PETRO-VICTORY ENERGY CORP.

Condensed Consolidated Interim Financial Statements
(Unaudited – See Advisory to Reader)
September 30, 2019

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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 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)

	Three Months Ended Sept 30, 2019	Three Months Ended Sept 30, 2018	Nine Months Ended Sept 30, 2019	Nine Months Ended Sept 30, 2018
REVENUES				
Revenues	$ -	$ -	$ -	$ -
COST OF REVENUES				
Costs of revenues	-	-	-	-
GROSS PROFIT	-	-	-	-
EXPENSES				
Payroll and related costs	169,779	152,247	503,313	733,617
Professional fees	51,904	16,231	214,761	83,527
G&G costs	63,049	-	63,049	-
Office expense and other	23,643	47,241	59,324	83,650
Travel and related	37,132	18,969	73,278	48,601
Insurance	35,471	29,488	71,629	64,390
Director's fee	26,250	16,250	78,750	58,750
Total expenses	407,228	280,426	1,064,104	1,072,535
(LOSS) FROM OPERATIONS	(407,228)	(280,426)	(1,064,104)	(1,072,535)
Interest expense	(46,895)	(12,889)	(140,599)	(12,889)
Gain from extinguishment of liabilities	-	-	601,978	-
NET AND COMPREHENSIVE INCOME (LOSS)	$ (454,123)	$ (293,315)	$ (602,725)	$ (1,085,424)
Weighted average number of shares outstanding	345,354,187	288,000,451	322,809,856	275,013,871
INCOME (LOSS) PER SHARE	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

See accompanying notes to consolidated financial statements.

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

	September 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ 20,392	$ 90,410
Other current assets	63,294	24,104
Prepaid expenses	1,039	1,979
Total current assets	84,725	116,493
Depreciable equipment, net of depreciation	3,242	6,952
Deposits on E & E assets (Note 1)	705,598	602,692
Total Assets	$ 793,565	$ 726,137
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 401,453	$ 969,473
Accrued liabilities (Note 9)	1,257,685	1,144,484
Advances from related parties (Note 7)	97,715	35,677
Total current liabilities	1,756,853	2,149,634
Note payable, net (Note 5)	1,313,815	1,280,089
Derivitive warrant liability (Note 5)	61,570	61,570
Total liabilities	3,132,238	3,491,293
Shareholders' (deficit) equity		
Class A shares - unlimited zero par shares authorized, 329,225,709 issued and 273,025,709 outstanding Sept. 30	36,361,206	35,331,998
Class B shares - unlimited zero par shares authorized, 95,535,000 issued and outstanding Sept. 30	33,341,672	33,341,672
Accumulated deficit	(72,041,551)	(71,438,826)
Total shareholders' (deficit) equity	(2,338,673)	(2,765,156)
Total Liabilities and Shareholders' (Deficit) Equity	$ 793,565	$ 726,137

Approved by the Board of Directors and authorized for issuance on November 26, 2019.

"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' (Deficit) Equity
(Unaudited - See Advisory to Reader)

	Common Stock					
	Class A		Class B		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance at December 31, 2017	177,877,958	$ 36,182,239	90,535,000	$ 31,596,674	$ (70,288,165)	$ (2,509,252)
Voluntary conversion of certain Class A shares to Class B shares	(5,000,000)	(1,744,998)	5,000,000	1,744,998	-	-
Stock for liabilities exchange	22,810,751	519,291	-	-	-	519,291
Compensation expense recognized in connection with stock options	-	22,528	-	-	-	22,528
Net loss for the nine months ended Sept 30, 2018	-	-	-	-	(1,085,424)	(1,085,424)
Balance at Sept 30, 2018	195,688,709	$ 34,979,060	95,535,000	$ 33,341,672	$ (71,373,589)	$ (3,052,857)
Compensation expense recognized in connection with stock options	-	2,938	-	-	-	2,938
Private placement of stock	9,114,000	350,000	-	-	-	350,000
Net loss for the three months ended December 31, 2018	-	-	-	-	(65,237)	(65,237)
Balance at December 31, 2018	204,802,709	$ 35,331,998	95,535,000	$ 33,341,672	$ (71,438,826)	$ (2,765,156)
Private placement of stock - May	33,223,000	497,350	-	-	-	497,350
Private placement of stock - August	35,000,000	525,000	-	-	-	525,000
Compensation expense recognized in connection with stock options	-	6,858	-	-	-	6,858
Net loss for the nine months ended Sept 30, 2019	-	-	-	-	(602,725)	(602,725)
Balance at Sept 30, 2019	273,025,709	$ 36,361,206	95,535,000	$ 33,341,672	$ (72,041,551)	$ (2,338,673)

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended Sept 30, 2019	Nine Months Ended Sept 30, 2018
OPERATING ACTIVITIES		
Net income (loss)	$ (602,725)	$ (1,085,424)
Adjustments to reconcile income (loss) to net cash used in operations:		
Changes in operating assets and liabilities:		
Depletion, depreciation and amortization	37,436	4,028
Share-based compensation	6,858	22,528
Gains from extinguishment of debt	(601,978)	-
Changes in other assets and liabilities:		
Prepaid expenses	940	47
Other current assets	(39,190)	1,398
Accounts payable	33,958	(134,741)
Accrued liabilities	113,201	859,253
Net cash used in operating activities	(1,051,500)	(332,911)
INVESTING ACTIVITIES		
Additions to deposits on E&E assets	(102,906)	(383,951)
Proceeds from (repayment of) related party advances	62,038	(13,740)
Net cash provided by (used for) investing activities	(40,868)	(397,691)
FINANCING ACTIVITIES		
Loan proceeds	-	1,400,000
Loan acquisition costs	-	(134,900)
Cash received from sale of Class A shares	1,022,350	-
Net cash provided by financing activities	1,022,350	1,265,100
Net increase (decrease) in cash and cash equivalents	(70,018)	534,498
Cash and cash equivalents at beginning of period	90,410	22,869
Cash and cash equivalents at end of period	$ 20,392	$ 557,367
Supplemental Disclosure of Non-Cash Information		
Class A shares issued in exchange for liabilities	$ -	$ 870,002
Interest paid	$ 106,873	$ -

See accompanying notes to consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Petro-Victory Energy Corp. (the "Company") was incorporated under the *Companies Act* 2004 (British Virgin Islands ("BVI")) on May 20, 2014. The Company was incorporated to acquire all of the member interests in Petro-Victory, LLC (the "LLC") and, simultaneously, to effectuate an initial public offering ("IPO"). The Company is domiciled in the BVI and maintains its United States ("US") headquarters and records at 5070 Mark IV Parkway, Fort Worth, Texas. The consolidated financial statements include the accounts of Petro-Victory Energy Corp. and its wholly owned subsidiaries, Petro Victory Energy Service Company ("PV Service Company"), a Texas corporation, Pirity Hidrocarburos, SRL ("PHSRL"), a Paraguayan company, and the LLC mentioned above. The LLC wholly owns Universal Geophysics, LLC, an inactive Texas limited liability company, and together with PHSRL they own 100% of Petro-Victory Energia Ltda, the Brazilian subsidiary established in 2017.

The Company invests in petroleum and natural gas exploration and other energy activities in Latin America. Revenues and expenses are principally denominated, earned and incurred in United States dollars. Unless otherwise indicated, all "dollar" amounts or references to "$" refer to United States dollars. References to "CDN $" are to Canadian dollars.

IPO

On July 22, 2014, the Company completed its IPO on the Toronto Venture Exchange. Shares of the Company began trading on July 24, 2014, under the symbol VRY.

Acquisition activities – Brazil

Permanent Offer Round 1 Acquisitions

On September 11, 2019, the Company announced that it had been awarded 16 new oil concessions in the Potiguar Basin of Brazil. The announcement came following Petro-Victory's successful participation and bidding in the ANP's new auction process.

The new acquisitions will increase the Company's portfolio to 25 oil concessions and represents a 250% increase in acreage. The 16 concessions represent 116,904 acres located adjacent to the Company's operating infrastructure at the Andorinha and Alto Alegre oil fields. The closure and signing dates are expected in the first quarter of 2020, with the initial signing bonus estimated to be $0.909 million at that time.

Fifteen of the sixteen concessions have a 5-year evaluation phase that convert to long-term production licenses after declaring commerciality, with the final concession providing a 3-year evaluation phase. 28 wells have been drilled across the 16 concessions, where 60% of the drilled wells encountered oil shows or actually resulted in commercial production. The concessions have 3D seismic coverage, and the immediate work program is expected to consist of a re-evaluation of the drilled wells, reprocessing and mapping of seismic data, followed by ranking the numerous oil and gas targets across the portfolio to solidify the drilling and workover program.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

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 ("Imetame") and subject to ANP approval, represents a substantial increase in the Company's Brazilian concession area holdings. In certain concessions, oil has been discovered and flowed to the surface. Imetame will remain operator in these jointly owned fields.

The Company made an initial payment of approximately $220,000 with funds from the $1.4 million draw from the Company's credit facility, and the remaining approximate balance of $220,000 of assignment costs will be due subsequent to ANP approval.

Whereas the transactions require final ANP approval, the initial payments are subject to refund if approval is not received, and proportionate sharing of revenues and operating costs does not commence until approval is received, the initial payments are accounted for as deposits on E&E assets in the accompanying Statement of Financial Position.

ENGEPET Acquisition

On August 28, 2018, the Company finalized a credit facility providing up to $10 million under a senior secured note, with an initial $1.4 million drawn on August 29 (see note 5 for details). Shortly thereafter, on September 4, 2018, the Company announced a $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, an additional $104,000 paid in June of 2019, and the remaining $1.121 million is due upon approval of Agencia Nacional do Petroleo Gas Natural e Biocombustiveis of Brazil ("ANP"). The Company acquired the assets from Empresa de Engenharia de Petróleo Ltda. ("ENGEPET") and has an operating partnership with ENGEPET to optimize field production for Carapitanga and Sao Joao fields. On October 16, 2019, subsequent to the end of the third quarter, the transaction was approved by the ANP (see subsequent events footnote 10).

The acquisition, subject to ANP approval, 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 existing (Q2 2019) average production of 24 barrels of oil equivalent per day ("BOEPD") is entirely from four mature wells in the two producing fields, Andorinha and Carapitanga.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Acquisition activities – Paraguay Pirity Block 3% NPI

The LLC was a non-publicly traded U.S. company that owned PHSRL, holder of the Pirity Concession and certain other assets in Paraguay. The initial business of the Company was the investment in the acquisition, exploration and development of oil and gas, primarily in the Republic of Paraguay, South America. PHSRL held the exploration rights (the "Pirity Concession") to a large onshore block of land (approximately two million acres) in western Paraguay (the "Pirity Block"). A substantial portion of the Pirity Concession was farmed out in 2012 to President Energy, PLC ("President Energy"), and the LLC retained a 36% working interest. On October 7, 2015, the Company closed a sale and exchange of its working interest for a 3% net profits interest ("NPI") and other consideration. In concert with closing the sale transaction, the Company and Canacol (see Note 7) agreed to limit any contingent future payments to Canacol to $2.7 million to be paid only as a result of a successful farm-out by President Energy or from 33% of any NPI payments received by the Company. Late in 2019 the NPI was transferred to the Brazilian sister company, Petro-Victory Energia Ltda.

Continuance of operations

These consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had net comprehensive losses of ($602,725) and ($1,085,424) for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, the Company had cash of $20,392, a total accumulated deficit of ($72,041,551), and had a working capital deficit of ($1,672,128), amounts insufficient to meet the expected capital needs over the next twelve months.

The ability of the Company to continue as a going concern and meet its commitments as they become due is dependent on the Company's ability to obtain the necessary financing, sell additional securities or through successful future operations. See also Note 10 for recent developments.

The financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The financial statements were authorized for issuance by the Company's board of directors on November 26, 2019.

Principles of consolidation

The financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company's ownership interest while retaining control is a capital transaction.

Joint arrangements

The Company evaluates agreements with third parties for the existence of joint arrangements as defined under IFRS 11, *Joint Arrangements*. Currently, the Company does not have any agreements that are considered to be joint arrangements.

Cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less on the date of purchase to be cash equivalents. At September 30, 2019 and December 31, 2018, the Company had no such investments.

Foreign currency translation

The U.S. dollar is both the functional and presentation currency for the Company. Gains and losses arising from the translation of foreign currency are included in the determination of net income (loss). Monetary assets and liabilities denominated in currency other than the presenting currency are translated into U.S. dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as of the date of the statement of financial position;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the date of transaction.

Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the recoverability of its investment in exploration and evaluation assets, the estimation of accrued liabilities, share-based payments and fair value of derivative warrant liability. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

As a Foreign Private Issuer, the Company is generally exempt from all provisions of the United States Internal Revenue Code. In addition, the Company 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 Company to persons who are not persons resident in the BVI. Certain subsidiaries of the Company are subject to taxation in the United States, Brazil and Paraguay.

To the extent not exempt for taxes, deferred tax is recorded, using the asset and liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. There are no significant deferred tax assets or liabilities as of September 30, 2019 or December 31, 2018.

Investment in exploration and evaluation (“E&E”) expenditures

Pre-license expenditures, including geological and geophysical exploration costs, 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 reserves are initially capitalized as an intangible asset on a prospect-by-prospect basis. Investments in 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. Management considers the investment in E&E assets to be an intangible asset. When a prospect is determined to be technically feasible and commercially viable, the accumulated costs are assessed for impairment and then transferred to property and equipment. When a field is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net income as an investment in E&E impairment. In accordance with IFRS 6 *Exploration and Evaluation of Mineral Resources*, the Company has elected for proceeds from conveyances of an investment in E&E assets representing unproven crude oil and natural gas properties to be applied against the Company’s basis in the investment in E&E assets. A gain will only be recognized when the proceeds received exceed the Company’s basis in the investment in E&E assets conveyed. IFRS 11 does not apply as the Company has no arrangements subject to joint control.

Maintenance and repairs

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Corporate and other property and equipment

Other tangible non-current assets are stated at historical cost less accumulated depreciation. Depreciation is recognized on a double-declining basis at an annual rate of 20%.

Impairment

E&E assets are accumulated in cash-generating units ("CGU's") on the basis of geographical fields having regard to the operational infrastructure (such as facilities and sales points) of the area and are the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Once the E&E assets are determined to be technically feasible and reclassified to property and equipment, the investment in crude oil and natural gas properties will be assessed for impairment. Other long-term assets will be accumulated in CGU's at the lowest levels at which there are identified cash flows that are largely independent of the cash flows of other areas of assets. The Company's original CGU consisted of E&E assets related to the Pirity Block.

At the end of each reporting period prior to the start of production, the Company will assess the CGU's for circumstances that indicate that the assets may be impaired, in accordance with IFRS 6. If any such indication of impairment exists, the Company will estimate its recoverable amount. A CGU's recoverable amount will be the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU's exceeds its recoverable amount, the asset will be considered impaired and written down. Based on the significance of the 2015 sale and exchange of the working interest in the Pirity Concession for the NPI, the lack of evident economic reserves, and the pending expiration of the Pirity Concession, the Company determined that impairment had occurred and the concession value was written off.

Fair value measurements

The Company follows the disclosure requirements of IFRS 13, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurements required under other accounting pronouncements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value.

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Other inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates and credit ratings.

Level 3 – Unobservable inputs that are supported by little or no market activities. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments and comprehensive income

All financial instruments are recognized on the consolidated statement of financial position initially at fair value when the Company becomes a party to the contractual provisions of the instrument. Subsequent measurement of the financial instruments is based on their classification.

The Company classifies each financial instrument into one of the following categories: loans or receivables, notes receivable, fair value through profit and loss and other financial liabilities. The classification depends on the characteristics and the purpose for which the financial instruments were acquired. Except in limited circumstances, the classification of financial instruments is not subsequently changed.

Financial instruments carried at fair value on the Company's consolidated statement of financial position include the derivative warrant liability (Level 2). Realized and unrealized gains and losses from financial assets and liabilities carried at fair value are recognized in net income (loss) in the periods such gains and losses arise. Transaction costs related to these financial assets and liabilities are included in net income (loss) when incurred.

Non-derivative financial instruments carried at cost or amortized cost include the Company's cash, other current assets, deposits on E&E assets, accounts payable, accrued liabilities, advances from related parties and note payable. Cash, other current assets, deposits on E&E assets, accounts payable, accrued liabilities and advances from related parties are classified as loans and receivables and are measured at amortized cost using the effective interest method. Typically, the fair value of these balances approximates their carrying value due to the short term to maturity. The Company's outstanding note payable bears interest at a market rate and, accordingly, the fair market value approximates the carrying value before the carrying value is reduced for any remaining unamortized costs. The interest costs and financing fees associated with the note payable have been deferred and netted against the amounts drawn and are being amortized to profit and loss using the effective interest method over the applicable term. Transaction costs are included in net income (loss) when incurred for these types of financial instruments. Gains and losses on financial assets and liabilities carried at cost or amortized cost are recognized in net income (loss) when these assets or liabilities settle.

Environmental expenditures

The operations of the Company may be affected by changes in environmental regulations. The likelihood of new regulations and their effect on the Company varies and is not predictable.

Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding during the periods. The Company's common share equivalents, which include 4.2 million warrants associated with the credit facility at September 30, 2019, and 11,836,246 and 13,586,246 of stock options at September 30, 2019 and 2018, respectively, have been excluded from the computation of diluted net loss per share, as their effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company 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 common stock. Consideration paid upon the exercise of stock options, together with corresponding amounts previously recognized in common stock, 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. See Note 4 for additional information.

Recently issued accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee that are mandatory for accounting periods after December 31, 2017 or later periods or adopted during 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9, published in July 2014, replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument. This standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 did not have a material effect on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18, *Revenue*, IAS 11 *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. IFRS 15 did not have a material effect on the Company's financial statements.

IFRS 16, *Leases ("IFRS 16")*

In January 2016, the IASB issued IFRS 16, replacing IAS 17, *Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 did not have a material effect on the Company's financial statements.

3. INVESTMENT IN EXPLORATION AND EVALUATION ASSETS

The investment in E&E assets consists of an interest in unproven oil and gas properties of non-commercially assessed fields in Paraguay. Management considers the investment in E&E assets to be an intangible asset. Management generally evaluates the recoverability of the investment in E&E assets on an annual basis. The potential value of the NPI offsets the related $2.7 million contingent liability to Canacol as discussed in Note 1.

4. SHARE CAPITAL

Authorized

The Company'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 of Preferred Shares determined by the board of directors.

Issued and outstanding

	Class A Common Stock		Class B Restricted Voting Shares
Balance at December 31, 2017	177,877,958		90,535,000
Issue shares in July 2018 in exchange for liabilities	22,810,751		-
Private placement in October 2018	9,114,000		-
Converted from Class A to Class B shares in July of 2018	(5,000,000)		5,000,000
Balance at December 31, 2018	204,802,709		95,535,000
Private placement in May 2019	33,223,000		-
Private placement in August 2019	35,000,000		-
Balance at September 30, 2019	**273,025,709**		**95,535,000**

On July 13, 2018, the Company approved the settlement of outstanding debt in an aggregate settlement amount of $870,002 (CDN $1,140,537) through the issuance of an aggregate of 22,810,751 common shares at a price of CDN $0.05 per common share. The settlement resulted in a "gain from extinguishment of liabilities" of $350,711 as recognized in the 2018 Consolidated Statement of Operations and Comprehensive Loss.

On October 26, 2018, the Company completed a non-brokered private placement of 9,114,000 common shares at a price of $.05 per share for gross proceeds of CDN $455,700 (US $350,000). The shares were subject to a four-month hold, and the proceeds were used for general working capital purposes. On

4. SHARE CAPITAL (continued)

August 30 and May 2, 2019, the Company announced the closing of two additional non-brokered private placements of 35,000,000 and 33,223,000 shares, respectively, for gross proceeds of CDN $700,000 (US $525,000) and CDN $664,460 (US $497,350). The proceeds were used for general working capital purposes.

The Company's Stock Option Plan permits the granting of Options to purchase Common Shares to directors, officers, employees and consultants of the Company. In 2014, 13,904,205 options were granted. Late in 2016, 4,817,959 options expired and the remainder expire in May of 2024. An additional 4,500,000 options were granted on July 31, 2017, and the remaining non-forfeited options expire July 31, 2027.

Options outstanding:	Number	Exercise Price
Balance at Inception May 20, 2014	Nil	Nil
Granted CDN $.40 (repriced to $.05 in 2015)	13,904,205	$.05
Exercised	Nil	Nil
Forfeited and cancelled	(4,817,959)	Nil
Balance at December 31, 2016	9,086,246	
Granted July 31, 2017	4,500,000	$.05
Balance at December 31, 2017	13,586,246	
Forfeited and cancelled	(1,750,000)	Nil
Balance at September 30, 2019 and December 31, 2018	11,836,246	

The intrinsic value of the options exercisable at both December 31, 2018 and 2017, is zero.

All Stock Options were granted under the Company's Option Plan as set forth above and allocated an estimated fair value using the Black-Sholes option-pricing model. The 2014 options are fully vested, and the 2017 options vested one third upon issuance and the remainder will vest a third at each of the second and third anniversaries.

For the 2014 options granted, assumptions of an expected forfeiture rate of 0%, a risk-free interest rate of 1.07%, an expected dividend rate of 0%, an expected stock price volatility of 52% (based on volatility computations for comparable companies) and expected option life of 3 years were used to estimate a fair value of CDN $.0978 per option. For the 2017 options granted, the same assumptions were used with the exception of a risk-free interest rate of 1.51% and volatility of 89.52% resulting in an estimated fair value of CDN $.021 per option.

For the quarters ended September 30, 2019 and 2018, the Company recognized $980 and $4,898, respectively, of share-based compensation expense within the payroll and related costs. At December 31, 2018, there was $6,856 of remaining unamortized share-based compensation cost related to the 2017 stock options (none at September 30, 2019).

5. 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 $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 discussed in Note 1, but has been updated as discussed in Note 10. 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 30 million common shares (pro-rata at 3 warrants per 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 vested with the funding of the initial $1,400,000 advance. See Note 10 for an announcement of a subsequent financing with similar terms and bonus warrants.

The number of warrant shares and Canadian price per share are fixed, but since the functional currency of the Company and the Loan itself 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 a derivative financial liability. Accordingly, the value of the warrants is measured at fair value. For valuation purposes, the Company considered both the Black-Scholes and the fair-value methods, and determined the initial value to be CDN $0.015 per warrant. For the year ended December 31, 2018, the Company recognized $61,570 as the related derivative warrant liability and charged that amount to operations as "change in fair value of derivative warrant liability." For the nine months ended September 30, 2019, there was no significant change in the value of the derivative liability.

Legal costs and other financing fees paid to secure the credit facility totaled approximately $134,900. In accordance with IFRS, the total loan costs have been included as an offset to the outstanding loan balance in the accompanying Statement of Financial Position. Such costs are being amortized to interest expense over the three-year life of the loan, with $11,242 included as interest expense for the three months ended September 30, 2019 (none in 2018).

6. RISKS AND CONCENTRATIONS

The Company's activities expose it to a variety of financial risks, including market risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk.

Market risk

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

Credit risk

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash. The Company places its cash with reputable financial institutions. At times, the balances deposited may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not incurred any losses related to amounts in excess of FDIC limits.

6. RISKS AND CONCENTRATIONS (continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash transactions during the year, accounts receivable and accounts payable, as some of these are denominated in Canadian dollars and Brazilian reals. The Company does not currently manage currency risk through hedging or other currency management tools.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company 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.

Interest rate risk

Interest rate risk consists of two components:

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

The Company's cash accounts are generally denominated in U.S. dollars. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the Company's cash flow or estimated fair values.

7. RELATED-PARTY TRANSACTIONS

Canacol Energy Debenture

On June 26, 2014, the Company executed a convertible debenture in the amount of $5,000,000 with Canacol Energy, a related party. On July 25, 2014, the Company repaid $2,500,000 of principal, as well as $100,000 in interest and debt retirement fees. 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 NPI discussed in Note 1, and/or b) the pass through of amounts received as back costs from any future farm-out partner in the Pirity Block. Since the repayment of this obligation is contingent on success in the Pirity Block, the carrying value of the NPI and the obligation to Canacol have been netted to zero in the accompanying consolidated statement of financial position.

7. RELATED-PARTY TRANSACTIONS (continued)

Advances from related parties

As discussed in Note 1 and Note 8, management and the board realize that additional funds will be needed to finance continued operations of the Company. Members of the management of the Company have, on occasion, temporarily financed operations, and as of September 30, 2019 and December 31, 2018, officers of the Company personally advanced a total of $97,715 and $7,833, respectively, to finance such activities. At September 30, 2019 and December 31, 2018, respectively, an additional $36,843 and $27,844 was due to related entities for services.

Additionally, certain members of management and board of directors' members have deferred their compensation and fees, which have been recorded in accrued liabilities on the accompanying statements of financial position.

8. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations. Management does not establish a quantitative return on capital criteria, but rather relies on the expertise of the Company'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 Company, is reasonable. The Company is not subject to externally imposed capital requirements.

9. COMMITMENTS AND CONTINGENCIES

Employment agreements

Effective May 23, 2014, PV Service Company executed employment agreements with certain members of management of the Company that were effective upon the closing of the IPO. Each agreement provided for an annual salary and guaranteed bonuses, and several expired and/or were not renewed after two years. The employment agreements also provided for continued attention to work efforts and results, confidentiality, non-solicitation and non-competition provisions. Upon termination, each employment agreement generally provided for the Company to pay salaries, guaranteed bonuses, and certain other benefits for up to a 36-month period following the date of termination. Current salary payments to management were discontinued in March of 2015 and some, but not all, have just recently been renewed. Since that time, certain members of management have worked part time for no current compensation, but no members of management were officially terminated. A substantial portion of the accrued payroll was settled through the issuance of shares in exchange for liabilities as discussed in Note 4. Estimates of the remaining liabilities for unpaid compensation and fees have been included in accrued liabilities in the accompanying consolidated financial statements.

9. COMMITMENTS AND CONTINGENCIES (continued)

Brazil acquisitions

As discussed in Note 1, the Company announced Brazilian working interest acquisitions in 2018 and again in September of 2019. The initial payments of $0.375 million and $0.22 million were made from cash obtained from the initial $1.4 million draw on the credit facility and are recorded as deposits on E&E assets in the accompanying statements of financial position. An additional payment of $104,000 was made in June 2019, and the remaining $1.121 million and $0.22 million payments are due following final approval of the ANP. As indicated below, the Company recently received ANP approval and has arranged additional funding as discussed below. In addition, the Company has committed to a work program that will require additional funds early in 2020.

10. SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through November 26, 2019, the date the financial statements were available for issuance. The only significant subsequent event was as follows:

On October 16, 2019, the Company announced that it had received final approval from the ANP to acquire its initial working interests in Brazil. As previously announced, the Company purchased $1.6 million of production and working interests in four fields from ENGEPET. See Note 1 for further detail regarding the acquisitions.

On November 19, 2019, the Company announced the closing of a secured debt financing from 579 Max Ltd. totaling $2,000,000 to be used to pay for some of the working interest acquisitions and provide general working capital. The financing will be pari passu to the current debenture (see Note 5), will 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. also received 26.3 million warrants to purchase a like number of common shares over the term of the loan at an exercise price equal to CDN $0.05.

On November 25, 2019, Petro-Victory announced the acquisition of a 50% working interest in partnership with Imetame in three oil fields in the Espirito Santo Basin of Brazil. The Company made an initial deposit of just over $700,000 towards total consideration of approximately US $4.7 million, with the remaining balance due upon ANP approval, expected during the first half of 2020. The oil fields, discovered by Petrobras in 1978 and referred to as the “Lagoa Parda Fields,” have produced 19 million barrels of oil from 139 wells. Petro-Victory and Imetame expect to execute a work program to increase production from approximately 200 barrels a day in 2019 to 580 barrels within a year of ANP approval.