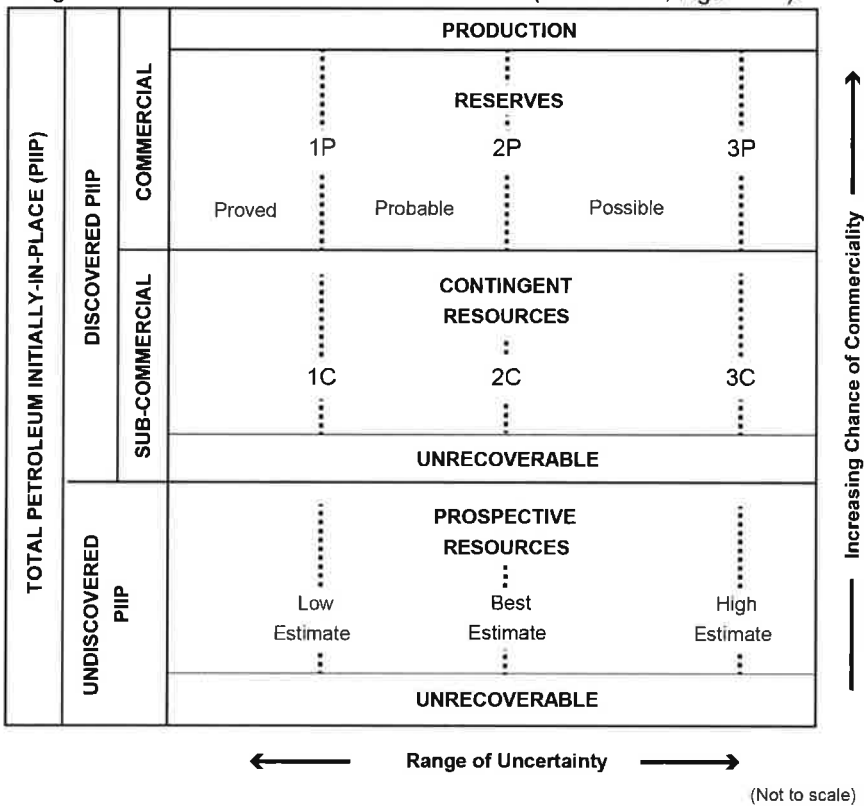
Undiscovered Petroleum Initially In Place (equivalent to "undiscovered resources") is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources", the remainder as "unrecoverable".

e) Prospective Resources

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Figure 1 – Resources classification framework (SPE-PRMS, Figure 1.1).



f) Commerciality

The vertical axis of Figure 1 illustrates an "Increasing Chance of Commerciality" moving upward from Prospective Resources to Contingent Resources to Reserves. Chance of Commerciality is defined in COGEH Vol. 2, Section 2.2.1 of COGEH along with Chance of Discovery and Chance of Development as follows:

- **Chance of discovery**. The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.

- **Chance of development**. The estimated probability that, once discovered, a known accumulation will be commercially developed.

- **Chance of commerciality**. The product of the chance of discovery and the chance of development.

COGEH Vol. 2, Sec. 2.4.4 further elaborates on the requirements evaluators should be mindful of in making a determination of commerciality as follows:

i. economic viability of the related development project;

ii. a reasonable expectation that there will be a market for the expected sales quantities of production required to justify development;

iii. evidence that the necessary production and transportation facilities are available or can be made available;

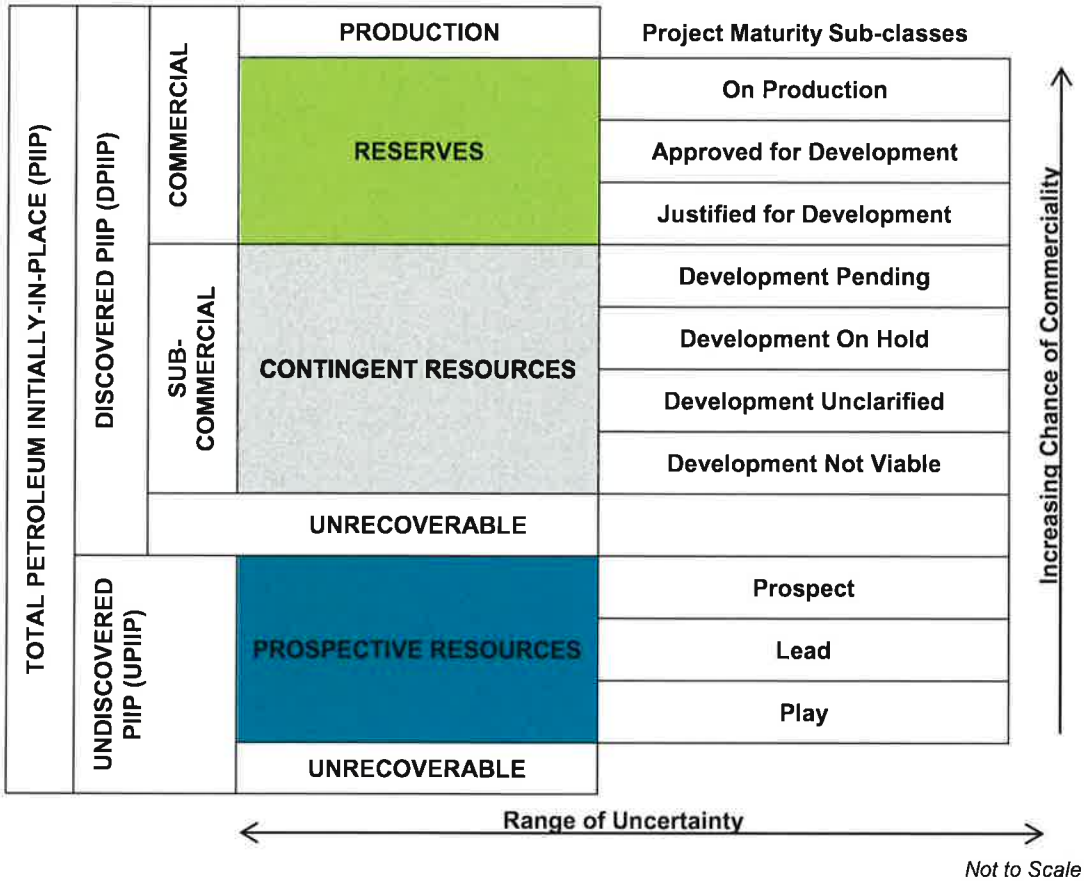
iv. evidence that legal, contractual, environmental, governmental, and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated;

v. a reasonable expectation that all required internal and external approvals will be forthcoming. Evidence of this may include items such as signed contracts, budget approvals, and approvals for expenditures, etc.;

vi. evidence to support a reasonable timetable for development. A reasonable timeframe for the initiation of development depends on the specific circumstances and varies according to the scope of the project. Although five years is recommended as a maximum timeframe for classification of a project as commercial, a longer timeframe could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives.

g) Project Maturity SubClasses

Prospective resources are also classified by their project maturity subclass. These subclasses describe the stage of exploration and broadly correspond to chance of commerciality from in increasing order from "play" to "lead" to "prospect".



Reports on Contingent Resources must specify the level of maturity and usually include 1C, 2C and 3C estimates.

There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

7. SITE VISIT

In September of 2015 Chapman staff completed a field site visit and witnessed the pilot plant in operation. A detailed study of the entire Asphalt Ridge bitumen deposit was not done, since it covers a vast area of land and has already been well documented in existing literature. However, the small scale mine that is providing feedstock to the pilot plant was inspected. All aspects of the operation were consistent with information that has been provided by the Company. Photographs taken during that site visit are included in Appendix B.

PETROTEQ ENERGY INC.

ASPHALT RIDGE PROJECT

UINTAH COUNTY, UTAH, USA

ORIENTATION MAP

JUNE 2018 **JOB No. 6471**

ASPHALT RIDGE

UTAH, USA

INDEX

Discussion

ASPHALT RIDGE AREA
UTAH, USA
DISCUSSION

Property Description

Prior to April 2018, the Company owned 1,229.82 acres of land in the Asphalt Ridge area (Original Lands). In April 2018, the Company acquired an additional 1,311.91 acres from the School and Institutional Trust Lands Administration (SITLA). Total lands held at this time are therefore 2,541.73 acres.

There have been many cores drilled and analyzed throughout this area by a number of previous operators. A small scale mine has been in operation on the property since 2005, initially mining material for the local road paving industry. The Company now uses that mine to provide feedstock to test their pilot extraction plant and plans to enlarge that mine site to provide the initial flow of raw ore during full scale production. In 2008, approval was granted to expand the current mine to approximately 154 Ac, with approximately 72 Ac of that expected to be open active pits. As of the effective date of this report, that enlargement has not yet occurred, although all required permitting to do so has taken place.

The original and newly acquired Company leases are shown on Figure 1, and a description of the new lands, interests, and burdens is shown in Table 1.

Exploration History

The bituminous sands of Asphalt Ridge and Asphalt Ridge Northwest have been known to early people and settlers of the area for quite some time. The first known use of the material was for road paving and construction during the early 1920s and the 1930s.

In the 1950s, two companies (Knicker-bocker Investments and W.M. Barnes Engineering Company) acquired a large block of placer mining claims and began in earnest the first drilling and evaluation program of the area. The claims were then leased to SOHIO Oil Company, which continued to expand upon the earlier evaluation program.

During the 1970s and 1980s, interest in this resource was at a high, and many companies completed extensive exploration and testing efforts around Asphalt Ridge and NW Asphalt Ridge. The Laramie Energy and Technology Center (DOE) conducted 3 in-situ experiments on the NW Asphalt Ridge deposit. The tests were conducted on an initial 10 Acre block, and then subsequently an additional 16 Acre block, in sections 23 and 24 of T4S R20E, part of the SOHIO "D" tract. In addition to the experiments, researchers drilled and analyzed numerous core holes, and studied formation outcrops where they were available.

In 2005, TMC Capital, LLC (TMC) began operating a mine in section 31 in township 5S range 22E. TMC focused on sales of raw bitumen sands that have typically been subject to minor crushing and screening, but were sold with the bitumen and sand together for use as a road paving material. The market for this material offers a price for the bitumen which is actually better than would be received from refineries if the bitumen was extracted.

Other key transactions, etc., related to this asset are summarized below in order of occurrence:

- MCW Energy Group Ltd. (MCW) acquired SITLA lease and built a pilot plant at the SITLA lease.
- MCW entered into a contract with Temple Mountain Energy (TME) to supply ore to the pilot plant. At the time, TME leased their land from ARI.
- TMC purchased all the TME rights and assets to become owner of the lease agreement with ARI.
- MCW purchased TMC in September 2015.
- The pilot plant was disassembled and moved from the SITLA lease to its current location at the Temple Mountain lease.

MCW completed a pilot extraction plant at the site of the TME mine and have been running small amounts of material to test with their process. On October 1, 2014, the Company held a demonstration of the plant that was documented by the press and attended by members of local and state government. The test produced a 9:1 solvent to bitumen product at a rate of approximately (250 STB/d), as well as clean dry sand requiring no further treatment or processing. A series of photographs taken on the demonstration day that illustrate the process have been included in Appendix B.

In May 2017, MCW changed its name to Petroteq Energy Inc.

Geology

The Unita Basin is located in northeast Utah and contains a number of oil sand deposits located on the margins of the basin. The basin was formed in the Late Cretaceous and early Tertiary and presently has an asymmetric configuration, with a steeply dipping side to the north and a gently sloping side to the south.

The structural axis of the Unita Basin is generally parallel to Asphalt Ridge, a prominent cuesta approximately 12 miles in length located on the northeast flank of the basin.

Structurally, Asphalt Ridge is terminated on its northwest end by a series of major crosscutting northeast trending high angle faults. Along Asphalt Ridge, the bitumen deposit extends downdip in the subsurface for a distance ranging from one-third to thirds-thirds of a mile from the outcropping sandstones.

Discovered Bitumen Initially In Place

Discovered bitumen initially in place (DBIIP) has been established by the analyses of 99 coreholes drilled throughout the lands, of which approximately 84 were used in the analyses and mapping. Reasons for certain corehole data being rejected included incomplete reports (i.e. missing or unreadable data), too few samples being taken from a core requiring assumptions over too large of an interval, and cores that were drilled too shallow (relative to the other available cores) where it was apparent that much of the deeper bitumen had been missed. Using the selected coreholes, contour maps were prepared of mineable bitumen per acre (Figures 2a and 2b). This was used in the calculation of DBIIP.

The following methodology was used to calculate total bitumen initially in place:

- The total interval length times weight percent was integrated over the areas from the contour map, which gave a total volume times an average weight percent.

- The volume times weight percent was converted to a mass times weight percent using an average density of the in situ sands of 2.11 g/cc^3

- The total mass in tons was converted to STB using a bitumen density of 1.0 g/cc^3.

- The separate maps of weight percent and interval length were used to do a rough check of the results, and to verify the methodology.

The lands were then high-graded in order to support very positive mining economics. This was accomplished by identifying areas containing an ore grade better than 4.8% by weight, and more than 50 ft of bitumen saturated net pay.

Recovery Project

Best estimate volumes of 80,164 and 7,331 MSTB of mineable bitumen were determined for the original and new lands, respectively. This results in a total best estimate volume of 87,495 MSTB of mineable bitumen in Company lands.

The Company is implementing a mining and extraction project to recover Bitumen from the raw oil sands contained on Company lands. Ore will be mined in one of three identified areas (pits), and hauled to the extraction plant, where the Bitumen will be extracted through the use of a proprietary solvent extraction process. The spent ore will then be hauled to a dump site where it will be stored until mining has progressed to a sufficient stage to begin backfilling the material into the mined pits. The maximum distance that ore will have to be hauled is approximately 1.5 to 2.0 km.

The Company is in the process of commissioning its mining operation and one extraction plant. They also plan to add a second extraction stage. The three areas that the Company has identified for the initial supply of raw ore contain approximately 12.8 MMSTB of bitumen, at an average ore grade of 5.79% by weight. These areas are displayed on Figure 1. Pits 1,3 and 4 (Figure 1a) are where the initial mining is planned to take place.

Recovery Project - Evaluation Status

The recovery project described in this report is considered to be at a "**development study**" level of progression. Significant investigation and analyses has been done determining the viability of the project.

- The Company has had a detailed mine development plan and cost forecast prepared for them John T. Boyd Company, an independent mining and geological consulting firm. This

report includes identification of mining pit areas, estimates of bitumen contained in those areas, capital costs for purchasing equipment, and operating costs per ton of ore (including overburden stripping, waste ore removal, and reclamation of the mine site). This report establishes reliable costs for the mining of raw ore containing approximately 12.8 MMSTB of bitumen.

- The Company has run numerous tests through a pilot scale plant located near the proposed mining sites, demonstrating the technical success of the process and helping to better define expected operating costs of the process at full capacity. Reasonable extrapolations of costs experienced during the test runs indicate a high likelihood that the process and project will be economically viable at full capacity. Chapman staff has visited and witnessed the test plant in operation, and the Company has had a detailed independent economic analysis done by Nexant Consulting on three days of testing that were done in August of 2015. This analysis was provided to Chapman to assist in estimating full scale operational costs.

- The Company has the initial expansion of their mining operations (additional 72 Ac) approved by the Utah Division of Oil Gas and Mining, which regulates mining activities within the state. This area comprises the first 4.2 MMSTB of Bitumen that the Company intends to mine.

- The Company has acquired the water rights necessary for their full scale plant, and has begun planning infrastructure to support their water needs.

Recovery Technology – Technology Under Development

The Company plans to utilize a proprietary solvent based technology in order to extract the bitumen contained in the raw sands. The process uses natural gas condensate as the working solvent, which is mixed with crushed oil sands in a large mixing vessel. Excess solvent is used to ensure that virtually all the bitumen contained in the sands is dissolved. The resulting mix is fed into an extraction column, where the solvent and bitumen mix are separated from the sands of the spent ore. The solvent/bitumen mix then travels to a reboiler, where the excess solvent is removed, and the final product consists of approximately 25% solvent (natural gas condensate), and 75% bitumen.

This process has been implemented in the Company's pilot plant, with the exception of the reboiler which was not used during those tests. For the tests, the product was left as approximately 90%

solvent and 10% bitumen, as the Company was primarily concerned with testing the efficiency of the mixing vessel and extraction column.

There are three main reasons this technology has been selected:

1. The oil sands located in this deposit are "oil wet", as opposed to "water wet", as is the case for Canadian oil sands deposits. Oil wet sands do not respond very well to the hot water extraction process conventionally used, with much of the bitumen being left behind and recovery efficiencies too low for economic viability. Experimentation done by the Company on their own proprietary solvent based process has indicated that nearly 100% of the bitumen contained in the sands can be extracted.

2. The solvent based process does not produce any wet tailings that require additional costs to deal with, and are generally the most contentious part of oil sands operations in terms of public opinion.

3. The solvent based process produces a product that is already mixed with Diluent, and ready to ship via pipeline. This is because the solvent is not entirely removed from the final product on purpose. The Company can also vary the amount of solvent left in the final product to produce crude blends of varying gravity depending on market demand.

As mentioned before some of the solvent is left in the final blend in order to produce a product that can be shipped by pipeline. With the current pricing in the area for condensate and the blend that the Company is intending to make, there is expected to be a slight economic benefit for every STB of condensate that flows through the process and into the final blend. In other words, the price for the condensate is slightly less than the price the Company will get for the produced condensate/bitumen blend. Since the produced blend has 1 STB of condensate for every 3 STB of bitumen, 1/3 of that price differential benefits every produced STB of bitumen.

The pilot plant has been in operation since 2014, and the Company has conducted numerous test production runs. Some minor issues were encountered during those tests, including pump failures, dryer pluggage, and difficulties removing product solids. However, the major components of the extraction system have worked in the way predicted by the Company and support the likelihood that the system will work as anticipated at full capacity. Most importantly, the pilot plant has verified that the solvent process is able to extract nearly 100% of the bitumen in the raw oil sands.

Contingent Resources

C1 Contingent resources of 70.00 MMSTB have been established for this project based on volumetric analysis, as shown in Table 2. This is the P90 amount that the project is expected to be able to mine and process.

C2 Contingent resources of 87.50 MMSTB have been established for this project based on volumetric analysis, as shown in Table 2. This is the P50 amount that the project is expected to be able to mine and process.

C3 Contingent resources of 104.99 MMSTB have been established for this project based on volumetric analysis, as shown in Table 2. This is the P10 amount that the project is expected to be able to mine and process.

The lands associated with the above volumes have similar characteristics to the areas studied in detail by Boyd (minimal overburden and 4-6% ore grade by weight).

Summary of Contingencies and Project Risk

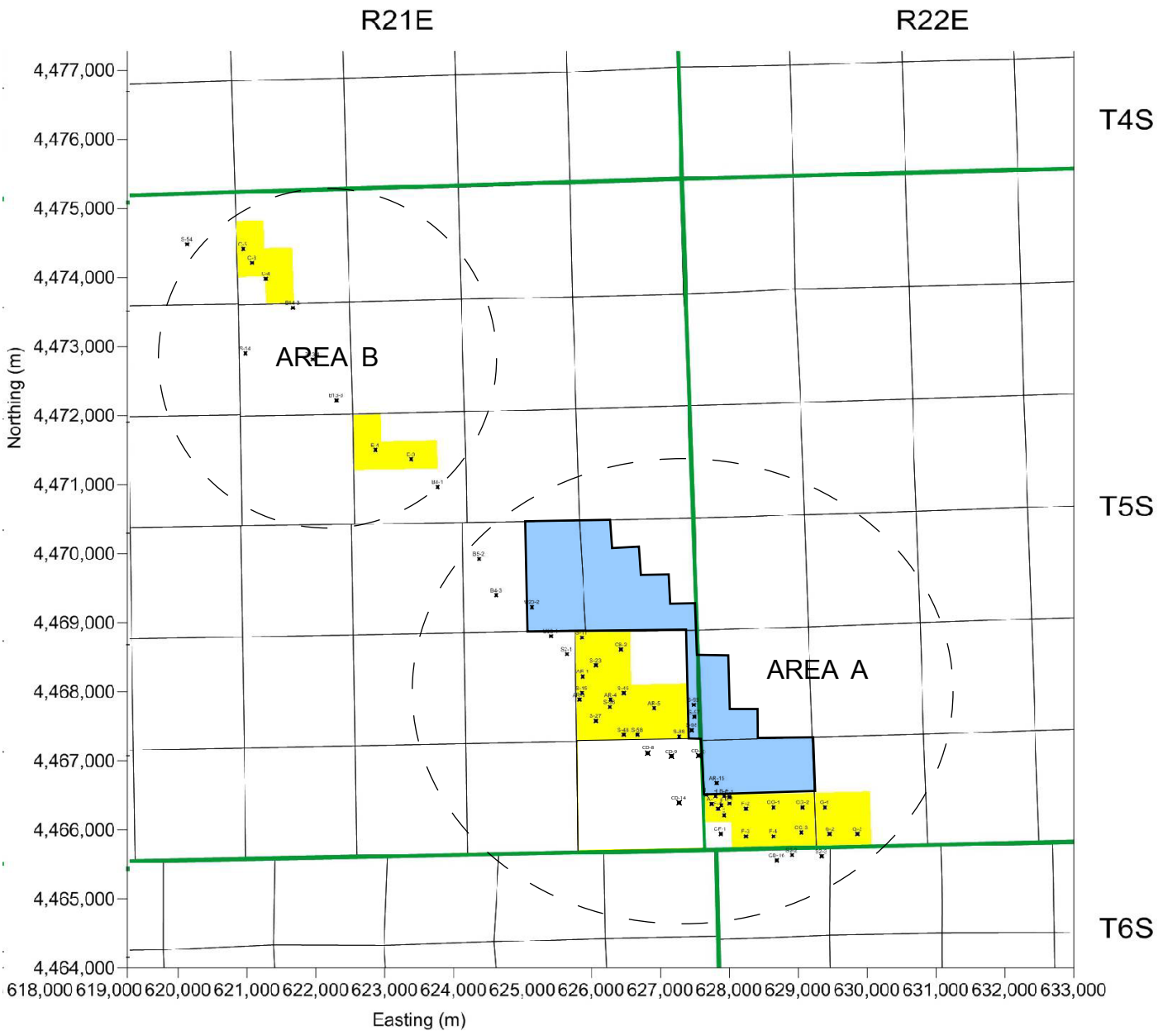
The following are the main contingencies associated with this project, listed in order of importance:

1. Verification of actual full scale processing and operating costs. Although the Company has developed detailed estimates of these costs by operating the pilot plant, they will need to implement the full scale project in order to know these costs with certainty. Chapman has estimated a 90% probability that operating costs will be in the ranges estimated in the monte carlo simulation, as documented in our September 1, 2016 report. The simulation indicates that there is a 97.5% likelihood of having an economic project if costs are in those ranges. Therefore, the probability of this contingency being overcome (i.e. operating costs are in the range estimated by Chapman) is estimated at 88%.

2. Mining costs will be similar on all Company lands. Detailed mining cost estimates have only been prepared for the first 12.8 MMSTB of bitumen to be mined, but it is anticipated that the bitumen volumes could be scaled up at a similar cost. The probability of this contingency being overcome (i.e. all actual mining costs being in line with initial estimates) is estimated at 95%.

3. Regulatory permission will be granted for all future stages. This is seen as very likely, and there are no major regulatory hurdles remaining to overcome. However, there is potential for public opposition to a project of this nature. The probability of this contingency being overcome (i.e. all future regulatory approvals being granted) is estimated at 98%.

Chapman has estimated that it is 81.9% likely that all of the above contingencies will be overcome.

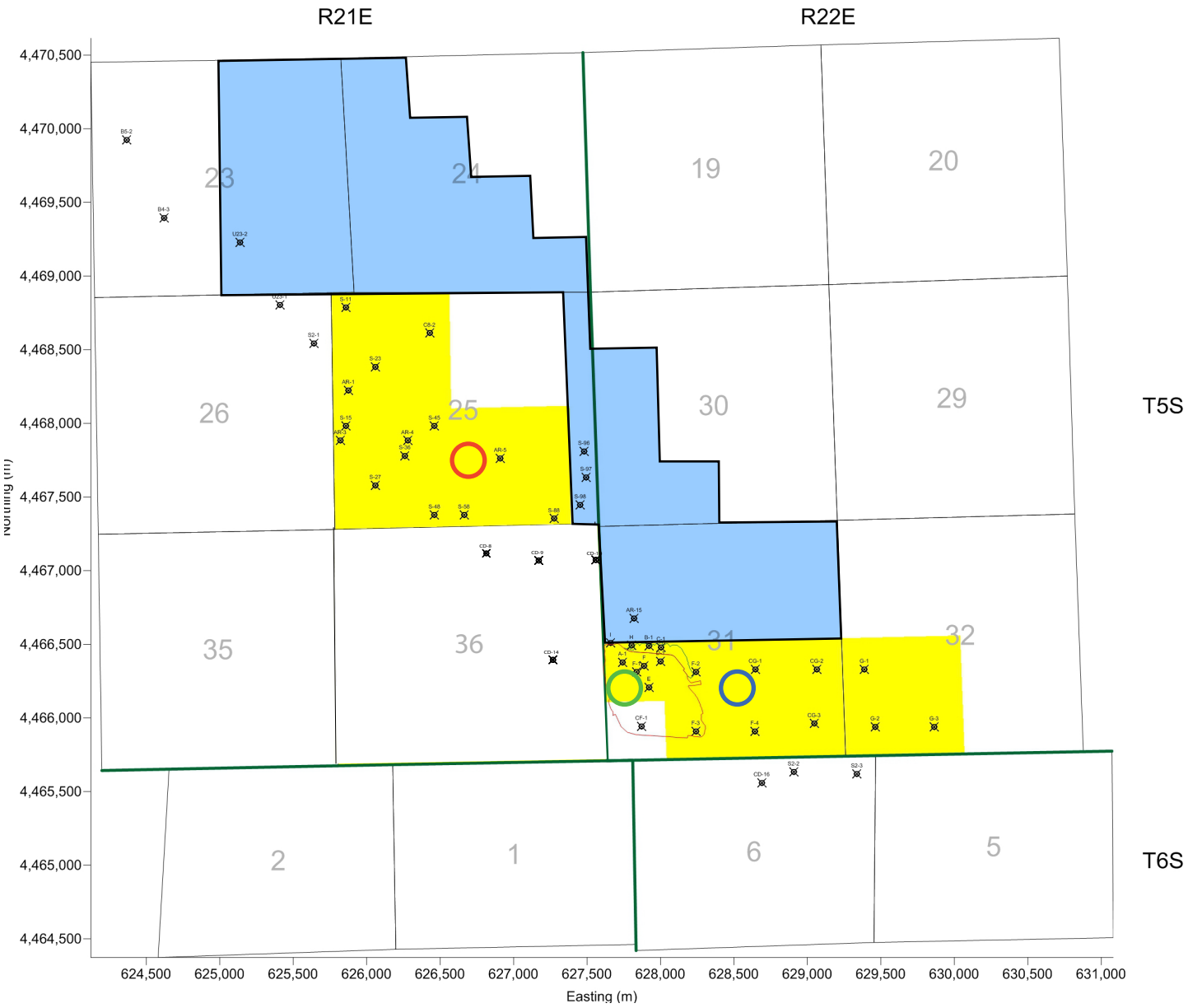


SOHIO, AMOCO, & Arizona Fuels Core Holes (1957-1978)

Old Company Lands

New Company Lands

PETROTEQ ENERGY INC.
ASPHALT RIDGE PROJECT
UINTAH COUNTY, UTAH, U.S.A.
LAND AND CORE HOLE MAP
JUNE 2018 **JOB No. 6471** **FIGURE No. 1**



SOHIO, AMOCO, & Arizona Fuels Core Holes (1957-1982)

Pit Boundary

Pit Extension

Old Company Lands

New Company Lands

Pit 1 Location

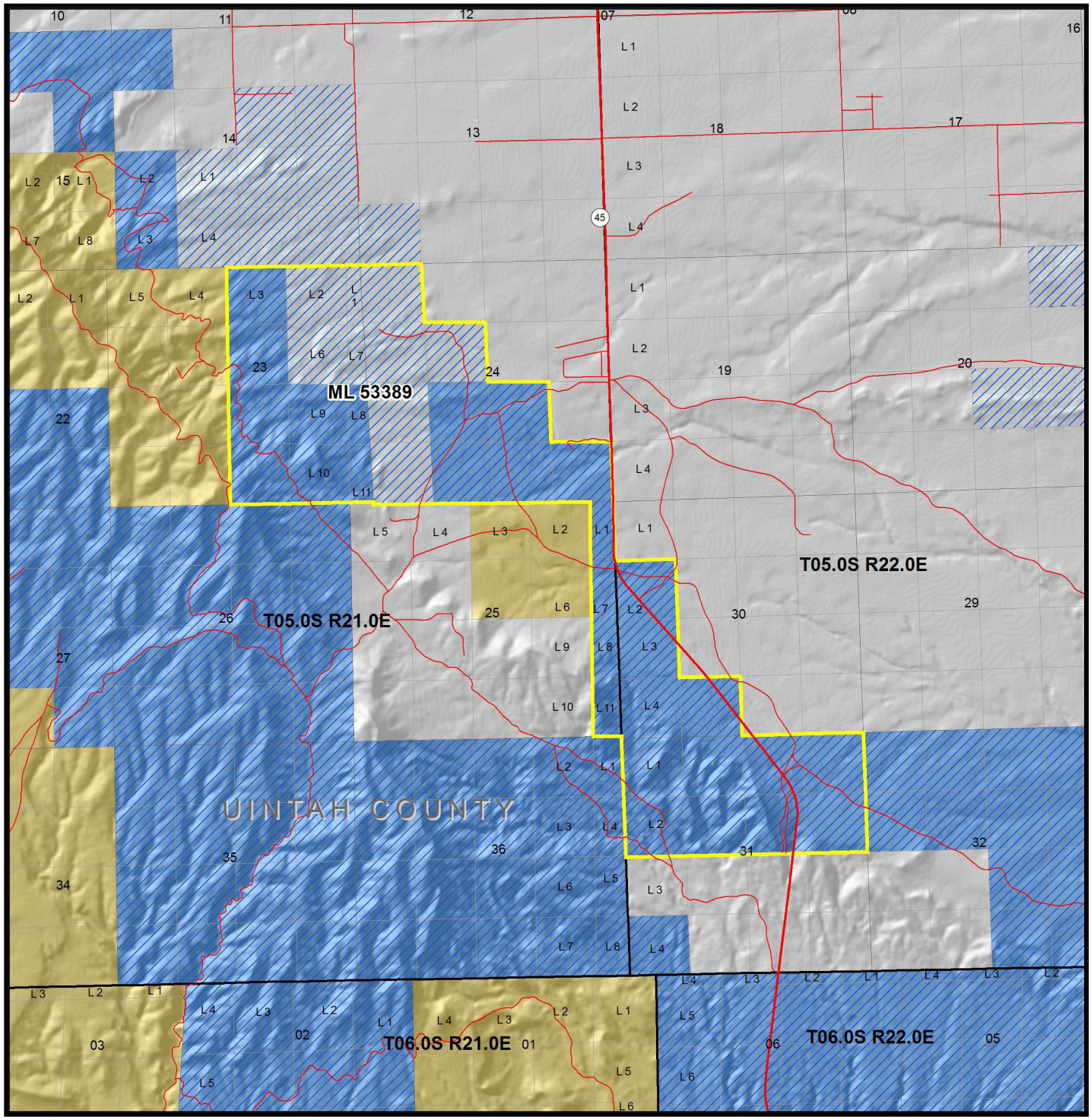
Pit 3 Location

Pit 4 Location

PETROTEQ ENERGY INC.

AREA A
ASPHALT RIDGE PROJECT
UINTAH COUNTY, UTAH, U.S.A.
LAND AND CORE HOLE MAP

JUNE 2018 **JOB No. 6471** **FIGURE No. 1a**



New Company Lands

PETROTEQ ENERGY INC.

ASPHALT RIDGE PROJECT

UINTAH COUNTY, UTAH, U.S.A.

LOT IDENTIFICATION MAP

JUNE 2018 JOB No. 6471 FIGURE No. 1b

Chapman Petroleum Engineering Ltd.

Table 1

Schedule of Lands, Interests and Royalty Burdens
May 1, 2018

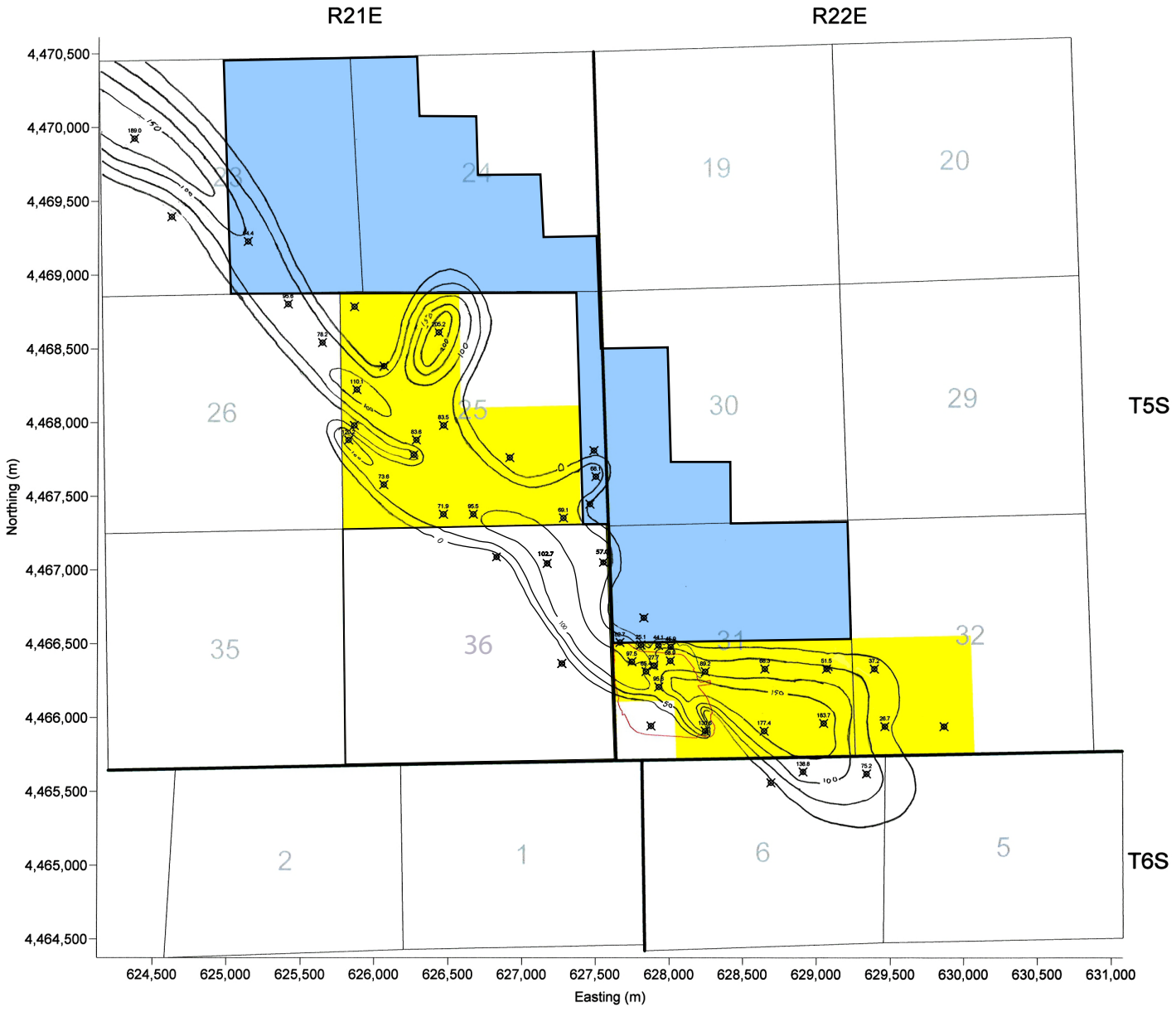
Petroteq Energy Ltd.

Asphalt Ridge, Utah

Description	Rights Owned	Gross Acres	Appraised Interest Working %	Appraised Interest Royalty %	Royalty Burdens Basic %	Royalty Burdens Overriding %
Twp 5S Rge 21E						
Sec 4: SW/4 of NW/4, NW/4 of SW/4, E/2 of SW/4	[A]	160	100.0000		[1]	-
Sec 15: W/2 of NW/4, SE/4 of NW/4, SW/4 of NE/4	[A]	160	100.0000		[1]	-
Sec 23: Lots 1 - 3, 6 - 11, SW/4 of NE/4, W/2 of SE/4	[A]	366	100.0000		[1]	-
Sec 24: W/2 of NW/4, SE/4 of NW/4, SW/4, W/2 of SE/4, SE/4 of SE/4	[A]	400	100.0000		[1]	-
Sec 25: Lots 1, 7, 8, 11	[A]	67	100.0000		[1]	-
Sec 25: SW/4, Lots 9&10, W/2 of SE/4, Lots 4&5, S/2 of NW/4	[A]	480	100.0000		[1]	-
Twp 5S Rge 22E						
Sec 30: Lots 2, 3, 4, SE/4 of SW/4	[A]	159	100.0000		[1]	-
Sec 31: Lots 1, 2, NE/4, E/2 of NW/4	[A]	320	100.0000		[1]	
Sec 31: Lot 3, SW/4 of SE/4, E/2 of SW/4, N/2 of SE/4, SE/4 of SE/4	[A]	280	100.0000		[1]	-
Sec 32: SW/4	[A]	160	100.0000		[1]	-
	[2] **Total**	**2,541.8**				

General Notes : [1] It is anticipated the Company will pay state royalties averaging 12% of production
[2] Acreage volumes may not add up exactly due to an uncertainty in Lot sizes

Rights Owned : [A] Bituminous - Asphaltic sands



SOHIO, AMOCO, & Arizona Fuels Core Holes (1957-1982)

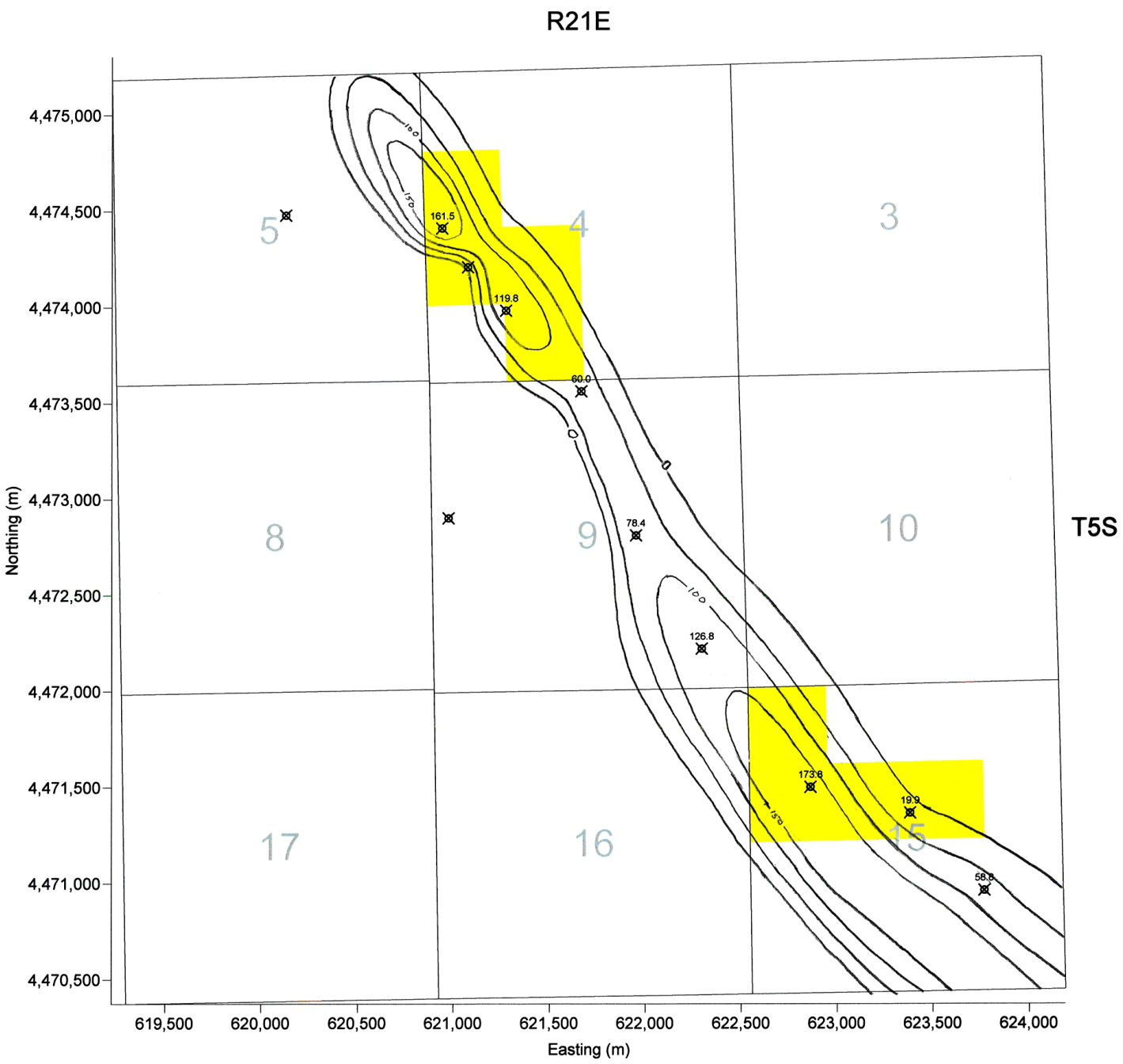
Old Company Lands

New Company Lands

PETROTEQ ENERGY INC.

AREA A
ASPHALT RIDGE PROJECT
UINTAH COUNTY, UTAH, U.S.A.
MINEABLE BITUMEN PER ACRE
C.I. = 50 MSTB/ac

JUNE 2018 **JOB No. 6471** **FIGURE No. 2a**



SOHIO, AMOCO, & Arizona Fuels
Core Holes (1957-1982)

Company Lands

PETROTEQ ENERGY INC.

AREA B
ASPHALT RIDGE PROJECT
UINTAH COUNTY, UTAH, U.S.A.
MINEABLE BITUMEN PER ACRE
C.I. = 50 MSTB/ac

JUNE 2018 **JOB No. 6471** **FIGURE No. 2b**

Table 2

Summary of Contingent Resources and Bitumen Initially in Place
May 1, 2018

Petroteq Energy Ltd.

Description		API Gravity (Deg)	Bitumen Volumes (MSTB)	Reference
Crude Bitumen				
Best Estimate (C2 Contingent Resources)				
P50 of Project Output	Bituminous - Asphaltic sands	10	87,495	Geologic mapping: Table 2a, 2b and 2c
Low Estimate (C1 Contingent Resources)				
P90 of Project Output	Bituminous - Asphaltic sands	10	69,996	0.80 times the C2 estimate*
High Estimate (C3 Contingent Resources)				
P10 of Project Output	Bituminous - Asphaltic sands	10	104,994	1.20 times the C2 estimate*

* The best estimate (C2) was used as a basis to obtain low and high estimates of resource volumes.
Low estimate is derived from 80% of the C2 volumes.
High estimate is derived from 120% of the C2 volumes.

Table 2a

SUMMARY OF GROSS RESOURCES ESTIMATE AND RESERVOIR PARAMETERS
June 1, 2018

Area A: Original Lands
Bitumen Resources

	Best Estimate
RESERVOIR PARAMETERS	
Petroleum Initially-in-Place, STB/acre	88.7
Recovery Factor, %	100
RESOURCE VOLUMES	
Area, acres	622
Petroleum Initially-in-Place, MSTB	55,154
Resources Initially-in-Place, MSTB	55,154

Table 2b

SUMMARY OF GROSS RESOURCES ESTIMATE AND RESERVOIR PARAMETERS
June 1, 2018

Area A: New Lands
Bitumen Resources

	Best Estimate
RESERVOIR PARAMETERS	
Petroleum Initially-in-Place, STB/acre	59.8
Recovery Factor, %	100
RESOURCE VOLUMES	
Area, acres	123
Petroleum Initially-in-Place, MSTB	7,331
Resources Initially-in-Place, MSTB	7,331

Table 2c

SUMMARY OF GROSS RESOURCES ESTIMATE AND RESERVOIR PARAMETERS
June 1, 2018

Area B: Original Lands
Bitumen Resources

	Best Estimate
RESERVOIR PARAMETERS	
Petroleum Initially-in-Place, STB/acre	97.7
Recovery Factor, %	100
RESOURCE VOLUMES	
Area, acres	256
Petroleum Initially-in-Place, MSTB	25,010
Resources Initially-in-Place, MSTB	25,010

Table 3
Summary of Company Contingent Resources

May 1, 2018

Petroteq Energy Inc.

Asphalt Ridge, Utah

	Contingent Resources		Cumulative Cash Flow (BIT) - M$				
	Bitumen MSTB		Discounted at:				
Description	Gross	Net [1]	Undisc.	5%/year	10%/year	15%/year	20%/year
Before Risk							
Best Estimate (2C)							
Asphalt Ridge Bitumen Mining and Extraction Project	87,495	76,996	Economic analysis was not conducted in this report				
Low Estimate (1C)							
Asphalt Ridge Bitumen Mining and Extraction Project	69,996	61,596					
High Estimate (3C)							
Asphalt Ridge Bitumen Mining and Extraction Project	104,994	92,395					
Arithmetic Average							
Asphalt Ridge Bitumen Mining and Extraction Project	87,495	76,996					
AFTER RISK							
Arithmetic Average After Risk							
Asphalt Ridge Bitumen Mining and Extraction Project	71,658	63,059					

Note [1] - Royalty anticipated to be 12%

M$ means thousands of dollars
Gross resources are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.
Net resources are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.
Columns may not add precisely due to accumulative rounding

Appendix A

Core Hole Data - Summary

Core Hole No.	TD (ft)	Overburden + Intraburden (ft)	Total Volume to BIP Ratio	Thickness of Tar-bearing Interval (excluding interburden) (ft)	Average Weight Percentage of Tar-bearing Interval (excluding interburden) (%)	Total Depth Weighted Average (ft*%)	Overall Thickness of Tar-bearing Interval (excluding interburden) (ft)	Overall Weight Percentage of Tar-bearing (excluding interburden) (%)	Mineable Depth Weighted Average (ft*%)	Mineable Bitumen per Acre (MSTB/Ac)
UPA-1	157.0	77.7	14.87	63.30	7.13	451.56	63.30	7.13	451.56	73.56
UPA-2	690.0	270.5	[2]	36.80	3.47	127.55	22.50	3.63	0.00	[2]
UPA-3	203.0	63.8	12.76	92.20	6.32	582.31	92.20	6.32	582.31	94.86
UPA-4	412.0	77.9	29.65	136.80	3.52	481.78	122.20	3.82	268.19	43.69
AN-1	350.0	36.0	12.24	314.00	4.34	1361.96	314.00	4.34	1361.96	221.87
CA-1	461.0	172.9	[2]	104.50	6.11	638.23	30.90	2.62	0.00	[2]
CA-2	555.0	497.5	[2]	16.50	4.13	68.16	9.50	4.20	0.00	[2]
CA-3	809.0	396.9	[2]	168.30	7.83	1317.55	78.20	9.31	0.00	[2]
UPB-1	617.0	467.6	[2]	42.10	2.96	124.62	34.00	3.33	0.00	[2]
C-3	1127.0	287.1	[2]	93.00	3.12	290.26	37.90	5.38	0.00	[2]
C-4	640.0	219.0	27.07	221.00	3.53	779.18	117.00	3.37	735.40	119.80
C-5	500.0	35.0	16.57	310.00	3.20	991.54	304.00	3.22	991.54	161.525
S-54	1335.0	89.5	[2]	39.50	2.86	112.95	1.00	5.30	0.00	[2]
B13-3	380.0	156.0	23.25	224.00	3.47	778.36	204.00	3.68	778.36	126.80
B13-4	330.0	50.0	18.80	140.00	3.44	481.35	110.00	3.49	481.35	78.413
B14-3	250.0	0.0	9.04	70.00	5.27	368.61	70.00	5.27	368.61	60.05
S-14	1335.0	859.0	[2]	57.00	8.47	482.90	6.00	8.63	0.00	[2]
B8-1	450.0	54.0	25.58	162.00	2.32	376.17	36.00	3.33	361.21	58.84
E-3	580.0	38.0	27.34	205.00	2.91	597.11	24.00	4.62	121.91	19.86
E-4	1040.0	255.0	23.88	280.00	3.81	1066.68	132.00	4.63	1066.68	173.76
B4-3	800.0	325.0	[2]	310.0	2.35	730.03	51.00	3.01	0.00	[2]
B5-2	600.0	50.0	18.47	410.0	2.88	1181.51	51.00	5.51	1160.09	188.98
U23-2	450.0	21.0	16.27	199.0	3.02	600.36	20.00	6.47	579.46	94.40
AR-1	231.4	77.4	13.60	148.9	4.61	686.28	33.60	9.60	676.01	110.12
AR-2	183.0	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
AR-3	403.4	261.1	24.59	153.4	4.96	760.88	18.10	7.74	737.94	120.21
AR-4	313.2	50.5	12.34	123.1	4.44	546.87	75.00	6.72	513.09	83.58
AR-5	238.3	77.8	[2]	166.1	1.12	185.39	12.70	2.62	0.00	[2]
C8-2	360.0	101.0	13.61	259.0	1.19	1259.63	194.00	5.17	1259.63	205.20
S-11	735.0	458.0	[2]	21.0	1.19	24.90	6.00	2.70	0.00	[2]
S-15	545.0	344.0	[2]	5.0	0.10	0.50	0.00	0.00	0.00	[2]
S-23	500.0	175.0	[2]	47.0	7.00	329.10	33.00	9.22	0.00	[2]
S-27	815.0	61.0	12.55	65.0	7.00	454.90	49.00	8.94	451.60	73.57
S-36	885.0	346.0	[2]	42.0	6.61	277.70	11.00	7.98	0.00	[2]
S-45	465.0	137.0	19.42	126.0	6.95	875.40	68.00	7.47	512.40	83.47
S-48	710.0	223.5	28.25	49.5	9.78	484.05	38.50	11.47	441.65	71.95
S-58	1455.0	329.5	32.17	172.0	7.25	1247.15	66.50	8.81	586.15	95.49
S-88	465.0	100.0	16.05	76.0	6.77	514.50	40.00	10.47	424.40	69.14
S-96	515.0	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
S-97	685.0	151.0	22.91	58.0	7.41	429.70	51.00	8.30	417.80	68.06
S-98	775.0	324.0	[2]	19.0	2.27	43.20	8.00	2.56	0.00	[2]
U23-1	420.0	141.0	21.90	135.0	4.47	603.26	103.00	5.12	587.12	95.64
S2-1	350.0	59.9	14.99	91.1	5.27	479.76	83.20	5.60	479.76	78.15
CD-8	331.9	174.0	[2]	45.3	2.43	109.86	14.80	4.92	0.00	[2]
CD-9	272.3	109.1	16.77	180.8	3.70	669.38	89.90	6.67	630.46	102.70
CD-10	378.0	134.1	28.83	179.6	2.32	416.20	22.00	3.98	350.19	57.05
CD-14	476.0	203.5	[2]	64.2	4.68	300.19	6.50	4.39	0.00	[2]

Appendix A

Core Hole Data - Summary

Core Hole No.	TD (ft)	Overburden + Intraburden (ft)	Total Volume to BIP Ratio	Thickness of Tar-bearing Interval (excluding interburden) (ft)	Average Weight Percentage of Tar-bearing Interval (excluding interburden) (%)	Total Depth Weighted Average (ft*%)	Overall Thickness of Tar-bearing Interval (excluding interburden) (ft)	Overall Weight Percentage of Tar-bearing (excluding interburden) (%)	Mineable Depth Weighted Average (ft*%)	Mineable Bitumen per Acre (MSTB/Ac)
AR-15	355.5	40.7	[2]	193.7	2.24	433.56	50.30	5.02	0.00	[2]
A-1	150.0	55.0	11.93	112.5	5.37	604.00	92.50	6.39	598.50	97.50
B-1	93.0	45.5	16.37	77.5	3.66	283.75	45.00	5.92	270.50	44.07
C-1	108.0	48.0	18.25	87.5	3.38	295.70	45.00	5.65	281.75	45.90
D-1	109.0	30.0	12.38	95.0	4.54	431.70	64.00	6.28	422.95	68.90
E	173.0	84.0	14.04	106.0	5.60	594.10	76.50	7.34	586.90	95.61
F	99.0	44.5	25.81	82.5	2.26	186.75	7.50	7.03	169.75	27.65
H	70.0	32.5	21.61	60.0	2.74	164.50	20.00	5.95	154.25	25.13
I	134.0	57.0	12.57	102.5	5.05	517.45	72.50	6.41	507.45	82.67
CF-1	378.0	161.9	[2]	118.2	2.05	241.81	10.80	6.20	0.00	[2]
CG-1	296.0	131.0	27.81	114.0	3.68	419.57	6.80	3.82	419.57	68.35
CG-2	219.0	30.6	14.15	63.4	4.99	316.38	58.90	5.29	316.38	51.54
CG-3	495.0	208.1	19.21	267.9	4.38	1172.48	207.50	5.22	1127.74	183.71
F-1	441.0	104.7	24.79	140.6	3.73	524.75	104.30	3.85	401.47	65.40
F-2	210.0	11.0	16.00	173.0	3.13	547.64	60.00	5.21	547.64	89.21
F-3	382.0	182.2	18.35	172.7	4.91	848.33	115.80	6.71	801.67	130.60
F-4	358.0	80.0	14.35	256.6	4.27	1096.64	186.80	5.35	1088.72	177.36
TMP-1	150.0	134.80	[2]	8.20	5.82	47.75	6.00	5.52	47.75	[2]
TMP-2	154.0	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
TMP-3	113.0	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]
TMP-4	152.0	91.80	[2]	9.50	7.28	69.19	6.20	6.91	42.86	[2]
TMP-5	196.0	117.00	14.73	80.00	7.96	637.05	67.80	8.51	637.05	103.78
TMP-6	146.0	52.60	7.36	93.40	10.12	945.16	93.40	10.12	945.16	153.97
TMP-7	196.0	97.40	17.40	37.60	9.83	369.45	37.60	9.83	369.45	60.19
TMP-8	185.0	104.60	12.13	71.40	9.67	690.70	71.40	9.67	690.70	112.52
TMP-9	156.0	41.30	9.59	113.70	6.77	769.86	113.70	6.77	769.86	125.41
TMP-10	152.0	53.20	12.02	84.80	6.45	546.66	64.00	7.96	546.66	89.05
TMP-11	154.0	79.10	12.17	70.90	8.28	586.88	65.60	8.86	586.88	95.60
TMP-12	150.0	51.00	17.42	86.00	4.36	374.56	61.40	5.35	374.56	61.02
TMP-13	148.0	58.00	13.14	57.00	7.31	416.75	50.40	8.03	416.75	67.89
G-1	75.0	21.5	13.97	45.5	5.02	228.38	45.50	5.02	228.38	37.20
G-2	275.0	33.0	23.86	85.4	2.97	253.75	31.90	4.33	163.66	26.66
G-3	302.0	84.5	[2]	116.5	2.51	292.30	11.90	5.54	0.00	[2]
CD-16	344	223.8	[2]	29.5	3.34	98.51	1.80	4.77	0.00	[2]
S2-2	736	116.2	14.98	151.8	5.61	852.06	103.80	7.36	852.06	138.80
S2-3	755	168.4	28.38	261.4	4.17	1089.40	5.40	10.31	461.44	75.17

Notes: [1] Incomplete Data
[2] Did Not Meet Mineable Criteria

Appendix B
Photographs from September 10, 2015 Chapman Site Visit

Pilot Bitumen Extraction Plant - Overview

Pilot Bitumen Extraction Plant – Product Storage Tanks

Pilot Bitumen Extraction Plant – Processed Ore

Pilot Bitumen Extraction Plant – Plant in Operation

Pilot Bitumen Extraction Plant – Small Scale Mine

Pilot Bitumen Extraction Plant – Small Scale Mine

GLOSSARY OF TERMS
(Abbreviations & Definitions)

General

BIT	-	Before Income Tax
AIT	-	After Income Tax
M$	-	Thousands of Dollars
Effective Date	-	The date for which the Present Value of the future cash flows and reserve categories are established
$US	-	United States Dollars
WTI	-	West Texas Intermediate – the common reference for crude oil used for oil price comparisons
ARTC	-	Alberta Royalty Tax Credit
GRP	-	Gas Reference Price

Interests and Royalties

BPO	-	Before Payout
APO	-	After Payout
APPO	-	After Project Payout
Payout	-	The point at which a participant's original capital investment is recovered from its net revenue
GORR	-	Gross Overriding Royalty – percentage of revenue on gross revenue earned (can be an interest or a burden)
NC	-	New Crown – crown royalty on petroleum and natural gas discovered after April 30, 1974
SS 1/150 (5%-15%) Oil	-	Sliding Scale Royalty – a varying gross overriding royalty based on monthly production. Percentage is calculated as 1-150th of monthly production with a minimum percentage of 5% and a maximum of 15%
FH	-	Freehold Royalty
P&NG	-	Petroleum and Natural Gas
Twp	-	Township
Rge	-	Range
Sec	-	Section

Technical Data

psia	-	Pounds per square inch absolute
MSTB	-	Thousands of Stock Tank Barrels of oil (oil volume at 60 F and 14.65 psia)
MMscf	-	Millions of standard cubic feet of gas (gas volume at 60 F and 14.65 psia)
Bbls	-	Barrels
Mbbls	-	Thousands of barrels
MMBTU	-	Millions of British Thermal Units – heating value of natural gas
STB/d	-	Stock Tank Barrels of oil per day – oil production rate
Mscf/d	-	Thousands of standard cubic feet of gas per day – gas production rate
GOR (scf/STB)	-	Gas-Oil Ratio (standard cubic feet of solution gas per stock tank barrel of oil)
mKB	-	Metres Kelly Bushing – depth of well in relation to the Kelly Bushing which is located on the floor of the drilling rig. The Kelly Bushing is the usual reference for all depth measurements during drilling operations.
EOR	-	Enhanced Oil Recovery
GJ	-	Gigajoules
Marketable or Sales Natural Gas	-	Natural gas that meets specifications for its sale, whether it occurs naturally or results from the processing of raw natural gas. Field and plant fuel and losses to the point of the sale must be excluded from the marketable quantity. The heating value of marketable natural gas may vary considerably, depending on its composition; therefore, quantities are usually expressed not only in volumes but also in terms of energy content. Reserves are always reported as marketable quantities.
NGLs	-	Natural Gas Liquids – Those hydrocarbon components that can be recovered from natural gas as liquids, including but not limited to ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons.
Raw Gas	-	Natural gas as it is produced from the reservoir prior to processing. It is gaseous at the conditions under which its Volume is measured or estimated and may include varying amounts of heavier hydrocarbons (that may liquefy at atmospheric conditions) and water vapour; may also contain sulphur and other non-hydrocarbon compounds. Raw natural gas is generally not suitable for end use.
EUR	-	Estimated Ultimate Recovery

June 19, 2018

Chapman Petroleum Engineering Ltd.
700, 1122 – 4th Street SW
Calgary, AB
T2R 1M1

Dear Sir:

Re: Company Representation Letter

Regarding the evaluation of our Company's oil and gas resources and independent appraisal of the resources for the effective date May 31, 2018, we herein confirm to the best of our knowledge and belief as of the effective date of the resources evaluation, and as applicable, as of today, the following representations and information made available to you during the conduct of the evaluation:

1. We, Petroteq Energy Inc., (the Client) have made available to you, Chapman Petroleum Engineering Ltd. (the Evaluator) certain records, information, and data relating to the evaluated properties that we confirm is, with the exception of immaterial items, the available dataset in our possession as of the effective date of the resources evaluation, including the following:

   - Asset ownership, related encumbrance information and all PSA terms, if applicable;
   - Details concerning anticipated product marketing, transportation and processing arrangements;
   - All available technical information including geological, engineering and production and test data, if available, and representative analog information.

2. We confirm that all financial and accounting information, if any, provided to you is, to the best of our knowledge, both on an individual entity basis and in total, entirely consistent with that reported by our Company for public disclosure and audit purposes.

3. We confirm that our Company has satisfactory title to all of the assets, whether tangible, intangible, or otherwise, for which accurate and current ownership information has been provided, or otherwise the terms of proposed acquisition or earning on the property have been provided.

4. With respect to all information provided to you regarding expected product marketing, transportation, and processing arrangements, we confirm that we have disclosed to you all

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anticipated arrangements that could reasonably be expected to have a material effect on the evaluation of the resources being evaluated.

5. With the possible exception of items of an immaterial nature, we confirm the following as of the effective date of the evaluation:

    - To the best of our knowledge, there are no directives, orders, penalties, or regulatory rulings in effect or expected to come into effect which would prevent the development of these properties.
    - Except as disclosed to you, we have no plans or intentions related to the ownership, anticipated development or operation of the evaluated properties that could reasonably be expected to materially affect the expected production levels or recovery of resources from the evaluated properties.
    - If material changes of an adverse nature occur in the Company's anticipated operating performance subsequent to the effective date and prior to the report date, we will inform you of such material changes prior to requesting your approval for any public disclosure of resources information.

6. We hereby confirm that our Company is in material compliance with all Environmental Laws and does not have any Environmental Claims pending.

Between the effective date of the report and the date of this letter, nothing has come to our attention that has materially affected or could affect our resources and economic value of these resources that has not been disclosed to you.

Yours very truly,

President and Chief Executive Officer

DAVID Seabee

Vice-President & Chief Financial Officer