PETRO-VICTORY ENERGY CORP.

Condensed Consolidated Interim Financial Statements
(Unaudited – See Advisory to Reader)
March 31, 2018

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, 2018	Three Months Ended March 31, 2017
REVENUES		
Revenues	$ -	$ -
COST OF REVENUES		
Costs of revenues	-	-
GROSS PROFIT	-	-
EXPENSES		
Payroll and related	283,185	155,502
Professional fees	13,694	12,621
Office expense and other	4,270	6,579
Travel and related	3,880	15,573
Insurance	20,602	19,422
Director's fee	21,250	16,250
Consulting	-	11,000
Total expenses	346,881	236,947
NET LOSS AND COMPREHENSIVE LOSS	$ (346,881)	$ (236,947)
Weighted average number of shares outstanding	268,412,958	191,321,450
LOSS PER SHARE	$ (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)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	$ 61,641	$ 22,869
Other current assets	25,944	25,778
Prepaid expenses	1,157	1,151
Total current assets	88,742	49,798
Depreciable equipment, net	8,752	10,597
Investment in exploration and evaluation assets (Note 3)	-	-
Total Assets	$ 97,494	$ 60,395
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 1,074,174	$ 1,098,259
Accrued liabilities	1,797,804	1,401,554
Advances from related parties (Note 7)	72,834	69,834
Total current liabilities	2,944,812	2,569,647
Note payable - related party (Note 7)	-	-
Total liabilities	2,944,812	2,569,647
Shareholders' deficit		
Class A shares- unlimited zero par shares authorized, 229,077,958 and 171,986,450 issued respectively, and 177,877,958 and 120,786,450 outstanding, respectively	36,191,054	36,182,239
Class B shares-unlimited zero par shares authorized and 90,535,000 and 70,535,000 issued and outstanding, respectively	31,596,674	31,596,674
Accumulated deficit	(70,635,046)	(70,288,165)
Total shareholders' deficit	(2,847,318)	(2,509,252)
Total Liabilities and Shareholders' Deficit	$ 97,494	$ 60,395

Approved by the Board of Directors and authorized for issuance on May 24, 2018.

"Patrick Yeghnazar"
Patrick Yeghnazar, CEO

"Mark Bronson"
Mark Bronson, CFO

See accompanying notes to consolidated financial statements.

Petro-Victory Energy Corp.
Consolidated Statement of Changes in Shareholders' Deficit

	Common Stock					
	Class A		Class B		Accumulated	
	Shares	Amount	Shares	Amount	Deficit	Total
Balance at December 31, 2016	120,786,450	$ 41,728,092	70,535,000	$ 24,616,683	$ (69,499,156)	$ (3,154,381)
Voluntary conversion of certain Class A shares to Class B shares	(20,000,000)	(6,979,991)	20,000,000	6,979,991	-	-
Private placement of stock	50,000,000	380,000	-	-	-	380,000
Stock for liabilities exchange	27,091,508	1,015,932	-	-	-	1,015,932
Compensation expense recognized in connection with stock options	-	38,206	-	-	-	38,206
Net loss	-	-	-	-	(789,009)	(789,009)
Balance at December 31, 2017	177,877,958	36,182,239	90,535,000	31,596,674	(70,288,165)	(2,509,252)
Compensation expense recognized in connection with stock options	-	8,815	-	-	-	8,815
Net loss for quarter ended March 31, 2018	-	-	-	-	(346,881)	(346,881)
Balance at March 31, 2018	177,877,958	$ 36,191,054	90,535,000	$ 31,596,674	$ (70,635,046)	$ (2,847,318)

See accompanying notes to consolidated financial statements.

Petro-Victory Energy Corp.
Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
OPERATING ACTIVITIES		
Net loss	$ (346,881)	$ (236,947)
Adjustments to reconcile net loss to net cash used in operating activities		
Changes in operating assets and liabilities:		
Depletion, depreciation and impairment	1,845	1,036
Share-based compensation	8,815	-
Changes in other assets and liabilities:		
Prepaid expenses	(6)	24
Other current assets	(166)	(529)
Accounts payable	(24,085)	7,813
Accrued liabilities	396,250	166,250
Net cash used in operating activities	35,772	(62,353)
INVESTING ACTIVITIES		
Proceeds from related party advances	3,000	48,496
Withdrawal of certificate of deposit	-	10,005
Net cash provided by investing activities	3,000	58,501
Net increase (decrease) in cash	38,772	(3,852)
Cash at beginning of year	22,869	6,179
Cash at end of year	$ 61,641	$ 2,327

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 ("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, SRL ("PHSRL"), a Paraguayan company, and the LLC mentioned above and its wholly-owned subsidiaries, Petro-Victory Energia Ltda, a Brazilian company established in late 2017 and Universal Geophysics, LLC, an inactive Texas limited liability company. The Company invests in petroleum and natural gas exploration and other energy activities in Latin America.

Activity subsequent to March 31

In July of 2017, the Company announced a proposed acquisition of a portfolio of producing assets in Brazil. Negotiations continue with the sellers and groups interested in financing the transaction as further discussed in Note 10.

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 consisted of one Class A common share in the capital of the Company (a "Common Share") and one-half of one warrant (the warrants expired in July of 2016). The funds were converted to U.S. dollars, and after payment of additional offering expenses of U.S. $1,600,000, provided approximately U.S. $20,000,000 to be used for operations. 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 exchanged 128,800,000 shares of its stock for 100 percent of the units of the LLC. This LLC was a non-publicly traded U.S. company that owned PHSRL, holder of 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 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.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Sale and Exchange of Pirity Concession

On October 5, 2015, the Company announced a sale and exchange of its working interest and on October 7, 2015, confirmed the closing of the transaction. The primary terms of the transaction were as follows:

1) The Company sold/exchanged to President Energy its entire 36% working interest for a 3% net profits interest ("NPI"). The NPI is 3% of net income generated from future successful commercial production of hydrocarbons in the Pirity Concession. The exchange significantly reduced the Company's exposure to potential profits from the Pirity Concession in Paraguay, but also virtually eliminated the need for any future additional cash investment.

2) The Company received $500,000 of cash from President Energy.

3) All claims, debts and obligations potentially owed by the Company to President Energy were released. The joint operating agreement was terminated, and the Company has no future liability related to asset retirement obligations or remediation efforts in Paraguay.

4) In the event of a farm-out taking place in relation to the Pirity Concession and back costs being paid, a sum limited to the first $2.7 million of back costs received by President Energy will be paid to the Company. In turn, the receipt of such amount(s) would trigger payment of a comparable amount to Canacol Energy, Ltd. ("Canacol"), a related party (see below).

5) In concert with closing the transaction with President Energy, the Company and Canacol agreed to amend the February 2015 Settlement and Forbearance Agreement. The revised terms provide for a limitation of the amount due Canacol to a fixed $2.7 million and for payment to be made either as a result of the farm-out discussed in point 4 above or from 33% of any net profits interest payments received by the Company as a result of any discovery and commercialization of hydrocarbons in the Pirity Concession. Payment is required only upon one of these two events.

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 operating losses of ($346,881) and ($236,947), respectively, for the three months ended March 31, 2018 and 2017. As of March 31, 2018, the Company had an accumulated deficit of ($70,635,046) and had a working capital deficit of ($2,856,070), amounts insufficient to meet the expected capital needs of 2018.

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. See Note 10 for a discussion of subsequent events that may affect the continuation of operations.

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 24, 2018.

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. At March 31, 2018 and December 31, 2017, 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 March 31, 2018 or December 31, 2017.

Investment in 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. 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

only be recognized when the proceeds received exceed the Company's basis in the investment in E&E assets conveyed. After the October 2015 sale and exchange as described in Note 1, the Company's primary investment in E&E assets was the NPI in the Pirity Concession. 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 cash and certificates of deposit (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 accounts payables and accrued liabilities. 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.

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 consist of 13,586,246 and 9,086,246 stock options at March 31, 2018 and 2017, respectively, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Management does not believe that IFRS 9 will 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. Management does not believe that IFRS 15 will 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. Management does not believe that IFRS 16 will 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. 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. CERTIFICATE OF DEPOSIT

As of December 31, 2016, the Company had a certificate of deposit in the amount of approximately $10,000 which collateralized corporate credit cards issued by the bank. In early 2017, the credit cards were cancelled and the related certificate of deposit was redeemed.

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 December 31, 2015	140,786,450	50,535,000
Converted from A to B shares in June of 2016	(20,000,000)	20,000,000
Balance at December 31, 2016	120,786,450	70,535,000
Issue shares in April 2017 Private Placement	50,000,000	-
Converted from A to B shares in May of 2017	(20,000,000)	20,000,000
Issue shares in May 2017 in exchange for liabilities	27,091,508	-
Balance at March 31, 2018 and December 30, 2017	177,877,958	90,535,000

On June 30, 2016, the two largest shareholders of Class A Common Stock agreed to convert a total of 20,000,000 of their Class A Stock into Class B Restricted Voting Shares. On May 26, 2017, one of the shareholders again agreed to convert an additional 20,000,000 of his Class A Stock into Class B Restricted Voting Shares. The two shareholders, both residents of the United States, elected to make the conversions so that the Company would continue to qualify as a Foreign Private Issuer in the United States.

5. SHARE CAPITAL (continued)

On April 3, 2017, the Company announced its intention to complete a non-brokered private placement offering of 50 million Common Shares at a price of $0.01 per share (the prevailing market price). The offering was fully subscribed for by existing management and one new investor, resulting in receipt by the Company of Canadian $500,000 (US funds of approximately $380,000). The offering was made pursuant to a waiver granted by the TSX Venture exchange which permitted the Company to offer the Common Shares at a price below the TSX Venture's normal $0.05 minimum pricing requirement. The proceeds were used for payment of some third-party liabilities and for working capital. The Company received final TSX approval of the offering on April 24, 2017.

On May 26, 2017, the Company announced that it had approved the settlement of outstanding management fees and salaries payable to certain directors, officers and employees of the Corporation in an aggregate settlement amount of US $1,354,575.40 through the issuance of an aggregate of 27,091,508 common shares at a price of CDN $0.05 per common share. The settlement resulted in a "gain from extinguishment of liabilities" of $654,607 and a "currency gain" of $338,644, both of which were recognized in the 2017 Consolidated Statement of Operations and Comprehensive Loss.

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 expire July 31, 2027.

	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 March 31, 2018 and December 31, 2017	13,586,246	

The intrinsic value of the options exercisable at both March 31, 2018 and December 31, 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 $.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 $.021 per option.

For the quarter ended March 31, 2018, the Company recognized $8,815 (none in 2017) of share-based compensation expense within the payroll and related costs. At March 31, 2018, there was $23,509 of remaining unamortized share-based compensation cost related to the 2017 stock options (none in 2017).

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.

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 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 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, 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.

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. The Company is reviewing and evaluating business opportunities, and as of March 31, 2018 officers of the Company personally advanced a total of $72,834 ($69,834 at December 31, 2017) to finance such activity.

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.

As further discussed in Note 1, the Company conveyed its 36% working interest in exchange for some monetary consideration and a 3% NPI in the Pirity Block in Paraguay. This conveyance virtually eliminated the need for any future additional cash investment in the Pirity Block. In order to pay for operating and 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

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. 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 5. Estimates of the remaining liabilities for unpaid compensation and fees have been included in accrued liabilities in the accompanying consolidated financial statements.

10. SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through May 24, 2018, the date the financial statements were available for issuance. The only significant subsequent events are as follows:

Proposed Acquisition, Financing and Private Placement

On July 12, 2017, the Company announced a proposed $1.9 million acquisition of a portfolio of non-operated production interests from Empressa de Engenharia de Petroleo Ltda. (“ENGEPET”), the Brazilian operator. ENGEPET would retain partial interest and continue to operate the wells located in three basins in Brazil. The transaction is subject to approval by both the Agencia Nacional do Petroleo Gas Natural e Biocombustiveis of Brasil (“ANP”) and the TSX Venture Exchange.

In order to finance the transaction and provide funds for general corporate purposes, the Company also announced its intention to complete a non-brokered private placement offering of up to 80,000,000 common shares at a price of CDN $0.05 per share. If fully subscribed, such placement would provide approximately US $3.2 million. Management continues to work on the completion of the private placement as well as entertaining discussions with potential lenders to finance all or part of the acquisition.