NEW STRATUS ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2022

The following management discussion and analysis ("**MD&A**") of the financial position of New Stratus Energy Inc. (the "**Company**" , "**New Stratus**" or “NSE”) should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2022.

This MD&A is effective as of July 29, 2022.

All dollar figures in this MD&A are expressed in Canadian dollars, unless otherwise stated.

FORWARD-LOOKING INFORMATION

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from actual future results and achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are also advised to consider such forward-looking statements while considering the risks set forth below.

CAUTION REGARDING FORWARD- LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to future acquisitions; the potential of the Company's properties; the future of commodity prices; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the timing and progress of oil and gas exploration; future acquisitions; the government regulation of operations; permits and authorizations; expectations regarding the Company's ability to raise capital; expenditures to be made by the Company to meet certain work commitments; environmental risks; and potential title disputes or claims and limitations on insurance coverage.

In addition, the Company has also made certain assumptions that the Company believes are reasonable. These assumptions include but are not limited to the legislative and regulatory environment; the impact of increasing competition; the success and timely completion of planned exploration and development projects; that general business and economic conditions will not change in a materially adverse manner; anticipated results of exploration, development and production activities; and the Company's ability to obtain additional financing on satisfactory terms.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

NEW STRATUS BUSINESS

New Stratus Energy Inc., is a publicly traded company domiciled in Canada. The Company was incorporated on April 12, 2005, pursuant to the Business Corporations' Act (Alberta)("ABCA"). The Company's registered office is 1500, 850 2nd Street S.W., Calgary, Alberta, Canada.

The Company's operations involve the acquisition, exploration, and development of oil and gas properties, and, since January 14, 2022, the operation and production of oil and gas deposits. These types of operations are subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital; exploration, development and operational risks inherent in the oil and gas industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challenges in profitable production or, New Stratus' ability to dispose of its interest on an advantageous basis; as well as global economic and commodity price volatility; all of which are uncertain.

The underlying value of the oil and gas properties is dependent upon the existence and economic recovery of oil and gas reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material impairment of the carrying value of oil and gas properties and deferred exploration activities.

On January 14, 2022, the Company acquired 100% of the shares in Repsol Ecuador S.A., a Spanish incorporated company Repsol Ecuador S.A. operates Blocks 16 and 67 Oil Consortiums under Service Contract agreements in Ecuador through its branch, Repsol Ecuador S.A. (the "Branch").

Repsol Ecuador S.A. will remain the operator of the Blocks.

Additional information related to Company and factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com.

CORPORATE HISTORY, BACKGROUND AND GENERAL DEVELOPMENT

The Company was incorporated as "Alex Lee Syndicate Inc." under **ABCA** on April 12, 2005. On November 18, 2005, the Company changed its name to "Red Rock Energy Inc." and on August 15, 2017, it changed its name to "New Stratus Energy Inc."

The Company's head office is located at 2400, - 333 7th. Avenue S.W., Calgary, Alberta and its mailing address is 372 – Bay Street, Toronto, Ontario.

The Company is a reporting issuer in Alberta, British Columbia, Ontario and Saskatchewan. The common shares of the Company are listed on the TSX-V under the trading symbol "NSE".

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

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% owned 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.

On January 14, 2022, the Company acquired 100% of the shares of Repsol Ecuador S.A., which through its Branch the Corporation now holds an indirect 35% operated working interest in service contracts (the "Service Contracts") for Blocks 16 and 67 in Ecuador (the "Blocks").

The contract signed between Repsol Ecuador S.A., the other companies making up the Consortium and the Ecuador Ministry of Energy is a Service Oil Contract where the Company is entitled to collect a fixed service tariff per each delivered barrel. The Company will receive the total service tariff when the Available Income is equal or higher than the Tariff; otherwise, the Contractor is entitled to collect only the available income. In this case, this difference "*carryforward*", could be collected, depending on oil prices, until contract termination. See "Corporate Performance – Realized Prices" on page 7 for details"

Repsol Ecuador S.A. Branch Ecuador (hereinafter the "Branch"), is a branch of Repsol Ecuador S.A. (a Spanish incorporated company whose main activity is the production of hydrocarbons (crude oil, gas and other liquids) directly or through its participation in "associations or consortiums", through which it can manage in different locations one or several contractual areas within the territory of the Republic of Ecuador, with each "association or consortium" having the material and human resources (its own or third parties'). The Branch has been operating in the country since 2001, the year in which it signed the acquisition of the participation rights in the oil associations or consortiums for the management of, Block 16 and Tivacuno Area.

After several assignments of rights and obligations, the companies that signed a Joint operation agreement, among them Repsol Ecuador S.A., formed the Block 16 Oil Consortium and the Tivacuno Block Oil Consortium or Block 67 which are structured as follows:

	Shares of Stock
Repsol Ecuador S.A.	35%
Overseas Petroleum and Investment Corp.	31%
Amodaimi – Oil Company, S.L.	20%
CRS Resources Ecuador LDC.	14%

Repsol Ecuador S.A. remains the operator of the Consortium.

On June 8, 2022, Repsol Ecuador S.A. changed its name to Petrolia Ecuador S.A.

CORPORATE PERFORMANCE

Acquisition of Ecuador - Blocks 16 and 67:

On January 14, 2022, the Company acquired a 35% working interest in two producing blocks in Ecuador, Blocks 16 and 67, located in the Orellana Province in the prolific Oriente Basin of Ecuador, through the acquisition of 100% of the shares of Repsol Ecuador S.A.

Purchase Price:

The aggregate consideration for the Transaction was structured as a guaranteed cash payment of US$5 million (subject to customary adjustments) to be paid in two (2) equal installments on the first and second anniversary date of the closing of the transaction, and the actual collection of the "carry forward" and other items generated under the Service Contracts and the operations of Repsol Ecuador S.A. before closing for approximately US$765,000.

The Acquisition has been accounted for as a business combination under IFRS, using the acquisition method based on net asset and liability fair values as follows using discount rates based on what a market participant would have paid. The amounts below are estimates which were made by management at the time of the preparation of the consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year.

The following schedule describes the estimated fair value of assets acquired and liabilities assumed at the date of the acquisition:

	January 14 2022
Cash purchase price consideration as per purchase and sale agreement (USD $5 million)	6,166,000
Total cash consideration	6,166,000
Preliminary closing adjustments (USD765k)	959,692
	7,125,692
Fair value of net identifiable assets required	
Cash	6,975,087
Working capital	25,324,038
Property, plant & equipment	34,323,827
Asset retirement obligations	(10,854,410)
Defined benefit obligation	(30,632,298)
	25,136,244
Bargain purchase gain	**18,010,552**
	7,125,692

Production in Block 16 peaked in July 2016 at 63,000 barrels of oil per day “bopd” while Block 67 production reached a maximum of 12,000 bopd in October 2007. As of March 31, 2022, the Blocks had accumulated primary production of 373 million barrels of oil.

The Blocks are comprised of 9 fields, with a starting production of 15,270 bopd on January 14th (5,345 bopd working interest) at an average gravity of 14.7 API. To maintain production levels NSE has taken measures to compensate the natural decline rates of the reservoirs.

Existing infrastructure includes two oil and water processing centers with a capacity of 75,000 bopd and 750,000 barrels of water per day, with all the water production being reinjected into 30 wells. Additional area infrastructure includes electricity generation plants and a topping plant which produces diesel used to power operations.

The oil produced in the fields is moved by a 16-inch pipeline to Lago Agrio, where it is loaded into the OCP pipeline and transported to a port on the Pacific Ocean.

Tariffs are governed by the Service Operating Contracts (“SOC”) and a portion of such tariffs are indexed to US CPI/PPI.

While the existing Service Contracts expire in December 2022, significant production potential remains and the Corporation has announced plans to spend approximately US$200 million in 2023 and 2024, following negotiations with the Government of Ecuador, to extend the contracts to the Blocks. While the Company believes it will receive approval for the requested extension from the Government, there is risk that it will not.

The Blocks include commitments to minimize the environmental impact of operations, to maintain and improve high standards of safety, and to undertake long-term sustainable investments for the benefit of local communities and stake holders.

The average production before internal consumption and oil tanks movement for the three months and year ended March 31, 2022, was 5,304.6

Financial Results

Revenue and Income

	For the year ended March 31	
$	**2022**	**2021**
Income		
Service Revenue	24,832,270	-
Operators fees	150,089	-
Other (1)	729,748	-
Total Revenue	**25,712,107**	-
Operating Expenses	10,712,403	-
Depletion & Depreciation	7,750,320	-
Gross Profit	**7,249,384**	-
General and administrative	4,215,798	1,140,409
Financial (income) cost, net	(167,621)	22,438
Stock-based compensation	767,899	22,832
Foreign exchange gain	(65,879)	(94,691)
Acquisition cost	2,956,360	-
Gain on acquisition	(18,010,552)	-
Other income, net	(268,942)	-
Income (loss) before tax	**17,822,321**	**(1,090,988)**
Current income tax	(2,983,560)	-
Net income (loss)	**14,838,761**	**(1,090,988)**
Basic net income (loss) per share	**$0.17**	**($0.02)**
Fully diluted income (loss) per share	**$0.14**	**($0.02)**

(1) Income for services rendered by the Block 16 Consortium to the Block 67 Consortium to execute exploration and exploitation of hydrocarbons activities

Key Operational Highlights

		Three months		Year	
Periods ended March 31,		**2022**	**2021**	**2022**	**2021**
Total Blocks heavy crude oil production	bbl/d	15,407	-	15,407	-
Gross heavy crude oil production	bbl/d	5,305	-	5,305	-
Sales production	bbl/d	4,573	-	4,573	-
Service tariff (1)	$/boe	48.41	-	48.41	-
Carryforw ard recovery (2)	$/boe	17.08	-	17.08	-
Net revenue (3)	$/boe	65.48	-	65.48	-
Operational cost (4)	$/boe	22.85	-	22.85	-
Transportation cost (5)	$/boe	-	-	-	-
Gross margin	$/boe	42.64	-	42.64	-

Note:

- The Total Blocks heavy crude oil production is the total production from the Blocks. The Gross heavy crude oil production pertains to the 35% share of Petrolia Ecuador S.A. The Sales production represents the heavy crude oil production after deducting internal consumption.
- “Bbl” refers to Barrels and “bbl/d” refers to barrels per day.

1. Weighted average Service Tariffs (Block 16: 49.52 $/bbl and Block 67: 37.50 $/bbl)
2. Recovery/increase of carryforward as per the Service Contract (SOC). As of Mar 31, 2022, the carryforward balance is $437M ($153M net NSE) only for Block 16.
3. Tariff + Carryforward recovery per barrel of net heavy crude oil production,
4. Total Business Unit costs (Field & Quito)
5. This cost is fully assumed by the Ministry of Energy, not the company.

New Stratus Energy produced robust financial results for the fiscal year ended March 31, 2022. This was the result of the acquisition of 35% working interest in Blocks 16 and 67 in Ecuador on January 14, 2022. The total production for Bloacks, including working interest partner production was 15,407 bbl/d in fiscal 2022, of which Petrolia’s share averaged 5,392 bbl/d, compared with nil for fiscal 2021.

The above oil production generated $25.7 million in revenue for New Stratus Energy for the year ended March 31, 2022, compared to $nil for 2021. This revenue was generated during the fourth quarter of fiscal 2022 from the Ecuadorian operations.

The company generated net income of $14.8 million ($0.17/share) for the year ended March 31, 2022, compared with a net loss of $1.1 million ($0.02/share) in 2021.

Realized Prices:

$		Q4 2022	Q4 2021	For the year ended March 31 2022	2021
Average realized prices					
Service tarrif	$/bbl	48.41	-	48.41	-
Carry forward recovery/(accumulation)	$/bbl	17.08	-	17.08	-
Net revenue price	**$/bbl**	**65.49**	**-**	**65.49**	**-**

The SOC establishes that the Company will receive the full-Service Tariff when the Available Income is equal or higher than the Tariff; otherwise, the Company is entitled to collect only the Available Income. If a deficit is generated (the "Carryforward" amount), it could be collected in the future, when the available income, depending on oil price, is greater than the Tariff, until contract termination.

The ***Available Income*** is calculated as follows:

Gross Income(1) – Sovereignty Margin(2) – Transportation Tariff(3) – Marketing Cost(4) – OCP fuel consumption(5)

1. Delivered production to the Pipeline Company multiplied by the Service Tariffs (Block 16: 49.52 $/bbl and Block 67: 37.50 $/bbl)
2. 25% on Gross Income.
3. $2.72/bbl. Cost assumed by the Ministry of Energy (a).
4. $0.19/bbl. Cost assumed by the Ministry of Energy (a)
5. $1.08/bbl. Cost assumed by the Ministry of Energy (a).

(a) The fee is deducted by the Ministry of Energy from the Gross Income and who remits it to the service provider.

Block 16 carryforward balance as of March 31, 2022, is $437 million ($153 million net to NSE). During the three months ended March 31, 2022, the recovery of carryforward was $4.7 million. The accumulated carryforward will expire at December 31, 2022, the end of the current contract. The estimated recoverable carryforwad is approximately $7.8 million.

Operating EBITDA

EBITDA is a commonly used measure that adjusts net income (loss) as reported under IFRS to exclude the effects of income taxes, finance income and expenses, and DD&A. Operating EBITDA represents the operating results of the Company's primary business, excluding the following items: restructuring, severance and other costs, certain non-cash items (such as impairments, foreign exchange, , costs under terminated pipeline contracts and share-based compensation) and gains or losses arising from the disposal of capital assets. In addition, other unusual or non-recurring items are excluded from operating EBITDA, as they are not indicative of the underlying core operating performance of the Company.

The following table provides a reconciliation of net income to operating EBITDA for the years ended March 31, 2022 and 2021:

	For the year ended March 31	
$	**2022**	**2021**
Net Income Before Income Taxes	17,822,321	(1,090,988)
Gain on acquisition	(18,010,552)	0
Other income	(268,942)	0
Acquisition cost	2,956,360	0
Foreign exchange gain	(65,879)	(94,691)
Stock-based compensation	767,899	22,832
Financial (income) cost	(167,621)	22,438
Depletion & Depreciation	7,750,320	0
Operating EBITDA	**10,783,906**	**(1,140,409)**
Basic operating EBITDA income (loss) per share	**$0.13**	**($0.02)**
Fully diluted operating EBITDA income (loss) per share	**$0.10**	**($0.02)**

The gain on acquisition was the result of the value of the assets acquired on the acquisition of Repsol Ecuador S.A. exceeding its purchase price, thereby recording a non-cash gain of $18.0 million. The acquisition costs pertain to the costs incurred as a result of the acquisition of Repsol Ecuador S.A. while the stock-based compensation are expenses incurred towards stock option plan for employees, officers, directors and consultants. More details of this expenses are indicated below.

Operating expenses and gross profit:

	For the year ended March 31	
$	**2022**	**2021**
Operating expenses	10,712,403	-
Gross profit	7,249,384	-
General and administrative	4,215,798	1,140,409

The following schedule breaks-down operating expenses for the years ended March 31, 2022 and 2021:

	For the year ended March 31	
$	2022	2021
Consumption of inventories and purchases	2,331,566	-
Employee benefits	2,482,094	-
Insurance premiun	393,893	-
Catering services	191,115	-
Cured oil treatment	346,481	-
Plants maintenance	388,981	-
Short-term leases	1,326,158	-
Taxes	606,578	-
Other expenses	631,758	-
Services received, rental of machinery and vehicles	2,013,779	-
	10,712,403	**-**

Gross margin for the year was $7.2 million. The Company considers Petrolia Ecuador S.A. (Branch) a profit center, accordingly all its general and administrative costs of the Ecuadorian operations are part of its operating cost.

Consolidated Expenses:

The most significant expenses incurred during the year ended March 31, 2022, when compared to fiscal 2021 were:

a) General and administration:

	For the year ended March 31		
$	2022	2021	Change
Insurances	**16,056**	9,234	6,822
Legal and accounting	**447,684**	706,966	(259,282)
Management fees	**1,938,377**	217,716	1,720,661
Professional fees	**1,367,448**	-	1,367,448
Office and administration	**328,292**	47,586	280,706
Shareholders information and investor relations	**117,941**	158,907	(40,966)
	4,215,798	1,140,409	3,075,389

b) Stock based compensation:

The Company has a stock option plan for employees, officers, directors and consultants. 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.

During the year the Company granted 5,290,000 stock options exercisable at an average price of $0.30 per share and a total fair value of $767,899. All options vested on granting, except for 500,000 that vest over a period of one year and are exercisable within five years from their issuance.

c) Acquisition cost:

New Stratus incurred approximately $3.0 million in costs associated to the acquisition of Repsol Ecuador S.A. shares. These costs include legal, consulting and fees associated with the acquisition of such shares.

d) Gain on acquisition:

As the value of the assets acquired on the acquisition of Repsol Ecuador S.A. exceeded its purchase price, the Company recorded a non-cash gain of $18.0 million.

Assets & Liabilities

	For the year ended March 31	
$	**2022**	**2021**
Cash and cash equivalents	15,474,166	867,392
Current Assets	101,536,593	913,765
Total Assets	104,177,863	2,055,703
Current Liabilities	72,390,965	860,007
Total Non-Current Liabilities	3,497,794	-
Total Liabilities	75,888,759	860,007
Working Capital	29,145,628	53,758

Total assets increased to $104.2 million in 2022 from $2.1 million in 2021, mainly due to the acquisition of the Ecuadorian operations.

Cash and cash equivalents position as of March 31, 2022, increased to $15.5 million, from $0.9 million at March 31, 2021. This was as a result of higher cash flows from the operations in Ecuador.

Oil and Gas Reserves

The Company's net 2P reserves as of March 31, 2022, were 1.2 million barrels of heavy oil, as described in detail below.

Proved and probable oil reserves

The Company received an independent certified reserves evaluation report ("**Reserve Report**") from Petrotech Engineering Ltd. for the interests of Petrolia Ecuador S.A., a subsidiary of New Stratus Energy Inc. in Blocks 16 and 67 in the Oriente Basin of Ecuador, with total net 2P reserves of 1.2 million barrels of heavy oil.

The SOC expires on December 31, 2022. Based on the rights granted to the Company in the SOC, NSE is in the process of negotiating with Ecuadorian authorities the extension of the contract and its conversion from a Service Contract (SOC) into a Production Sharing Contract (PSC).

As the current SOC will expire on December 31, 2022, and a new operating contract has not been finalized, the reserve report was prepared assuming the termination of the operation on such date. This report was prepared as of March 31, 2022.

The Reserve Report was prepared in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and NI 51-101.

Exploration activities: Colombia - Block VMM-18:

On November 27, 2018, the Company entered into a Farm-in Agreement with Montajes JM ("JM") where NSE has the right to earn up to 100% in Block VMM-18 (the "Project") owned by Montajes JM, the vendor will receive a 5% overriding royalty in the production in the block.

The VMM 18 is an E&P Contract with the Colombian National Hydrocarbons Agency ("ANH") it has a total area of 75,968 acres and is located in the Middle Magdalena Basin. The block is highly prospective for light and medium gravity oil, as are the surrounding oil fields. Management of the Company has identified several prospects and leads based on interpretation of the existing 2D and 3D seismic data. Analogous to nearby discoveries (Guaduas, Puli, and Toqui-Toqui), some of them in similar play-type, decreasing the risk of the prospects in the VMM-18 block, with nearby access to pipelines with extra capacity as well as a road transportation network to the export terminal.

The acquisition of the property requires the execution of an exploratory well, therefore an environmental study in the prospective area has to be done. The Company is waiting for an approval of the License by The National Authority for Environmental Licenses ("ANLA").

As part of these activities, the cartography of a large perforable structure was achieved, which is divided by side ramps into four compartments of NE-SW orientation (Northeast-Southwest). The company already placed on the maps the structure to be drilled in the first place, made the prognosis of the drilling of the same and made the visit to the field to verify the routes of penetration to reach the site where the location will be built for this first well to be drilled in this large structure.

Exploratory commitments of the VMM-18 contract

Phase	Duration	Exploratory Commitment	Investment Agreed
1	36 Months	Acquisition, reprocessing and interpretation of 60km2 of 3D seismic	USD$3,840,000
1A		Reprocessing and interpretation of 400km of 2D seismic	USD$40,000
		Surface Geology	USD$160,000
		Structural modeling	USD$100,000
		Geochemical modeling	USD$100,000
2	48 Months	Reprocessing of 963km of 2D seismic and 60km2 of 3D seismic	USD$250,000
		Drilling of an exploratory well A3 and return of 50% of the area	USD$3,000,000
			USD$7,490,000

The impact of the COVID-19 pandemic affected NSE's ability to continue with its work commitments within the originally established timelines as many of its tasks have been delayed. The Company applied on June 26, 2020, for 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.

On February 8, 2021, the Company received an extension from the 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 was then February 22, 2022, after giving effect to a six-months extension granted by the ANH in July 2021.

On December 12, 2021, the ANH informed the Company of an extension of additional 86 calendar days, hence May 19, 2022, was established as the revised end date of Phase 2.

Subsequent to year end, on April 12, 2022, the Company requested from the ANH the extension of Phase 2 for a period of additional 113 calendar days. The ANH has confirmed 27 of these 113 requested days and the Company is awaiting a response from ANH on the remaining 109 additional days requested. If the Company does not receive the requested extension from the ANH, it will write-off all its capitalized amount of $2.2 million.

Completed Activities:

Seismic Data Reprocessing:

As part of its commitments, the Company needed to complete 963 Km2 of 2D seismic and 60 Km2 of 3D seismic of which:

- Subsequent to year end, on May 18, 2022, the support documentation for the testing of 803 km of 2D seismic and 60 km2 of 3D seismic was submitted to the ANH, including documentation related to USD251,416 invested on, to prove compliance with the obligations of the Mandatory Exploratory Program for Phase 2 of the E&P VMM-18 Contract.

Environmental Impact Study:

In November 2020, the Company contracted ASI S.A.S to prepare an Environmental Impact Study ("EIA") which started in December 2020.

The field activities required for the preparation and presentation of the Environmental Impact Study have been carried out in compliance with the schedule presented to the ANH. The ANH was informed of the progress of activities and the delays that occurred by the restrictions imposed by the government entities due to the COVID19 pandemic.

Between July 2021 and January 2022, the Company made payment for the collection and evaluation services, in accordance with the settlement issued by The National Authority for Environmental Licenses (hereinafter the "ANLA").

The presentation of the Environmental Impact Study to the ANLA was made and on February 23, 2022, the ANLA began its evaluation process required to grant the Environmental License of the "Exploratory

Drilling Area VMM-18".

Between March 8 and 11, 2022, the ANLA visited the project to carry out an environmental assessment. On April 4, 2022, the ANLA requested additional information which the Company sent that on May 10, 2022, fulfilling all ANLA requirement.

New Stratus is awaiting approval of the Environmental Impact Study and the corresponding issuance of the Environmental License by the ANLA.

If the Company does not receive the requested extension from the ANH, it will write-off all its capitalized amount of $2.2 million.

The cumulative exploration expenditures the Company has incurred in Block VMM-18 as of March 31, 2022, and 2023 is detailed in the following table:

Years ended March 31,	**2022**	2021
Environmental assessment	**552,947**	150,542
Financial charges	**48,143**	48,143
General and administration	**417,688**	288,513
Permits and licenses	**204,851**	201,843
Professional fees	**835,009**	359,360
Seismic data processing	**181,730**	92,387
	$ 2,240,368	$1,140,788

All activities committed by NSE are now completed except for the drilling of the exploratory well, which is subject only to the approval of the Environmental License outlined above.

OUTLOOK

During the year ended March 31, 2022, the Company finalized the acquisition of Petrolia Ecuador S.A. (previously Repsol Ecuador S.A.). Management continues its negotiations with the Ecuadorian Ministry of Energy to extend the Service Oil Contract rights to the blocks, and its conversion into a Production Sharing Contract (PSC).

The Company also continued the evaluation of the VMM-18 block in Colombia, concluding its seismic data reprocessing, as well as environmental work including community and social program discussions.

New Stratus has been evaluating different projects in the Sub-Andean Basins and will continue with these evaluations during the current year 2022 and has initiated the evaluation of opportunities in Brazil.

Among the countries in which the sub-Andean basins are found, NSE primary targets are in Colombia, Ecuador, Brazil and Mexico, which have very attractive contractual conditions in the region, noting that Ecuador is migrating from a legislation which establishes contracts with the government based on service contracts, to a new form where the old contracts are being migrated to a profit-sharing partnership scheme; the conditions now being very similar for the three countries mentioned.

These four countries have a significant production history, extensive oil reserves and established infrastructure, as well as the presence of important service companies for the management of hydrocarbon exploration, production and transportation operations.

Under this approach, NSE continues with the evaluation of projects with 2P reserves (proven and probable), as well as with an exploratory upside, in order to maximize the investments to be made by the Company and the return to its shareholders.

In addition to the proposed activities to be conducted by the Company in its VMM-18 block in Colombia, the following is the overall strategy currently being implemented by New Stratus.

Overall Strategy:

Management's objective is to increase production to approximately 50,000 boe/d within 3 to 5 years. This strategy involves the acquisition of production up to 15,000 boe/d and the utilization of management expertise to improve and grow organically acquired production.

The following are specific targets that management has for the above-mentioned countries:

Colombia:

- Acquire production operators/assets
- Farm-in
- Bidding rounds
- Direct negotiations with national producers and regulators.

Ecuador:

While the existing Service Contracts for Blocks 16 and 67 are set to expire in December 2022, significant production potential remains and the Corporation has announced plans to spend approximately US$200 million in 2023 and 2024, in drilling and workovers operations, increasing surface facilities and water disposal capacity following negotiations with the Government of Ecuador to extend rights to the Blocks.

Moreover, NSE plans to continue evaluating new opportunities and expanding its participation in additional production Blocks.

Brazil:

- Current government has continued the liberalization of the Brazilian economy in general, and of the O&G industry.
- Acquisition of existing operators with upside potential and environmental permits
- Farm-in on existing ready to drill or producing blocks
- Participate in bid rounds from the ANP.

Mexico:

- The country is migrating from a legislation which establishes contracts with the government based on service contracts, to a new form where the old contracts are being migrated to a profit-sharing partnership scheme
- Acquisition of existing operators with upside potential and environmental permits
- Participate in onshore bid rounds from the CNH

SELECTED QUARTERLY INFORMATION

The schedules below highlight selected quarterly information for the Company's last eight fiscal quarters of operations.

	Fiscal 2022				Fiscal 2021			
$	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net profit / (loss)	18,117,270	(1,848,213)	(916,003)	(514,293)	(500,069)	(316,479)	(249,180)	(25,260)
General & administrative expenses	1,647,286	1,309,383	914,717	344,410	508,178	311,432	257,228	63,571
Exploration and evaluation balance	2,240,368	2,342,887	1,681,515	1,380,344	1,140,788	1,088,278	658,687	658,687
Basic Profit / (Loss) per share	$0.18	($0.02)	($0.01)	($0.01)	($0.01)	($0.01)	$0.00	$0.00
Total assets	104,177,862	7,902,532	9,216,244	1,700,380	2,055,703	2,661,500	1,479,922	767,044
Working capital (deficit)	29,145,627	5,264,645	7,153,407	(521,239)	53,758	597,664	34,474	(1,645,773)

FOURTH QUARTER

Operating Results:

$	For the three months ending March 31 2022	2021
Income		
Service Revenue	24,832,270	-
Operators fees	150,089	-
Other (1)	729,748	-
Total Revenue	**25,712,107**	-
Operating costs and expenses		
Consumption of inventories and purchases	2,331,566	-
Employee benefits	2,482,094	-
Services received, rental of machinery and vehicles	2,013,779	-
Other operating Expenses	3,884,964	-
Depletion & Depreciation	7,750,320	-
Total operating expenses	18,462,723	-
Gross Profit	**7,249,384**	**-**
General and administrative	1,647,286	508,178
Interest expense (income)	(167,436)	-
Stock-based compensation	36,825	-
Foreign exchange gain	(44,987)	(8,109)
Acquisiton costs	2,956,360	-
Gain on acquisition	(18,010,552)	-
Discount rate gain	(95,553)	-
Other income	(173,389)	-
Income (loss) before tax	**21,100,830**	(500,069)
Current income tax	(2,983,560)	-
Net Income (loss)	**18,117,270**	**(500,069)**
Basic net income (loss) per share	**$0.18**	**($0.01)**
Fully diluted net income (loss) per share	**$0.15**	**($0.01)**

(1) Income for services rendered by the Block 16 Consortium to the Block 67 Consortium to execute exploration and exploitation of hydrocarbons activities

As the acquisition of Repsol Ecuador S.A. was concluded during the fourth quarter of fiscal 2022, revenue information and direct cost associated with production for the fourth quarter are similar to the year-ended March 31, 2022 results.

Fourth Quarter Operating EBITDA

The following table provides a reconciliation of net income to operating EBITDA for the three months ending on March 31, 2022 and 2021:

	For the three months ended March 31	
$	**2,022**	**2,021**
Net Income Before Income Taxes	21,100,830	(500,069)
Gain on acquisition	(18,010,552)	-
Other income	(173,389)	-
Acquisition cost	2,956,360	-
Foreign exchange gain	(44,987)	(8,109)
Stock-based compensation	36,825	-
Financial cost	(167,436)	-
Depletion & Depreciation	7,750,320	-
Discount rate gain	95,553	-
Operating EBITDA	**13,543,524**	**(508,178)**
Basic operating EBITDA income (loss) per share	**$0.13**	**($0.01)**
Fully diluted operating EBITDA income (loss) per share	**$0.11**	**($0.01)**

General and administration expenses:

The following schedule details the general and administrative expenses incurred during the three months ended March 31, 2022, and 2021 and the detailed changes for the period:

	Three months ended March 31		
$	**2022**	**2021**	**Change**
Insurances	**2,500**	2,201	299
Legal and accounting	**(292,940)**	270,786	(563,726)
Management fees	**991,791**	156,359	835,432
Professional fees	**732,304**	-	732,304
Office and administration	**191,837**	17,072	174,765
Shareholders information and investor relations	**21,794**	61,760	(39,966)
	1,647,286	508,178	1,139,108

The most significant changes during the three months ended March 31, 2022, when compared to the three months ended March 31, 2021 are:

- The decrease in legal and accounting fees of $563,726 is mainly the result of reclassification to acquisition cost of certain legal expenses associated with successful negotiations and assessments of the acquired shares of Repsol Ecuador (Now Petrolia Ecuador)

- The increase in management fees of $835,432 is due to the recruiting of a new executive as well as the increase of compensation to other senior executives that did not receive compensation during the three-months ended March 31, 2021.

- The increase in professional fees of $732,304 is mainly the result of new signed contracts associated with the Company's several new initiatives in Latin-America, particularly in Ecuador, and includes new contracts in the area of business development.

EXPLORATION AND EVALUATION ACTIVITIES

The Company capitalized exploration and evaluation costs of $1,099,580, during the year ended March 31, 2022. Exploration expenditures have been limited as a result of constraints associated with operational mobility caused by the COVID-19 pandemic. The Company has concluded its seismic data (2D and 3D) and its environmental assessment and is awaiting the official notification from the ANHA of the official approval of the latter.

CASH FLOWS

Cash balance as of March 31, 2022, was $15.5 million, compared with $0.9 million as of March 31, 2021. Total cash includes $0.5 million of restricted cash, related to a LC guarantees issued in favor of the ANH for obligation performance toward the Company's Block VMM-18 in Colombia and other bank guarantees, compared with $nil as of March 31, 2021.

LIQUIDITY AND CAPITAL RESOURCE

The Company's principal liquidity and capital resource requirements include:

- Capital expenditures for exploration, production and development, including growth plans.
- Costs and expenses relating to operations, commitments and existing contingencies.
- M&A activities.

The Company funds its anticipated cash requirements and strategic objectives using current cash and working capital balances, cash flows from operations, and, if required additional equity financing. In accordance with the Company's investment policy, available cash balances are held in current non-interest-bearing accounts and interest-bearing savings accounts. The Company regularly reviews its capital structure and liquidity sources with a focus on ensuring that capital resources will be sufficient to meet operational needs and other obligations.

As of March 31, 2022, the Company had a total cash balance of $15.5 million (including $0.5 million in restricted cash), which represents an increase in the Company's cash position of $15.1 from March 31, 2021.

Operating activities:

For the year ended March 31, 2022, cash used in operating activities was $1.8 million, compared to $1.5 million used during the comparative period.

Investing Activities:

For the year ended March 31, 2022, cash generated from investing activities was $4.8 million, including $1.1 million used in exploration activities and $5.9 million generated from assets acquired in Petrolia's business combinations, compared to $386,984 used in investment activities for fiscal 2021

Financing activities:

New Stratus Energy generated $12.3 million from financing activities, from the issuance of common shares options and warrants, compared to $2.5 million generated from financing activities for fiscal 2021.

The capital transactions incurred during fiscal 2022 were:

- On December 14, 2020, NSE completed a non-brokered private placement of 3,275,000 units at a price of $0.40 per Unit for gross proceeds of $1,310.000, where each unit issued pursuant to the offering was comprised of one Common Share and one-half warrant, with each warrant entitling the holder to acquire one Common Share at a price of $0.55 per Common Share until December 14, 2022.

- On July 30, 2021, NSE announced the closing of a brokered private placement announced on June 3, 2021. The Company issued a total of 30,953,053 units at $0.30 for gross proceeds of $9,285,916. Each unit is composed by one common share of the Company and half a warrant. Each warrant is exercisable for a period of 24 months at a price of $0.45. The Company incurred $785,405 in costs associated with this financing, including 1,237,698 commission units, valued at $371,309.

The Company's working capital position increased from $53,758 on March 31, 2021 to $29,145,627 on March 31, 2022, principally resulting from the acquisition of the operations in Ecuador.

Restricted cash includes amounts that have been set aside and are not available for immediate disbursement. As of March 31, 2022, the main components of restricted cash were a performance guarantee in the form of a letter of credit for $325,000 issued in favor of the ANH.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements at March 31, 2022, nor have any such arrangements been entered into by the Company as of the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

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

Years ended March 31,	2022	2021
Management fees	$700,088	$80,354
Salaries	1,019,908	137,363
Non-executive directors	149,148	-
Share based payments	509,411	5,708
Total	**$ 2,378,555**	**$223,425**

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.

SHARE DATA

Private placements:

The authorized capital of the Company consists of an unlimited number of Common Shares.

Warrants:

As part of the July 30, 2021 financing, the Company issued 16,095,376 warrants valued at $186,776. Each warrant will entitle theholder to purchase one common share at an exercise price of $0.45 until the second anniversary of the issuance of the warrant. TheCompany 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 $0.32, exercise price of $0.45, volatility of 70%, dividend yield of 0%, an expected warrant life of two year and an annual risk-free interest rate of 0.45%. Volatility was estimated based on average volatility of a sample of peer companies with public pricing data available.

Subsequent to March 31, 2022, 13,763,740 common shares were issued on the exercise of warrants out of which 6,011,718 were paid by cancelling 1,113,282 warrants exercisable at $0.10 each, and 7,752,022 were exercised for cash proceeds of $1,965,410.

Stock based compensation:

On April 13, 2021, the Company granted incentive stock options to acquire a total of 1,290,000 common shares of the Corporation, valued at $178,427, to various directors, officers and consultants of the Corporation pursuant to the Corporation's stock option plan. Each stock option, vests immediately and is exercisable at a price of $0.24 per share for a period of five years from the grant date.

On August 11, 2021, 200,000 options exercisable at $0.10 and expiring June 7, 2022, were exercised and 60,000 options of this same denomination were cancelled.

On October 1, 2021, the Company granted an aggregate of 3,500,000 stock options to consultants of the Company, pursuant to the Company's Plan. The options vested on granting and are exercisable at $0.30 for a five-years period.

On December 6, 2021, the Company granted an aggregate of 50,000 stock options to a consultant of the Company, pursuant to the Company's Plan. The options are vested over a year from the grant date and are exercisable at $0.56 for a five-years period. The fair value of all these options was estimated at $16,278.

On April 29, 2021, the Company granted an aggregate of 2,340,000 stock options to employees, directors and consultant of the Company, pursuant to the Company's Plan. The options are vested over a year from the grant date and are exercisable at $0.65 for a five-years period. The fair value of all these options was estimated at $904,568.

As at the date of this report there were 8,505,000 stock options outstanding.

Fully diluted shares information:

As at the date of this report there were:

Common shares	120,493,505
Stock based compensation	8,505,000
Warrants	22,134,782
Fully diluted number of shares	151,133,287

The impact of the shares issued subsequent to year end would reduce the EPS as of March 31, 2022 from $0.17 to $0.12 on a basic basis and from $0.17 to $0.10 on a fully diluted basis.

CRITICAL ACCOUNTING ESTIMATES

This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related note 2 for the year ended March 31, 2022, wherein a more detailed discussion of accounting estimates is presented.

COMMITMENTS AND CONTINGENCIES

Block VMM-18

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. The ANH had confirmed the extension until June 18, 2022 and the Company is waiting for a reply on the additional extension segment requested.

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").

Consulting agreements

The Company is obligated under a consulting agreement in the amount of USD 5,000 per month until May 31, 2026. Also, the Company is obligated to paid $500,000 in three equal installments ($166,667 on closing date, and 6 and 12 months after the closing $166,667 each one) subject to the success of the closing of the transaction with Repsol.

Executive compensation

On July 1, 2021, the Company entered into employment agreements with its senior executives which contain clauses requiring additional payments up to $2,700,000 to be made upon the occurrence of certain events such as change of control. As the triggering event has not occurred, the contingent payment has not been provided for in the audited financial statements.

Novel Coronavirus

The Novel Coronavirus ("COVID-19") pandemic is causing a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company's business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results, including the Company's ability to secure financing; however, the impact could be material.

SUBSEQUENT EVENTS

Warrants exercised:

Subsequent to March 31, 2022, 13,763,740 common shares were issued on the exercise of warrants out of which 6,011,718 were paid by cancelling 1,113,282 warrants exercisable at $0.10 each, and 7,752,022 were exercised for cash proceeds of $1,965,410.

Repsol (Petrolia) acquisition:

On April 27,2022, a $956,352 (USD 765,327) disbursement on the Petrolia Acquisition was done to reflect and adjustment to purchase price due to variations in working capital.

Options granted:

On April 29, 2022, the Company granted an aggregate of 2,340,000 stock options employees, directors and consultant of the Company, pursuant to the Company's Plan. The options are vested over a year from the grant date and are exercisable at $0.65 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 2.66%; and an expected average life of 5 years. The fair value of all these options was estimated at $904,568.

RISKS AND UNCERTAINTIES

The Company's business consists of the exploration, evaluation and development of its properties and is subject to certain risks. The risks described below are not the only risks facing the Company and other risks now unknown to the Company may arise or risks now thought to be immaterial may become material. No guarantee is provided that other factors will not affect the Company in the future. Many of these risks are beyond the control of the Company.

An investment in the Common Shares involves a number of risks. In addition to the other information contained in this MD&A, investors should give careful consideration to the following, factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. If any of the following events described as risks or uncertainties actually occurs, the business, prospects, financial condition and operating results of the Company would likely suffer, possibly materially. In that event, the market price of the Common Shares could decline, and investors could lose all or part of their investment. Additional risks and uncertainties presently unknown, or that are not believed to be material at this time, may also impair or have a material adverse effect on the Company's operations. In addition to the risks described elsewhere and the other information contained in this MD&A, prospective investors should carefully consider each of and the cumulative effect of all of the following risk factors. References in the below Risk Factors to "we", "our" or "us" refer to the management of the Company.

Limited History of Operations

The Company has had a limited operating history upon which an evaluation of the Company, its current business and its prospects can be based. An investor should consider any purchase of the Company's securities considering the risks, expenses and problems frequently encountered by all companies in the early stages of their corporate development.

Future Financing Requirements

The Company will need additional financing to continue in business and there can be no assurance that such financing will be available or, if available, will be on reasonable terms. To the extent financing is not available, business opportunities and potential acquisitions could be lost for the Company.

Dilution and Future Sales of Common Shares

The Company may issue additional shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series and shareholders will have no pre-emptive rights in connection with further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of Preferred Shares and the price and terms of further issuances of Common Shares, subject to compliance with applicable corporate and securities laws and stock exchange regulations.

Risks Inherent in Acquisitions and Dispositions

It is part of the Company's corporate strategy to actively pursue the acquisition of exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, the Company may also acquire securities of or other interests in companies with respect to which it may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to:

- Accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates.
- Ability to achieve identified and anticipated operating and financial synergies.

- Unanticipated costs.
- Diversion of management attention from existing business.
- Potential loss of the Company's key employees or key employees of any business acquired.
- Unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- Decline in the value of acquired properties, companies or securities.

Any one or more of these factors or other risks could cause the Company not to realize the anticipated benefits of an acquisition of properties or companies and could have a material adverse effect on its financial condition.

In addition, non-core assets may be periodically disposed of so the Company can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Company may realize less on disposition than their carrying value on the financial statements of the Company.

Exploration and Development of Oil and Gas Properties

New Stratus is engaged in oil and natural gas exploration, which is a high-risk venture with uncertain prospects for success and for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration or development activities by New Stratus will result in discoveries of oil or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling. Even if commercial quantities of petroleum or natural gas are discovered, there is no assurance that production therefrom or development thereof will occur or be profitable. Natural resource prices fluctuate widely and are affected by numerous factors such as inflation, interest rates, demand, global or regional political and economic crisis and production costs in major producing regions. The aggregate affect of these factors, all of which are beyond New Stratus' control, is impossible to predict. No assurance can be given that commercial accumulations of oil and natural gas will be discovered as a result of the efforts of New Stratus and prospective investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of New Stratus.

The future value of New Stratus is dependent on the success or otherwise of New Stratus' activities which are directed toward the exploration, appraisal and development of its assets. Exploration, appraisal and development of oil and gas reserves are speculative and involves a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which New Stratus holds rights will lead to a commercial discovery or, if there is commercial discovery, that New Stratus will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage New Stratus is precluded from pursuing the exploration or development of its assets, New Stratus' business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares, is likely to be materially adversely affected.

Management of Growth

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. An inability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may expand its operations through the acquisition of additional assets, businesses, products or technologies that it believes will complement its current or future business. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional assets or businesses or successfully integrate any acquired assets, businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. If a strategy of growth through acquisition is pursued, the failure of the Company to manage this strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Uninsured Risks Exist and May Affect Certain Values

The Company maintains insurance to cover normal business risks. In the course of exploration and development of its properties, certain risks, and in particular, unexpected or unusual geological operating conditions may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Common Shares.

Key-Man and Liability Insurance Factors Should be Considered

The success of the Company will be largely dependent upon the performance of its key officers. The Company has not, as yet, purchased any "key-man" insurance with respect to any of its directors, officers, key employees and has no current plans to do so.

Although the Company may obtain liability insurance in an amount which management considers adequate, the nature of the risks for mining companies is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of its properties is limited and competition for such persons is intense. As the Company's business activity grows, they will require additional key financial, administrative and operations personnel. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Factors Beyond Company's Control

The exploration and development of the Corporation's assets will be affected by numerous factors beyond the control of the Company. These factors include government regulation, high levels of volatility in market prices, availability of markets, availability of adequate transportation and processing facilities and the imposition of new or amendments to existing taxes and royalties. The effect of these factors cannot be accurately predicted.

Government Regulation

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase the Company's costs and have a material adverse effect on the Company.

Environmental Risks and Hazards

The Company's activities are subject to extensive national, provincial, and local laws and regulations governing environmental protection and employee health and safety. The Company is required to obtain governmental permits and provide bonding requirements under environmental laws. All phases of the Company's operations are subject to environmental regulation. These regulations include limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. The Company is not able to predict the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance or the underlying asset values of prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

Price Volatility of Publicly Traded Securities

Securities of natural resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations as reflected in quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Company's shares include the following:

- the extent of analyst coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow its securities;
- limited trading volumes and general market interest in the Company's securities may affect an investor's ability to trade the Company's shares; and
- the relatively small number of publicly held shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the Company's long-term value.

Conflicts of Interest

There are potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company. Some of the directors and officers of the Company may be, or may become, engaged in the oil and gas industry, and situations may arise where directors, officers and promoters will be in direct conflict with the Company. Such conflicts must be disclosed in accordance with and are subject to such other procedures and remedies as apply under, the ABCA and the applicable statutes of the jurisdictions of in Company of the Company's subsidiaries.