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**ASPHALT RIDGE, INC.
6083 CARRIAGE HOUSE WAY
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(775) 843-4182**

Utah Division of Oil, Gas, and Mining
Attention: April Abate
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

February 4, 2022

Re: Lease Status at the TMM Asphalt Ridge Mine

Dear April Abate,

Pursuant to our phone call of this date, on behalf of Asphalt Ridge, Inc. (ARI) as its President, I am writing to respond to your request for an update on the current status of ARI's last two leases with TMC Capital LLC and Valkor, LLC –

- Mining and Mineral Lease Agreement Dated July 1, 2013, as amended, between Asphalt Ridge, Inc. (ARI) and TMC Capital LLC (TMC) (the "Mining Lease");
- Short-Term Mining Lease, made effective August 10, 2020, as amended, between Asphalt Ridge, Inc., as Lessor and Valkor, LLC, a Texas limited liability company, as Lessee ("Short-Term Mining Lease").

It is ARI's understanding MCW acquired TMC in a merger and subsequently changed its name from MCW to Petroteq Energy, keeping TMC as a wholly-owned subsidiary. Due to failures of the Lessee to complete obligations under the Mining Lease, the Mining Lease terminated in full on April 30, 2020, as reflected in a second notice sent by ARI to TMC dated August 4, 2020, as follows:

As we [ARI] notified TMC on April 30, 2020, the Mining and Mineral Lease Agreement Dated July 1, 2013, as amended, between Asphalt Ridge, Inc. (ARI) and TMC Capital LLC (TMC) (the "Mining Lease") terminated automatically in accordance with the terms of Paragraph 6, and also Paragraph 9, of the Offer of Terms dated September 20, 2019, due to Lessee's failures to make the payments required by Paragraph 6 thereof and comply with other terms of the Offer of Terms and the Mining Lease.

As a follow-up notice to the termination of the Lease on April 30, 2020, ARI informs you of the following: There are additional obligations under the Mining Lease some but not all of which are enumerated below. Additionally, there are recent developments that ARI wants you to be aware of, namely, negotiations with Valkor, LLC. It has come to our attention that you have an agreement with Valkor, LLC whereby Petroteq would have a sublease to maintain the permits and bonding on ARI property in the event Valkor should successfully negotiate a lease with ARI. This letter is to advise you that the Letter of Understanding between ARI and Valkor regarding negotiation of a short-term lease to Valkor has been terminated by ARI as of the date of this letter. Therefore, under the terms of the Mining Lease (Paragraph 11 –

Termination), ARI is notifying you that you have the balance of the 6-month period following termination of the Mining Lease on April 30, 2020, to remove all personal property you own, lease, or borrowed.

Access to the property is being scheduled by Sam Arentz and your designated representative(s) will need to have authorization to access the property and a full description of what they intend to remove. Prior to removing any plant structures or fixtures that may have value, TMC/Petroteq will remove any hazardous waste, condensate, naphtha, or other such waste or contaminated petroleum products.

The Mining Lease required Lessee to conduct reclamation in accordance with standards imposed by DOGM, and other state, federal, or local authorities.

On August 10, 2020, ARI entered into the Short Term Mining Lease with Valkor, LLC, for an initial term ending December 31, 2020, with an option to extend for an additional six months until June 30, 2021. The six-month extension took effect, and then effective July 1, 2021, ARI and Valkor entered an Addendum to Short-Term Mining Lease effective July 1, 2021, extending the Short-Term Mining Lease until December 31, 2021. ARI entered the Short-Term Mining Lease with the understanding that TMC and Petroteq were no longer involved as reflected by the following provision of the Short-Term Mining Lease, requiring Valkor, as Lessee, to obtain necessary approvals from DOGM:


Permit Approval of all Mining and Processing Operations and Posting of Adequate Reclamation Surety. Prior to commencing any Operations, Lessee shall have obtained final approval of all necessary mining and reclamation plans from the Utah Division of Oil, Gas and Mining, or its successor agency ("Division" herein) authorizing Lessee's Operations and shall have posted with and obtained approval from the Division of a surety bond or other financial guarantee ("Reclamation Surety") in the amount and form acceptable to the Division and sufficient to guarantee Lessee's performance of reclamation in accordance with Utah laws and regulations. The amount of the surety bond or financial guarantee shall be periodically reviewed in accordance with Division's regulations and, if the Division directs, increased or otherwise modified as directed by the Division. Lessee shall keep Lessor fully informed as to reclamation costs and bonding requirements and Lessor's approval of the bond amount shall be required. Lessor will not unreasonably withhold such approval. Lessee acknowledges the previous mining and processing operations conducted on the Property by the prior mining operator permitted by the Division and Lessee understands it will need to assume or replace the existing Reclamation Surety provided by the prior mining operator and provide such additional Reclamation Surety as the Division may determine necessary in order for the Division to grant its approval to Lessee. Lessee shall comply with all governmental related laws, regulations and permit requirement including but not limited to those for OSHA, MSHA, and county special use permits.

Although ARI's communications under the Short-Term Mining Lease were with Valkor, it appears that Petroteq was brought back as the operator of the mine and plant and that Valkor used their own personnel who became executives of Petroteq for oversight.

On November 2, 2021, ARI notified Valkor that the Short-Term Mining Lease automatically terminated in accordance with its terms effective on October 1, 2021, after Lessee failed to make the rental payment by October 10, 2021. Although ARI had some conversations with Valkor immediately following the termination, Valkor has not been forthcoming with any viable alternative to the termination, and ARI requested that reclamation commence and be completed as required by the Short-Term Mining Lease. ARI has not had any communications from Valkor for several weeks. Under the circumstances, ARI welcomes DOGM's oversight of the reclamation of ARI's property.

ARI's believes the cleaned sands on its property may have a market both as a blend for frac-sands and for industrial purposes and not necessarily for fill during reclamation. ARI would be entitled to a royalty if not ownership of those materials. Thank you for allowing us to respond.

Sincerely,



Sam S. Arentz III, President