

Petrox Resources Corporation
Financial Statements
December 31, 2018 and 2017

PETROX RESOURCES CORP.
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For the years ended December 31, 2018 and 2017

FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of PETROX Resources Corp.:

Opinion

We have audited the financial statements of PETROX Resources Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad Frampton.

Calgary, Alberta

April 15, 2019

MNP LLP

Chartered Professional Accountants

MNP

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

	Note	December 31, 2018	December 31, 2017
ASSETS			
CURRENT			
Cash		\$ 295,605	\$ 260,195
Trade and other receivables		32,839	60,015
Prepaid expense		6,960	6,707
TOTAL CURRENT ASSETS		335,404	326,917
NON-CURRENT			
Property and equipment	5	491,675	617,280
TOTAL ASSETS		\$ 827,079	\$ 944,197
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Trade and other payables		\$ 58,369	\$ 35,079
NON-CURRENT			
Decommissioning obligations	7	352,940	345,325
TOTAL LIABILITIES		411,309	380,404
SHAREHOLDERS' EQUITY			
Share capital	8	4,174,166	4,174,166
Contributed surplus		2,304,548	2,304,548
Deficit		(6,062,944)	(5,914,921)
TOTAL SHAREHOLDERS' EQUITY		415,770	563,793
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 827,079	\$ 944,197

ON BEHALF OF THE BOARD

(Signed) "Edwin Tam"

(Signed) "Alan P. Chan"

PETROX RESOURCES CORP.
Statements of Comprehensive Loss
For the years ended December 31, 2018 and 2017
(Stated in Canadian Dollars)

	Note	December 31, 2018	December 31, 2017
REVENUE			
Production revenue		\$ 679,294	\$ 615,928
Royalties		(30,157)	(27,718)
		649,137	588,210
EXPENSES			
Operating costs		357,924	367,250
General and administrative fees		306,016	252,640
Depletion and depreciation	5	125,803	217,084
Impairment of assets	5,6	-	2,190,558
Accretion	7	7,417	6,161
		797,160	3,033,693
OPERATING LOSS		(148,023)	(2,445,483)
OTHER ITEM			
Interest income		-	166
		-	166
NET COMPREHENSIVE LOSS		\$ (148,023)	\$ (2,445,317)
LOSS PER SHARE			
Basic and diluted		\$ (0.003)	\$ (0.044)
WEIGHTED AVERAGE COMMON SHARES			
Basic and diluted		55,132,258	55,132,258

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

	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
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

	Share Capital		Contributed Surplus	Deficit	Total Shareholders' Equity
	Number of Shares	Share capital			
As at December 31, 2016	55,132,258	\$ 4,174,166	\$ 2,304,548	\$ (3,469,438)	\$ 3,009,276
Comprehensive loss	-	-	-	(2,445,483)	(2,445,483)
As at December 31, 2017	55,132,258	\$ 4,174,166	\$ 2,304,548	\$ (5,914,921)	\$ 563,793

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	2018	2017
OPERATING ACTIVITIES			
Net loss and comprehensive loss		\$ (148,023)	\$ (2,445,483)
Items not affecting cash:			
Depletion and depreciation	5	125,803	217,084
Accretion	7	7,417	6,161
Impairment of assets	5,6	-	2,190,558
Changes in non-cash working capital:			
Trade and other receivables		27,176	3,945
Goods and services tax recoverable		-	2,383
Prepaid expense		(253)	4,631
Trade and other payables		23,290	(40,090)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		35,410	(60,811)
INVESTING ACTIVITIES			
Exploration and evaluation assets	6	-	(14,336)
CASH USED IN INVESTING ACTIVITIES		-	(14,336)
INCREASE (DECREASE) IN CASH		35,410	(75,147)
Cash - beginning of year		260,195	335,342
CASH - END OF YEAR		\$ 295,605	\$ 260,195

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

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

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 April __, 2019. 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, 2018.

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 comprehensive loss for the year of \$148,023 (2017 - \$2,445,483), an accumulated deficit of \$6,062,944 (2017 - \$5,914,921) and cash in flows from operating activities of \$35,410, (2017 – cash used of \$60,811). 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, 2018 and 2017

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.

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.

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

Decommissioning liability

The Company recognizes a decommissioning liability in the period it arose with the corresponding increase to the carrying amount of the related asset. Measurement occurs when a legal or constructive obligation arises. Provisions are measured at the present value of managements best estimate of the expenditures expected to be required to settle the obligation discounted using the risk-free rate, updated at each reporting date. The increase in the provision due to the passage of time (accretion) is recognized as a finance expense whereas increases or decreases due to changes in the estimated cost to decommission the asset are capitalized as P&E or E&E. Actual costs incurred upon settlement of the decommissioning liability reduce the liability to the extent the provision was established and differences between actual costs incurred and estimated costs will be recorded as a gain or loss. The related decommissioning asset is depreciated or depleted on the same basis as the P&E to which it relates.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Recently Adopted Accounting Standards

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, the Corporation adopted IFRS 15 on a modified retrospective basis. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company 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 Company to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

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

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (continued)

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 Company 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.

The Company 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.

IFRS 9 Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Corporation retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 Financial Instruments: Disclosures. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in the Corporation's financial statements for the period ended December 31, 2018 or December 31, 2017.

Classification and Measurement of Financial Instruments

The Company 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 Company 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.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FVTPL

The Company 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 consolidated statements of income and comprehensive income. The adoption of IFRS 9 did not change the classification of the Corporation's financial assets or financial liabilities. There is no difference in the measurement of these instruments under IFRS 9 due to the short-term and liquid nature of these financial assets. The following table summarizes the classification categories for the Corporation's financial assets and liabilities by financial statement line item under the superseded IAS 39 standard and the newly adopted IFRS 9.

IFRS 9 Financial Instruments ("IFRS 9") (continued)

	IAS 39	IFRS 9
Financial Assets		
Cash	FVTPL	FVTPL
Trade and other receivables	Loans and receivables (Amortized cost)	Amortized cost
Financial Liabilities		
Trade and other payables	Other financial liabilities	Amortized cost

Impairment of Financial Assets

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, 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 Company'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. There were no material adjustments to the carrying value of any of the Corporation's financial instruments following the adoption of IFRS 9.

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).

The fair value of cash is determined using level 1 inputs.

PETROX RESOURCES CORP.
Notes to the Financial Statements
For the years ended December 31, 2018 and 2017

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.

Recent Accounting Pronouncements Issued and not yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards were approved by the IASB or IFRIC that are mandatory periods beginning after January 1, 2019 or later periods. The standards affected are as follows:

(c) IFRS 16 - Leases

On January 13, 2016; the IASB developed a new Leases Standard, IFRS 16, which supersedes IAS 17 Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. A company assesses whether to apply the requirements in IFRS 16 by identifying whether a contract is (or contains) a lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements Issued and not yet Effective (continued)

IFRS 16 defines a lease and includes application guidance to help companies make this assessment. The definition applies to both parties to a contract, ie. the customer ('lessee') and the supplier ('lessor'). Most significantly, IFRS 16 significantly changes how a company accounts for leases that were off balance sheet applying IAS 17, other than short-term leases (leases of 12 months or less) and leases of low-value assets (such as personal computers and office furniture). Applying IFRS 16, in essence for all leases, a company is required to:

- (i) recognize lease assets and lease liabilities in the balance sheet, initially measured at the present value of unavoidable future lease payments;
- (ii) recognize depreciation of lease assets and interest on lease liabilities in the income statement over the lease term;
- and,
- (iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the cash flow statement.

The Corporation is analyzing the new standard to determine its impact on 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.

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

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.

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

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

Year ended December 31, 2018	<i>Property & Equipment</i>	<i>Furniture & Fixtures</i>	<i>Total</i>
Cost			
Beginning balance	\$ 3,058,777	\$ 2,212	\$ 3,060,989
Changes in estimate (Note 7)	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
Year ended December 31, 2017			
Cost			
Beginning balance	\$ 3,042,769	\$ 2,212	\$ 3,044,981
Changes in estimate (Note 7)	16,008	-	16,008
Ending balance	3,058,777	2,212	3,060,989
Accumulated Depletion			
Beginning balance	(1,162,418)	(1,422)	(1,163,840)
Impairments	(1,062,785)	-	(1,062,785)
Depletion and Depreciation	(216,807)	(277)	(217,084)
Ending balance	(2,442,010)	(1,699)	(2,443,709)
Book Value	\$ 616,767	\$ 513	\$ 617,280

PETROX RESOURCES CORP.
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5. PROPERTY AND EQUIPMENT (continued)

Impairment

At December 31, 2018 and 2017, 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. As a result, the Corporation has recognized an impairment of \$nil (2017 - \$312,285) on its Fletwode CGU. The impairment was the result of the decrease in the commodity price forecast and changes to reserve estimates.

Management performed a sensitivity analysis on the December 31, 2017 impairment assessment using a 15% discount rate, which would have caused the Fletwode CGU's impairment to increase by \$189,937. A sensitivity performed on the December 31, 2018 impairment test using a 15% discount rate would not result in any impairment.

During the year ended December 31, 2017, due to inactivity and uncertainty towards future activities in the Bashaw CGU, the Corporation has decided to impair the entirety of the CGU, resulting in an additional \$750,000 impairment expense.

6. EXPLORATION AND EVALUATION ASSETS

	<i>Year ended</i> <i>December 31, 2018</i>	<i>Year ended</i> <i>December 31, 2017</i>
Beginning balance	\$ -	\$ 1,113,437
Additions	-	14,336
Impairment	-	(1,127,773)
Ending balance	\$ -	\$ -

As a result of lease expiries, and management's decision not to renew leases, the Corporation had written off \$1,127,733 of the exploration and evaluation assets during the year ended December 31, 2017.

7. 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</i> <i>December 31, 2018</i>	<i>Year ended</i> <i>December 31, 2017</i>
Beginning balance	\$ 345,325	\$ 323,156
Accretion	7,417	6,161
Change in estimate	198	16,008
Ending balance	\$ 352,940	\$ 345,325

The following assumptions were used to estimate the decommissioning obligation at December 31, 2018 and 2017:

	<i>2018</i>	<i>2017</i>
Undiscounted cash flows	\$ 377,659	\$ 377,659
Risk free rate	1.94% - 2.43%	0.73% - 2.31%
Inflation rate	2%	2%
Expected timing of cash flows	6 to 9 years	7 to 10 years

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8. SHARE CAPITAL

(a) Authorized:

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

Issued:	<i>December 31, 2018</i>		<i>December 31, 2017</i>	
	Number	Amount	Number	Amount
Common shares		\$		\$
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.

(b) Stock Option Plan (continued)

	<i>December 31, 2018</i>		<i>December 31, 2017</i>	
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
Balance - beginning of year	400,000	\$ 0.12	1,049,000	\$ 0.14
Expired	(400,000)	0.12	(649,000)	0.16
Balance - end of year	-	\$ -	400,000	\$ 0.12
Exercisable - end of year	-	\$ -	400,000	\$ 0.12

	<i>December 31, 2018</i>	<i>December 31, 2017</i>
Weighted average remaining life in years	Nil	0.83 years
Range of exercise price	-	\$0.12

9. 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 December 31, 2018</i>	<i>Year ended December 31, 2017</i>
Consulting fees	\$ 105,400	\$ 105,400

PETROX RESOURCES CORP.
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10. INCOME TAXES

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

	2018	2017
Net loss before income taxes	\$ (148,023)	\$ (2,445,483)
Combined federal and provincial income tax rate	27.00%	27.00%
Expected tax recovery	(39,966)	(660,280)
Non-deductible items and other	206	188
Changes in enacted rates	-	-
Tax benefit not recognized	39,760	660,092
	\$ -	\$ -

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

	2018	2017
Non-capital losses	\$ 3,585,699	\$ 3,305,588
Oil and gas assets	2,619,112	2,751,967
Total deductible temporary differences	\$ 6,204,811	\$ 6,057,555

The Corporation's non-capital losses of \$3,585,700 (2016 - \$3,305,588) expire between 2030 and 2038.

11. 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.

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

The Corporation considers its receivables to be aged as follows:

	<i>December 31, 2018</i>	<i>December 31, 2017</i>
Current	\$ 32,839	\$ 60,015
Total	\$ 32,829	\$ 60,015

PETROX RESOURCES CORP.
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11. FINANCIAL INSTRUMENTS (continued)

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, 2018</i>		<i>December 31, 2017</i>	
Current	\$	58,369	\$	35,079
Total	\$	58,369	\$	35,079

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, 2018, a 5% change in price of oil would represent a change in net loss for the year ended December 31, 2018 of approximately \$32,500.

12. 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.

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13. SUBSEQUENT EVENT

On April 9, 2019, the Corporation entered into a letter of intent with Travel Plus International LLC (“Travel Plus”) an arm’s length party, to negotiate the terms of a reverse take-over (“RTO”) of the Corporation by the securityholders of Travel Plus. Travel Plus carries on the business of marketing of suitcases and luggage.

It is anticipated that Petrox will complete a 10:1 consolidation of its common shares and that Petrox will acquire all of the issued and outstanding shares of Travel Plus in exchange for 35,325,484 pre-consolidation shares of Petrox.

The RTO is subject to the following conditions:

- Travel Plus and Petrox shall be entitled to conduct a due diligence examination of the other, and each of Travel Plus and Petrox shall be satisfied with the results thereof;
- all of the assets and all of the liabilities of Petrox shall have been transferred (the “Spin Out”) to a newly created wholly-owned subsidiary of Petrox (“Newco”) in exchange for shares of Newco and all the shares of Newco shall have been distributed by Petrox to all of the shareholders of record of Petrox;
- the Spin Out shall be carried out by way of a plan of arrangement to be approved by the shareholders of Petrox and by the Court of Queen’s Bench of Alberta;
- all regulatory requirements, including acceptance by the Exchange in relation to the matters herein contemplated, shall have been obtained; and,
- execution by principal shareholders of Petrox who hold, collectively, approximately 60% of the issued and outstanding shares in the capital of Petrox, of a two-year voluntary escrow agreement pursuant to which 10% of the escrowed shares will be released upon the closing of the RTO, 15% of the escrowed shares will be released on the 6, 12 and 18 month anniversaries of the closing of the RTO and the balance (45%) being released 24 months after the closing of the RTO.