



## **NEW STRATUS ENERGY INC.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE INTERIM PERIOD ENDED DECEMBER 31, 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 OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

(in Canadian dollars)

As at	Note	December 31, 2019	March 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		<b>\$1,867</b>	\$29,429
Restricted cash	3	<b>2,040,178</b>	-
Other receivables		<b>14,786</b>	29,219
Prepaid expenses		<b>8,360</b>	2,300
		<b>2,065,191</b>	60,948
<b>Non-current assets</b>			
Restricted Cash		-	400,867
Exploration and evaluation expenditures		<b>427,724</b>	-
		<b>427,724</b>	400,867
<b>Total assets</b>		<b>\$2,492,915</b>	\$461,815
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	3	<b>3,940,792</b>	1,269,415
Short term loan	5	<b>514,476</b>	400,890
Due to shareholders	9	<b>854,288</b>	668,150
		<b>5,309,556</b>	2,338,455
<b>Total liabilities</b>		<b>5,309,556</b>	2,338,455
<b>Shareholders' equity (deficiency)</b>			
Share capital	6	<b>14,163,730</b>	14,163,730
Warrants		<b>398,265</b>	398,265
Contributed surplus		<b>662,088</b>	657,055
Cumulative translation adjustment		<b>(931)</b>	4,636
Deficit		<b>(18,039,793)</b>	(17,100,326)
<b>Total equity (deficiency)</b>		<b>(2,816,641)</b>	(1,876,640)
<b>Total liabilities and equity</b>		<b>\$2,492,915</b>	\$461,815

Going concern (note 1)

Commitments and contingencies (note 10)

Subsequent events (note 11)

See accompanying notes to the interim condensed financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

(in Canadian dollars)

Periods ended December 31,	Note	Three months		Nine months	
		2019	2018	2019	2018
<b>Expenses:</b>					
General and administrative		\$ 197,524	\$ 304,933	\$ 789,087	\$ 1,459,393
Interest expense		158,122	449	158,545	2,444
Stock-based compensation	6	-	6,809	5,033	30,419
Foreign exchange loss (gain)		(13,198)	41,459	(13,198)	33,348
Loss (gain) on disposition of assets		-	(501,160)	-	(501,160)
<b>Total expenses</b>		<b>\$ 342,448</b>	<b>\$ (147,510)</b>	<b>\$ 939,467</b>	<b>\$ 1,024,444</b>
<b>Net loss (income)</b>		<b>\$ 342,448</b>	<b>\$ (147,510)</b>	<b>\$ 939,467</b>	<b>\$ 1,024,444</b>
<b>Other comprehensive loss:</b>					
Translation reserve		-	851	(2,952)	1,391
<b>Comprehensive loss (income)</b>		<b>\$342,448</b>	<b>(\$146,659)</b>	<b>\$936,515</b>	<b>\$1,025,835</b>
<b>Net loss per share</b>					
Basic and diluted	7	<b>(\$0.01)</b>	\$0.00	<b>(\$0.02)</b>	(\$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
<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	-	-	-	30,419	-	-	30,419
Net loss for the period	-	-	-	-	(1,024,444)	-	(1,024,444)
Translation reserve	-	-	-	-	-	(185)	(185)
<b>As at December 31, 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>
Issued options	-	-	-	13,470	-	-	13,470
Net loss for the period	-	-	-	-	(676,129)	-	(676,129)
Translation reserve	-	-	-	-	-	5,878	5,878
<b>As at March 31, 2019</b>	<b>35,770,332</b>	<b>14,163,730</b>	<b>398,265</b>	<b>657,055</b>	<b>(17,100,326)</b>	<b>4,636</b>	<b>(1,876,640)</b>
Issued options	-	-	-	5,033	-	-	5,033
Net loss for the period	-	-	-	-	(939,467)	-	(939,467)
Translation reserve	-	-	-	-	-	(5,567)	(5,567)
<b>As at December 31, 2019</b>	<b>35,770,332</b>	<b>\$ 14,163,730</b>	<b>\$ 398,265</b>	<b>\$ 662,088</b>	<b>\$ (18,039,793)</b>	<b>\$ (931)</b>	<b>\$ (2,816,641)</b>

See accompanying notes to the interim condensed financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in Canadian dollars)

<b>Nine months ended December 31,</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>			
Net loss		<b>\$ (939,467)</b>	(\$1,024,444)
Adjustments:			
Stock based compensation	5	<b>5,033</b>	30,419
Gain on sale of assets		-	(501,160)
Deposits and prepaid expenses		<b>(6,060)</b>	10,812
Trade and other receivables		<b>14,433</b>	3,208
Accounts payable and accrued liabilities		<b>2,671,377</b>	358,798
		<b>1,745,316</b>	(\$1,122,367)
<b>Investing activities</b>			
Investment in exploration and evaluation assets		<b>(427,724)</b>	-
<b>Financing activities</b>			
Shareholder loan		<b>186,138</b>	613,890
Increase in short term loan		<b>113,586</b>	-
Deposits received for subscription deposits		<b>2,085,505</b>	-
Increase in accounts payable for subscription deposits		<b>(2,085,505)</b>	-
Reduction in restricted cash account		<b>(1,639,312)</b>	-
		<b>(1,339,588)</b>	613,890
<b>Net increase (decrease) in cash</b>		<b>(21,996)</b>	(508,477)
<b>Impact of foreign exchange on foreign currency-denominated cash balances</b>		<b>(5,567)</b>	(664)
<b>Cash, beginning of period</b>		<b>29,430</b>	561,929
<b>Cash, end of period</b>		<b>\$ 1,867</b>	\$ 52,788

See accompanying notes to the interim condensed financial statements.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and nine months ended December 31, 2019 and 2018

(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 December 31, 2019, the Company had working capital deficit of \$3,244,365 (March 31, 2019– deficit of \$2,277,507) and an accumulated deficit of \$18,039,793 (March 31, 2019 – \$17,100,326). 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 February 28, 2020.

### 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 nine months ended December 31, 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 nine months ended December 31, 2019.

Subscription agreement deposits of \$2.09 million USD \$1.57 million were received during the nine months ended December 31, 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. See Note 11 – Subsequent events.

### NOTE 4 – EVALUATION AND EXPLORATION EXPENDITURES

During the nine months ended December 31, 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 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. The outstanding balance of the loan as of December 31, 2019, including accrued interest of \$124,836 (USD \$96,117) is \$854,288 (USD \$396,117). See also Note 11 - Subsequent events.

### 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
<b>Balance at December 31, 2019</b>	<b>35,770,332</b>	<b>\$14,163,730</b>

See also Note 11 – Subsequent events.

#### 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
<b>Balance at December 31, 2019</b>	<b>10,000,000</b>	<b>398,265</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and nine months ended December 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

### 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-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 December 31, 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
<b>Balance at December 31, 2019</b>	<b>3,500,000</b>	<b>0.10</b>

Information with respect to stock options outstanding at December 31, 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
	<b>3,500,000</b>	<b>2.7</b>	<b>0.10</b>	<b>2,333,334</b>	<b>0.10</b>

Stock-based compensation of \$5,033 (2018 – 23,610) was expensed during the nine months ended December 31, 2019.

### NOTE 7 – NET (LOSS) INCOME PER SHARE

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

For the periods ended December 31,	Three months ended		Nine months ended	
	2019	2018	2019	2018
Net (loss) income	(342,448)	146,659	(936,515)	(1,025,835)
<b>Weighted-average common share adjustments</b>				
Weighted-average common shares outstanding, basic	35,770,332	35,770,332	35,770,332	35,770,332
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>35,770,332</b>
<b>Basic and diluted net loss per share</b>	<b>\$(0.01)</b>	<b>\$0.00</b>	<b>\$(0.02)</b>	<b>\$(0.03)</b>

For the three and nine months ended December 31, 2019, stock options were anti-dilutive due to the net loss.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and nine months ended December 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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### 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 December 31, 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 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 nine months ended December 31, 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 nine months ended December 31, 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 December 31, 2019, the Colombian peso to the Canadian dollar exchange rate was 2,445:1 (March 31, 2019 – 2389:1) and the United States dollar to Canadian dollar exchange rate was 0.759:1 (March 31, 2019 – 0.7483:1). Cash held in US dollars at December 31, 2019 was USD \$1,569,406 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD \$60,803. The Company had no forward exchange rate contracts in place as at or during the nine months ended December 31, 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 \$ 854,288 (US\$657,544) received from directors and shareholders of the Company are outstanding at December 31, 2019. The loans bear interest at 6% with USD \$50,000 matured in August 14, 2019, 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 \$157,266 has been accrued on these loans during the nine months ended December 31, 2019.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and nine months ended December 31, 2019 and 2018

(in Canadian dollars except as otherwise noted)

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A company controlled by an officer of the Company provided financial management services to the Company. During the three and nine months ended December 31, 2019 fees and disbursements incurred for amounts due to this officer totaled \$9,375 (2018 – 22,500) and \$54,375 (2018 – 75,000) respectively. As of December 31, 2019, \$95,189 (2018 – \$Nil) is outstanding in accounts payable.

A company controlled by a shareholder and director provides CEO services to the Company. During the three and nine months ended December 31, 2019 fees and disbursements incurred for amounts due to this director totaled \$Nil (2018 – 30,000) and \$90,000 (2018 – 90,000) respectively. As of December 31, 2019, \$120,000 (2018 – \$30,000) is outstanding in accounts payable under this concept.

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.

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

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.

### NOTE 11 – SUBSEQUENT EVENTS

#### a) Private Placement and Restricted cash:

On January 30, 2020, the Corporation completed a non-brokered private placement of 10,956,069 units (“Units”) at a price of \$0.20 per Unit for gross proceeds of \$2,191,213 (the “Offering”). Each Unit issued pursuant to the Offering was comprised of one Common Share and one warrant, with each warrant entitling the holder to acquire one Common Share at a price of \$0.30 per Common Share until January 29, 2022. Finders acting in connection with the Offering received finder’s fees in the aggregate amount of \$53,856, which were paid in Common Shares at a price of \$0.20 per Common Share for an aggregate of 269,280 Common Shares. Upon completion of the Offering, the cash restriction with respect to the subscription agreement deposits that were received by the Corporation during the nine months ended December 31, 2019 was removed.

#### b) Short-term loan:

During February, 2020, the Company repaid \$438,579 (USD \$330,378) of a short-term loan obtained during fiscal 2019 from an arm’s length lender. The original loan was for \$400,890 (USD \$300,000) and, at December 31, 2019 had accrued interest and penalties of \$124,836 (USD \$96,117). See also Note 5 – Short term loan.

#### c) Debt settlement agreements

On February 18, 2020 the Company announced that it has entered into debt settlement agreements with certain creditors who have provided services to the Corporation. Pursuant to these agreements the Corporation has agreed to issue an aggregate of 984,718 common shares (“Common Shares”) in the capital of the Corporation at a deemed price of \$0.20 per Common Share to settle \$196,943.60 of outstanding debt (collectively, the “Shares for Debt Transactions”). Each of the creditors are arm’s length parties who have provided consulting services to the Corporation. The completion of the Shares for Debt Transactions is subject to a number of conditions, including the approval of the TSX Venture Exchange (the “TSXV”). All securities issued pursuant to the Shares for Debt Transactions will be subject to a hold period of four months and one day from the date of issuance, in accordance with applicable securities legislation.