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

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2020 AND 2019

Notice of Disclosure of Non-auditor Review of Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company for the interim periods ended June 30, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, Deloitte LLP, have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

NEW STRATUS ENERGY INC.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in Canadian dollars)

	Note	June 30, 2020	March 31, 2020
ASSETS			
Current assets			
Cash		**$76,125**	$252,865
Other receivables		**28,429**	24,969
Prepaid expenses		**3,803**	5,227
		108,357	283,061
Non-current assets			
Deposits		**-**	1,417
Exploration and evaluation assets	5	**658,687**	658,687
		658,687	660,104
Total assets		**$767,044**	$943,165
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**1,059,981**	1,198,375
Short term loan	6	**111,253**	111,863
Due to shareholders	7	**582,896**	594,753
		1,754,130	1,904,991
Total liabilities		**1,754,130**	1,904,991
Shareholders' equity (deficiency)			
Share capital	8	**16,220,361**	16,220,361
Warrants	8	**670,709**	670,709
Contributed surplus		**662,088**	662,088
Cumulative translation adjustment		**(8,103)**	(8,103)
Deficit		**(18,532,141)**	(18,506,881)
Total equity (deficiency)		**(987,086)**	(961,826)
Total liabilities and equity		**$767,044**	$943,165

Going concern (Note 1)
Contingencies (Note 14)
Subsequent events (Note 15)

Approved by the Board of Directors:

(Signed) Marino Ostos
Marino Ostos, Director

(Signed) Jose Francisco Arata
Jose Francisco Arata, Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

(in Canadian dollars)

Three months ended June 30,	Note	2020	2019
Expenses:			
General and administrative	9	**$ 63,571**	$ 179,347
Interest expense		**11,496**	423
Stock-based compensation	8	**-**	5,033
Foreign exchange gain		**(49,807)**	-
Total expenses		**$ 25,260**	$ 184,803
Net loss		**$ 25,260**	$ 184,803
Other comprehensive loss:			
Translation reserve		**-**	(3,033)
Comprehensive loss		**$25,260**	$181,770
Net loss per share			
Basic and diluted	10	**$0.00**	$0.01

See accompanying notes to the consolidated financial statements.

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, 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					(184,803)		(184,803)
Translation reserve	-	-	-	-	-	(1,603)	(1,603)
As at June 30, 2019	**35,770,332**	**$ 14,163,730**	**$ 398,265**	**$ 662,088**	**$ (17,285,129)**	**$ 3,033**	**$ (2,058,013)**
Issued shares at $0.20	10,956,069	2,191,214	-	-	-	-	2,191,214
Shares issued for debt at $0.20	984,718	137,861	-	-	-	-	137,861
Compensation shares	269,280	53,856	-	-	-	-	53,856
Share issue cost	-	(53,856)	-	-	-	-	(53,856)
Issued warrants	-	(272,444)	272,444	-	-	-	-
Net loss for the period	-	-	-	-	(1,221,752)	-	(1,221,752)
Translation reserve	-	-	-	-	-	(11,136)	(11,136)
As at March 31, 2020	**47,980,399**	**$ 16,220,361**	**$ 670,709**	**$ 662,088**	**$ (18,506,881)**	**$ (8,103)**	**$ (961,826)**
Net loss for the period	-	-	-	-	(25,260)	-	(25,260)
As at June 30, 2020	**47,980,399**	**$ 16,220,361**	**$ 670,709**	**$ 662,088**	**$ (18,532,141)**	**$ (8,103)**	**$ (987,086)**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in Canadian dollars)

For the three months ended June 30,	Note	2020	2019
Operating activities			
Net loss		**$ (25,260)**	($184,803)
Adjustments:			
Stock based compensation		-	5,033
Interest on lonas and advances		**11,496**	-
Deposits and prepaid expenses		**2,841**	2,074
Other receivable		**(3,460)**	(1,572)
Accounts payable and accrued liabilities		**(108,671)**	425,474
		(123,054)	$246,206
Investing activities			
Investment in exploration and evaluation assets		-	(399,810)
Financing activities			
Deposits received for subscriptions		-	266,540
Increase in accounts payable for subscription		-	(266,540)
Reduction in restricted cash account		-	133,270
		-	133,270
Net decrease in cash		**(123,054)**	(20,334)
Impact of foreign exchange on foreign currency-denominated cash balances		**(53,686)**	(616)
Cash, beginning of the period		**252,865**	29,430
Cash, end of the period		**$ 76,125**	$ 8,480

See accompanying notes to the consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS 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 oil and gas, principally in South America.

New Stratus Energy Inc. is a publicly traded company, incorporated and domiciled in Canada. Its registered office is located at 372 Bay Street, Suite 301, Toronto, ON. 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 Colombia.

At June 30, 2020, the Company had a working capital deficit of $1,645,773 (March 31, 2020 – $1,621,930) and an accumulated deficit of $18,532,141 (March 31, 2020 – $18,506,881). The Company's ability to continue its operations is dependent on the Company's success in developing its 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 while controlling expenditures over the next twelve months.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

These consolidated 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. 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 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. 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 August 28, 2020.

NOTE 2 - BASIS OF PREPARATION

Statement of Compliance
The condensed interim consolidated 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, 2020. These financial statements have been prepared using the same accounting policies as the Company's audited financial statements for the year ended March 31, 2020.

Use of estimates and judgments:
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 4 - Determination of fair values;
- Note 5 - Exploration and evaluation assets;
- Note 8 - Share capital.

Impairment indicators and calculation of impairment:
At each reporting date, the Company assesses whether or not there are circumstances that indicate a possibility that there are indicators of impairment in the exploration and evaluation assets. Such circumstances include incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, or increases in estimates of costs required to reach technical feasibility and related estimates of proved and probable reserves.

Stock-based Compensation:
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. Estimating the fair value requires the determination of the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, risk free interest rates, volatility and dividend yield.

Contingencies:
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in these unaudited condensed interim consolidated financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended March 31, 2020.

Changes in accounting policies:
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 ‑ Presentation of Financial Statements (“IAS 1”) and IAS 8 ‑ Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

NOTE 4 – DETERMINATION OF FAIR VALUES

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.

- Level 1 Fair Value Measurements – Level 1 fair value measurements are based on unadjusted quoted market prices.
- Level 2 Fair Value Measurements – Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 Fair Value Measurements – Level 3 fair value measurements are based on unobservable information.

Cash, other receivables, deposits, trade and other payables, short term loans and due to shareholders:
The fair value of cash, other receivables, 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).

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

Block VMM-18:
On November 27, 2018 the Company entered into a farm-in agreement (the "Agreement") with Montajes JM ("JM") where NSE has the right to earn up to 100% interest in Montajes' 100% owe Block VMM-18 (the "Project"), located at Cuenca Valle Medio del Magdalena in Colombia. The Project encompasses the exploration and development of hydrocarbons in the above-mentioned area.

The Agreement contemplated the completion of Phase II by August 21, 2019, which has been deferred due to the delay on the granting of the environmental license by the ANH until August 21,2020. As a condition of the extension of the Agreement, NSE has committed to perform seismic reprocessing valued at USD $250,000 and drill an exploration well valued at USD $3 Million by August 21, 2020 as a work commitment under the contract.

As part of Phase II of the Project, NSE has agreed to finance the exploratory, including all decommissioning costs and payments due to the Colombian National Hydrocarbons Association ("ANH").

The initiation of exploratory well work is subject to the ANH's approval of the environmental license. Once the license is received from the ANH, NSE will become the operator and would have earned-up 100% interest in the Project.

Phase II of the exploration program contemplates:
- The reprocessing of 963 kms. of two-dimensional seismic data;
- The reprocessing of 60 square kilometers of three-dimensional seismic data
- Drilling one exploratory well.

On June 26, 2020, the Company requested from the ANH a one-year time extension for its work commitments invoking Article 2 issued on April 7,2020 by the Colombian Government related to the state of emergency arising from the COVID 19 pandemic, which was granted subsequent to June 30, 2020 (see Note 15(b) – Subsequent Events).

As part of the Agreement, once production starts, NSE will pay to JM a 5% royalty on production revenue after deducting government royalties, adjusted at wellhead.

JM has the option to repossess its interest in the Project, if NSE does not comply with its payments or work obligations, 30 days after issuing a default notice.

The Company has begun capitalizing costs that were directly attributable to the project effectively on April 1, 2019 and as of June 30, 2020, there are $658,687 (March 31, 2020 – $658,687) capitalized to the project.

Included in trade and other payable are $236,483 (USD$ 172,778) payable to the project operator as part of the funding obligation toward the VMM-18 program.

Uranium put and sale agreement:
On November 28, 2018 the Company exercised its option under its uranium put and sale agreement, originally signed on May 3, 2017, to divest all the Corporation's uranium assets in exchange for cancellation of outstanding debt in the aggregate amount of $1,879,439. The outstanding debt included the term loan of $1,304,050 and $575,389 of shareholder loans. The debt retirement generated a gain of $501,160 recorded in the income statement for fiscal year ended March 31, 2019.

NOTE 6 – 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 included as restricted cash as of March 31, 2019. The loan carried an interest aof12% for the first 60 days 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 accrued interest of 3% per month.

(in Canadian dollars except as otherwise noted)

On January 30, 2020 NSE agreed to repay the original loan amount of USD $300,000 plus USD $30,378 of the $USD $108,000 interest accrued at that date. The parties then entered into a new loan agreement (the "New Loan") where the balance of the New Loan, being USD $77,622, carries an interest rate of 12% per year and matures one year from the time it is granted.

The loan is payable, at the option of the lender:

a) In cash;
b) Shares of NSE priced at the five days – weighted average market price of the shares;
c) A combination of (a) and (b) above.

At June 30, 2020, the balance outstanding on the New Loan, including accrued interest, is $111,253 (USD $81,283).

NOTE 7 – DUE TO SHAREHOLDERS

During the year ended March 31, 2019, short term loans totaling $668,150 (USD $500,000) were received from a company controlled by directors and shareholders of the Company, bearing interest at 6% with USD $50,000 maturing August 14, 2019 and USD $450,000 due on December 5, 2019.

On November 2019, directors of the Company advanced USD $450,000 to NSE to satisfy the above-mentioned loan. In addition to this advance, directors of the Company had made additional cash advances to NSE to cover operating expenses while awaiting the closing of a private placement financing that closed on January 29, 2020. The advances carry an annual interest rate of 6% and have no terms of repayment.

The following schedule summarizes the transactions between directors and the Corporation since March 31, 2018:

	CAD$	US$
Balance at March 31, 2018	$ -	$ -
Advances from directors and a Company contoled by shareholders	668,150	50,000
Balance at March 31, 2019	668,150	$50,000
Interest accrued	44,751	33,586
Other advances granted to the Corporation	860,011	707,516
Repayment of loan from a company controled by shareholders	($668,150)	($50,000)
Repayment of advances from directors	(419,292)	(321,523)
Foreign exchange	109,283	-
Balance at March 31, 2020	$594,753	$419,579
Interest accrued	8,614	6,294
Foreign exchange	(20,471)	
Balance at June 30, 2020	**$582,896**	**$425,873**

(in Canadian dollars except as otherwise noted)

NOTE 8 – SHARE CAPITAL

Authorized

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

Issued and Outstanding

	Number	Amount
Balance at March 31, 2018 and 2019	35,770,332	$14,163,730
Shares issued upon conversion of debt	984,718	137,861
Shares issued on private placement	10,956,069	2,191,214
Compensation shares issued	269,280	53,856
Value allocated to warrants		(272,444)
Share issue cost		(53,856)
Balance March 31, and June 30, 2020	**47,980,399**	**$16,220,361**

Private Placement:
On January 29, 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 $2,191,214 (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.

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 issued an aggregate of 984,718 common shares (“Common Shares”) in the capital of the Corporation valued at $137,861 to settle $196,944 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 valuation was based on the fair value of the shares issued. As a result, the Company recorded a gain on settlement of debt of $59,083. 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.

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 $0.08 per share, each unit consisted of one common share and one common share purchase warrant. The amount of $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 originally expired on May 3, 2018. Upon approval to extend the warrant expiry to May 3, 2020, an additional 184,413 was recognized as share-based compensation in relation to the extension.

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 one year 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.

As part of the January 29, 2020, financing the Company issued 10,956,069 warrants valued at $272,444. Each warrant, will entitle the holder to purchase one common share at an exercise price of $0.30 until the second anniversary of the issuance of the warrant. 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 $0.14, exercise price of $0.30, volatility of 70%, dividend yield of 0%, an expected warrant life of two year and an annual risk-free interest rate of 1.47%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

On April 22, 2020 the Company announced that it has applied to the TSX Venture Exchange (“TSXV”) for an extension of the expiry date of 10,000,000 common share purchase warrants (the “Warrants”) exercisable at $0.10 and issued on May 3, 2017. The application seeks TSXV approval of the extension of the expiry date from May 3, 2020 to May 3, 2022.

(in Canadian dollars except as otherwise noted)

The following schedule describes the warrants transactions since March 31, 2018:

	Expiry date	Exercise price	Number of warrants		Amount
Balance at March 31, 2018	May 3, 2022	0.10	10,000,000	$	213,852
Value adjustment due to extention			-		184,413
Balance at March 31, 2019			10,000,000		398,265
Issued on private placement	January 29, 2022	0.30	10,956,069		272,444
Balance at March 31, and June 30, 2020		**$ 0.20**	**20,956,069**	**$**	**670,709**

Stock based compensation:
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 June 30, 2020 the Company has 3,500,000 stock options are outstanding or 7.3 percent of the number of common shares outstanding.

The weighted average fair value of options, granted on June 7, 2017, was 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 of $0.10, 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, 2017	-	$	-
Granted on June 7, 2017	3,500,000		0.10
Balance at March 31, 2018, 2019 & 2020	**3,500,000**	**$**	**0.10**

Information with respect to stock options outstanding at March 31, 2020 is presented below.

Stock Options Outstanding				Stock Options Exercisable	
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	2.2	0.1	3,500,000	0.1
	3,500,000	**2.2**	**0.1**	**3,500,000**	**0.1**

Stock-based compensation of $5,033 was expensed during the year ended March 31, 2020 (March 31, 2019 – $37,080).

See also Subsequent Events - Note 15(a) for options granted subsequent to June 30,2020.

(in Canadian dollars except as otherwise noted)

NOTE 9 – GENERAL AND ADMINISTRATION

The following schedule describes the general and administrative expenses incurred during the three-month periods ended June 30, 2020 and 2019:

Three months ended June 30,	2020	2019
Insurances	**$ 2,066**	$ 3,338
Legal and accounting	**9,330**	(15,073)
Management fees	**22,700**	22,500
Professional fees	**21,258**	154,118
Office and administration	**5,204**	14,464
Shareholders information and investor relations	**3,013**	-
	$ 63,571	$ 179,347

NOTE 10 – NET LOSS PER SHARE

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

Three months ended June 30,	2020	2019
Net loss	$ 25,260	$ 184,803
Weighted-average common share adjustments:		
Weighted-average common shares outstanding, basic	47,980,399	35,770,332
Effect of stock options	-	-
Weighted-average common shares outstanding, diluted	$ 47,980,399	35,770,332
Basic and diluted net loss per share	$ 0.00	$ (0.01)

For the three months ended June 30, 2020 and 2019, stock options and warrants were anti-dilutive due to the net loss.

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying values and respective fair values of cash, other receivables and trade and other payables approximate their fair values at June 30, 2020, 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 three months ended June 30, 2020. 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 crude oil is 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 twelve months ended June 30, 2020.

(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 June 30, 2020, the Colombian peso to the Canadian dollar exchange rate was 2,747:1 (March 31, 2020 – 2,883:1) and the United States dollar to Canadian dollar exchange rate was 0.7306:1 (March 31, 2020 – 0.7054:1). Cash held in US dollars at June 30, 2020 was USD $31,681 and a change of 1% in the exchange rate would have impacted the Canadian dollar equivalent by +/- CAD $434. The Company had no forward exchange rate contracts in place as at or during the three months ended June 30, 2020.

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, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives. As described in Note 1 the Company does not have profitable operations and will need to raise capital to fund commitments.

NOTE 12 – RELATED PARTY TRANSACTIONS

In addition to the transactions with shareholders described under Note 7, the following transactions arise during the three months ended June 30, 2020 and 2019 with directors and shareholders:

A company controlled by an acting officer of the Company provided financial management services to the Company. During the three months ended June 30, 2020, fees and disbursements incurred for amounts due to this officer totaled $22,700 (2019 – $Nil). As of June 30, 2020, $Nil (2019 – $Nil) was outstanding in accounts payable.

A company controlled by an acting officer and director of the Company provided financial management services to the Company. During the three months ended June 30, 2020 fees and disbursements incurred for amounts due to this officer totaled $Nil (2019 – $22,500). As of June 30, 2020, $Nil (2019 – $79,367) was outstanding in accounts payable.

Key management personnel were compensated as follows: The Company's key management personnel include its directors and officers.

Three months ended June 30,	**2020**	**2019**
Management fees	$ 22,700	$ 22,500
Share based payments	-	5,033
Total	**$ 22,700**	$ 27,533

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 13 – CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrants, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three months ended June 30, 2020.

NOTE 14 – CONTINGENCIES

Pursuant to the terms of the agreement executed in respect of the VMM-18 E&P contract, New Stratus should fund an exploration commitment for the second phase of the VMM 18 E&P Contract. As per the contract and a recent extension by ANH, NSE has to perform seismic reprocessing valued at USD $250,000 and drill an exploration well valued at USD $3 Million by August 21, 2020 as a work commitment under the contract (see Note 5).

As part of Phase II of the Project, NSE has agreed to finance the exploratory, including all decommissioning costs and payments due to the Colombian National Hydrocarbons Association ("ANH").

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 15 – SUBSEQUENT EVENTS

a) On July 7, 2020 the Company granted an aggregate of 800,000 incentive stock options to consultants of the Company, pursuant to the Company's Plan. The options vested on granting and are exercisable at $0.05 for a five-years period. The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%, expected volatility of 70%; risk-free interest rate of 0.43%; and an expected average life of 5 years. The fair value of all these options was estimated at $22,832.

b) On August 24, 2020, the Company announced that it has received an extension from the Agencia Nacional de Hidrocarburos ("ANH") for Phase 2 of the exploration period of the E&P Contract of Block VMM-18 for 12 months. The extended deadline of completion of this phase is now August 21st, 2021. This extension has been granted based on the article 2 of the ANH Agreement N0.002 dated April 7th, 2020.