



PETRO-VICTORY ENERGY CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

The following Management’s Discussion and Analysis (“MD&A”) is dated April 25, 2019 and should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes of Petro-Victory Energy Corp. (“Petro-Victory” or the “Company”) for the years ended December 31, 2018 and 2017. The audited Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”). Additional information for the Company can be found on SEDAR at **Error! Hyperlink reference not valid.** or at www.petrovictoryenergy.com.

The Company’s business is conducted principally in Latin America and the Company’s revenue and expenses are principally denominated, earned and incurred in United States dollars. **In this MD&A, unless otherwise indicated, all “dollar” amounts or references to “US\$” or “\$” or “USD\$” refer to United States dollars.** References to “CDN \$” are to Canadian dollars. A glossary of other terms is included at the end of this report.



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DESCRIPTION OF BUSINESS

The Company, through its subsidiaries, is engaged in the acquisition and development of crude oil and natural gas resources in Latin America, primarily in Brazil and Paraguay. Petro-Victory holds Net Revenue Interests (“NRI”) in a 2-million-acre concession in Paraguay and working interests in nine blocks totaling 47,462 gross acres Brazil. Petro-Victory’s strategy is to produce substantial returns to our shareholders by building an on-shore upstream asset acquisition and development engine focused on disciplined investment in high potential, low-risk assets.

Petro-Victory Energy Corp. was incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands) on May 20, 2014. The British Virgin Islands were selected for the Company’s domicile based on favorable business laws, tax laws, and relationships with Canada, the United States and most Latin American countries.

SIGNIFICANT CURRENT YEAR AND HISTORICAL EVENTS

Summarizing the Company’s 2018 significant events:

- October 26, 2018 – The Company announced the acquisition through a farm-in with Imetame Energia of a 50% working interest in five (5) Brazilian exploration concessions, which was subject to ANP approval at year end. Funds for the initial payment of approximately USD \$220,000 were obtained from the Senior Secured Debt financing.
- October 25, 2018 – The Company acquired funds for general corporate purposes via a non-brokered private placement of 9,114,000 common shares at a price of CDN \$0.05 for gross proceeds of CDN \$455,700. The shares were issued October 25, 2018, subject to a four month hold period.
- September 4, 2018 – Petro-Victory announced a USD \$1.6 million acquisition of production and working interests in 4 oil fields in Brazil, comprised of 12,850 gross acres, which was subject to ANP approval at year end. Funds for the initial payment of approximately USD \$375,000 were obtained from the Senior Secured Debt financing.
- August 28, 2018 – Company finalizes a USD \$10 million Senior Secured Debt financing to be comprised of two or more loans. The initial loan of \$4,000,000 is to be advanced in two tranches, with the initial draw of \$1.4 million advanced on August 29.

Summarizing the Company’s prior significant events:

- July and August, 2017 – Company announced a proposed acquisition of producing assets in Brazil, the initiation of a related private placement, and the addition of two new executive team members.
- October 7, 2015 – Company completes sale/exchange of its 36% Paraguay working interest for 3% Net Revenue Interest (“NRI”) plus other monetary consideration and debt deferral. Simultaneously, the Company signed an amendment to the debenture outstanding with a major creditor, Canacol Energy, limiting its liability and providing flexibility to focus on new opportunities.
- December 29, 2014 – Subsequent to drilling two wells in Paraguay, the Company announced an end to the 2014 drilling campaign having encountered hydrocarbons in two separate reservoirs but with no commercial discovery.
- July 22, 2014 – The Company became a reporting issuer in Canada on July 11, 2014 and completed its IPO on July 22, 2014.



SUBSEQUENT EVENT

In preparing the financial statements and the MD&A, Management has evaluated all subsequent events and transactions for potential recognition or disclosure through April 25, 2019, the date the financial statements were available for issuance. The only significant subsequent event was as follows:

- In order to provide additional funds for general corporate purposes, on April 25, 2019, the Company announced a non-brokered private placement of up to 30,000,000 common shares at a price of CDN \$0.02 per share for gross proceeds of up to CDN \$600,000. The offering is being made pursuant to a waiver granted by the TSX Venture Exchange which permits the Company to offer the shares at a price below the TSX Venture's normal \$0.05 minimum pricing requirement.

DISCUSSION OF 2018 OPERATIONS

2018 Fourth Quarter Activities

The fourth quarter of 2018 resulted in a loss from operations of (\$306,021), down slightly from the 2017 fourth quarter loss of (\$337,244). The difference was primarily the result of payroll costs decreasing from \$179,500 to approximately \$76,000 with one less officer, less part-time work and the elimination of one support personnel. Professional fee expense decreased from about \$137,000 to \$119,000 primarily because certain professional fees incurred in 2018 have been capitalized as loan acquisition costs. Offsetting the decreases were increased director fees, travel costs, insurance and office expenses which increased by nearly \$80,000 as enumerated on the financial statements.

The fourth quarter operating loss was largely offset by the recording of three non-operating items. A \$350,711 gain from the extinguishment of liabilities was recorded related to a stock for liabilities settlement, offset by interest expense of \$43,151 incurred on the new Senior Secured Debt and a \$61,570 charge for the fair value of the derivative warrant liability attached to the Senior Secured Debt.

Twelve-month Activities

The 2018 twelve-month loss of (\$1,150,661) exceeds the comparable 2017 loss of (\$789,009) primarily because the 2017 loss was favorably reduced by approximately \$636,000 more gain from the favorable extinguishment of liabilities. Excluding these special costs, the Company was able to significantly reduce general and administrative expenses from nearly \$1.8 million to \$1.4 million as shown in the audited Consolidated Financial Statements. The primary factor was the reduction in payroll costs of about \$365,000 with the resignation of one officer, the reduction of activity in Paraguay, and the elimination of paid and accrued bonuses in 2018.



SELECTED QUARTERLY AND ANNUAL RESULTS

The selected information below has been prepared in accordance with IFRS and is expressed in U.S. dollars.

Financial Measures	Three Months ended December 31,		Twelve months ended December 31, 2018	
	2018	2017	2018	2017
Total Revenue	-	-	-	-
Net Income (loss)	(65,237)	(337,244)	(1,150,661)	(789,009)
Income (loss) per Share	(.00)	(.00)	(.00)	(.00)
Capital Expenditures	-	-	-	-
Total Assets	726,137	60,395	726,137	60,395
Total Current Liabilities	2,149,634	2,569,647	2,149,634	2,569,647
Total Long-term Liabilities	1,341,659	-	1,341,659	-
Common shares outstanding	300,337,709	268,412,958	300,337,709	268,412,958
Common A	204,802,709	177,877,958	204,802,709	177,877,958
Common B	95,535,000	90,535,000	95,535,000	90,535,000

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company has not had any revenues since inception. Below is a breakdown of the capitalized and expensed oil and gas expenditures during the fourth quarter of 2018 and year-to-date.

	Quarter Ended December 31, 2018	Year-to-Date December 31, 2018
Exploration and Evaluation Assets or Expenditures	Nil	Nil
Capitalized Deposits on E&E assets	\$218,741	\$602,692
Expensed Research and Development Costs	Nil	Nil
Intangible Assets Arising from Development	Nil	Nil
General and Administrative Expenditures	\$306,021	\$1,378,556
Any other Material Costs, whether expensed or Recognized as Assets	Nil	Nil

DISCLOSURE OF OUTSTANDING SECURITIES DATA

The Company has authorized an unlimited number of Common and Restricted Shares. Additionally, the Company has a rolling incentive stock option plan that enables the Board of Directors to issue options for up to 10% of the outstanding Common Shares. The incentive stock option plan document can be found on SEDAR (www.sedar.com).

The Company has the following number of amount of securities outstanding as of December 31, 2018:

	Number of:
Common Shares	204,802,709
Restricted Voting Shares	95,535,000
Issued Warrants	4,200,000
Issued and Outstanding Options	11,836,246



AREAS OF OPERATION AND ASSET ACQUISITIONS

Brazil

Brazil has long been a major participant in the worldwide oil and gas industry and the Company believes that recent developments offer unprecedented opportunities to invest in energy assets in Brazil. In 2015, Petrobras, the national oil company of Brazil, began divesting assets, including large non-core developed onshore assets and shallow water offshore assets to redirect their investment focus to deepwater assets. On October 28, 2018, Jair Bolsonaro was elected President of Brazil running his campaign on a platform and plan to drive an economic recovery by reducing corruption, overhauling Brazil's entitlement programs, embracing international business efforts, and continuing the Petrobras asset divestiture plan.

ENGEPET Acquisition

In July of 2017, the Company announced a proposed acquisition of producing and development assets in Brazil. On September 4, 2018, the Company executed a contract for the \$1.6 million acquisition of production and working interests in four (4) oil fields, and stated its commitment of capital to materially expand production. The four fields are comprised of 12,850 gross acres located within three developed onshore basins in Brazil. The initial payment of \$0.375 million was paid at signing using the Company's new credit facility, with the remaining \$1.225 million due upon approval by the ANP. The Company acquired the assets from ENGEPET, and has an operating partnership with ENGEPET to optimize field production for Carapitanga and Sao Joao fields. The Company is considering options for the operations and development of the Andorinha and the Alto Alegre fields.

The transaction is subject to approval by the ANP and the Company expects ANP-approved asset transfers in the first half of 2019. Upon approval, the Company will recognize production revenue, initiate its 2019 work program on existing wells, and execute its plan to drill a new well in the Andorinha field.

The acquisition consists of the following:

- 100% operating interest in the Andorinha onshore producing oil field in the Potiguar Basin
- 100% operating interest in the Alto Alegre onshore oil field in the Potiguar Basin
- 50% non-operating interest in the Carapitanga producing onshore oil field in the Sergipe-Alagoas Basin
- 50% non-operating interest in the São João onshore oil field in the Barreirinhas Basin

The acquired assets include existing infrastructure consisting of 21 drilled wells, pipelines, power generation and electrical lines, pumping units, paved roads, storage tanks, and 3D and 2D seismic with a combined estimated original cost in excess of \$50 million. Existing and new seismic and well data will be used to construct a 24 to 36-month development and work plan. The total existing (Q4 2018) average production of 25 barrels of oil equivalent per day is from four mature wells in the two producing fields of Andorinha and Carapitanga.

Imetame Energia Acquisition

On October 26, 2018, the Company announced the acquisition of a 50% working interest in five (5) exploration concessions located in the Espirito Santo Basin onshore Brazil. The acquisition, made from Imetame Energia and subject to ANP approval, represents a substantial increase in the Company's Brazilian concession area holdings. Each concession within the Imetame acquisition is highly prospective, low risk and oil prone. In certain concessions, oil has been discovered and flowed to the surface. More details on work programs, a breakdown of resources mapped in each concession, and other material E&P data will be supplied pending approval by the ANP. Imetame will remain operator in these jointly owned fields.



As stated, the acquisition from Imetame Energia is subject to approval by the ANP. Assignment costs are estimated at \$440,000 and the Company made an initial payment of \$220,000 with funds from the \$1.4 million initial draw on the Company's credit facility. The final payment of approximately \$220,000 is expected to be funded under the Company's credit facility subsequent to ANP approval.

Summary of Brazil Assets

Acquired From	Field / Block	Basin	Acquisition Cost	Working Interest	Acres	Historical Wells Drilled	Status	Current Production (BOE per day)
ENGEPE ³	ANDORINHA	Potiguar	\$1,600,000	100%	9,884	7	Developed Producing	23
	ALTO ALEGRE	Potiguar		100%	1,315	2	Developed Non-producing	0
	SAO JOAO	Barreirinhas		50%	1,421	11	Developed Non-producing	0
	CARAPITANGA	Sergipe		50%	247	5	Developed Producing	2
IMETAME ³	ES-T-354 ES-T-373 ES-T-441 ES-T-487 ES-T-477	Espirito Santo	\$440,000	50%	34,595	25	Exploration	0
Total	9	4			47,462	50		25

Paraguay

Paraguay is a landlocked country between Argentina, Brazil and Bolivia, home to large swaths of agricultural land, swampland, subtropical forest, chaco (wildernesses comprising savanna and scrubland), and the world's largest hydroelectric dam. The capital is Asunción and the country has a population of 6.91 million (2018) with 2017 GDP of USD \$30 billion (Ranked 99 of 189 countries). The country does not have a mature oil and gas industry but E&E investments are increasing.

Management has been active since 2006 in Paraguay and believes that certain events and measures taken since that time ameliorate the operating environment and mitigate the risks. Together with President Energy, the Company's original farm-in partner, two exploratory wells were drilled in the Pirity Concession of Paraguay in 2014. The wells were not commercial, and in 2015 the Company exchanged its 36 percent working interest for a 3% Net Revenue Interest ("NRI") plus other monetary consideration and debt deferral. The value of the Company's NRI will ultimately be determined by a commercial hydrocarbon discovery in the Pirity Concession.

In concert with closing the exchange with President Energy, the Company signed an amendment to a convertible debenture held by Canacol Energy ("Canacol"), the Company's first lender. The revised terms provide for a limitation of the amount due Canacol to a fixed \$2.7 million and for payment to be made either as a result of a farm-out or from 33% of any Net Revenue Interest ("NRI") payments received by the Company as a result of any discovery and commercialization of hydrocarbons in the Pirity Concession. Payment is required only upon one of these two events.

As of December 31, 2018, President Energy has mapped the Cretaceous formation located in the southwest part of the Pirity Concession and have identified 6 prospects and 3 leads which they suggest have upgraded the combined prospective resources. President Energy has announced plans to drill a well on the Pirity Concession in the second half of 2019 or early in 2020.



CAPITAL RESOURCES

The Company has and will continue to rely upon the sale of additional equity interests and/or issuance of debt securities for additional capital required for acquisition, exploration and development purposes. The Company plans and must be able to generate oil and gas revenues in order to continue its growth plans.

Credit Facility

On August 28, 2018, the Company entered into a credit facility with PPF9, LLC (“PPF”) providing for up to \$10 million of loans to be collateralized by oil and gas properties. The initial Loan Agreement (the “Loan”) provides for a \$4 million loan consisting of two advances: 1) the sum of USD \$1,400,000 which was advanced on August 29, 2018, and 2) the remaining USD \$2,600,000 to be advanced at a mutually agreeable date thereafter. The USD \$4,000,000 loan is collateralized by the four Brazilian oil fields discussed herein acquired from ENGEPEP. The Loan was signed with Petro-Victory, LLC (a Texas LLC), as borrower, as the Texas LLC owns the Brazilian subsidiary. The Company, as corporate parent, also guaranteed the Loan.

The Loan terms provide for interest at an annual rate of 9% payable quarterly with maturity dates 36 months after each tranche is closed. The Loan also provides bonus Warrants that permit the holder to purchase up to 30 million common shares (pro-rata at 3 Warrants per US dollar drawn on the loans) of the Company at a price of CDN \$0.05 per share for a period of three years. Warrants to purchase 4,200,000 shares fully vested with the funding of the initial \$1,400,000 draw.

LIQUIDITY

The Company has not generated any revenues since its inception. To fund its operations and acquisitions in 2018, the Company has entered into the credit facility discussed above and issued common stock for cash as well as for the settlement of liabilities.

Management and the Board realize that additional liquidity will be required to fund future new purchases of the Brazilian assets and to successfully complete workplans related to those concessions. Management has initiated discussions with international financing and industry parties that are interested in Brazil and the oil and gas sector in particular. As discussed in the Risk Factors outlined herein, there can be no assurance that any of the corporate liquidity options discussed above will provide sufficient funds to continue operations for the next twelve months.

Cash available at December 31, 2018 consisted of the following:

	Total US Equivalent \$	US Dollar	Paraguay Guarani	Brazil Real
Cash held in United States	53,249	53,249		
Cash held in Paraguay	3,757		22,391,800	
Cash held in Brazil	33,404			126,578
Total	90,410	53,249	22,391,800	126,578



Liquidity Improvements Initiated by Management

The Company's balance sheet and future liquidity impact items have improved significantly by virtue of recent efforts by Management. The following liquidity improvements eliminate future drain on the Company's cash requirements.

- In the fourth quarter of 2018, the Company acquired funds for general corporate purposes via a non-brokered private placement of 9,114,000 common shares at a price of CDN \$0.05 for gross proceeds of CDN \$455,700 (USD \$350,000). The shares were issued October 25, 2018, subject to a four month hold period. Several other smaller private placements have occurred in recent years in order to raise sufficient funds to continue to operate.
- In the third quarter of 2018, the Company made a negotiated cash payment of USD \$150,000 to former CEO, Patrick Yeghnazar, and eliminated any potential deferred compensation or bonus liability. Further, Mr. Yeghnazar's 1,750,000 options expired 90 days after ceasing employment.
- The Company carries a \$2.7 million liability to Canacol as a result of the October 7, 2015 amendment to the related debenture. All payments of the liability to Canacol shall be made out of the Company's 3% NRI whereby Canacol shall receive the first 33% of the NRI. As such, the Canacol liability shall not have any impact on the Company's liquidity or consume any capital raised by the Company since there is no value recorded for the NRI.
- The Company has consummated two "stock-for-debt" transactions in the last several years, allowing the Company to minimize the use of limited cash in exchange for common stock.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date hereof, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial conditions of the Company including, without limitation, such considerations as liquidity and capital resources.

TRANSACTIONS WITH RELATED PARTIES

Canacol Energy Debenture

On June 26, 2014, the Company executed a convertible debenture in the amount of \$5,000,000 with Canacol to fund certain pre-IPO expenses, and a month later repaid \$2,500,000. On October 5, 2015, the Company signed an Amendment Agreement providing for repayment of the debenture in a fixed amount of \$2,700,000 including accrued interest from one of two sources: a) from 33% of amounts received under the NRI discussed previously, and/or b) the pass through of amounts received as back costs from any future farm-out partner in the Pirity Concession. Since the repayment of this obligation is contingent on success in the Pirity Concession, the carrying value of the NRI and the obligation to Canacol have been netted to zero in the accompanying consolidated statement of financial position.

Advances from Related Parties

The Company is continuously reviewing and evaluating new assets and business opportunities which require development costs. As of December 31, 2018, two officers of the Company had personally advanced a total of \$7,833 (\$69,834 at December 31, 2017) to the Company to finance such activities. An additional \$27,844 was due to related entities for services. These advances are included within the Company's current liabilities.



CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared using the accrual basis of accounting, and in accordance with IFRS. The Company has only been and intends to stay involved in one business segment, that being the exploration for crude oil and natural gas reserves and the related production thereof. The Company may expand into more than one geographical segment. As such, the most critical accounting estimates necessary to properly record transactions with exploration and evaluation (“E&E”) expenditures and with the accounting for property and equipment.

E&E and Property and Equipment

Pre-license expenditures, including geographical and geophysical exploration cost, are expensed in the period in which they are incurred. All costs directly associated with the exploration and evaluation of crude oil and natural gas resources are initially capitalized as an intangible asset on a Prospect-by-Prospect basis. E&E costs are those expenditures for a Prospect where technical feasibility and commercial viability has not yet been determined. All carried costs are subject to technical, commercial and Management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

In the future, when a Prospect is determined to be technically feasible and commercially viable, the accumulated costs will be assessed for impairment and then transferred to property and equipment. When a field is determined not to be technically feasible and commercially viable or when the Company decides not to continue with its activity, the unrecoverable costs will be charged to earnings as E&E expense. If sold, proceeds from conveyances of E&E assets representing unproven crude oil and natural gas properties will be applied against the Company’s basis in the E&E assets and a gain will only be recognized when the proceeds received exceed the Company’s basis in the E&E assets conveyed.

When the Company pursues exploration activities, all costs directly associated with the development of crude oil and natural gas reserves will be capitalized on a field-by-field basis IFRS requirements. The resulting asset will include expenditures for areas where technical feasibility and commercial viability have been determined. These costs could include proved property acquisitions, development drilling, well completion costs, gathering and infrastructure, asset retirement costs and transfers from E&E assets. The costs so accumulated will be depleted using the unit-of-production method based on proved plus probable reserves and using estimated future prices and costs. Costs of major development projects will be excluded from the costs subject to depletion until they are available for use. For divestitures of property, a gain or loss will be recognized in earnings.

As the Company’s working interest and operating activities progress, they may give rise to dismantling, decommissioning and site disturbance remediation activities. Provision will be made for the estimated cost of site restoration and capitalized in the relevant asset category. Such obligations will be measured annually at Management’s best estimate of the expenditures required to settle the present obligation at the date of each consolidated statement of financial position. Each year the estimated obligation will be adjusted to reflect the passage of time and for changes in the estimated future cash flows underlying the obligation.

The foregoing procedures and IFRS regulations require Management to carefully review types and classifications of expenditures, and to make estimates of commercial viability, resources, and remediation costs. Third party reserve engineers will be relied upon to assist in the determination of resources. Should such estimates be incorrect, amounts carried on the books could be either over or understated, and the resulting recorded results of operations likewise over or understated. With the minimal activity to date, Management does not believe that any changes to historical financial results would be appropriate based on changes in estimates made.

No other accounting estimates are critical to the Company at this time, and there are no changes in accounting policies or new pronouncements that are expected to impact the Company’s record-keeping or results of operations.



Share-based Payments and Fair Value of Warrants

The estimate of share-based payment costs and of the fair value of warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the expected life of options and expected extinguishments. The model used by the Company is the Black-Scholes model and the fair value method of the Company's stock.

FINANCIAL AND OTHER SIMILAR INSTRUMENTS

The Company's financial instruments and liabilities consist of cash, accounts payable, accrued liabilities and advances from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

The Company incurs certain of its expenditures related to its exploration properties in both U.S. dollars and local currency, as applicable, and as such, is exposed to currency risk due to fluctuations in exchange rates. The Company has not yet undertaken any hedging activities to reduce its exposure to this risk.

PRIMARY RISK FACTORS

The Company's business consists of investments in exploration and evaluation ("E&E") assets which focus on the exploration for, and the acquisition and development of, crude oil and natural gas resources in Latin America. There are a number of inherent risks associated with the investment in E&E assets. Many of these risks are beyond the control of the Company.

Going Concern Issues

As of December 31, 2018, the Company had negative working capital of (\$2,033,141) and cash of \$90,410, amounts insufficient to meet its expected capital needs in the next twelve months. In addition, the Company has incurred losses since inception and has no revenues. Management and the Board realize that the Company must generate revenue and additional funds must be raised in the next twelve months in order to fund future operating costs, any potential work programs and to pay general and administrative costs. Unless the Company is successful in generating revenue and raising additional capital and/or securing debt, it may not be able to continue as a going concern.

World Financial Markets

Significant changes in global financial markets may influence the Company's ability to raise capital. Decisions made by central banks and governments impact available liquidity in markets and influence risk tolerance for investors. These factors are out of management's control which may negatively influence our equity price and ability to raise additional capital.

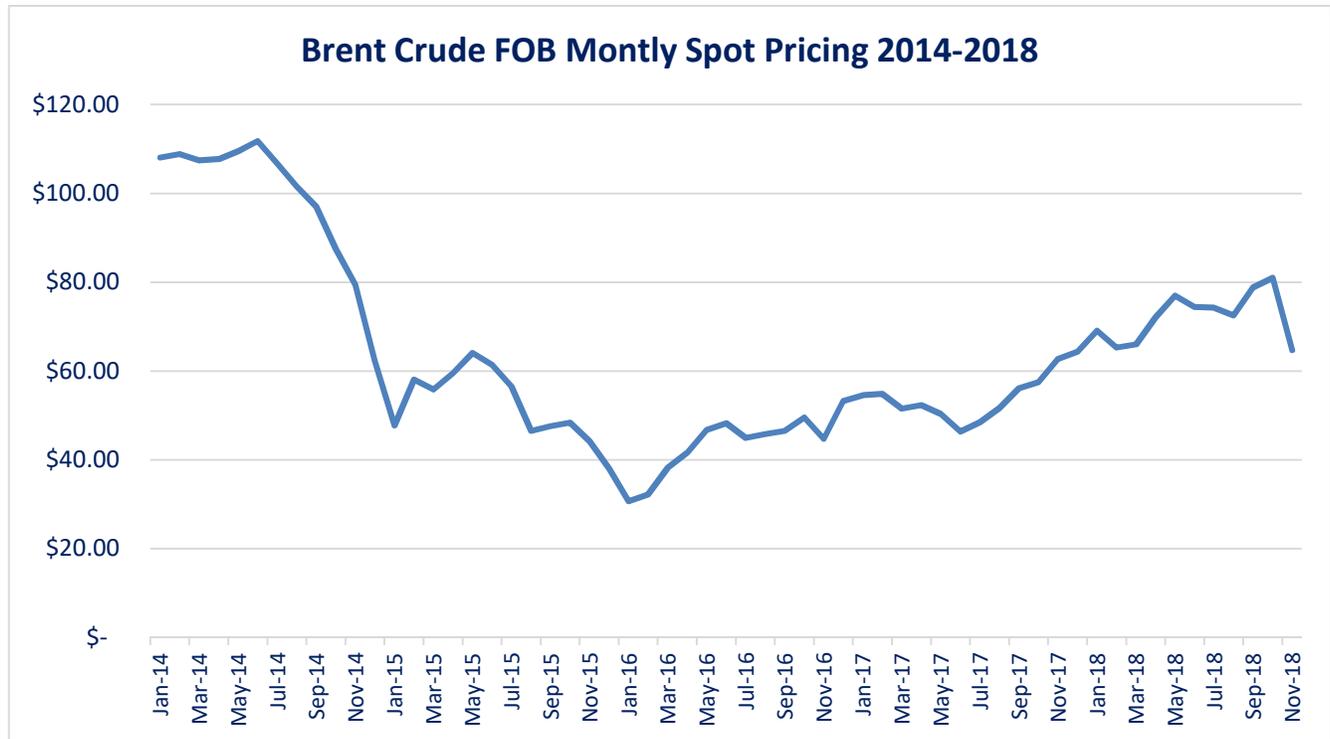
Commodity Prices

Crude oil and natural gas are volatile commodities and the changes in the price levels of these commodities will impact the future revenues and profitability of the Company. Commodity price volatility is a result of the level of, and expected changes to, the supply and demand balances of these commodities. The current state of the world economies, potential supply disruptions due to wars or terrorist activity, decisions made by the Organization of Petroleum Exporting Countries (OPEC) and other large exporters of energy commodities, and the ongoing global credit and liquidity levels all impact commodity price movements and are outside of the Company's control.



For both Brazil and Paraguay, the Company’s production revenue is based on Brent Crude pricing. The Company’s realized price per BOE is also subject to local market discounts and taxes prior to lift costs.

Brent Crude is the world's leading price benchmark for Atlantic basin crude oils. It is used to price two thirds of the internationally traded crude oil supplies. Below is a chart of monthly Brent Crude FOB Spot pricing at the end of each month from 2014-2018.



(Source: <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RB RTE&f=M>)

Latin American Operations

The Company is focused on the oil and gas market in Latin America, primarily Brazil and Paraguay. Both countries have generally looked favorably on foreign investments and offer a favorable business climate for foreigners. In the past decade, both countries have experienced political turmoil and corruption charges as well as normal business and economic cycles. In addition, changes in the governments, further charges of corruption or other negative events could adversely affect our business in these countries.

Currency

Petro-Victory Energy Corp. is based in the British Virgin Islands with a listing in Canada on the Toronto Stock Exchange. Our general and administrative staff are located in the USA, United Kingdom and Latin America and are primarily paid in US dollars. Our future operations will likely be based in Brazil and Paraguay with revenues and costs denominated in Brazilian real or Paraguayan guarani. Commodity prices are typically priced in US dollars. Depending on currency fluctuations, our revenues and costs will change outside of the Company’s control and may adversely impact our operations.



The Company's reporting currency is the USD and its functional currencies are the USD and the BRL. Substantially all costs incurred in Brazil are in BRLs and the Company incurs head office costs in both USD and Canadian dollars. In each reporting period, the change in the values of the BRL and the CDN relative to the Company's reporting currency are recognized.

Acquisition and Financing Risks

The Company has signed acquisition agreements with two Brazil operating partners, ENGEPEP and Imetame, to acquire working interests in nine concessions onshore Brazil. Delays in our ability to secure equity or debt financing, or significant changes in operating conditions in Brazil, changes in the fields acquired, or changes in the price of energy commodities may influence our ability to close on the acquisitions and invest in proposed work plans.

Small Management Team and Board of Directors

Since inception the Company has operated with and relied upon a small Management team, its Board of Directors, and uniquely qualified business partners. As the Company grows, additional personnel will need to be added and duties assigned to other staff members. Although Management believes it is in the best interest of the Company to continue to operate very efficiently and lean, the loss of any of the Management team could negatively impact the ability of the Company to continue to operate and expand.

All of these factors may impact the Company's future ability to obtain equity, debt or bank financing on terms favorable to the Company, or at all. Additionally, those factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information as defined by Canadian securities legislation. Such forward-looking statements and information relate to possible events, conditions or financial performance of the Company based on future economic conditions and courses of action. All statements other than statements of historical fact are forward-looking statements. The use of any words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions are intended to identify forward-looking information. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes there is a reasonable basis for the expectations reflected in the forward-looking information however, no assurance can be given that these expectations will prove to be correct and the forward-looking information included in this MD&A should not be unduly relied upon by investors. The forward-looking information and forward-looking statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws. Readers should read this entire MD&A and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment in the Company.



GLOSSARY

In this MD&A, unless otherwise indicated or the context otherwise requires, the following terms shall have the indicated meanings. Certain other terms used in this MD&A but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101. Words importing the singular include the plural and vice versa and words importing a gender include any genders. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

- “2D” means two-dimensional geophysical data;
- “3D” means three-dimensional geophysical data;
- “ANP” is the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis, the governing body for oil and gas in Brazil;
- “Board” or “Board of Directors” means the Petro-Victory formal Board of Directors
- “BOE” means Barrel of Oil Equivalent;
- “Common Shares” means the authorized shares of the Company that are entitled to one vote for each share on all matters to be voted on by shareholders at meetings of the Company’s shareholders.
- “Company” means Petro-Victory Energy Corp., a company incorporated pursuant to the laws of the BVI, and where the context so requires, includes the Company’s direct and indirect subsidiaries, PHSRL, Petro Victory Energy Service Company, Petro-Victory, LLC and any subsidiaries holding the assets acquired in the Asset Acquisitions;
- “Concession Agreement” means the concession agreement enacted on May 13, 2008 between PHSRL and the Government of Paraguay relating to the Pirity Concession, as amended per Presidential Decree No. 9,845/12, dated October 4, 2012 and extended by President Energy;
- “ENGEPE” stands for Empresa de Engenharia de Petroleo Ltda., a private oil and gas company in Brazil
- “Imetame” means Imetame Energia, a private oil and gas company in Brazil and a subsidiary of Imetame Group
- “IPO” means the Company’s initial public offering;
- “IPO Prospectus” means the Company’s final, long-form prospectus dated July 11, 2014, which is available for review on SEDAR at www.sedar.com under the Company’s profile;
- “JOA” means the Joint Operating Agreement entitled “International Operating Agreement” entered into between President Energy Paraguay S.A. and PHSRL dated October 29, 2012, regarding the Pirity Concession, cancelled as of October 2015;
- “Management” means, collectively, the executive officers of the Company;
- “NI 51-101” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;
- “Option” means an option to acquire a Common Share granted pursuant to the Option Plan;
- “Option Plan” means the stock option plan of the Company;
- “Paraguay” means the Republic of Paraguay;
- “Petro-Victory, LLC” means the limited liability company that was organized under the laws of the state of Texas on December 27, 2006 and that holds the Company’s interests in PHSRL and which became a wholly-owned subsidiary of Petro-Victory Energy Corp. pursuant to the Reorganization on July 22, 2014;



- “PHSRL” means the indirectly-held subsidiary of the Company that was organized under the laws of Paraguay on August 12, 2004 as “Pirity Hidrocarburos S.R.L.” and that held the Company’s interests in the Pirity Concession;
- “Pirity Concession” means the rights to the exploration and production of hydrocarbons in approximately two million acres located in the north-west of Paraguay’s occidental region, the Pirity Sub-basin, near the Argentinian-Paraguayan border;
- “Pirity Farm-Out” means the farm-out agreement dated September 11, 2012 among Petro-Victory, LLC, PHSRL and President Energy, pursuant to which President Energy agreed to act as the operator of the Pirity Concession and subsequently earned a 59 percent working interest in the Pirity Concession. In addition, President Energy now holds the remaining 41 percent working interest;
- “President Energy” refers to President Energy PLC, an AIM-traded oil and gas company with headquarters in England and operations primarily in South America and the United States.
- “Prospect” means a geographic or stratigraphic area, in which the Company owns or intends to own one or more crude oil and natural gas interests, which is geographically defined on the basis of geological data and which is reasonably anticipated to contain at least one reservoir or part of a reservoir of crude oil and natural gas;
- “Restricted Voting Shares” means the Class B common shares of the Company, issued to certain of the Existing Unitholders in connection with the Reorganization. The Restricted Voting Shares cannot be voted at meetings of shareholders of the Company for matters concerning the nomination and/or election of directors. The Restricted Voting Shares are convertible at any time into Common Shares and, except for the restriction on voting as set forth above, are otherwise identical to the Common Shares in respect of preferences and privileges;
- “SEDAR” means the System for Electronic Document Analysis and Retrieval which is accessible via the internet at www.sedar.com;
- “Shareholder” means a holder of Common Shares including Class A Full Voting and Class B Restricted Voting;
- “TSX” means the Toronto Stock Exchange.
- “Warrants” refers to the 30,000,000 common share purchase Warrants included in the Company’s \$10 million debt facility executed with PPF 9 LLC (holder). Each Warrant entitles the holder to acquire, subject to adjustment, one (1) common share of Company’s stock for each Warrant. The Warrants vest upon the funding of the loan at a pro-rata ratio of 3.0 Warrants per dollar drawn.

