



**NEW STRATUS ENERGY INC.  
(formerly RED ROCK ENERGY INC.)**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2018**

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(in Canadian dollars)

As at	Note	September 30, 2018	March 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$55,535	\$561,929
Other receivables		14,496	22,616
Prepaid expenses		86,848	97,994
		<b>156,879</b>	<b>682,539</b>
<b>Non-current assets</b>			
Deposits		80,361	80,406
Mineral properties		1,233,722	1,233,723
<b>Total assets</b>		<b>\$1,470,962</b>	<b>\$1,996,668</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		423,032	188,226
Term loan	3	1,304,050	1,304,050
Due to shareholders	4	963,739	575,389
		<b>2,690,821</b>	<b>2,067,665</b>
<b>Non-current liabilities</b>			
		-	-
<b>Total liabilities</b>		<b>2,690,821</b>	<b>2,067,665</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	5	14,163,730	14,163,730
Warrants		398,265	398,265
Contributed surplus		643,585	619,975
Cumulative translation adjustment		(1,242)	(725)
Deficit		(16,424,197)	(15,252,242)
<b>Total equity (deficiency)</b>		<b>(1,219,859)</b>	<b>(70,997)</b>
<b>Total liabilities and equity</b>		<b>\$1,470,962</b>	<b>\$1,996,668</b>

Going concern (note 1)

Subsequent events (note 9)

See accompanying notes to the interim condensed financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

(in Canadian dollars)

	Note	For the three months ended September 30,		For the six months ended September 30,	
		2018	2017	2018	2017
<b>Revenues</b>		\$ -	\$ -	\$ -	\$ -
		-	-	-	-
<b>Expenses</b>					
General and administrative		521,888	737,862	1,154,460	1,082,286
Interest expense		673	922	1,995	1,915
Stock-based compensation	5	6,809	20,243	23,610	629,333
Foreign exchange loss (gain)		(7,463)	59,134	(8,110)	114,194
Loss on sale of assets		-	-	-	83,686
Exploration and evaluation expenses		-	-	-	-
<b>Total expenses</b>		<b>521,907</b>	<b>818,161</b>	<b>1,171,955</b>	<b>1,911,414</b>
		-	-	-	-
<b>Net loss</b>		<b>(521,907)</b>	<b>(818,161)</b>	<b>(1,171,955)</b>	<b>(1,911,414)</b>
<b>Other comprehensive loss</b>					
Translation reserve		(703)	-	(1,242)	-
<b>Comprehensive loss</b>		<b>(\$522,610)</b>	<b>(818,161)</b>	<b>(\$1,173,197)</b>	<b>(1,911,414)</b>
<b>Net loss per share</b>					
Basic and diluted	6	(0.01)	(0.02)	(0.03)	(0.07)

See accompanying notes to the interim condensed financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(UNAUDITED)  
*(in Canadian dollars)*

	Shares issued	Share capital	Warrants	Contributed surplus	Accumulated deficit	Cumulative translation reserve	Net Shareholders' Equity
<b>As at March 31, 2017</b>	<b>51,137,679</b>	<b>\$11,146,365</b>	<b>-</b>	<b>-</b>	<b>(\$12,372,943)</b>	<b>-</b>	<b>(\$1,226,578)</b>
Shares issued for debt	9,037,322	\$722,986	-	-	-	-	\$722,986
Share consolidation	(55,675,001)	-	-	-	-	-	-
Issued shares at \$0.05	10,000,000	264,170	-	500,000	-	-	764,170
Issued warrants	-	-	213,852	-	-	-	213,852
Issued shares at \$0.10	20,770,332	1,982,485	-	-	-	-	1,982,485
Issued finders shares	500,000	47,724	-	-	-	-	47,724
Issued options	-	-	-	79,333	-	-	79,333
Net loss for the period	-	-	-	-	(1,911,414)	-	(1,911,414)
<b>As at September 30, 2017</b>	<b>35,770,332</b>	<b>\$14,163,730</b>	<b>\$213,852</b>	<b>\$579,333</b>	<b>(\$14,284,357)</b>	<b>-</b>	<b>\$672,558</b>
Issued options	-	-	-	40,642	-	-	40,642
Warrant extension	-	-	184,413	-	-	-	184,413
Net loss for the period	-	-	-	-	(967,885)	-	(967,885)
Translation reserve	-	-	-	-	-	(725)	(725)
<b>As at March 31, 2018</b>	<b>35,770,332</b>	<b>\$14,163,730</b>	<b>\$398,265</b>	<b>\$619,975</b>	<b>(\$15,252,242)</b>	<b>(\$725)</b>	<b>(\$70,997)</b>
Issued options	-	-	-	23,610	-	-	23,610
Net loss for the period	-	-	-	-	(1,171,955)	-	(1,171,955)
Translation reserve	-	-	-	-	-	(517)	(517)
<b>As at September 30, 2018</b>	<b>35,770,332</b>	<b>\$14,163,730</b>	<b>\$398,265</b>	<b>\$643,585</b>	<b>(\$16,424,197)</b>	<b>(\$1,242)</b>	<b>(\$1,219,859)</b>

See accompanying notes to the interim condensed financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in Canadian dollars)

	Note	For the six months ended	
		2018	September 30, 2017
<b>Operating activities</b>			
Net loss and comprehensive loss		(\$1,171,955)	(\$1,911,414)
Adjustments:			
Stock based compensation	5	23,610	629,333
Loss on sale of assets		-	83,686
Accretion on decommissioning obligation		-	-
Deposits and prepaid expenses		11,192	(15,893)
Trade and other receivables		8,120	-
Goods and services tax receivable			(44,274)
Accounts payable and accrued liabilities		234,806	83,262
		<b>(894,227)</b>	<b>(1,175,300)</b>
<b>Investing activities</b>			
		-	-
<b>Financing activities</b>			
Shareholder loan		388,350	-
Issue of common shares, net of costs		-	2,244,379
Issue of common share purchase warrants		-	213,852
		<b>388,350</b>	<b>2,458,231</b>
<b>Net increase (decrease) in cash</b>		<b>(505,877)</b>	<b>1,282,931</b>
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>		<b>(517)</b>	<b>-</b>
<b>Cash, beginning of period</b>		<b>561,929</b>	<b>4,707</b>
<b>Cash, end of period</b>		<b>\$55,535</b>	<b>\$1,287,638</b>

See accompanying notes to the interim condensed financial statements.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended September 30, 2018 and 2017

(in Canadian dollars except as otherwise noted)

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### NOTE 1 - GENERAL INFORMATION AND GOING CONCERN

New Stratus Energy Ltd. and its subsidiary ("the Company") are in the business of acquisition, exploration and development of properties for the purpose of producing uranium and oil and gas.

New Stratus Energy Inc. is a publicly traded company, incorporated and domiciled in Canada. Its registered office is located at 1000, 250 2nd St SW, Calgary, Alberta T2P 0C1. The Company was incorporated on April 12, 2005, pursuant to the Business Corporations Act (Alberta). The Company's principal assets are mineral properties located in Saskatchewan. The ability of the Company to realize the costs it has incurred to date on these and other properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mining claims, the ability to obtain necessary financing and attain profitable operations, or alternatively, upon the disposal of properties, or the Company's interests therein, on an advantageous basis.

At September 30, 2018, the Company had working capital deficit of \$2,533,942 (March 31, 2018 – deficit of \$1,385,126) and an accumulated deficit of \$16,424,197 (March 31, 2018 – \$15,252,242). The Company's ability to continue its operations is dependent on the Company's success in developing its mineral and oil and gas interests, obtaining required funds to continue exploration activities and attaining profitable operations. The Company plans to meet its future expenditures and obligations by raising funds through a combination of private placements and asset sales while controlling expenditures over the next twelve months.

On October 3, 2017, the Company acquired 100% of the common shares of Petrolia SARL ("the Subsidiary") for USD \$1.00. The Subsidiary is a Luxembourg company incorporated on February 22, 2016.

These interim condensed financial statements (the "financial statements") have been prepared on the basis that the Company will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Company will be able to continue its business activities. Management believes that steps being taken will enable the Company to obtain additional capital as its commitments become due. These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

The Board of Directors approved these financial statements for issuance on November 27, 2018.

### NOTE 2 - BASIS OF PREPARATION

The financial statements have been prepared by management in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2018. These financial statements have been prepared using the same accounting policies as the Company's audited financial statements for the year ended March 31, 2018 except for the following new accounting policies.

#### **Basis of Measurement**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **Cash, trade and other receivables, deposits and trade and other payables:**

The fair value of cash and trade and other payables approximated their carrying value due to their liquidity and relatively short terms to maturity, respectively.

#### **Stock options and warrants:**

The fair values of stock options and warrants are measured based on a Level 2 fair value measurement using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, forfeiture rate, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended September 30, 2018 and 2017

(in Canadian dollars except as otherwise noted)

### NOTE 3 – TERM LOAN

On August 31, 2018 the Company negotiated an extension for the term loan to November 30, 2018. The Amended Loan Agreements provide that no interest is payable on principal amounts thereunder and that the principal amounts may be fully discharged in exchange for the transfer of all of the Company's uranium assets and associated liabilities to 2037881 Alberta Ltd. pursuant to the Uranium Put and Sale Agreement. Each Amended Loan Agreement also provides that the sole recourse for the repayment of the principal amount is to demand delivery of the uranium assets following the maturity date (November 30, 2018) or only in the event of an un-remedied event of default under the Amended Loan Agreements.

### NOTE 4 – SHAREHOLDER LOAN

A company controlled by a shareholder advanced \$575,389 to the Company bearing interest at 6% and repayable on demand. On May 3, 2017 the Company entered into an Amended and Restated Loan Agreement fixing the amount owing at \$575,389 and reducing the interest to nil with a maturity date of December 31, 2017. On December 29, 2017 the Company negotiated an extension for the shareholder loan to August 31, 2018. On August 31, the Company negotiated a second extension to November 30, 2018. The shareholder loan is secured against the Company's Saskatchewan mineral properties only, which are prospective for uranium. Interest is not accrued or payable on the loan per the extension agreement.

During the three months ended September 30, 2018, a company controlled by certain directors and shareholders of the Company provided unsecured term loans of USD \$200,000 (CAD \$258,900) and USD \$100,000 (CAD \$129,450) on July 17 and August 9 respectively. The loans are due 6 months from issuance. The loans have an interest rate of 6% after an initial three-month interest free period.

### NOTE 5 – SHARE CAPITAL

#### Authorized

The Company is authorized to issue an unlimited number of common shares.

#### Issued and Outstanding

	Number	Amount
Balance at September 30, 2017	35,770,332	\$14,163,730
Balance at March 31, 2018	35,770,332	\$14,163,730
<b>Balance at September 30, 2018</b>	<b>35,770,332</b>	<b>\$14,163,730</b>

#### Warrants

On May 3, 2017, the Company issued 10,000,000 units to certain directors and key management personnel at a discount to the fair market value of \$0.07 per share, each unit consisted of one common share and one common share purchase warrant. \$500,000 was recognized as share based compensation in relation to the private placement. The warrants were valued based upon assumptions including stock volatility, a risk-free interest rate, an expected dividend rate and expected life of the warrants. The warrants expire May 3, 2020. The Company uses a Black-Scholes valuation methodology to value the warrants at the date of issuance for accounting purposes. The significant inputs into the model were share price of \$0.10, exercise price of \$0.10, volatility of 53%, dividend yield of 0%, an expected warrant life of three years and an annual risk-free interest rate of 1.08%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available. A summary of share purchase warrants is presented below:

	Number	Amount
Balance at March 31, 2018	10,000,000	\$ 398,265
<b>Balance at September 30, 2018</b>	<b>10,000,000</b>	<b>398,265</b>

#### Stock Options

The Company has a stock option plan for employees, officers, directors and consultants. The Company calculates stock option expense using graded vesting. Stock options typically vest over a two-year period and expire five years from the date of grant. The determination of fair value for recording stock option expense is based upon assumptions including stock volatility, a risk-

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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free interest rate, an expected dividend rate and expected life of the options. The Company uses a Black-Scholes valuation methodology to value the stock options at the date of award for accounting purposes. The maximum number of stock options reserved for issuance under the plan may not exceed 10 percent of the number of common shares issued and outstanding. As at September 30, 2018 3,500,000 stock options are outstanding or 9.8 percent of the number of common shares outstanding. The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was \$0.0463 per option. The significant inputs into the model were share price of \$0.10 at the grant date, exercise price shown below, volatility of 53%, dividend yield of 0%, an expected option life of five years and an annual risk-free interest rate of 1.08%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

The number and weighted-average exercise prices of stock options were as follows:

	Number	Weighted-Average Exercise Price
Balance at March 31, 2018	3,500,000	0.10
<b>Balance at September 30, 2018</b>	<b>3,500,000</b>	<b>0.10</b>

Information with respect to stock options outstanding at September 30, 2018 is presented below.

Stock Options Outstanding				Stock Options Exercisable	
Range of Exercise Prices	Number of Stock Options	Remaining Contractual Life Yrs	Weighted-Average Exercise Price	Number of Stock Options	Weighted-Average Exercise Price
\$0.10	3,500,000	3.7	0.10	2,333,334	0.10
	<b>3,500,000</b>	<b>3.7</b>	<b>0.10</b>	<b>2,333,334</b>	<b>0.10</b>

Stock-based compensation of \$23,610 (2017 – 629,333) was expensed during the six months ended September 30, 2018.

### NOTE 6 – NET (LOSS) INCOME PER SHARE

Basic and diluted net (loss) income per share is calculated as follows:

	For the three months ended September 30,		For the six months ended September 30,	
	2018	2017	2017	2017
Net (loss) income	(521,907)	(818,161)	(1,171,955)	(1,911,414)
<b>Weighted-average common share adjustments</b>				
Weighted-average common shares outstanding, basic	35,770,332	35,770,332	35,770,332	25,993,155
Effect of stock options	-	-	-	-
<b>Weighted-average common shares outstanding, diluted</b>	<b>35,770,332</b>	<b>35,770,332</b>	<b>35,770,332</b>	<b>28,184,754</b>
<b>Basic and diluted net loss per share</b>	<b>\$(0.01)</b>	<b>\$(0.02)</b>	<b>\$(0.03)</b>	<b>\$(0.07)</b>

For the three and six months ended September 30, 2018, stock options were anti-dilutive due to the net loss.

### NOTE 7 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's classification of financial instruments remains unchanged from March 31, 2018.

#### Fair Value of Financial Instruments

The carrying values and respective fair values of cash, trade and other receivables, term loan, amounts due to shareholders and trade and other payables approximate their fair values at September 30, 2018, given the short-term nature of these financial instruments.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended September 30, 2018 and 2017

(in Canadian dollars except as otherwise noted)

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- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments have been assessed on the fair value hierarchy described above. Cash is classified as Level 1. There has been no reclassification of financial instruments into or out of each fair value hierarchy during the six months ended September 30, 2018. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

### Market Risk

Market risk is the risk that changes in market factors, such as commodity prices and foreign exchange rates will affect the Company's cash flows, profit or loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

#### (i) Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for uranium and crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company had no commodity contracts in place during the six months ended September 30, 2018.

#### (ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Colombian pesos and US dollars. As at September 30, 2018, the Colombian peso to the Canadian dollar exchange rate was 2295:1 (March 31, 2018 – 2372:1) and the United States dollar to Canadian dollar exchange rate was 0.7725:1 (March 31, 2018 – 0.7971:1). Cash held in US dollars at September 30, 2018 was USD \$39,314 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$509. The Company had no forward exchange rate contracts in place as at or during the six months ended September 30, 2018.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, within reasonable means, enough liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives.

Normally the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

## NOTE 8 – RELATED PARTY TRANSACTIONS

A company controlled by an officer of the Company provides financial management services to the Company. During the three and six months ended September 30, 2018 fees and disbursements incurred for amounts due to this officer totaled \$22,500 (2017 – 22,500) and \$45,000 (2017 – 37,500) respectively. As of September 30, 2018, \$7,500 (2017 – \$Nil) is outstanding in accounts payable.

A company controlled by a shareholder and director provides CEO services to the Company. During the three and six months ended September 30, 2018 fees and disbursements incurred for amounts due to this director totaled \$30,000 (2017 – 30,000) and \$60,000 (2017 – 50,000) respectively. As of September 30, 2018, \$10,000 (2017 – \$Nil) is outstanding in accounts payable.

All of the above transactions are in the normal course of operations and are measured at fair value which is the price agreed to by the related parties.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended September 30, 2018 and 2017

(in Canadian dollars except as otherwise noted)

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### NOTE 9 – SUBSEQUENT EVENTS

On November 28, 2018 the Company acquired a 100% working interest in the VMM 18 exploration and production contract (“VMM 18 E&P Contract”) in consideration for agreeing to fund the vendor's exploration commitments for the second phase of the VMM 18 E&P Contract prior to August 2019 at an approximate cost of US\$3.0 MM. The vendor also received a 5% overriding royalty in the production of the VMM 18 E&P Contract. The acquisition is subject to the National Agency of Hydrocarbons of Colombia ("ANH") formal approval.

Also on November 28, 2018 the Company has exercised its option under its uranium put and sale agreement, originally signed on May 3, 2017, to divest all of the Corporation's uranium assets in exchange for cancellation of outstanding debt in the aggregate amount of \$1,879,439. The outstanding debt includes the term loan of \$1,304,050 as further described in Note 3 and \$575,389 of shareholder loans as described in Note 4. The uranium assets are recorded in the statement of financial position in the mineral properties for \$1,233,722 and related deposits of \$79,557 which also transferred upon exercise of the option.