



Petro-Victory Energy Corp Announces CAD\$11 Million Private Placing

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CALGARY, February 9, 2022 /CNW/ - Petro-Victory Energy Corp. (“Petro-Victory” or the “Company”) (TSX-Venture: VRY.V) is pleased to announce that it has commitments for a private placement offering of subscription receipts (“Subscription Receipts”) for gross proceeds of approximately CAD\$10.6 million (USD\$8.3 million) (the “Placing”).

Highlights

- Fundraise is planned to deliver a drilling program of 4 wells at Andorinha field, and 3 workovers at the São João field
- Work is in advanced stages to secure a rig to deliver the drilling program
- The Company will deliver a broader 2022 work program including geological and geophysical work on its wider licence portfolio targeting further drilling activity and reserve growth
- Funds will provide optionality to participate in upcoming Brazilian onshore oil and gas licensing rounds
- Broadening of shareholder base with introduction of industry and blue-chip institutional investors, including a strategic investment by ACAM LP
- The Placing is subject to TSXV approvals, and is expected to close on or about February 15, 2022

Use of Proceeds of the Placing

The net proceeds from the Placing are expected to be used to execute a program of work to focus on commercializing the Company’s significant asset base in the highly petroliferous Potiguar Basin, onshore Brazil. The Company is in advanced stages of contractual negotiations with rig providers to support delivery of a 4-well campaign at the Andorinha field and additional workovers, including at São João. The program, which represents approximately CAD\$4 million of the Placing proceeds, is expected to commence in Q2 2022 with the initial contract covering a period of a year.

These activities are associated with estimated production profiles in GLJ’s 31 December 2020 reserve report that, when combined with the Company’s current production, target a post drilling production level in excess 1,000 barrels of oil per day (net to Petro-Victory) and represent the first phase of development drilling at Andorinha, associated with unlocking US\$64 million of 2P NPV10.

The Company also intends to utilize the funding to progress the geological and geophysical work on its broader licence portfolio. This work is intended to identify a broader drilling inventory of targets associated with the historical well stock across the acreage and utilizing the reprocessed 3D seismic coverage to high-grade drilling opportunities and target reserve growth.

Furthermore, the funds will provide optionality to participate in additional ANP permanent offer rounds, as well as being used for general corporate purposes, including retirement of the outstanding debenture to Global Energy Transition Fund I, due 24 August 2022.

Structure of the Placing

Pursuant to the Placing, the Company intends to issue up to 5.5 million Subscription Receipts at a price of CAD\$2.00, for gross proceeds of up to CAD\$11 million.

Each Subscription Receipt will entitle the holder thereof to receive one unit of the Company (a “Unit”) consisting of: (i) one common share in the capital of the Company (“Common Share”), (ii) one-half of one (1/2) transferable share purchase warrant entitling the holder thereof to acquire one Common Share at a price of CAD\$2.25 per share, and (iii) one-half of one (1/2) transferable share purchase warrant entitling the holder thereof to acquire one Common Share at a price of CAD\$2.75 per share (collectively the “Warrants”). The rights under the Warrants will last for a period of twenty-four (24) months following the closing date.

The Subscription Receipts will provide the holders with Units following satisfaction of the Escrow Release Conditions (as defined below) prior to the Termination Time (as defined below), without payment of any additional consideration and without further action on the part of the holder.

The Placing is expected to close on or about February 15, 2022. It remains subject to final documentation and to TSX Venture final acceptance.

Institutional Investor

The Placing is being led by a cornerstone investment from ACAM LP (“ACAM” or the “Lead Investor”), a long-term investment vehicle owned by two blue-chip fund managers. ACAM specializes in global natural resource investments with a focus on Africa and South America. ACAM, which did not previously have a stake in the Company, will acquire ownership of 3,200,000 Subscription Receipts and will own approximately 18.1% of the issued and outstanding voting securities of the Company on a non-diluted basis after closing of the placing.

Richard Gonzalez, Petro-Victory CEO commented:

“I’m delighted to announce a private placement of CAD\$11 million, led by a significant cornerstone investment from ACAM. This support by a blue-chip institution known for international natural resource investments is a significant endorsement and I welcome them to our register.

“Following completion, this funding will secure an ambitious work program, expected to raise production rates to over 1,000 barrels of oil per day, according to profiles in our third-party reserve report from GLJ. This will translate to significant operating cash flow that can be reinvested in organic and inorganic growth in our portfolio.

“The fundraise is at the top end of our target range, allowing us to continue building our in-country team and accelerate well planning across our extensive portfolio of 19 blocks. I look forward to beginning to unlock the value of our significant onshore Brazil asset base through this work.

“The region is beginning to see transactions at much higher multiples and as we confirm the reserves and resources across our significant position, we are confident of being able to benefit from market sentiment in-country.

“The structure of the deal includes warrants at a substantial premium to our current share price. This shows the confidence in Petro-Victory’s short-term potential and provides a route to further cash to come into the business for additional acceleration of activity.

Details of the Placing

ACAM is acting as Lead Investor on the Placing. As a result of the purchase, and assuming conversion of the Subscription Receipts, ACAM will own and exercise control over an aggregate of 3,200,000 Common Shares, 3,200,000 Warrants and nil (0) Restricted Voting Shares of the Company, representing approximately 18.1% of the issued and outstanding voting securities of the Company on a non-diluted basis and 28.0% of the issued and outstanding securities of the Company, assuming conversion of the warrants and Restricted Voting Shares (which are convertible on a 1:1 ratio into Common Shares, at the holder’s option).

The issuance to ACAM was completed for investment purposes, and it may acquire additional securities either on the open market or through the financing or private acquisitions and may sell the securities they hold either on the open market or through private dispositions in the future depending on market conditions, reformulation of plans and/or other relevant factors, in each case in accordance with applicable securities laws. A copy of an early warning report for ACAM will be available under Petro-Victory’s profile on SEDAR following closing.

As this is ACAM’s first holding on the TSX or TSXV in excess of 10%, TSXV approval is subject to approval of a Personal Information Form for ACAM. The timeline for this clearance is the reason for the Subscription Receipt structure.

The gross proceeds of the Subscription Receipts (the “**Escrowed Proceeds**”), will be held in trust in a segregated account to be held on behalf of the holders of Subscription Receipts.

The Escrowed Proceeds, together with any accrued interest thereon, will be released to the Company (or as it may direct) upon delivery of a joint written notice (the “**Escrow Release Notice**”) from the Company and the Lead Investor indicating the satisfaction of the Escrow Release Conditions on or before 5:00 p.m. Calgary time on May 15, 2022 (the “**Release Deadline**”).

Each Subscription Receipt shall be automatically converted, without any further action by the holder thereof and for no additional consideration, into one Unit on the Release Event (as defined herein).

“**Release Event**” means, collectively: (i) the satisfaction of the Escrow Release Conditions; and (ii) the delivery of a notice by the Company, acknowledged by Lead Investor, confirming that the Escrow Release Conditions have been satisfied, in each case, prior to the Release Deadline (the “**Closing Notice**”).

The “**Escrow Release Conditions**” are the following:

1. the TSXV shall have provided confirmation to the Lead Investor and the Company that the Personal Information Form of the Lead Investor has been “cleared” by the TSXV;
2. receipt by Lead Investor of an officer's certificate from the Company certifying that it has irrevocably instructed its counsel to, upon release of the Escrowed Funds to the Company, issue the Common Shares and Warrants underlying the Subscription Receipts to Lead Investor;
3. the receipt of all necessary shareholder, third party and regulatory approvals, if any, including approval of the TSXV, for the Offering; and

4. a certificate from the Company shall have been delivered to Lead Investor certifying that all Escrow Release Conditions, other than the delivery of the certificate, have been satisfied or waived.

In the event that: (i) the Release Event does not occur on or before the Release Deadline; or (ii) the Company advises or announces to the public that it does not intend to proceed with the Offering (a “**Termination Event**”), the Company shall forthwith provide notice thereof to Lead Investor and the holders of Subscription Receipts, without any further action on the part of the holders of Subscription Receipts, that they will receive an amount per Subscription Receipt equal to the full purchase price of the Subscription Receipt together with their pro rata portion of the income earned thereon (less any applicable withholdings) from, and including, the Closing Date to, but excluding, the date of the Termination Event. To the extent that the Escrowed Funds are insufficient to refund each holder of Subscription Receipts of the full purchase price of the Subscription Receipt together with their pro rata portion of the income earned thereon (less any applicable withholdings), the Company shall be liable for and will contribute such amounts as are necessary to satisfy any shortfall.

All securities issued in connection with the Placing will not be able to be traded in Canada, or through the facilities of the TSX Venture Exchange, for a period of four months and one day from the date of closing.

Gneiss Energy Limited, a corporate financial adviser based in the United Kingdom, acted as sole financial adviser on the Placing. Gneiss will be paid a commission of 6% of the proceeds and 6% finder’s warrants on a portion of the placement. The finder’s warrants will have an exercise price of CAD\$2.00 per Common Shares and expiry date of 24 months from the Closing Date.

About Petro-Victory Energy Corp.

Petro-Victory Energy Corp. is engaged in the acquisition, development, and production of crude oil and natural gas resources in Brazil. The company holds 100% operating and working interests in nineteen (19) licenses totaling 129,524 acres in two (2) different producing basins in Brazil. Petro-Victory generates accretive shareholder value through disciplined investments in high impact, low risk assets. The Company’s Common Shares trade on the TSX Venture Exchange (“TSXV”) under the ticker symbol VRY.V.

Cautionary Note

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

This press release does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and may not be offered or sold within the United States unless an exemption from such registration is available

Disclosure of Oil and Gas Information

Reserves Disclosure. All reserves information in this press release are prepared by GLJ reserve evaluators prepared December 31, 2020 in accordance with NI 51-101 and the COGEH. The estimates of reserves are based on the price deck at December 31, 2020.

All reserve references in this press release are "gross reserves". Gross reserves are a company's total working interest reserves before the deduction of any royalties payable by such company and before the consideration of such company's royalty interests. It should not be assumed that the present worth of estimated future cash flow of net revenue presented herein represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the Company's reserves, provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil and reserves may be greater than or less than the estimates provided herein.

Well Program. This press release discloses well program locations in the following categories: (i) proved locations; and (ii) probable locations. Proved locations and probable locations are derived from the Company's reserve report in accordance with NI 51-101 and the most recent publication of the COGEH.

The drilling locations considered for future development will ultimately depend upon the availability of drilling services, landowner approvals, capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Advisory Regarding Forward-Looking Statements

In the interest of providing Petro-Victory's shareholders and potential investors with information regarding Petro-Victory's future plans and operations, certain statements in this press release are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "forward-looking statements"). In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this press release contains forward-looking statements relating to but not limited to: the Company offerings, our business strategies, plans and objectives, and drilling, testing and exploration expectations. These forward-looking statements are based on certain key assumptions regarding, among other things: our ability to add production and reserves through our exploration activities; the receipt, in a timely manner, of regulatory and other required approvals for our operating activities; the availability and cost of labor and other industry services; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; and current industry conditions, laws and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated). Readers are cautioned that such assumptions, although considered reasonable by Petro-Victory at the time of preparation, may prove to be incorrect.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors.

The above summary of assumptions and risks related to forward-looking statements in this press release has been provided in order to provide shareholders and potential investors with a more complete perspective on Petro-Victory's current and future operations and such information may not be appropriate for other purposes. There is no representation by Petro-Victory that actual results achieved will be the same in whole or in part as those referenced in the forward-looking statements and Petro-Victory does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

For further information

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