

M/047/0089

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11072 / June 13, 2022

SECURITIES EXCHANGE ACT OF 1934
Release No. 95089 / June 13, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20898

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JUN 15 2022

DIV. OF OIL, GAS & MINING

In the Matter of

Petroteq Energy, Inc., and
Aleksandr Blyumkin

Respondents.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS AND IMPOSING A CEASE-AND-DESIST ORDER, AND NOTICE OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Petroteq Energy, Inc. (“Petroteq”) and Aleksandr Blyumkin (“Blyumkin”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section VI, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings and Imposing a Cease-and-Desist Order, and Notice of Hearing (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

SUMMARY

1. This matter involves violations by Petroteq, a public company based in Sherman Oaks, California, and its former executive chairman, Blyumkin. First, Petroteq raised \$7.39 million in an unregistered securities offering from September 2017 to May 2019. Petroteq filed Form D notices with the Commission, signed by Blyumkin, falsely stating that the company paid no sales commissions in the offering. In reality, Petroteq paid commissions exceeding \$2.89 million. Second, Blyumkin withdrew cash for himself from Petroteq's bank accounts and directed company money to his companies, to his sister, and to companies owned by his brother-in-law and former domestic partner in transactions not disclosed in Petroteq's Commission filings. As a result of these transactions, which totaled at least \$3,065,595, Blyumkin received financial benefits from Petroteq exceeding his compensation described in Petroteq's Commission filings. Third, in a transaction negotiated by Blyumkin, Petroteq reported paying \$23.8 million in cash and stock to purchase certain mineral-lease operating rights, which accounted for 32.6% of the company's total assets. Petroteq's Commission filings failed to disclose that Petroteq purchased the assets from a related person, as defined in Exchange Act Regulation S-K, Item 404, and failed to disclose details concerning the lack of impairment analysis of the asset's value.

2. In addition, from at least 2018 through 2020, Petroteq's independent auditor identified material weaknesses in Petroteq's internal control over financial reporting ("ICFR"), including that Blyumkin held single-signature authority over Petroteq's bank accounts and that a material amount of Petroteq's expenses were personal to Blyumkin. The auditor noted that these weaknesses increased the risk of misappropriation and financial misstatements. Despite these warnings, Blyumkin failed to implement internal accounting controls to address the material weaknesses that the auditor identified. The company failed to conduct an impairment analysis of Petroteq's operating-rights assets, and the company's financial statements failed to disclose certain other related-party transactions as required under generally accepted accounting principles ("GAAP").

RESPONDENTS

3. **Petroteq Energy, Inc.**, incorporated in Canada, has its principal executive offices in Sherman Oaks, California. Its primary business is developing proprietary tar-sands mining and processing technology. Since June 2017, its common stock has traded on the OTC Pink Market, OTCQX International Market, the TSX Venture Exchange in Canada, and on the Frankfurt Stock Exchange in Germany. Petroteq's common stock has been registered with the Commission under Exchange Act Section 12(g) since July 2019.

4. **Aleksandr Blyumkin**, age 50, resides in Beverly Hills, California. At various times, Blyumkin served as Petroteq's chairman of the board, executive chairman, president, and

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.