Petrox Resources Corporation

Condensed Interim Financial Statements

September 30, 2020 and 2019

(Unaudited)

The condensed interim financial statements for the three- and nine- month periods ended September 30, 2020 and 2019 have not been reviewed by the Corporation's auditor.

FINANCIAL STATEMENTS

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(Stated in Canadian Dollars)

PETROX RESOURCES CORP.
Statements of Financial Position
As at

	Note	September 30, 2020	December 31, 2019
		(unaudited)	
ASSETS			
CURRENT			
Cash		$ 107,369	$ 274,910
Trade and other receivables		38,427	55,001
Prepaid expense		9,527	1,688
TOTAL CURRENT ASSETS		155,323	331,599
NON-CURRENT			
Property and equipment	5	237,626	403,505
TOTAL ASSETS		$ 392,949	$ 735,104
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Trade and other payables		$ 7,711	$ 58,106
NON-CURRENT			
Decommissioning obligations	6	395,131	365,002
TOTAL LIABILITIES		402,842	433,109
SHAREHOLDERS' EQUITY			
Share capital	7	4,174,166	4,174,166
Contributed surplus		2,304,548	2,304,548
Deficit		(6,488,607)	(6,166,718)
TOTAL SHAREHOLDERS' EQUITY		(9,893)	301,995
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 392,949	$ 735,104

PETROX RESOURCES CORP.
Condensed Interim Statements of Net Loss and Comprehensive Loss
For the three- and nine- month periods ended September 30, 2020 and 2019
(Unaudited)
(Stated in Canadian Dollars)

	Note	**Three months ended September 30, 2020**	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
REVENUE					
Production revenue		**$ 93,324**	$ 139,796	**$ 233,894**	$ 451,550
Royalties		**(2,891)**	(5,828)	**(7,159)**	(18,847)
		90,433	133,968	**226,735**	432,703
EXPENSES					
Operating costs		**82,228**	91,419	**185,219**	224,172
General and administrative fees		**49,771**	56,905	**167,397**	184,068
Depletion and depreciation	5	**12,008**	31,270	**37,538**	89,944
Impairment of assets	5	**-**	-	**155,185**	-
Accretion expense	6	**653**	1,278	**3,285**	4,361
		144,660	180,882	**548,624**	502,545
NET LOSS AND COMPREHENSIVE LOSS		**$ (54,227)**	$ (46,914)	**$ (321,889)**	$ (69,842)
LOSS PER SHARE					
Basic and diluted		**$ (0.001)**	$ (0.000)	**$ (0.006)**	$ (0.001)
WEIGHTED AVERAGE COMMON SHARES					
Basic and diluted		**55,132,258**	55,132,258	**55,132,258**	55,132,258

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

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

	Share Capital				
	Number of Shares	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
As at December 31, 2019	55,132,258	$ 4,174,166	$ 2,304,548	$ (6,166,718)	$ 311,996
Net loss and other comprehensive loss	-	-	-	(321,889)	(321,889)
As at September 30, 2020	**55,132,258**	**$ 4,174,166**	**$ 2,304,548**	**$ (6,488,607)**	**$ (9,893)**

	Share Capital				
	Number of Shares	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
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	-	-	-	(69,842)	(69,842)
As at September 30, 2019	**55,132,258**	**$ 4,174,166**	**$ 2,304,548**	**$ (6,132,786)**	**$ 345,928**

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

PETROX RESOURCES CORP.
Condensed Interim Statements of Cash Flows
For the three- and nine- month periods ended September 30, 2020 and 2019
(Unaudited)
(Stated in Canadian Dollars)

	Note	**Three months ended September 30, 2020**	Three months ended September 30, 2019	**Nine months ended September 30, 2020**	Nine months ended September 30, 2019
OPERATING ACTIVITIES					
Net loss and comprehensive loss		**$ (54,227)**	$ (46,914)	**$ (321,889)**	$ (69,842)
Items not affecting cash:					
Depletion and depreciation	5	**12,008**	31,270	**37,538**	89,944
Accretion expense	6	**653**	1,278	**3,285**	4,361
Impairment of assets		**-**	-	**155,185**	-
Changes in non-cash working capital:					
Trade and other receivables		**(50)**	8,803	**16,574**	(8,706)
Prepaid expenses		**9,595**	1,921	**(7,839)**	5,041
Trade and other payables		**(443)**	323	**(50,395)**	(35,813)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**(32,464)**	(3,319)	**(167,541)**	(15,015)
INCREASE (DECREASE) IN CASH		**(32,464)**	(3,319)	**(167,541)**	(15,015)
CASH - BEGINNING OF PERIOD		**139,833**	283,909	**274,910**	295,605
CASH - END OF PERIOD		**$ 107,369**	$ 280,590	**$ 107,369**	$ 280,590

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

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 November 17, 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 unaudited condensed consolidated interim financial statements have been prepared on a historical basis and compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. These unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's December 31, 2019 audited annual financial statements.

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 comprehensive loss of $54,227 and $321,889 for the three- and nine- month periods ended September 30, 2020, respectively, accumulated deficit of $6,488,607 and cash flows used in operating activities of $167,541 during the nine months ended September 30, 2020. Recent developments of COVID-19 and global oil price fluctuation have also impacted the Corporation's profitability. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. 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

These condensed consolidated interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the Financial Statements for the fiscal year ended December 31, 2019.

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.

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

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.

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.

5. PROPERTY AND EQUIPMENT

Period ended September 30, 2020		***Property & Equipment***		***Furniture & Fixtures***		***Total***
Cost						
Beginning balance	$	3,065,100	$	2,212	$	3,067,312
Changes in estimate (Note 6)		26,844		-		26,844
Ending balance		3,091,944		2,212		3,094,156
Accumulated Depletion						
Beginning balance		(2,661,595)		(2,212)		(2,663,807)
Impairments		(155,185)		-		(155,185)
Depletion and depreciation		(37,538)		-		(37,538)
Ending balance		(2,854,318)		(2,212)		(2,856,530)
Book Value	**$**	**237,626**	**$**	**-**	**$**	**237,626**

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**

5. PROPERTY AND EQUIPMENT (Continued)

Impairment

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.

During the period ended June 30, 2020, 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 resulted in an impairment charge of $155,185 for period ended June 30, 2020. There was no impairment for the period ended September 30, 2020.

The impairment test was based on the following future prices at June 30, 2020.

Year	Canadian Light Sweet - 40 API ($/bbl)
2020	46.67
2021	53.33
2022	65.33
2023	70.56
2024	71.97
2025	73.41
2026	74.88
2027	76.38

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

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:

	Nine months ended September 30, 2020	*Year ended December 31, 2019*
Beginning balance	**$ 365,002**	$ 352,940
Accretion	3,285	5,937
Change in estimate	26,844	6,125
Ending balance	**$ 395,131**	$ 365,002

The following assumptions were used to estimate the decommissioning obligation for 2020 and 2019:

	2020	*2019*
Undiscounted cash flows	**$ 377,659**	$ 377,659
Risk free rate	**0.25% - 0.64%**	1.38% - 1.69%
Inflation rate	**2%**	2%
Expected timing of cash flows	**4 to 7 years**	5 to 8 years

7. SHARE CAPITAL

(a) Authorized:

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

Issued:		***September 30, 2020***			*December 31, 2019*	
Common shares	Number		Amount	Number		Amount
Balance – beginning and end of period	**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.

There are no options outstanding as of September 30, 2020.

8. RELATED PARTY TRANSACTIONS

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

	3 months ended September 30, 2020	*3 months ended* September 30, 2019	**9 months ended September 30, 2020**	*9 months ended* September 30, 2019
Consulting fees	**$ 26,350**	$ 26,350	**$65,875**	$79,050

As of September 30, 2020, all the above amounts have been paid.

9. 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.

<u>Credit risk</u>

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.

9. FINANCIAL INSTRUMENTS (Continued)

Credit risk (continued)

The Corporation considers its receivables to be aged as follows:

	September 30, 2020	*December 31, 2019*
Current	$ 38,427	$ 55,001
Total	**$ 38,427**	$ 55,001

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:

	September 30, 2020	*December 31, 2019*
Current	$ 7,711	$ 58,106
Total	**$ 7,711**	$ 58,106

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 September 30, 2020, a 5% change in price of oil would represent a change in net loss of approximately $4,666 and $11,695 for the three- and nine- month period ended September 30, 2020, respectively.

10. 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.

10. CAPITAL MANAGEMENT (CONTINUED)

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.