

Petrox Resources Corporation
Financial Statements
December 31, 2019 and 2018

PETROX RESOURCES CORP.
Index to the Financial Statements
For the years ended December 31, 2019 and 2018

FINANCIAL STATEMENTS

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Independent Auditors' Report

PETROX RESOURCES CORP.
Statements of Financial Position
As at December 31,
(Stated in Canadian Dollars)

| | Note | 2019 | 2018 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT | | | |
| Cash | | \$ 274,910 | \$ 295,605 |
| Trade and other receivables | | 55,001 | 32,839 |
| Prepaid expense | | 1,688 | 6,960 |
| TOTAL CURRENT ASSETS | | 331,599 | 335,404 |
| NON-CURRENT | | | |
| Property and equipment | 5 | 403,505 | 491,675 |
| TOTAL ASSETS | | \$ 735,104 | \$ 827,079 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT | | | |
| Trade and other payables | | \$ 58,106 | \$ 58,369 |
| NON-CURRENT | | | |
| Decommissioning obligations | 6 | 365,002 | 352,940 |
| TOTAL LIABILITIES | | 423,108 | 411,309 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 7 | 4,174,166 | 4,174,166 |
| Contributed surplus | | 2,304,548 | 2,304,548 |
| Deficit | | (6,166,718) | (6,062,944) |
| TOTAL SHAREHOLDERS' EQUITY | | 311,996 | 415,770 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 735,104 | \$ 827,079 |

Going Concern (Note 2)

ON BEHALF OF THE BOARD

(Signed) "Edwin Tam"

(Signed) "Alan P. Chan"

The accompanying notes are an integral part of the financial statements.

PETROX RESOURCES CORP.
Statements of Net Loss and Other Comprehensive Loss
For the years ended December 31,
(Stated in Canadian Dollars)

| | Note | 2019 | 2018 |
|--|------|---------------------|--------------|
| REVENUE | | | |
| Production revenue | | \$ 604,371 | \$ 679,294 |
| Royalties | | (24,661) | (30,157) |
| | | 579,710 | 649,137 |
| EXPENSES | | | |
| Operating costs | | 309,928 | 357,924 |
| General and administrative fees | | 273,324 | 306,016 |
| Depletion and depreciation | 5 | 94,295 | 125,803 |
| Accretion expense | 6 | 5,937 | 7,417 |
| | | 683,484 | 797,160 |
| NET LOSS AND OTHER COMPREHENSIVE LOSS | | \$ (103,774) | \$ (148,023) |
| LOSS PER SHARE | | | |
| Basic and diluted | | \$ (0.002) | \$ (0.003) |
| WEIGHTED AVERAGE COMMON SHARES | | | |
| Basic and diluted | | 55,132,258 | 55,132,258 |

PETROX RESOURCES CORP.
Statements of Changes in Shareholders' Equity
(Stated in Canadian Dollars)

| | Share Capital | | Contributed Surplus | Deficit | Total Shareholders' Equity |
|---------------------------------------|-------------------|---------------------|---------------------|-----------------------|----------------------------|
| | Number of Shares | Share capital | | | |
| As at December 31, 2018 | 55,132,258 | \$ 4,174,166 | \$ 2,304,548 | \$ (6,062,944) | \$ 415,770 |
| Net loss and other comprehensive loss | - | - | - | (103,774) | (6,166,718) |
| As at December 31, 2019 | 55,132,258 | \$ 4,174,166 | \$ 2,304,548 | \$ (6,166,718) | \$ 311,996 |

| | Share Capital | | Contributed Surplus | Deficit | Total Shareholders' Equity |
|---------------------------------------|-------------------|---------------------|---------------------|-----------------------|----------------------------|
| | Number of Shares | Share capital | | | |
| As at December 31, 2017 | 55,132,258 | \$ 4,174,166 | \$ 2,304,548 | \$ (5,914,921) | \$ 563,793 |
| Net loss and other comprehensive loss | - | - | - | (148,023) | (148,023) |
| As at December 31, 2018 | 55,132,258 | \$ 4,174,166 | \$ 2,304,548 | \$ (6,062,944) | \$ 415,770 |

The accompanying notes are an integral part of the financial statements.

PETROX RESOURCES CORP.
Statements of Cash Flows
For the years ended December 31,
(Stated in Canadian Dollars)

| | Note | 2019 | 2018 |
|--|------|-------------------|-------------------|
| OPERATING ACTIVITIES | | | |
| Net loss and comprehensive loss | | \$ (103,774) | \$ (148,023) |
| Items not affecting cash: | | | |
| Depletion and depreciation | 5 | 94,295 | 125,803 |
| Accretion expense | 6 | 5,937 | 7,417 |
| Changes in non-cash working capital: | | | |
| Trade and other receivables | | (22,162) | 27,176 |
| Prepaid expenses | | 5,272 | (253) |
| Trade and other payables | | (263) | 23,290 |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | (20,695) | 35,410 |
| INCREASE (DECREASE) IN CASH | | (20,695) | 35,410 |
| CASH – BEGINNING OF YEAR | | 295,605 | 260,195 |
| CASH - END OF YEAR | | \$ 274,910 | \$ 295,605 |

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

1. NATURE OF OPERATIONS

Petrox Resources Corp. (“Petrox” or the “Corporation”) is a public company (TSXV: PTC) incorporated under the Business Corporations Act (Alberta) on February 25, 2011. The principal business of the Corporation is the acquisition, exploration, development and production of petroleum and natural gas in Canada.

These financial statements were authorized for issue by the Board of Directors on March 23, 2020. The Corporation’s registered office is Suite 3001, 505 – 6 Street S.W, Calgary, AB, Canada T2P 1X5.

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND GOING CONCERN

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at January 1, 2019.

IFRS was applied on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. The Corporation has a net loss for the year of \$103,774 (2018 - \$148,023), an accumulated deficit of \$6,166,718 (2018 - \$6,062,944) and cash used in operating activities of \$20,695 (2018 – cash inflow of \$35,410). These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Corporation be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value with changes in fair value recorded in earnings.

Functional Currency

The presentation currency and functional currency of the Corporation is the Canadian dollar.

Cash

Cash consist of amounts on deposit with banks, term deposits and other similar short-term highly liquid investments with maturities of 90 days or less at the date of issue.

Exploration and Evaluation Assets

Exploration and evaluation costs include the costs of acquiring licenses, exploratory drilling, geological and geophysical activities, acquisition of mineral and surface rights, directly attributable general and administrative expenses and technical studies. Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting oil and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated. Exploration and evaluation assets, net of any impairment loss, are transferred to property and equipment when proved and/or probable reserves are determined to exist.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are also assessed for impairment upon their reclassification to property and equipment. For purposes of impairment testing, exploration and evaluation assets are allocated to appropriate cash-generating units.

Property and Equipment

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning liabilities and transfers of exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income as incurred.

Disposals of property and equipment are measured at fair value unless the transactions lack commercial substance or neither the fair value of the asset received, nor the asset given up can be reliably estimated. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Any gain or loss on the disposal of the property and equipment is measured as the difference between the asset's carrying value and the proceeds received on disposition.

Furniture and fixtures are depreciated on a straight-line basis over periods ranging from two to five years.

Depletion and Depreciation

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of natural gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

Revenue Recognition

Revenue from the sale of petroleum and natural gas is recorded when title passes to an external party and is based on volumes delivered to customers at contractual delivery points, and rates and collectability are reasonably assured. The costs associated with the delivery, including operating and maintenance costs, transportation and production-based royalty expenses, are recognized during the same period in which the related revenue is earned and recorded.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated.

For the purposes of assessing impairment, exploration and evaluation assets and property and equipment are grouped into cash-generating units ("CGUs"), defined as the lowest levels for which there are separately identifiable independent cash inflows. Goodwill, if any, is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill. Exploration and evaluation assets are tested with the associated CGU for which the activity can be attributed or separately where an associated CGU does not exist for the exploration and evaluation activity.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the cash-generating unit in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in comprehensive loss.

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

Revenue from Contracts with Customers

The Corporation principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from the Corporation to its customers. The Corporation's commodity sale contracts represent a series of distinct transactions. The Corporation considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Corporation has transferred title and physical possession of the commodity to the buyer;
- The Corporation has transferred significant risks and rewards of ownership of the commodity to the buyer;
- and,
- The Corporation has the present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Corporation's commodity sales contracts are on the 25th of the month following delivery. The Corporation does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Corporation does not adjust its revenue transactions for the time value of money. Revenue represents the Corporation's share of commodity sales net of royalty obligations to governments and other mineral interest owners.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers (continued)

The Corporation has applied the practical expedient to recognize revenue in the amount to which the Corporation has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

Financial Instruments

The Corporation measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Corporation's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

Amortized Cost

The Corporation classifies its trade and other receivables and trade and other payables as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Corporation classifies its cash as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the statements of loss and comprehensive loss.

Impairment of Financial Assets

The Corporation's trade and other receivables are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the trade and other receivables.

The Corporation's trade and other receivables are subject to the expected credit loss model under IFRS 9. For the trade and other receivables, the Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Corporation considered historical industry default rates as well as credit ratings of major customers.

Fair Value Hierarchy

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts, and the Corporation intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of tax when deemed recoverable.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Changes in Accounting Policy

The Corporation adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Corporation elected to use the transition practical expedients allowing a) the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application, and b) the measuring the right-of-use asset on transition as being equal to the amount of the lease liability initially recognised on transition. The Corporation also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16

As the Corporation current does not have any lease commitments, there is the adoption of IFRS 16 did not have any material impact to the Corporation's financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Management reviews significant estimates on a periodic basis and, when changes in estimates are necessary, makes adjustments prospectively.

The key sources of estimates and judgments made by management, are as follows:

Exploration and Evaluation Costs

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The Corporation is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures, are important judgments when making this determination.

Development Costs

Management uses judgment to determine when exploration and evaluation assets are reclassified to Property and Equipment. This decision considers several factors, including the existence of reserves, appropriate approvals from regulatory bodies and the Corporation's internal project approval processes.

Determination of Cash Generating Units

A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the Corporation has one CGU.

Asset Impairment and Reversals

Management applies judgment in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors. The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell or value-in-use calculations. The key estimates the Corporation applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future operating and development costs, discount rates, tax rates, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)

Deferred Taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Corporation's estimate, the ability of the Corporation to realize the deferred tax assets could be impacted. Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Corporation records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Corporation's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, and the tax laws in the jurisdictions in which the Corporation operates.

Reserves

Reserves are used in the unit of production calculation for depletion and depreciation, as well as impairment analysis. The quantity of reserves is subject to a number of estimates and projections including assessment of engineering data, projected future rates of production, commodity prices, regulatory changes, operating costs and sustaining capital expenditures. These estimates and projections are uncertain as the Corporation does not have a long commercial production history to assist in the development of these forward-looking estimates. However, all reserve and associated financial information is evaluated and reported on by a firm of qualified independent reserve evaluators in accordance with the standards prescribed by applicable securities regulators. The calculation of future cash flows based on these reserves is dependent on a number of estimates including: production volumes, facility performance, commodity prices, and royalties, operating costs, sustaining capital and tax rates. The price used in the Corporation's assessment of future cash flows is based on the Corporation's independent evaluator's estimate of future prices and evaluated for reasonability by the Corporation against other available information. The Corporation believes these prices are reasonable estimates for a long-term outlook.

Decommissioning liabilities

The Corporation measures decommissioning liabilities at each financial statement date. The estimate is based on the Corporation's share of costs to reclaim the assets and certain facilities. To determine the future value of the liability, estimates of the amount, timing and inflation of the associated abandonment costs are made. The present value of the cost is recorded as the decommissioning liability using a risk-free discount rate. Due to the long-term nature of current and future project developments, abandonment costs will be incurred many years in the future. Because of these factors, different estimates could be used for such abandonment costs and the associated timing. Assumptions of higher future abandonment costs, regulatory changes, higher inflation, lower risk-free rates or an assumption of earlier or specified timing of abandonment would cause the decommissioning liability of the corresponding asset to increase. These changes would also cause future accretion expenses to increase.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2019 and 2018

5. PROPERTY AND EQUIPMENT

| Year ended December 31, 2019 | Property & Equipment | Furniture & Fixtures | Total |
|-------------------------------------|---------------------------------|---------------------------------|-------------------|
| Cost | | | |
| Beginning balance | \$ 3,058,975 | \$ 2,212 | \$ 3,061,187 |
| Changes in estimate (Note 6) | 6,125 | - | 6,125 |
| Ending balance | 3,065,100 | 2,212 | 3,067,312 |
| Accumulated Depletion | | | |
| Beginning balance | (2,567,536) | (1,976) | (2,569,512) |
| Depletion and depreciation | (94,059) | (236) | (94,295) |
| Ending balance | (2,661,595) | (2,212) | (2,663,807) |
| Book Value | \$ 403,505 | \$ - | \$ 403,505 |

| Year ended December 31, 2018 | Property & Equipment | Furniture & Fixtures | Total |
|-------------------------------------|---------------------------------|---------------------------------|-------------------|
| Cost | | | |
| Beginning balance | \$ 3,058,777 | \$ 2,212 | \$ 3,060,989 |
| Changes in estimate (Note 6) | 198 | - | 198 |
| Ending balance | 3,058,975 | 2,212 | 3,061,187 |
| Accumulated Depletion | | | |
| Beginning balance | (2,442,010) | (1,699) | (2,443,709) |
| Depletion and depreciation | (125,526) | (277) | (125,803) |
| Ending balance | (2,567,536) | (1,976) | (2,569,512) |
| Book Value | \$ 491,439 | \$ 236 | \$ 491,675 |

Impairment

At December 31, 2019 and 2018, the Corporation determined that a low commodity price was an indicator of impairment and tested its cash-generating units for impairment. The recoverable amount of the CGUs was estimated based on the higher of the value in use and the fair value less costs to sell. The estimate of fair value less costs to sell was determined using a cost to sell of 2%, a discount rate of 10% and forecasted cash flows, with escalating prices and future development costs, as obtained from an independent reserve engineer for the Corporation's proved plus probable reserves. The impairment calculations for 2019 and 2018 resulted in no impairment charges.

The sensitivity analysis performed on the impairment assessment using a 15% discount rate did not result in any impairment for the years ended December 31, 2019 and 2018.

The impairment test was based on the following future prices at December 31, 2019.

| Year | Canadian Light Sweet - 40 API (\$/bbl) |
|-------------|---|
| 2020 | 73.84 |
| 2021 | 78.51 |
| 2022 | 78.73 |
| 2023 | 80.30 |
| 2024 | 81.91 |
| 2025 | 83.54 |
| 2026 | 85.21 |
| 2027 | 86.92 |

Escalate oil, gas and product prices at 2.0% per year thereafter.

PETROX RESOURCES CORP.
Notes to the Financial Statements
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6. DECOMMISSIONING OBLIGATION

The following table presents the reconciliation of the carrying amount of the obligation associated with the reclamation and abandonment of the Corporation's oil and gas properties:

| | <i>Year ended December 31, 2019</i> | <i>Year ended December 31, 2018</i> |
|--------------------------|---|---|
| Beginning balance | \$ 352,940 | \$ 345,325 |
| Accretion | 5,937 | 7,417 |
| Change in estimate | 6,125 | 198 |
| Ending balance | \$ 365,002 | \$ 352,940 |

The following assumptions were used to estimate the decommissioning obligation at December 31, 2019 and 2018:

| | <i>2019</i> | <i>2018</i> |
|-------------------------------|----------------------|----------------------|
| Undiscounted cash flows | \$ 377,659 | \$ 377,659 |
| Risk free rate | 1.38% - 1.69% | 1.94% - 2.43% |
| Inflation rate | 2% | 2% |
| Expected timing of cash flows | 5 to 8 years | 6 to 9 years |

7. SHARE CAPITAL

(a) Authorized:

- Unlimited number of common shares without par value
- Unlimited number of preferred shares without par value

| Issued: | <i>December 31, 2019</i> | | <i>December 31, 2018</i> | |
|-------------------------------------|--------------------------|---------------------|--------------------------|--------------|
| Common shares | Number | Amount | Number | Amount |
| Balance – beginning and end of year | 55,132,258 | \$ 4,174,166 | 55,132,258 | \$ 4,174,166 |

(b) Stock Option Plan

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange's requirements, grant to directors, officers, employees and technical consultants of the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Corporation. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

| | <i>December 31, 2018</i> | |
|-----------------------------|------------------------------|---------------------------|
| | Number of Options | Weighted Average Price |
| Balance - beginning of year | 400,000 | \$ 0.12 |
| Expired | (400,000) | 0.12 |
| Balance - end of year | - | \$ - |
| Exercisable - end of year | - | \$ - |

All options were expired in the year ended December 31, 2018. No options were granted during the year ended December 31, 2019.

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8. RELATED PARTY TRANSACTIONS

The following tables summarize the remuneration of directors and of other members of key management personnel during the periods:

| | <i>Year ended</i> <i>December 31, 2019</i> | <i>Year ended</i> <i>December 31, 2018</i> |
|-----------------|---|---|
| Consulting fees | \$ 105,400 | \$ 105,400 |

As of December 31, 2019, all of the above amounts have been paid.

9. INCOME TAXES

The net income tax provision differs from that expected by applying the combined federal and provincial tax rates due to the following:

| | 2019 | 2018 |
|---|------------------|--------------|
| Net loss before income taxes | \$ (103,774) | \$ (148,023) |
| Combined federal and provincial income tax rate | 26.50% | 27.00% |
| Expected tax recovery | (27,500) | (39,966) |
| Non-deductible items and other | 3,632 | 206 |
| Changes in enacted rates | 248,193 | - |
| Tax benefit not recognized | (224,325) | 39,760 |
| | \$ - | \$ - |

The Corporation has not recognized a deferred tax asset in respect of the following deductible temporary differences:

| | 2019 | 2018 |
|--|---------------------|--------------|
| Non-capital losses | \$ 3,828,705 | \$ 3,585,699 |
| Oil and gas assets | 2,479,882 | 2,619,112 |
| Total deductible temporary differences | \$ 6,308,587 | \$ 6,204,811 |

The Corporation's non-capital losses of \$3,828,705 (2018 - \$3,585,699) expire between 2030 and 2039.

10. FINANCIAL INSTRUMENTS

The Corporation's financial assets consist of cash and trade and other receivables, and its financial liabilities consist of trade and other payables. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest or currency arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted, due to the short-term maturity of these items.

Credit risk

Credit risk is the risk of financial loss to a Corporation if a counter party to a financial instrument fails to meet its contractual obligations. The Corporation's financial instruments that subject it to credit risk relate to cash in Canadian chartered banks, interest receivable from Canadian chartered banks, goods and services tax recoverable from the federal government, and trade and other receivables. The Corporation considers the risk of default from parties in the oil and gas industry to be low as they are with reputable oil and gas marketers.

The composition of trade and other receivables relates to oil sales which is typically collected in the month following the sales month.

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10. FINANCIAL INSTRUMENTS (Continued)

The Corporation considers its receivables to be aged as follows:

| | <i>December 31, 2019</i> | <i>December 31, 2018</i> |
|--------------|--------------------------|--------------------------|
| Current | \$ 55,001 | \$ 32,839 |
| Total | \$ 55,001 | \$ 32,829 |

Liquidity risk

Liquidity risk relates to the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on the statement of financial position consist of trade and other payables. The Corporation anticipates it will have adequate liquidity to fund its financial liabilities. Trade and other payables consist of invoices payable to trade suppliers for general, administrative and capital expenditures and are usually payable in 30 to 90 days.

The following table indicates the contractual maturities for financial liabilities:

| | <i>December 31, 2019</i> | <i>December 31, 2018</i> |
|--------------|--------------------------|--------------------------|
| Current | \$ 58,106 | \$ 58,369 |
| Total | \$ 58,106 | \$ 58,369 |

Market risk

Market risk is the risk that changes in market prices, such as currency, commodity and interest will affect the Corporation's net earnings, future cash flows, the value of financial instruments, or the fair value of its assets and liabilities. The Corporation does not procure services denominated in currency other than Canadian dollars. As such, the Corporation is not exposed to foreign currency fluctuations. The Corporation has no debt and as such has no material exposure to interest risk.

Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic and political events that dictate the levels of supply and demand. As at December 31, 2019, a 5% change in price of oil would represent a change in net loss for the year ended December 31, 2019 of approximately \$28,985

11. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are:

- To safeguard the Corporation's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

The Corporation's policy is to maintain a strong and stable capital base for the objectives of maintaining financial flexibility, to sustain the development of the Corporation's current capital projects and for future development of the Corporation. The Corporation monitors its working capital and expected capital spending and issues share capital to manage its development plans.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation is not subject to externally imposed capital requirements.

The Corporation considers its capital structure to be shareholders' equity.

12. SUBSEQUENT EVENTS

On January 10, 2020, the Corporation announced that the letter of intent signed with Travel Plus has expired and was terminated. The termination of this proposed reverse take-over transaction was primarily due to Travel Plus's desire to carry out a corporate restructuring.

On January 28, 2020, the Corporation announced that it has signed a non-binding letter of intent effective January 26, 2020 (the "LOI") with Good Time Mega International Trade Limited, a private company with limited liability organized under the laws of Hong Kong ("Good Time"). The LOI outlines the general terms and conditions pursuant to which the Corporation and Good Time would be willing to complete a transaction that would result in a reverse take-over of the Corporation by the securityholders of Good Time (the "Transaction"). The Transaction, if approved, would constitute a Reverse Takeover transaction and a Change of Business under the policies of the TSX Venture Exchange (the "TSXV").

The LOI provides that pursuant to the Transaction, the Corporation will complete a 10:1 consolidation of its common shares and that the Corporation will acquire all of the issued and outstanding shares of Good Time from the existing shareholders of Good Time in exchange for 35,325,484 post-consolidation shares of the Corporation at a deemed price of \$0.05 per share for a total deemed price of \$1,766,274.20. The LOI provides that if the consolidation is completed other than on a 10:1 basis, the number of the Corporation shares that will be issued in exchange for the Good Time shares will be adjusted accordingly. If the issuance of the 35,325,484 common shares would result in the public float (as defined in TSXV policies) of common shares of the Corporation being less than 20% of the total issued common shares of the Corporation after the Transaction, then the Corporation shall issue a combination of common shares and preferred shares convertible into common shares on a one for one basis, such that the number of common shares issued under the Transaction shall equal 20% of the total issued common shares of the Corporation and the remainder shall be convertible preferred shares.

The transaction will be structured by way of a plan of arrangement, amalgamation, takeover bid, reorganization or other similar form of transaction, as determined following a review of all relevant legal, regulatory and tax matters. The LOI contemplates the Corporation and Good Time entering into a definitive agreement with respect to the Transaction prior to or on March 31, 2020 or such other date as may be agreed upon by the parties, failing which the LOI will be terminated.

In connection with the Transaction, it is contemplated that the Corporation will change its name to "Good Time Mega Trading International Limited" or such other name as may be requested by Good Time and accepted by Alberta Registries and the TSXV. It is also contemplated that the then current directors of the Corporation will resign and be replaced by nominees of Good Time. Once the proposed director nominees are identified, the Corporation will issue a subsequent press release providing their names and biographies as well as those of any other persons who will be insiders of the Corporation post-Transaction.

Additionally, concurrently with the completion of the Transaction, it is intended that all of the oil and gas assets and liabilities of the Corporation held just prior to the closing of the Transaction will be transferred to a newly created wholly-owned subsidiary of the Corporation and that all of the shares of the subsidiary will be distributed by the Corporation to all of shareholders of the Corporation of record at the time of the distribution (the "Spin-Out Transaction"). The Spin-Out Transaction will be completed by way of a plan of arrangement or other form of transaction to be approved by the shareholders of the Corporation and, if applicable, by the Court of Queen's Bench of Alberta.

The LOI provides that completion of the Transaction is subject to a number of conditions including the approval from the Corporation's shareholders of the proposed consolidation and name change, approval from the Good Time shareholders of the Transaction and approvals from the TSXV, securities regulators and third parties as may be required.

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12. SUBSEQUENT EVENTS (Continued)

Subsequent to year-end, the outbreak of the novel strain of the coronavirus, specifically identified as ‘COVID-19’, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. As a result, global equity markets and oil prices have experienced significant volatility and weakness. As of the time of filing, it is not possible to reliably estimate the length and severity of these developments and its impact on the financial results and condition of the Corporation.

As required by IFRS, we have not reflected these subsequent conditions in the recoverable amount estimates of our oil and gas assets as at December 31, 2019. Impairment indicators for the Corporation’s oil and gas assets could exist if current condition persists. Management continues to work on revisions to the Corporation’s forecast and will use updated assumptions and forecast in our impairment indicator analysis and for impairment tests in the first quarter of 2020, if such tests are required.