PETRO-VICTORY ENERGY CORP.

Consolidated Interim Financial Statements
(Unaudited – See Advisory to Reader)
March 31, 2015

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 Loss
(Unaudited - See Advisory to Reader)

	Three Months Ended March 31, 2015	From May 20, 2014 (Inception) to December 31, 2014
REVENUES		
Revenues	$ -	$ -
COST OF REVENUES		
Costs of revenues	-	-
GROSS PROFIT	-	-
EXPENSES		
Payroll and related	292,012	1,233,579
Professional fees	478,178	356,958
Office expense	15,412	57,810
Other expense	25,763	75,946
Travel and related	70,384	66,982
Insurance	21,119	47,226
Director's fee	21,250	42,500
Rent and utilities	22,433	52,330
Consulting	9,631	17,654
Total expenses	956,182	1,950,985
LOSS FROM OPERATIONS	(956,182)	(1,950,985)
Interest expense	52,000	248,889
NET LOSS AND COMPREHENSIVE LOSS	$ (1,008,182)	$ (2,199,874)
Weighted average number of shares outstanding	191,317,875	191,300,000
LOSS PER SHARE	$ (0.01)	$ (0.01)

See accompanying notes to consolidated financial statements.

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

	March 31, 2015	Dcember 31, 2014
ASSETS		
Current assets		
Cash	$ 165,766	$ 824,119
Certificate of deposit (Note 4)	100,000	100,000
Other current assets	39,166	37,039
Prepaid expenses	111,691	62,082
Total current assets	416,623	1,023,240
Depreciable equipment, net of depreciation	23,424	24,479
Exploration and evaluation assets (Note 3)	65,315,398	65,315,398
Total Assets	$ 65,755,445	$ 66,363,117
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 291,890	$ 135,968
Accrued liabilities	68,823	47,500
Accrued interest	57,000	100,000
Current portion note payable	2,600,000	-
Total current liabilities	3,017,713	283,468
Note payable - related party	-	2,500,000
Total liabilities	3,017,713	2,783,468
Shareholders' equity		
Class A shares- unlimited zero par shares authorized and 171,986,450 and 171,965,000 issued, respectively and 140,786,450 and 140,765,000 outstanding, respectively	48,309,096	48,142,831
Class B shares-unlimited zero par shares authorized and 50,535,000 shares issued and outstanding		
Accumulated deficit	17,636,692	17,636,692
Total shareholders' equity	(3,208,056)	(2,199,874)
	62,737,732	63,579,649
Total Liabilities and Shareholders' Equity		
	$ 65,755,445	$ 66,363,117

Approved by the Board of Directors and authorized for issuance on May 29, 2015.

"Richard Gonzalez"
Richard Gonzalez, CEO

"Mark Bronson"
Mark Bronson, CFO

See accompanying notes to consolidated financial statements.

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

	Common Stock					
	Class A		Class B		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance at May 20, 2014 (inception)	-	$ -	-	$ -	$ -	$ -
Issuance of common shares	100	1,000	-	-	-	1,000
Issuance of common shares and warrants in connection with IPO	62,500,000	23,443,477	-	-	-	23,443,477
Issuance of common shares in connection with acquisition	78,264,900	27,314,448	50,535,000	17,636,692	-	44,951,140
Commission and issuance costs related to IPO	-	(3,319,094)	-	-	-	(3,319,094)
Compensation expense recognized in connection with stock options	-	703,000	-	-	-	703,000
Issuance of common shares subject to an escrow agreement	31,200,000	11,609,302	-	-	-	11,609,302
Transfer of Class A common shares to escrow	(31,200,000)	(11,609,302)	-	-	-	(11,609,302)
Net loss	-	-	-	-	(2,199,874)	(2,199,874)
Balance at December 31, 2014	140,765,000	48,142,831	50,535,000	17,636,692	(2,199,874)	63,579,649
Issuance of common shares in exchange for warrants exercised	21,450	8,838	-	-	-	8,838
Compensation expense recognized in connection with stock options	-	157,427	-	-	-	157,427
Net loss for three months ended March 31, 2015	-	-	-	-	(1,008,182)	(1,008,182)
Balance at March 31, 2015	140,786,450	48,309,096	50,535,000	17,636,692	(3,208,056)	62,737,732

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, 2015	From May 20, 2014 (Inception) to December 31, 2014
OPERATING ACTIVITIES		
Net loss	$ (1,008,182)	$ (2,199,874)
Adjustments to reconcile net loss to net cash used in operating		
Changes in operating assets and liabilities:		
Depreciation and amortization	1,055	4,691
Share-based compensation	157,427	703,000
Changes in other assets and liabilities:		
Prepaid expenses	(49,609)	(62,082)
Other current assets	(2,127)	146,657
Accounts payable	155,922	(159,255)
Accrued liabilities	78,323	109,722
Net cash used in operating activities	(667,191)	(1,457,141)
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash	-	(5,154,531)
Investment in certificate of deposit	-	(100,000)
Exploration and evaluation assets	-	(13,337,936)
Purchase of equipment and other fixed assets	-	(22,016)
Net cash used in investing activities	-	(18,614,483)
FINANCING ACTIVITIES		
Cash received from issuance of shares	8,838	20,125,383
Borrowings on notes payable - related parties	-	5,200,000
Payment on notes payable - related parties	-	(4,429,640)
Net cash provided by financing activities	8,838	20,895,743
Net increase (decrease) in cash and cash equivalents	(658,353)	824,119
Cash and cash equivalents at beginning of period	824,119	-
Cash and cash equivalents at end of period	$ 165,766	$ 824,119
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ -	$ 136,111
Supplemental Disclosure of Non-Cash Information		
Issuance of comon shares in connection with acquisition	$ -	$ 44,951,140
Accrued interest converted to note payable - related party	$ 100,000	$ -

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 (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 British Virgin Islands and maintains its U.S. 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, S.R.L. ("PHSRL"), a Paraguayan company, and Universal Geophysics, LLC, an inactive Texas limited liability company. The Company is primarily engaged in petroleum and natural gas exploration activities in Latin America, primarily Paraguay.

IPO

On July 22, 2014, the Company completed its IPO of 62,500,000 units ("Units") for gross proceeds of approximately CDN $23,180,000 after agent commissions and their legal expenses. Each Unit comprising the offering consists of one Class A common share in the capital of the Company (a "Common Share") and one-half of one warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of CDN $0.50 per Warrant Share ("Warrant Exercise Price") for a period of two years from the closing of the IPO. The funds were converted to U.S. dollars, and after payment of additional offering expenses of approximately $1,600,000, provided approximately U.S. $20,000,000 to be used for operations. The total of commissions and expenses has been recorded as a reduction of stockholders' equity on the consolidated statements of changes in shareholders' equity.

Shares of the Company began trading on July 24, 2014 on the Toronto Venture Exchange under the symbol VRY.

Acquisition activities

Effective July 22, 2014, the Company acquired 100 percent of the units of the LLC. This LLC was a non-publicly traded U.S. company that held the Pirity Concession and certain other assets in Paraguay.

The LLC was formed as a Texas Limited Liability Company on December 27, 2006. On April 18, 2008, the LLC acquired all of the equity shares of PHSRL, a Limited Liability Company organized August 12, 2004 under the laws of Paraguay. The business of the Company is the acquisition, exploration and development of crude oil and natural gas, primarily in the Republic of Paraguay, South America. PHSRL holds the exploration rights (the "Pirity Concession") to a large onshore block of land in western Paraguay (the "Pirity Block"), a portion of which was farmed out in 2012 to President Energy, PLC ("President Energy").

On the acquisition date, the Company exchanged 128,800,000 shares of its stock for all of the units of the LLC. The Company recorded the LLC assets acquired and the liabilities assumed at their fair values as follows:

128,800,000 shares at $0.375 CDN	$	48,300,000
Exchange rate in effect		1.0745
U.S. dollars		44,951,140
Cash consideration		5,200,000
Total consideration	**$**	**50,151,140**

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Acquisition activities – continued

Cash	$	45,469
Trade and other receivables		73,630
Other assets		110,066
Property and equipment		7,154
E&E assets		51,977,462
Notes, accounts payable and accrued liabilities assumed		(2,062,641)
Total net assets acquired	**$**	**50,151,140**

There were no material transaction costs related to the acquisition activities described above.

Separate disclosure of the activity of the LLC during the current reporting period is impracticable as the information is generally unavailable, not material and the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

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 losses of ($1,008,182) and $(2,199,874), respectively, for the three months ended March 31, 2015 and for the period from May 20, 2014 (inception) to December 31, 2014. As of March 31, 2015, the Company had shareholders' equity of $62,737,732, but had a working capital deficit of ($2,601,090) and cash of $165,766, amounts insufficient to meet the expected capital needs in 2015.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its crude oil and natural gas properties, is dependent on the Company's ability to obtain the necessary financing. As previously described, the IPO successfully raised the capital necessary to finance a portion of the 2014 drilling operations and meet general working capital needs. Additional capital will be needed to continue the drilling operations and to fund future operating costs.

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.

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 May 29, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Foreign currency translation

The U.S. dollar is both the functional and presentation currency for the Company. Monetary assets and liabilities denominated in currency other that 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.

Gains and losses arising from the translation of foreign currency are included in the determination of net income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated 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 consolidated 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 crude oil and natural gas reserves on its exploration and evaluation assets and the estimation of accrued liabilities. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Income taxes

The Company is 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.

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 March 31, 2015.

Exploration and evaluation (“E&E”) expenditures

Pre-license expenditures, including geological and geophysical exploration cost, are expensed in the period in which they are incurred. All costs directly associated with the exploration and evaluation of crude oil and natural gas reserves are initially capitalized as an intangible asset on a prospect-by-prospect basis. E&E costs are those expenditures for a prospect where technical feasibility and commercial viability has not yet been determined. All carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. Management considers the 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 E&E expense. In accordance with IFRS 6 *Exploration and Evaluation of Mineral Resources,* the Company has elected for

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation (“E&E”) expenditures (continued)

proceeds from conveyances of E&E assets representing unproven crude oil and natural gas properties to be applied against the Company’s basis in the E&E assets. A gain will only be recognized when the proceeds received exceed the Company’s basis in the E&E assets conveyed. After the acquisition of Petro-Victory on July 22, 2014 as described in Note 1, the Company’s primary E&E asset is the Pirity Concession. IFRS 11 does not apply as the Company has no arrangements subject to joint control.

Property and equipment

All costs directly associated with the development of crude oil and natural gas reserves will be capitalized on a field-by field basis. The crude oil and natural gas properties’ asset will include expenditures for areas where technical feasibility and commercial viability has been determined. These costs will include proved property acquisitions, development drilling, completion, gathering and infrastructure, asset retirement costs and transfers from exploration and evaluation assets. Costs accumulated will be depleted using the unit-of-production method based on proved plus probable reserves using estimated future prices and costs. Costs of major development projects will be excluded from the costs subject to depletion until they are available for use. For divestitures of properties, a gain or loss will be recognized in net income. Exchanges of properties will be measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss will be recognized in net income.

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.

Corporate and other property and equipment

Other tangible non-current assets will be 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 crude oil and natural gas properties will be assessed for impairment on a well-by-well basis. 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. On July 22, 2014, the Company acquired Petro-Victory, LLC. The Company’s CGU consisted of E&E assets related to the Pirity Block as a result of that acquisition.

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. E&E assets representing unproven crude oil and natural gas properties will be assessed for impairment on an annual basis by applying factors that rely on the outcome of the drilling activities and historical experience.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments and comprehensive income

All financial instruments are recognized on the consolidated statements 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 statements of financial position include cash (level 1). 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.

Financial instruments carried at cost or amortized cost includes the Company’s accrued liabilities and notes payable. Transaction costs are included in net income (loss) when incurred for these types of financial instruments except notes payable. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning liabilities

The Company recognizes the estimated fair value of future decommissioning liabilities related to statutory, contractual or other legal obligations associated with the retirement of assets, when a reasonable estimate of the provision can be determined and it is probable that an outflow of resources will be required to settle the obligation. A corresponding increase to the carrying amount of the related asset is recorded.

Decommissioning liabilities are based on the estimated costs to abandon and reclaim the well and well sites that are required to be abandoned under the terms of oil and gas contracts. The estimate is evaluated on a periodic basis and any adjustment to the estimate is applied prospectively. The liability is estimated by discounting expected future cash outflows required to settle the liability using a risk-free rate. The change in net present value of the future decommissioning liabilities due to the passage of time is expensed as accretion expense on the consolidated statement of operations and comprehensive loss. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion of the underlying assets. Revisions to the estimated timing of cash flows, inflation rates, discount rates or to the original estimated undiscounted costs also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligations are charged against the obligation to the extent of the liability recorded. The Company assumed a decommissioning liability related to the Jacaranda well when the Company acquired Petro-Victory on July 22, 2014.

Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer and when collection is reasonably assured.

Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding during the three months ended March 31, 2015 and the period from July 22, 2014 (date of IPO) to December 31, 2014. The Company's common share equivalents, which represent stock options (13,904,205 stock options) and warrants (31,207,100 warrants), have been excluded from the computation of diluted net loss per share as their effect is anti-dilutive.

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 5 for additional information.

Environmental expenditures

The operations of the Company may be affected by changes in environmental regulations, including those for site restoration costs. The likelihood of new regulations and their effect on the Company varies and is not predictable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental expenditures (continued)

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

Recently issued accounting pronouncements

Standard and Description	Date of Adoption	Adoption Impact on Consolidated Financial Statements
IFRS 9, *Financial Instruments* – The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.	January 1, 2018	The Company is assessing the effect of this future pronouncement on its consolidated financial statements.
IFRS 15, *Revenue from Contracts with Customers* – Specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide user of financial statements with more informative, relevant disclosures.	January 1, 2018	The Company is assessing the effect of this future pronouncement on its consolidated financial statements.
IFRIC 21, *Levies* – Clarifies the requirements for recognizing a liability for a levy imposed by a government.	May 20, 2014	No material impact.
IAS 36, *Impairment of assets* – Requires additional disclosure on the recoverable amount of an impaired CGU.	May 20, 2014	The Company is assessing the effect of this future pronouncement on its consolidated financial statements.

3. EXPLORATION AND EVALUATION ASSETS

E&E assets mainly comprise property, geological survey and capitalized exploration drilling costs in respect of non-commercially assessed fields. Management considers the E&E assets to be an intangible asset.

Management generally evaluates the recoverability of the E&E assets on an annual basis; however, the ultimate recoverability of such assets is dependent on management's intention to incur costs necessary to determine the commercial feasibility of the fields. If management decides to forego such costs and were to convey the E&E assets to a third party, the ultimate recoverability is uncertain.

3. EXPLORATION AND EVALUATION ASSETS

As at Inception May 20, 2014	$	Nil
Acquisition of Petro Energy, LLC		51,977,462
Additions (Payments to Operating Partner since IPO)		13,337,936
Dispositions		Nil
Balance at March 31, 2015 and December 31, 2014	$	65,315,398

4. CERTIFICATE OF DEPOSIT

The Company has a certificate of deposit in the amount of $100,000 which collateralizes corporate credit cards issued by the bank.

5. 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 Inception May 20, 2014	Nil	Nil
Issued upon Initial Public Offering	62,500,000	Nil
Issued to Petro Victory, LLC for Paraguay Concession	78,265,000	
Issued to Shareholders of Petro Victory, LLC		50,535,000
Balance at December 31, 2014	140,765,000	50,535,000
Exercise of 42,900 2-for-1 warrants in January	21,450	
Balance at March 31, 2015	140,786,450	50,535,000

Performance Shares totaling 31,200,000 were issued in connection with two Purchase and Sale Agreements with respect to the acquisition of certain assets in Brazil and Guyana. These shares were held in escrow pending approval of the governments of Brazil and Guyana. See Subsequent Event footnote regarding cancellation of the Brazil PSA and extension of the Guyana PSA.

5. SHARE CAPITAL (continued)

Issued and outstanding (continued)

The Company's Stock Option Plan permits the granting of Options to purchase Common Shares to directors, officers, employees and consultants of the Company.

	Number	Exercise Price
Balance at Inception May 20, 2014	Nil	Nil
Granted CDN $.40	13,904,205	$.37
Exercised	Nil	Nil
Forfeited and cancelled	Nil	Nil
Balance at December 31, 2014	13,904,205	$.37

The intrinsic value of the options exercisable at both March 31, 2015 and December 31, 2014 is zero.

Warrants were issued under a Warrant Indenture in connection with the Initial Public Offering. Each warrant holder is entitled to purchase one share of Common Stock by exercising two warrants at the Warrant Exercise Price at any time prior to the date of expiration of July 22, 2016.

	Number	Exercise Price
Balance at Inception May 20, 2014	Nil	Nil
Granted CDN $.50	31,250,000	$.46
Exercised	(42,900)	$.46
Forfeited and cancelled	Nil	Nil
Balance at December 30, 2014	31,207,100	$.46

All Stock Options and Warrants were allocated an estimated fair value using the Black Sholes option pricing model.

Stock options were granted under the Company's Option Plan as set forth above. The options will vest over 2 years in 3 separate tranches as follows: (i) one-third immediately on July 21, 2014 (the date that the Company's IPO was consummated), and (ii) in two equal installments on the first and second anniversary of this date. The exercise price of the options is the price offered to the public in the Company's IPO. See Note 1.

For options granted during the period from May 20, 2014 (inception) to December 31, 2014, 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 $.0978 per option.

For warrants issued during the period from May 20, 2014 (inception) to December 31, 2014, assumptions of an expected forfeiture rate of 0%, a risk free interest rate of .58%, an expected dividend rate of 0%, an expected stock price volatility of 52% (based on volatility computations for comparable companies) and expected warrant life of 2 years were used to estimate a fair value of $.0525 per option.

5. SHARE CAPITAL (continued)

Issued and outstanding (continued)

During the three months ended March 31, 2015, the Company recognized $154,596 of share-based compensation expense within the payroll and related costs in the consolidated statement of operations and comprehensive loss and recognized $2,831 as consulting expense in the consolidated statement of operations and comprehensive loss. At March 31, 2015, there was $391,814 of unamortized share-based compensation and approximately $7,173 of unamortized consulting fees related to the stock options.

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.

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 relating to certain accounts payable and settlement of warrants, as these are denominated in Canadian dollars. The Company does not 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 exploration and 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.

6. RISKS AND CONCENTRATIONS

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. The Company is exposed to interest rate price risk on its notes payable – related parties with fixed interest rates as prevailing interest rates can differ from the interest rate of the notes. However, fluctuations in market rates would have to be significant to have a material effect on the Company's operations; therefore, the Company's exposure to interest rate cash flow risk on the debt is minimal.

7. RELATED PARTY TRANSACTIONS

Canacol Energy

On June 26, 2014, the Company executed a convertible debenture in the amount of $5,000,000 with Canacol Energy, Ltd. ("Canacol'), a related party. The interest rate is 8% and payable at the earlier of December 26, 2014, the maturity date, or the conversion date. After the final convertible debenture is executed, any proceeds outstanding can be converted into the Company's common shares at a conversion price equal to the stock price on the day of the IPO. The convertible debenture has certain anti-dilution provisions as defined in the debenture agreement. On June 26, 2014, the Company received proceeds of $5,000,000 under this convertible debenture and immediately used the proceeds to pay drilling costs on the first Paraguay well.

On July 25, 2014, the Company repaid $2,500,000 of principal as well as $100,000 in interest and debt retirement fees. On February 25, 2015, the Company signed a "Settlement and Forbearance Agreement" (the "Extension") with Canacol to extend repayment of the remaining $2,500,000 in principal as well as $100,000 in accrued interest as of yearend until March 31, 2016. The Extension further provides for a pledge of the Company's Paraguayan assets and places restrictive covenants on the Company regarding incurring additional debt, sale of assets, declaration of dividends, and certain other general operating matters.

Others

The Company has signed Shared Services Agreements with companies owned by related parties to provide for office space and for administrative, support, and communication services in three locations. The Company paid a total of $8,500 for such services in Fort Worth and Dallas, Texas and in Bogota, Columbia during the three months ended March 31, 2015, and approximately $49,000 for such services during the period from inception to December 31, 2014.

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 the acquisition and exploration of mineral properties. 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.

The Company has interest in the Pirity Block in Paraguay. See Note 1. The properties in which the Company has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing cash and plans to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

President Energy negotiations

President Energy acts as the operator for the Pirity Concession wells. Late in 2014, the Company and President Energy started negotiations regarding a settlement of differences related to drilling procedures and well costs. The dispute was amicably settled in May, 2015 as further discussed in Note 10.

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 provides for an annual salary and guaranteed bonus provisions. The employment agreements also provide for confidentiality, non-solicitation and non-competition provisions. Upon termination, each employment agreement generally provides for the Company to pay up to 100% of the guaranteed bonus plus the employee's annual salary and guaranteed bonus for up to a 36 month period following the date of termination as well as an additional payment of 20% of the total amount of severance due.

Carried interest

The LLC spent several years obtaining the available information regarding the Pirity Block, digitizing well and seismic data, and engaging experts to help analyze the data and the hydrocarbon basin in Paraguay. By August of 2012, such work had been completed, ownership of the concession had been secured, and an extension granted by the Paraguayan ministry giving the Company four more years (until 2016) to complete the government-required minimum commitments under the exploration license. Generally speaking, the minimum commitments entail completion of a minimum of 100km 2D seismic, as well as the cost corresponding to the first 15,000 meters of exploratory wells. In connection with securing the concession, the LLC awarded a 5% working interest (the "5% Carried Interest") in the Pirity Block with a carry by the LLC through the minimum work commitments. The Company has assumed the 5% Carried Interest with the LLC acquisition.

10. SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through May 29, 2015, the date the consolidated financial statements were available for issuance.

The Company was in negotiations with President Energy, the operator for the Pirity Concession wells, regarding disagreements over drilling procedures and funding for the 2014 Paraguay wells. In mid-May, the parties reached an amicable settlement with minimal immediate cash effect. Subject to the outcome of certain future events and farm-outs, the Company may be contingently liable for future payments of up to approximately $3 million to President Energy.

The Company had 31,200,000 performance shares held in escrow pending the completion of the Purchase and Sale Agreements for two asset purchases as described more fully in Note 5. Subsequent to March 31, 2015, the Brazil Acquisition was terminated by mutual agreement and the related 15,600,000 performance shares were cancelled. The Guyana Acquisition expiration date was extended six months until late November, 2015.