PETRO-VICTORY ENERGY CORP.

Condensed Consolidated Interim Financial Statements
(Unaudited – See Advisory to Reader)
Three months Ended March 31, 2021

PETRO-VICTORY ENERGY CORP.

Advisory to Reader

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an auditor.

Petro-Victory Energy Corp.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited - See Advisory to Reader)

	For the Three Months Ended March 31, 2021	March 31, 2020
REVENUES		
Revenues from oil sales	$ 147,753	$ -
Less: royalties	(9,132)	-
	138,621	-
EXPENSES		
Payroll and related charges (Note 13)	221,822	243,323
Professional fees	169,381	116,489
Office expense and other	43,982	26,703
Travel and related	4,170	32,950
Insurance	16,043	26,366
Directors' fees (Note 13)	21,250	26,250
Consulting	86,182	8,078
Well operating expenses	72,231	-
Depletion and depreciation	14,800	-
Total expenses	649,861	480,159
LOSS FROM OPERATIONS	-511,240	-480,159
Interest on long-term debt	76,017	77,183
Accretion of transactions costs (Note 10)	12,855	13,586
Accretion of decommissioning costs (Note 8)	252	446
Gain on sale of assets (Note 6)	0	-
Foreign exchange loss	80,899	-
Change in fair value of derivative warrant liability (Note 10)	-9,400	(27,200)
NET INCOME (LOSS) BEFORE INCOME TAXES	-671,863	-544,174
Income tax expense	0	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ (671,863)	$ (544,174)
Weighted average number of shares outstanding	9,214,018	8,342,223
INCOME (LOSS) PER SHARE (basic and diluted)	-0.07	-0.07

See accompanying notes to consolidated financial statements.

Petro-Victory Energy Corp.
Consolidated Statements of Financial Position
(Unaudited - See Advisory to Reader)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	$ 966,841	$ 833,957
Restricted cash	-	1,151,631
Other current assets	-	5,000
Prepaid expenses	725	725
Total current assets	967,566	1,991,313
Property, plant and equipment, net (Note 5)	1,788,871	1,761,201
Depreciable equipment, net	2,579	2,579
Deposits (Note 6)	716,750	909,151
Exploration and evaluation assets (Note 7)	22,520	22,520
Total Assets	$ 3,498,286	$ 4,686,764
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable (Note 13)	$ 1,210,338	$ 1,246,418
Accrued liabilities (Notes 10 and 13)	1,812,962	2,206,104
Income taxes payable	-	129,600
Current portion of long-term debt (Note 10)	1,381,267	1,370,025
Total current liabilities	4,404,567	4,952,147
Long-term debt (Note 10)	2,018,342	2,016,729
Decommissioning obligations (Note 8)	195,338	195,086
Derivative warrant liability (Note 10)	56,400	65,800
Total liabilities	6,674,647	7,229,762
Shareholders' Deficiency		
Share Capital (Note 9)	68,372,817	68,372,817
Contributed surplus	1,688,242	1,649,742
Accumulated deficit	(73,237,420)	(72,565,557)
Total shareholders' deficiency	(3,176,361)	(2,542,998)
Total Liabilities and Shareholders' Deficiency	$ 3,498,286	$ 4,686,764

Going Concern (Note 2)
Commitments and contingencies (Note 15)
Subsequent event (Note 16)

Approved by the Board of Directors and authorized for issuance on May 27, 2021.

"Richard Gonzalez"
Richard Gonzalez, CEO

"Mark Bronson"
Mark Bronson, CFO

See accompanying notes to consolidated financial statements.

Petro-Victory Energy Corp.
Consolidated Statement of Changes in Shareholders' Deficiency
(Unaudited - See Advisory to Reader)

	Share Capital						
	Class A common shares		Class B common shares		Contributed	Accumulated	
	Shares	Amount	Shares	Amount	Surplus	Deficit	Total
Balance at December 31, 2019	6,783,978	$ 35,006,145	2,388,375	$ 33,341,672	$ 1,329,944	$ (72,753,136)	$ (3,075,375)
Private placement of stock	41,667	25,000	-	-	-	-	25,000
Net loss for the three months ended March 31, 2020	-	-	-	-	-	(544,174)	(544,174)
Balance at March 31, 2020	6,825,645	35,031,145	2,388,375	33,341,672	1,329,944	(73,297,310)	(3,594,549)
Compensation expense recognized in connection with stock options	-	-	-	-	319,798	-	319,798
Net income for the nine months ended December 31, 2020	-	-	-	-	-	731,753	731,753
Balance at December 31, 2020	6,825,645	35,031,145	2,388,375	33,341,672	1,649,742	(72,565,557)	(2,542,998)
Compensation expense recognized in connection with stock options	-	-	-	-	38,500	-	38,500
Conversion of Class B to Class A shares by officer of Company	1,428,694	19,944,543	(1,428,694)	(19,944,543)	-	-	-
Net loss for the three months ended March 31, 2021	-	-	-	-	-	(671,863)	(671,863)
Balance at March 31, 2021	8,254,339	$ 54,975,688	959,681	$ 13,397,129	$ 1,688,242	$ (73,237,420)	$ (3,176,361)

See accompanying notes to consolidated financial statements.

Petro-Victory Energy Corp.
Consolidated Statements of Cash Flows
(Unaudited - See Advisory to Reader)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
OPERATING ACTIVITIES		
Net income (loss)	$ (671,863)	$ (544,174)
Adjustments to reconcile net loss to net cash used in operating activities		
Changes in operating assets and liabilities:		
Accretion of transaction costs	12,855	13,586
Accretion of decommissioning obligations	252	446
Depletion, depreciation and impairment	14,800	-
Share-based compensation	38,500	-
Change in fair value of derivative warrant liability	(9,400)	(27,200)
Changes in other assets and liabilities:		
Prepaid expenses	-	50,000
Collection of note receivable	5,000	-
Accounts payable	(36,080)	154,690
Accrued liabilities	(393,142)	157,250
Income taxes	(129,600)	-
Net cash used in operating activities	(1,168,678)	(195,402)
INVESTING ACTIVITIES		
Property, plant and equipment expenditures	(42,470)	-
Net cash used in investing activities	(42,470)	-
FINANCING ACTIVITIES		
Decrease in deposits	192,401	-
Release of restricted cash	1,151,631	-
Proceeds from Class A common share private placements	-	25,000
Net cash provided by financing activities	1,344,032	25,000
Increase in cash	132,884	(170,402)
Cash at beginning of quarter	833,957	183,117
Cash at end of quarter	$ 966,841	$ 12,715
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 565	$ 892

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION

Petro-Victory Energy Corp. and its subsidiaries ("Petro-Victory" or the "Corporation") are engaged in petroleum and natural gas exploration and other energy activities in Latin America. The Corporation is domiciled in the BVI and maintains its United States ("US") headquarters and registered office at 5070 Mark IV Parkway, Fort Worth, Texas. The Corporation's shares are traded on the Toronto Venture Exchange ("TSX-V") under the symbol VRY.

The consolidated financial statements were authorized for issuance by the Corporation's Board of Directors on May 27, 2021.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

Going Concern and Uncertainties

These consolidated financial statements (the "financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Corporation had a comprehensive loss of $671,863 for the three months ended March 31, 2021 (2020 – loss of $544,174). As of March 31, 2021, the Corporation had cash of $966,841, an accumulated deficit of $73,237,420, and a working capital deficiency of $3,437,001.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. The pandemic and subsequent measures intended to limit its spread, contributed to significant declines and volatility in financial markets. The pandemic has adversely impacted global commercial activity, including significantly reducing worldwide demand for certain commodities, including crude oil, natural gas and natural gas liquids. Brazil has been particularly hard hit by the pandemic.

There is no certainty when demand levels will recover and therefore the situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on the Corporation is not known at this time. These events have resulted in a volatile and challenging economic environment. The current economic climate may have significant adverse impacts on the Corporation's results and operations including, but not exclusively:

- material declines in revenue and cash flows;
- declines in revenue and operating activities could result in increased impairment charges and reduced capital programs;
- increased risk of non-performance by the Corporations purchasers and joint venture partners which could materially increase the risk of non-payment and customer defaults; and
- if the situation continues for prolonged periods, if could have a material impact on profitability, liquidity, and in the longer term could impact the ability of the Corporation to continue as a going concern.

The outbreak and market conditions increase the complexity of estimates and assumptions used to prepare financial statements for future periods. The most significant estimates and judgments impacted are the estimated recoverable amount of the Company's property, plant and equipment and the appropriateness of the going concern assumption.

2. BASIS OF PREPARATION (continued)

Going Concern and Uncertainties

These factors give rise to a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. The ability of the Corporation to continue as a going concern and meet its commitments as they become due is dependent on continued support from key creditors and lenders, the Corporation's ability to achieve profitable operations, and obtaining the necessary debt and equity financing required to execute its business plans. If the going concern assumption were not appropriate for these financial statements, material adjustments might be necessary to the carrying values of assets and liabilities, reported expenses and the financial statement classifications and presentation.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except as otherwise noted.

Functional and Presentation Currency

These financial statements are presented in United States dollars, which is both the functional and presentation currency. Unless otherwise indicated, all "dollar" amounts or references to "$" refer to United States dollars. References to "CDN $" are to Canadian dollars.

Significant Estimates and Management Judgements

The timely preparation of financial statements in accordance with IFRS requires that management make estimates, assumptions and use judgement regarding the measured amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. The following discussion relates to amounts determined by management which required significant estimation and/or judgement.

Management judgement is required in determining the functional currency that represents the economic effect of underlying transactions, events and conditions. The United States dollar is selected as the Corporation's functional currency as it is the currency of the primary economic environment in which the Corporation operates. The Corporation's funds from financing and the majority of its expenditures are denominated in United States dollars.

Significant estimation is involved in determining the fair value of the derivative warrant liability associated with debt financings. The Corporation uses the Black-Scholes model, which requires the use of estimation and assumptions for key inputs, to calculate the fair value.

Significant management judgement is required in determining the provision for deferred income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation has not recognized a benefit for the net deferred tax asset created from its non-capital losses and capital losses carried forward due to the uncertainty of realization of such amounts.

The calculation of stock-based compensation expense is subject to uncertainty as the key assumptions used in the stock-based compensation calculation are based on estimated volatility and estimated forfeiture rates for stock options that will not vest.

2. BASIS OF PREPARATION (continued)

Significant Estimates and Management Judgements (continued)

The application of the Corporation's accounting policy for Exploration and Evaluation ("E&E") expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when E&E assets are reclassified to PP&E. In making this determination, various factors are considered, including the existence of reserves, and whether the appropriate approvals have been received from regulatory bodies and the Corporation's internal approval process.

Petroleum and natural gas assets are depleted on a unit-of-production basis at a rate calculated by reference to proved reserves determined in accordance with National Instrument 51-101, Standards of disclosure for Oil and Gas Activities ("NI 51-101") and incorporating the estimated future cost of developing and extracting those reserves. Proved reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Reserves estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depletion, decommissioning liabilities, deferred taxes and asset impairments. Independent reservoir engineers perform evaluations of the Company's oil and gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecast, commodity prices and costs and related future cash flows, all of which may vary considerably from actual results.

Natural gas and crude oil assets are grouped into cash generating units ("CGUs") identified as having largely independent cash flows and are geographically integrated. The determination of the CGUs was based on management's interpretation and judgement. The recoverability of development and production asset carrying values is assessed at the CGU level. The asset composition of a CGU can directly impact the recoverability of the assets included therein.

Provisions are recorded for the future decommissioning and restoration of the Corporation's exploration and evaluation and production assets and infrastructure at the end of their economic lives. Management uses judgment to assess the existence and to estimate the future liability. The actual cost of decommissioning and restoration is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. In addition, Management determines the appropriate discount rate at the end of each reporting period. This discount rate is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements include the accounts of the Corporation and its wholly owned subsidiaries, as follows: Petro Victory Energy Service Company ("PV Service Company"), a Texas company; Pirity Hidrocarburos, SRL ("PHSRL"), a Paraguayan company; Petro-Victory, LLC, a Texas limited liability company; Universal Geophysics, LLC, an inactive Texas limited liability company; and Petro-Victory Energia Ltda, a Brazilian company. Subsidiaries are entities over which the Company has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany balances and transactions are eliminated on consolidation.

Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Joint operations arise when the Corporation has rights to the assets and obligations for the liabilities of the arrangement.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The purchase price used in a business combination is based on the fair value at the date of the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, *Business Combinations,* are recognized at their fair values at the acquisition date. All acquisition costs are expensed as incurred. The interest of non-controlling shareholders in the acquiree, if any, is initially measured at the non-controlling shareholder's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized or at the fair value of the non-controlling interest. Increases or decreases in the Corporation's ownership interest while retaining control is a capital transaction.

Cash equivalents

The Corporation considers all highly liquid instruments with original maturities of three months or less on the date of purchase to be cash equivalents. At March 31, 2021 and December 31, 2020, the Corporation did not have any cash equivalents.

Restricted cash

Restricted cash comprises amounts held by the Corporation but which is restricted as security for specific arrangements, such as cash held in designated accounts as collateral for credit agreements or bank guarantees, and to which the Corporation has restricted access for a period of time. Subsequent to year-end, all restricted cash held at December 31, 2020 was returned to the Corporation.

Foreign currency translation

The United States dollar is the functional and presentation currency of the Corporation and its subsidiaries. In the event the accounts of the Corporation's subsidiaries have a functional currency different from the Corporation's presentation currency, the transactions and balances are translated into the Corporation's presentation currency at period-end exchange rates for assets and liabilities, and using average rates over the period for revenues and expenses. Translation gains and losses relating to the foreign operations are recognized in other comprehensive income ("OCI") as a cumulative translation adjustment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

When the Corporation disposes of an entire interest in a foreign operation or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are recognized in net loss. When the Corporation disposes of part of an interest in a foreign operation that continues to be a subsidiary, a proportionate amount of gains and losses accumulated in OCI is allocated between controlling and non-controlling interests.

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates in effect on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the rates of exchange in effect at the period-end date. Any gains or losses are recorded in the Consolidated Statement of Operations and Comprehensive Income (Loss).

Income taxes

As a Foreign Reporting Issuer, the Corporation is generally exempt from all provisions of the United States Internal Revenue Code. In addition, the Corporation is generally exempt from all provisions of the Income Tax Act of the BVI, including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the Corporation to persons who are not persons resident in the BVI. Certain subsidiaries of the Corporation are subject to taxation in the United States, Brazil and Paraguay.

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in the consolidated statements of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment and Exploration and Evaluation Assets

Exploration and evaluation ("E&E") assets - E&E costs, including the costs of acquiring licenses, farming into or acquiring rights to working interest and directly attributable general and administrative costs, initially are capitalized either as tangible or intangible E&E assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

When E&E assets are determined to be technically feasible and commercially viable (generally upon assignment of proved and probable reserves), the accumulated costs are transferred to property, plant and equipment ("PP&E").

When E&E assets are determined not to be technically feasible and commercially viable or the Corporation decides not to continue with its activity, the unrecoverable costs are charged to the consolidated statements of operations and comprehensive loss as exploration costs.

E&E assets are allocated into CGUs and assessed for impairment when they are transferred to PP&E or in any circumstances where sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Development and production ("D&P") assets - Items of property, plant and equipment, which include natural gas and crude oil development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. D&P assets are grouped into CGUs for impairment testing.

When significant parts of an item of PP&E, including natural gas and crude oil interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal, net of transaction costs with the carrying amount of PP&E and are recognized net within the consolidated statements of operations and comprehensive income (loss).

Subsequent costs - Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as PP&E only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statements of operations and comprehensive income (loss) as incurred. Such capitalized PP&E generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves. The carrying amount of any replaced or sold component is de-recognized. The costs of the day-to-day servicing of PP&E are recognized in the consolidated statements of operations and comprehensive income (loss) as incurred.

Depletion and depreciation - The net carrying value of D&P assets is depleted using the units-of-production method by reference to the ratio of production in the period to the related proved reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated by taking into account the level of development required to produce the reserves.

Proved reserves are estimated using independent reserve engineer reports and represent the estimated quantities of natural gas, crude oil and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment and Exploration and Evaluation Assets (continued)

Reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

i) A reasonable assessment of the future economics of such production;
ii) A reasonable expectation that there is a market for all or substantially all the expected natural gas and crude oil production; and
iii) Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Corporate and other property and equipment

Other property and equipment are stated at historical cost less accumulated depreciation.

Financial instruments

Financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

<u>Financial assets at fair value through profit or loss</u>
Financial assets at fair value through profit or loss ("FVTPL") are financial assets held for trading or financial assets designated as such by Management on initial recognition. Such assets are held for trading if they are acquired principally for the purpose of selling in the short-term. These assets are initially recognized, and subsequently carried, at fair value, with changes recognized in the consolidated statement of operations and comprehensive income (loss). Transaction costs are expensed. The Corporation has designated the derivative warrant liability at FVTPL.

<u>Financial assets and liabilities at amortized cost</u>
Financial assets and liabilities at amortized cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets or liabilities. Financial assets and liabilities at amortized cost are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. The Corporation has designated cash, restricted cash, accounts payable, accrued liabilities, and long-term debt at amortized cost.

<u>Equity Instruments</u>
Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or asset. Common shares, warrants and share purchase options are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax effects if any. In the case where common shares and warrants are issued as part of a unit offering, the Corporation uses the residual value method in valuing the offering's shares and warrants. The residual value method first allocates value to the more easily measurable component based on fair value and the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placement is determined to be the more easily measurable component and are valued at the trading price on the date of closing. The balance, if any, is allocated to the attached warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Financial assets

A financial asset is assessed at each reporting date for being credit-impaired or having significantly increased credit risk since initial recognition; if so determined, an estimated loss allowance is measured at an amount equal to the lifetime expected credit losses ("ECL"). Lifetime ECLs are a probability-weighted estimate of credit losses from all possible default events over the expected life of a financial asset. Credit losses are measured as the PV of all expected cash shortfalls relative to the carrying value of the financial asset. The ECLs are discounted at the effective interest rate.

Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than E&E assets and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. E&E assets are assessed for impairment when they are reclassified to PP&E, and also if facts and circumstances suggest that their carrying amount exceeds the recoverable amount. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to D&P assets. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

All impairment losses are recognized in the consolidated Statements of Operations and Comprehensive Income (Loss).

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows using the risk-free rate of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Decommissioning obligations

The Corporation's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the period-end date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases or decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted-average number of common shares outstanding during the periods. Diluted earnings (loss) per share is determined by calculating the earnings (loss) attributable to common shareholders after adjusting the weighted average shares outstanding for the effect of dilutive instruments. Diluted loss per share is not presented when it is anti-dilutive in nature.

Share-based compensation

The Corporation accounts for share-based compensation using the Black-Scholes option-pricing model to determine the fair value of stock options on grant date using various estimates including expected share price volatility, the risk-free interest rate and the expected term of the options. Share-based compensation is measured at fair value on the grant date and expensed over the vesting period of each tranche with a corresponding increase to contributed surplus. Consideration paid upon the exercise of stock options, together with corresponding amounts previously recognized in contributed surplus, is recorded as an increase to share capital. The amount recognized as expense is adjusted for an estimated forfeiture rate for options that will not vest, which is adjusted as actual forfeitures occur, until the shares are fully vested.

Revenue recognition

Revenue associated with the sale of the Corporation's crude oil is recognized when control passes from the Company to its customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism and it is probable that the economic benefits will flow to the Corporation.

The Corporation sells its production pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price and then adjusted for quality, location or other factors whereby each component of the pricing formula can be either fixed or variable depending on the contract terms. Revenue is recognized when a unit of production is delivered to the counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Corporation's efforts to transfer production and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

Crude oil is sold under contracts of varying price and volume terms of up to one year. The Corporation only had one revenue source being the sale of crude oil and therefore there is no disaggregated revenue by source to disclose.

4. NEW AND FUTURE ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

New standards adopted in 2020:

Amendments to IFRS 3 Business Combinations

Amendments to IFRS 3, Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits.

These amendments are effective for reporting periods beginning on or after January 1, 2020. This amendment had no material impact on the financial statements upon adoption.

Future accounting standards and pronouncements

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37):
The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting period beginning on or after January 1, 2022.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1):
The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

5. PROPERTY, PLANT AND EQUIPMENT

Cost:

		March 31, 2021		December 31, 2020
Balance, beginning of year	**$**	**1,785,233**	$	1,730,263
Additions		**42,470**		16,488
Asset retirement obligations recorded (Note 8)		**0**		35,220
Revisions to asset retirement obligations (Note 8)		**0**		3,262
Balance, end of year	**$**	**1,827,703**	$	1,785,233

Accumulated depletion:

		March 31, 2021		December 31, 2020
Balance, beginning of year	**$**	**24,032**	$	-
Depletion		**14,800**		24,032
Balance, end of year	**$**	**38,832**	$	24,032

Carrying value:

Balance, end of year	**$**	**1,788,871**	$	1,761,201

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In fiscal 2019, the Corporation completed the acquisition from ENGEPET of several farm-in participation interests in four oilfield concessions in the Potiguar Basin, Brazil. Pursuant to the agreement, the Corporation was required to enter into a Joint Operating Agreement with the farmee and will be obligated to fund it's share of minimum work commitments in future periods (Note 15). Depletion, depreciation and amortization commenced in 2020 as first oil sales occurred.

Included in accounts payable is $443,700 (December 31, 2020 - $551,781) owing related to the acquisition of the farm-in interests.

6. DEPOSITS

The Corporation is required to place deposits pursuant to farm-in and other acquisition agreements. The following deposits have been paid in accordance with the agreed terms of the respective contracts, which are in the regulatory approval process.

		March 31, 2021		December 31, 2020
Trapia	**$**	**139,510**	$	139,510
Potiguar		**561,545**		753,946
Other		**15,695**		**15,695**
	$	**716,750**	$	909,151

The deposits are non-interest bearing and will be released upon satisfaction of the underlying terms and conditions of the respective agreements or transferred to exploration and evaluation assets or property, plant and equipment upon successful completion.

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets represent permits and other intangible and tangible costs incurred and capitalized pending evaluation of the prospect or concession. Occasionally, the Corporation is required to acquire permits pursuant to farm-in and other acquisition agreements. The following amounts were included in E&E assets at the end of each period.

		March 31, 2021		December 31, 2020
Balance, beginning of year	**$**	**22,520**	$	-
Additions		**-**		22,520
Balance, end of year	**$**	**22,520**	$	22,520

8. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from its ownership interests in petroleum and natural gas assets, including well sites, facilities, and gathering systems. The total decommissioning obligations are estimated based on net ownership interests, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future years. The total undiscounted amount of the estimated cash flows required to settle its decommissioning obligations is $235,000 which will be settled over the operating lives of the underlying assets, estimated to occur between 2027 and 2049. A risk-free rate of 0.65% and an inflation rate of 2% were used to calculate the decommissioning liability.

		March 31, 2021		December 31, 2020
Balance, beginning of year	**$**	**195,086**	$	155,263
Additions (Note 5)		**-**		35,220
Revisions (Note 5)		**-**		3,262
Accretion expense		**252**		1,341
Balance, end of year	**$**	**195,338**	$	195,086

9. SHARE CAPITAL

Authorized

The Corporation's authorized share capital consists of an unlimited number Class A Common Stock, no par value, an unlimited number of Class B Restricted Voting Shares, no par value, immediately convertible to Class A shares, and an unlimited number of Preferred Shares, no par value, which can be issued in one or more series with the terms for each series determined by the Board of Directors.

Share Issuance

On March 12, 2020, the Corporation completed a common share issuance of 41,666 shares at a price of CDN $0.80. Proceeds from the issuance were US $25,000.

Stock Options

The Corporation's Stock Option Plan permits the granting of options to purchase Common Shares to directors, officers, employees and consultants of the Corporation and its subsidiaries. On March 13, 2020, the Corporation adopted a 20% Stock Option Plan, which allows for the granting of stock options for the purchase of up to 20% of the outstanding shares of the Corporation.

Additionally, options may not be granted to any one person, any one consultant or any persons performing investor relations duties in any twelve-month period which could, when exercised, result in the issuance of shares exceeding 5%, 2% or 2%, respectively, of the issued and outstanding shares of the Corporation. All options granted under the Plan shall expire no later than the tenth anniversary of the date the options were granted.

The exercise price of the options is to be determined by the Board of Directors, subject to any applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by any applicable Exchange. Vesting of the options is at the discretion of the Board of Directors.

9. SHARE CAPITAL (continued)

Stock Options (continued)

A summary of the changes in options is presented below:

	March 31, 2021			December 31, 2020		
	#		**Weighted average exercise price (CDN)**	#		Weighted average exercise price (CDN)
Outstanding, beginning of period	**1,739,156**	**$**	**2.00**	295,906	$	2.00
Granted	**-**		**0.80**	1,480,750		0.80
Forfeited	**-**		**(1.20)**	(37,500)		(1.20)
Outstanding, end of period	**1,739,156**		**1.00**	1,739,156		1.00
Exercisable, end of period	**1,326,157**	**$**	**1.06**	1,265,157	$	1.07

The details of the options outstanding at March 31, 2021 are as follows:

Options outstanding	**Weighted average exercise price (CDN)**	**Options exercisable**	**Weighted average years to expiry**
227,156	2.00	227,156	3.31
56,250	2.00	56,250	6.34
1,445,750	0.80	1,042,751	3.94

The options granted in 2020 have vesting periods ranging from 30 days to three years. The fair value of the options was determined using the Black-Scholes option pricing model with the following key assumptions: (1) exercise price of $0.80 (CDN); (2) volatility ranging from 134.4% to 174.6%: (3) risk-free rates ranging from 0.53% to 0.54%; (4) term of five years; (5) forfeiture rate of 0%; and (6) expected dividend yield of 0%. The estimated fair values of the 2020 options were calculated at $0.24 to $0.40 (CDN) per option.

For the quarter ended March 31, 2021, the Corporation recognized $38,500 (none in the 2020 quarter), of share-based compensation expense that has been included in payroll and related charges in the Statements of Operations and Comprehensive Income (Loss). At March 31, 2021, there was $40,075 of remaining unamortized share-based compensation cost related to the 2020 stock option grants ($75,875 at December 31, 2020).

10. LONG-TERM DEBT AND DERIVATIVE WARRANT LIABILITY

Long-term debt:

		March 31, 2021		December 31, 2020
Balance, beginning of year	**$**	**3,386,754**	$	3,305,702
Loan proceeds		**-**		28,900
Transaction costs incurred		**-**		-
Accretion of transaction costs		**12,855**		52,152
Balance, end of year		**3,399,609**		3,386,754
Less current portion		**(1,381,267)**		(1,370,025)
		2,018,342		2,016,729

On August 28, 2018, the Corporation entered into a credit facility with PPF9, LLC ("PPF") providing for up to $10 million of loans to be collateralized by shares of the subsidiary in Brazil and guaranteed by the corporate parent. The initial Loan Agreement (the "Loan") provides for a $4 million loan consisting of two advances: 1) the sum of $1,400,000 which was advanced on August 29, 2018; and 2) the remaining $2,600,000 to be advanced at a mutually agreeable date thereafter. The $1,400,000 advance is collateralized by the four Brazilian oil fields disclosed in Note 5. The Loan is signed with Petro-Victory, LLC as borrower, as the LLC owns the Brazilian subsidiary and is also guaranteed by the corporate parent. The Loan terms provide for interest at an annual rate of 9% payable quarterly, a maturity date 36 months after the initial close, and bonus warrants that permit the holder to purchase up to 750,000 common shares (pro-rata at 3 warrants per dollar drawn on the loans) of the Corporation at a price of CDN $2.00 per share for a period of three years from receipt of funding. Warrants to purchase 105,000 shares, on a one-for-one basis, vested with the funding of the initial $1,400,000 advance.

On November 19, 2019, the Corporation announced the closing of a secured debt financing from 579 Max Ltd. totaling $2,000,000 to be used for acquisitions and provide general working capital. The financing is subject to the same terms and conditions as the PPF facility above, and will similarly bear interest payable quarterly at the rate of 9% per annum and will be due with a balloon payment at the end of 36 months. 579 Max Ltd. received 657,500 warrants to purchase an equal number of common shares over the term of the loan at an exercise price equal to CDN $2.00.

In April of 2020 the Small Business Administration (SBA) made certain loans available to companies making US payrolls in order to assist the companies and minimize payroll disruptions. Petro-Victory applied for and received a loan of $28,900 for such purposes. It is probable that the loan will be partially or totally forgivable by the SBA and not have to be repaid, but final forgiveness by the SBA has not yet been received. Accordingly, the loan remains outstanding and is included in long-term debt. The loan bears interest at 1% per annum and is due on May 9, 2022.

At March 31, 2021, the Corporation was unable to make the quarterly interest payments due to the two primary lenders, but has received waivers from each lender. Accrued interest payable to the two secured lenders of $382,290 has been recorded in accrued liabilities at March 31, 2021 (December 31, 2020 - $306,838).

Legal costs and other financing fees incurred to secure the credit facilities are recorded as a reduction of the outstanding loan balances in the year incurred and are amortized as accretion expense over the term of the respective loans.

10. LONG-TERM DEBT AND DERIVATIVE WARRANT LIABILITY (continued)

Warrants (adjusted to reflect January 2020 share consolidation):

	March 31, 2021			December 31, 2020		
	#		**Weighted average exercise price (CDN)**	#		Weighted average exercise price (CDN)
Outstanding, beginning of year	**762,500**	**$**	**2.00**	762,500	$	2.00
Issued	**-**		**-**	-		-
Outstanding, end of year	**762,500**	**$**	**2.00**	762,500	$	2.00
Exercisable, end of year	**762,500**	**$**	**2.00**	762,500	$	2.00

The details of the warrants outstanding at March 31, 2021 are as follows:

Warrants outstanding	**Weighted average exercise price (CDN)**	**Warrants exercisable**	**Weighted average years to expiry**
762,500	2.00	762,500	1.47

The number of common shares to be issued on the exercise of warrants and the price per share are fixed; however, since the functional currency of the Corporation and the loans are US dollar denominated, the warrants do not meet the requirements of an equity instrument. Based on IFRS requirements and specifically IAS 32, the warrants are instead classified as derivative financial liabilities. Accordingly, the value of the warrants is to be measured at their fair value on initial recognition and subsequent measurement.

For valuation purposes, the Corporation used the Black-Scholes method to determine the fair value at March 31, 2021 to be $56,400 (December 31, 2020 - $65,800). The net change in the fair value of the derivative liability is credited to the Statement of Operations and Comprehensive Income (Loss) and resulted in recognizing a $9,400 gain for the three months ended March 31, 2021 (three months ended March 31, 2020 - $27,200 gain). The average fair values of each warrant at March 31, 2021 and December 31, 2020 were $0.072 and $0.086, respectively.

11. SEGMENTED DATA

The Corporation operates in one industry, being the exploration and development of oil and gas resources, but several geographic locations.

Segmented data for select assets and liabilities is noted in the following table:

March 31, 2021	Brazil	Paraguay	United States	Total
Cash	$ 827,398	$ 427	$ 139,016	$ 966,841
Restricted cash	-	-	-	-
Exploration and evaluation assets	22,520	-	-	22,520
Property, plant and equipment	1,788,871	-	-	1,788,871
Deposits	716,750	-	-	716,750
Accounts payable	506,749	6,293	697,296	1,210,338
Accrued liabilities	-	-	1,812,962	1,812,962
Decommissioning obligations	195,338	-	-	195,338
Long-term debt	-	-	3,399,609	3,399,609

December 31, 2020	Brazil	Paraguay	United States	Total
Cash	$ 829,673	$ 427	$ 3,857	$ 833,957
Restricted cash	1,151,631	-	-	1,151,631
Exploration and evaluation assets	22,520	-	-	22,520
Property, plant and equipment	1,761,201	-	-	1,761,201
Deposits	909,151	-	-	909,151
Accounts payable	614,829	6,293	625,296	1,246,418
Accrued liabilities	-	-	2,206,104	2,206,104
Decommissioning obligations	195,086	-	-	195,086
Long-term debt	-	-	3,386,754	3,386,754

12. FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS

The Corporation's financial instruments consist of cash, restricted cash, accounts payable, accrued liabilities, long-term debt and derivative warrant liability.

Fair value

The fair values of cash, restricted cash accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The carrying value of long-term debt approximates fair value and is recorded at amortized cost. The fair value of the derivative warrant liability is measured on initial recognition and each subsequent reporting date using Level 3 hierarchy inputs.

12. FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS (continued)

Risks associated with financial assets and liabilities

The Corporation's activities are exposed to a variety of financial risks such as credit risk, market risk and liquidity risk that arise as a result of its activities. Management has primary responsibility for monitoring and managing financial instrument risks under the direction of the Board of Directors, which has overall responsibility for establishing the Corporation's risk management framework.

Market risk

Market risk is the possibility that changes in foreign exchange rates, interest rates, access to capital, or the prices of crude oil and natural gas products will adversely affect the value of assets, liabilities and expected future cash flows.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world and continental/regional economic and other events that dictate the level of supply and demand (note 2). Fluctuations in these prices may negatively impact the Corporation's ability to economically develop its resource properties and execute its business plans as access to capital could be restricted.

Credit risk

The Corporation's financial instruments exposed to concentrations of credit risk consist primarily of cash, which is on deposit with reputable financial institutions. There has been no history of credit losses.

Foreign exchange risk

Foreign currency risk is the risk that the fair value of the Corporation's financial assets and liabilities will fluctuate due to fluctuations in foreign exchange rates. The Corporation is exposed to foreign currency risk with respect to cash, accounts payable and accrued liabilities denominated in Canadian dollars and Brazilian reals. The Corporation does not currently manage currency risk through hedging or other currency management tools.

Liquidity risk

Liquidity risk relates to the risk the Corporation will encounter should it have difficulty in meeting obligations associated with the financial liabilities. Financial liabilities consist of accounts payable, accrued liabilities and long-term debt which are due within one to three years. The Corporation manages its liquidity risk by forecasting cash flow requirements for its planned corporate activities and anticipated investing and financing activities. Management and the board of directors are actively involved in the review, planning and approval of significant expenditures and commitments. Liquidity difficulties would emerge if the Corporation was unable to establish a profitable production base to generate sufficient cash flow to cover both operating and capital requirements and service debt financing arrangements. The Corporation anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and issuance of debt or equity instruments.

12. FINANCIAL INSTRUMENT RISKS AND CONCENTRATIONS (continued)

Following are the contractual maturities of financial liabilities including expected interest payments at each year-end:

March 31, 2021	**Contractual cash flows**	**Less than one year**	**1 - 3 years**
Accounts and income taxes payable	$ 1,210,338	$ 1,210,338	$ -
Accrued liabilities	1,812,962	1,812,962	-
Long-term debt and related interest payable	3,961,898	1,763,557	2,198,341
	$ 6,985,198	**$ 4,786,857**	**$ 2,158,795**

December 31, 2020	**Contractual cash flows**	**Less than one year**	**1 - 3 years**
Accounts payable	$ 1,419,555	$ 1,419,555	$ -
Accrued liabilities	2,206,104	2,206,104	-
Long-term debt	3,821,644	1,662,849	2,158,795
	$ 7,447,303	**$ 5,288,508**	**$ 2,158,795**

Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Corporation's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Corporation is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Corporation's monetary assets and liabilities, the Corporation is exposed to interest rate price risk.

The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's cash balances that are at a floating or short-term rate of interest and the long-term debt, which is at a fixed rate of interest. The Corporation does not have any hedging instruments in place at December 30, 2020 or December 31, 2019 to mitigate this risk.

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions are disclosed below, unless they have been disclosed elsewhere in the financial statements.

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

For the quarters ended March 31, 2021 and 2020, the Corporation incurred $3,000 in office and administration charges provided by a Company controlled by a significant shareholder. Included in accounts payable is a balance owing of $51,843 (December 31, 2019 - $39,843) in respect of these amounts.

For the years ended December 31, 2020 and 2019, the Corporation incurred $24,000 in consulting fees billed by members of management (Country Directors). Included in accrued liabilities is $52,000 (December 31, 2019 - $42,000) owing to these individuals.

As at March 31, 2021, there are accrued and unpaid payroll and related charges of $886,875 (December 31, 2020 - $1,324,167) owing to officers and directors.

As at March 31, 2021, there are advances owing to related parties of $173,297 (December 31, 2020 - $170,000) included in accounts payable and accrued liabilities. During the first quarter of 2021, no interest was charged (2020 - none) on these balances.

The compensation paid or payable to key management for services is shown below:

	March 31, 2021	March 31, 2020
Salaries and director fees	**$ 186,000**	$ 243,250
Consulting fees	**6,000**	6,000
Share-based compensation expense	**38,500**	0
	$ 230,500	$ 249,250

14. CAPITAL MANAGEMENT

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support its operations. Management does not establish a quantitative return on capital criteria, but rather relies on the expertise of the Corporation's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation is not subject to externally imposed capital requirements. There have been no changes in the composition of capital.

15. COMMITMENTS AND CONTINGENCIES

Minimum work commitments

Pursuant to farm-in and other acquisition agreements, the Corporation will be obligated to meet minimum work commitments (Note 5) related to exploration and development activities. The Corporation will be required to obtain additional debt or equity financing in 2021 and beyond to fund commitments for future work programs.

Legal claims

The Corporation is party to legal claims and disputes in the normal course of business. The Corporation believes that any liabilities that might arise from such matters, to the extent not provided for, are not likely to have a material impact on the consolidated financial statements. Provisions for claims are recognized when the probable outcome of the matter can be reasonably determined and the amount of the provision can be reasonably estimated.

16. SUBSEQUENT EVENTS

There are no subsequent events since March 31, 2021, that are reportable as of the date of these financial statements. As reported in the December 31, 2020 footnotes, negotiations continue regarding finalization of the proposed financing announced in November of 2020.