



NEW STRATUS ENERGY INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the unaudited interim condensed financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(in Canadian dollars)

As at	Note	September 30, 2019	March 31, 2019
ASSETS			
Current assets			
Cash		\$12,548	\$29,429
Restricted cash	3	2,078,365	-
Other receivables		15,430	29,219
Prepaid expenses		7,033	2,300
		2,113,376	60,948
Non-current assets			
Restricted Cash		-	400,867
Deposits		-	-
Mineral properties		427,724	-
		2,541,100	\$461,815
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	3	3,949,154	1,269,415
Short term loan	5	400,890	400,890
Due to shareholders	9	703,576	668,150
		5,053,620	2,338,455
Non-current liabilities			
			-
Total liabilities		5,053,620	2,338,455
Shareholders' equity (deficiency)			
Share capital	6	14,163,730	14,163,730
Warrants		398,265	398,265
Contributed surplus		662,088	657,055
Cumulative translation adjustment		3,032	4,636
Deficit		(17,739,635)	(17,100,326)
Total equity (deficiency)		(2,512,520)	(1,876,640)
Total liabilities and equity		2,541,100	\$461,815

Going concern (note 1)

Subsequent events (note 10)

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,	
		2019	2018	2019	2018
Revenues		\$ -	\$ -	\$ -	\$ -
		-	-	-	-
Expenses					
General and administrative		412,216	521,888	591,563	1,154,460
Interest expense		47,790	673	48,213	1,995
Stock-based compensation	6	-	6,809	5,033	23,610
Foreign exchange loss (gain)		(5,500)	(7,463)	(5,500)	(8,110)
Total expenses		454,506	521,907	639,309	1,171,955
			-		-
Net loss		(454,506)	(521,907)	(639,309)	(1,171,955)
Other comprehensive loss					
Translation reserve		-	(703)	1,010	(1,242)
Comprehensive loss		(454,506)	(\$522,610)	(638,299)	(\$1,173,197)
Net loss per share					
Basic and diluted	7	(0.01)	(0.01)	(0.02)	(0.03)

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
As at March 31, 2018	35,770,332	\$14,163,730	\$398,265	\$619,975	(\$15,252,242)	(\$725)	(\$70,997)
Issued options	-	-	-	23,610	-	-	23,610
Net loss for the period	-	-	-	-	(1,171,955)	-	(1,171,955)
Translation reserve	-	-	-	-	-	(517)	(517)
As at September 30, 2018	35,770,332	\$14,163,730	\$398,265	\$643,585	(\$16,424,197)	(\$1,242)	(\$1,219,859)
Issued options	-	-	-	13,470	-	-	13,470
Net loss for the period	-	-	-	-	(676,129)	-	(676,129)
Translation reserve	-	-	-	-	-	5,878	5,878
As at March 31, 2019	35,770,332	\$14,163,730	\$398,265	\$657,055	(\$17,100,326)	4,636	(\$1,876,640)
Issued options	-	-	-	5,033	-	-	5,033
Net loss for the period	-	-	-	-	(639,309)	-	(639,309)
Translation reserve	-	-	-	-	-	(1,604)	(1,604)
As at September 30, 2019	35,770,332	\$14,163,730	\$398,265	\$662,088	(\$17,739,635)	(\$3,032)	(\$2,512,520)

See accompanying notes to the interim condensed financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in Canadian dollars)

		For the six months ended September 30,	
	Note	2019	2018
Operating activities			
Net loss		(\$639,309)	(\$1,171,955)
Adjustments:			
Stock based compensation	5	5,033	23,610
Deposits and prepaid expenses		32,342	11,192
Trade and other receivables		15,414	8,120
Accounts payable and accrued liabilities		555,304	234,806
		(31,216)	(894,227)
Investing activities			
Investment in exploration and evaluation assets		(427,724)	-
Financing activities			
Shareholder loan		35,426	388,350
Deposits received for subscription deposits		2,085,505	-
Increase in accounts payable for subscription deposits		(2,085,505)	-
Reduction in restricted cash account		399,810	-
		435,236	388,350
Net increase (decrease) in cash		(23,704)	(505,877)
Impact of foreign exchange on foreign currency-denominated cash balances		6,822	(517)
Cash, beginning of period		29,430	561,929
Cash, end of period		\$12,548	\$55,535

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, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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, 2019, the Company had working capital deficit of \$2,940,244 (March 31, 2019 – deficit of \$2,046,619) and an accumulated deficit of \$17,739,635 (March 31, 2019 – \$16,869,438). 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 29, 2019.

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, 2019 and 2018

(in Canadian dollars except as otherwise noted)

NOTE 3 – RESTRICTED CASH

Restricted cash of \$400,867 held at March 31, 2019 was transferred to the VMM18 Evaluation and Exploration expenditures during the six months ended September 30, 2019.

Subscription agreement deposits of USD \$1.57 million were received during the six months ended September 30, 2019. These deposits are included in accounts payable as they are subject to approval of a private placement financing by the TSX. These deposits will be converted to common shares upon approval by the TSX and the cash restriction will be removed.

NOTE 4 – EVALUATION AND EXPLORATION EXPENDITURES

During the six months ended September 30, 2019, \$427,724 (2018 – Nil) was incurred on evaluation and exploration costs on the VMM18 block in Colombia.

NOTE 5 – SHORT TERM LOAN

On March 29, 2019 the Company secured a \$400,890 (USD \$300,000) loan from a non-arm's length lender. The proceeds of the loan were spent on evaluation and exploration costs as described in Note 4. The loan bears interest at 12% and was due on April 29, 2019 and subject to accelerated maturity date to within 5 days of the release of funds to the Company from any private placement financing. In the event of non-payment of the principal and interest within the terms, the aggregate unpaid balance will accrue interest of 3% per month. Interest expense of \$24,164 has been accrued for this loan at September 30, 2019.

NOTE 6 – SHARE CAPITAL

Authorized

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

Issued and Outstanding

	Number	Amount
Balance at September 30, 2018	35,770,332	\$14,163,730
Balance at March 31, 2019	35,770,332	\$14,163,730
Balance at September 30, 2019	35,770,332	\$14,163,730

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, 2019	10,000,000	\$ 398,265
Balance at September 30, 2019	10,000,000	398,265

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.

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(UNAUDITED)

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(in Canadian dollars except as otherwise noted)

The determination of fair value for recording stock option expense is based upon assumptions including stock volatility, a risk-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, 2019 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, 2019	3,500,000	0.10
Balance at September 30, 2019	3,500,000	0.10

Information with respect to stock options outstanding at September 30, 2019 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	2.7	0.10	2,333,334	0.10
	3,500,000	2.7	0.10	2,333,334	0.10

Stock-based compensation of \$5,033 (2018 – 23,610) was expensed during the six months ended September 30, 2019.

NOTE 7 – 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,	
	2019	2018	2019	2018
Net (loss) income	(454,506)	(521,907)	(639,309)	(1,171,955)
Weighted-average common share adjustments				
Weighted-average common shares outstanding, basic	35,770,332	35,770,332	35,770,332	35,770,332
Effect of stock options	-	-	-	-
Weighted-average common shares outstanding, diluted	35,770,332	35,770,332	35,770,332	35,770,332
Basic and diluted net loss per share	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.03)

For the three and six months ended September 30, 2019, stock options were anti-dilutive due to the net loss.

NOTE 8 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's classification of financial instruments remains unchanged from March 31, 2019.

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, 2019, 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

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(UNAUDITED)

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(in Canadian dollars except as otherwise noted)

the amount of observable inputs used to value the instrument.

- 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, 2019. 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, 2019.

(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, 2019, the Colombian peso to the Canadian dollar exchange rate was 2627:1 (March 31, 2019 – 2389:1) and the United States dollar to Canadian dollar exchange rate was 0.7551:1 (March 31, 2019 – 0.7483:1). Cash held in US dollars at September 30, 2019 was USD \$1,570,817 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$20,802. The Company had no forward exchange rate contracts in place as at or during the six months ended September 30, 2019.

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.

NOTE 9 – RELATED PARTY TRANSACTIONS

Short term loans totaling USD \$534,000 received from directors and shareholders of the Company are outstanding at September 30, 2019. The loans bear interest at 6% with USD \$50,000 maturing August 14, 2019 and USD \$450,000 due on December 5, 2019 and USD \$34,000 due in January 2020. The first three months of these loans are interest free. Interest expense of \$23,054 has been accrued for these loans at September 30, 2019.

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, 2019 fees and disbursements incurred for amounts due to this officer totaled \$22,500 (2018 – \$22,500) and \$45,000 (2018 – \$45,000) respectively. As of September 30, 2019, \$97,500 (2018 – \$7,500) 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, 2019 fees and disbursements incurred for amounts due to this director totaled \$30,000 (2018 – \$30,000) and \$60,000 (2018 – \$60,000) respectively. As of September 30, 2019, \$130,000 (2018 – \$10,000) 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, 2019 and 2018

(in Canadian dollars except as otherwise noted)

NOTE 10 – SUBSEQUENT EVENTS

On October 8, 2019, the Company received an invoice related to the year ended March 31, 2019 from a service provider in the amount of USD \$800,000. The invoice is not substantiated under the terms of the contracts with the service provider, and the Company has requested supporting documentation, which has not been provided. The Company has not adjusted the consolidated statements of operations and comprehensive loss, financial position, cash flows and changes in equity as a result of this invoice.