NEW STRATUS ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2023

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of New Stratus Energy Inc. ("New Stratus", "NSE", "our", "we", or the "Company") for the six months ended June 30, 2023.

This MD&A is dated August 29, 2023, and should be read with the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2023. Additional information, including the Company's previous MD&A, and audited consolidated financial statements for the years ended December 31, 2022, and March 31, 2022, are available on SEDAR at www.sedar.com. Information contained in the annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

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

TABLE OF CONTENTS

1. BUSINESS OVERVIEW

New Stratus Energy Inc. ("New Stratus", the "Company" or "NSE") is a publicly traded company domiciled in Canada. Its primary operations involve the acquisition, exploration, and development of oil and gas properties in Latin American countries and from January 14, 2022 to December 31, 2022, operated a production of oil and gas fields in Ecuador. The Company was incorporated on April 12, 2005, pursuant to the *Business Corporations Act* (Alberta) ("ABCA") and is a reporting issuer in Alberta, British Columbia, Ontario and Saskatchewan. The common shares of the Company are listed on the TSX Venture Exchange under the trading symbol "NSE".

The Company has changed its year end from March 31 to December 31 to align it with that of comparative companies and its subsidiary, which operates on a calendar fiscal year end in Ecuador, Spain, and Colombia. Accordingly, the current interim consolidated financial statements are prepared for a six month-period from January 1 to June 30, 2023, and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes comparable with the same period in 2022.

The Company's registered office is 1500, 850 2nd Street S.W., Calgary, Alberta, Canada, and its mailing address is 372 Bay Street, Suite 3100, Toronto, Ontario, M5H 2W9.

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.

2. CORPORATE STRATEGY

Management's objective is to establish a production of 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.

NSE's strategy focuses mainly on Latin America and recently is evaluating additional opportunities in Ecuador, Colombia, Peru, Mexico and Venezuela.

3. CORPORATE HISTORY AND GENERAL DEVELOPMENT

Ecuador:

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

The Service Contracts signed between Petrolia Ecuador S.A., the other companies making up the Consortium and the Ecuador Ministry of Energy is a Service Oil Contract ("SOC") where the Company was entitled to collect a fixed service tariff per each delivered barrel. The Company received the total service tariff when the Available Income was equal to or higher than the Tariff; otherwise, the Contractor was entitled to collect only the Available Income. In this case, this difference "*carryforward*", could be collected, depending on oil prices, until contract termination.

The Branch, is a branch of Petrolia 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.

The companies that signed a Joint operation agreement formed the Block 16 Oil Consortium and the Tivacuno Block Oil Consortium or Block 67 which are structured as follows: Petrolia Ecuador S.A. (35%); Overseas Petroleum and Investment Corp. (31%); Amodaimi – Oil Company, S.L. (20%); and CRS Resources Ecuador LDC. (14%).

On December 5, 2022, the Company announced that the Government of Ecuador informed the Corporation that it did not intend to fulfill its legal and contractual obligation to appoint the required negotiations committee for the extension and migration of the service contracts for Blocks 16 & 67.

As a direct result of the decision made by the Government of Ecuador, the Company has announced a formal claim through international arbitration under the terms contemplated in the service contract agreements.

Due to the event described above, on December 31, 2022, the Company transferred to the Ministry of Energy and Mines, at no cost and in good operational condition, all the facilities and infrastructure of Blocks 16 & 67, in accordance with the Hydrocarbons Law and regulations.

Subsequent to December 31, 2022, the Branch´s main objective is to manage the remaining administrative functions related to the Consortium reversion process obligations and its operating results are since this date disclosed as general and administrative expenses, together with the other corporate entities.

The Corporation has been approved as a qualified operator by the Ministry of Energy and Mines in Ecuador, thus allowing the Corporation to participate in bidding processes for development and exploration. The Corporation evaluated these opportunities as an approved bidder while it continues to pursue its legal demand against the Government of Ecuador under International arbitration.

In addition, NSE has also been evaluating various opportunities in Ecuador, including Petroecuador's competitive process, in which six exploratory blocks towards the northern part of the Ecuadorian Eastern Basin are being offered, Petrolia, the operator controlled 100% by NSE was officially qualified by Ecuadorian Ministry of Energy to participate in the process. Similarly, NSE has carried out the evaluation of three opportunities in the Eastern Basin, concluding that there is no interest in continuing the negotiation in two of them, while the evaluation of the third block continues, expecting to complete withing the third quarter of 2023 and, depending on the results of the NSE evaluation, the negotiation with the current operator could begin.

Colombia:

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. In Colombia, NSE is awaiting the ANH decision (National Hydrocarbons Agency) related to the Company’s application to mutually terminate the Exploration and Production (E&P) contract at VMM-18.

Two other properties were evaluated in Colombia, one of them with two blocks located in Valle Medio del Magdalena and the other in the Catatumbo Basin in the vicinity of Venezuela which,after a careful assessment, the Company decided to discontinue.

Venezuela

On August 2, 2023, the Company announced the signing of a MOU with GoldPillar International Fund SPC Ltd. (“GoldPillar”), a private entity organized and existing under the laws of the British Virgin Islands, which is in negotiations with Petroleos de Venezuela S.A. (“PDVSA”), the Venezuelan national oil company, to partner in mixed companies to develop oil and gas assets in Venezuela.

New Stratus will beneficially hold a 50% equity interest in GoldPillar which will in turn hold operatorship and equity positions in mixed companies (joint venture companies) with PDVSA ranging from 40% to 49.99%, although the intent will be to pursue majority equity positions through ongoing negotiations with PDVSA and as applicable regulations may allow.

Under the arrangement with PDVSA, GoldPillar will advance the cash required to fund capital expenditures and operating expenses of the relevant mixed companies under the terms of business plans approved jointly with the Venezuelan authorities for each mixed company. Those advances will be reimbursed to GoldPillar through the mechanisms of assignment of volumes of crude oil and products specifically detailed in each mixed company joint venture agreement. Any funds to be advanced by GoldPillar to the relevant mixed company will be provided by NSE as shareholder financing to GoldPillar and such financing will be repaid to NSE prior to the distribution of any dividends to the shareholders of GoldPillar.

Finally, all proceeds of sales of crude and products on volumes approved by PDVSA, managed and attributable to GoldPillar will be used to reimburse capital expenditures and operational costs, as well as to pay dividends to shareholders of GoldPillar.

Initial joint venture company:

The first joint venture between PDVSA and GoldPillar, through an existing mixed company, consists of 4 onshore fields located in the prolific Eastern Basin of Venezuela. The fields have produced almost 600 million boe since production began in 1959 and produced at a maximum rate of 60,000 boepd in 1960. Due to infrastructure erosion and lack of capital investment, production since 2017 has been minimal.

The current business case of these fields calls for infrastructure improvements and to begin producing the most prolific existing wells. Over the course of the new 27-year contract, operating expenses are expected to be approximately US$709 million and capital expenditures are expected to be approximately US$ 693 million, both of which are expected to be funded primarily through cashflow over the course of the 27-year contract. The Corporation expects to release more detailed information, including cashflow estimates in connection with entering into definitive agreements with GoldPillar.

GoldPillar is expecting to obtain final approval from local authorities and to complete this transaction with PDVSA by the end of the third quarter of 2023 with the objective to commence the activities in the fields during the fourth quarter of 2023.

Other Countries:

NSE has expressed interest in analyzing the properties under PeruPetro (Peruvian National Agency) management and is awaiting their response. In addition, NSE was invited to a private process to evaluate two opportunities in northwestern Peru, near the border with Ecuador. The Company expects this process will take approximately two months.

Likewise, NSE has been evaluating onshore opportunities in Mexico and has identified an operator with two neighboring producing blocks, interested in a partnership. NSE should start the negotiation within the next few weeks.

4. CORPORATE PERFORMANCE

The Company's operations involve the acquisition, exploration, and development of oil and gas properties, and, between January 14, 2022, and December 31, 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.

Ecuador Blocks 16 and 67

On January 14, 2022, the Company acquired from Repsol 100% of the shares in Petrolia Ecuador S.A. (previously Repsol Ecuador S.A.), a Spanish incorporated company. Petrolia Ecuador S.A. operated until December 31, 2022, Blocks 16 and 67 Oil Consortiums under Service Contract agreements in Ecuador through its branch, Petrolia Ecuador S.A. (the "Branch").

As mentioned above, on December 31, 2022, the Company transferred to the Ministry of Energy and Mines, at no cost and in good operational condition, all the facilities and infrastructure of Blocks 16 & 67, in accordance with the Hydrocarbons Law and regulations. Also, on the service contract termination date, the Company has concluded its contracts with all its employees, paying their severance as per the labor law and terminated all suppliers' contracts.

The hydrocarbon regulations stipulate that a minute (the "Minute") shall be executed between the Ministry of Energy and the Company, reflecting the actual transfer of the operation of the Blocks and the delivery of all the facilities on the service contract termination date. This Minute shall also address the reversion process that was led by the hydrocarbons authorities and will summarize the activities carried out by five (5) commissions that were designated for technical, social - environmental, assets, legal and economic issues. All individual commissions have already signed off and no significant concern remains unsolved. The final Minute was signed by the Ministry of Energy and the Company on July 7,2023.

The Company has concluded all the audits required for environmental purposes under the law and the service contracts, including a specific environmental reversion audit. None of these audits have indicated the existence of any environmental liability. The Company is working with the environmental authorities to conclude certain minor administrative matters.

During the entire calendar year 2022 the Company executed a portion of its Asset Retirement Obligation. As of December 31, 2022, some of these obligations and related activities remain outstanding. The Company expects that these activities will be executed during 2023 and 2024. The costs estimated for these remaining obligations have been fully reflected in the Company's balance sheet as of June 30, 2023. The Company considers the provision of $5.4 million recorded as of June 30, 2023, appropriate and, based on best industry standards, comply with all the Ecuadorian hydrocarbons regulations.

5. RESULTS OVERVIEW

Revenue and Income

As the acquisition of the Ecuadorian operation closed on January 14, 2022, the financial information for the six months ended June 30, 2022, includes production for 5 ½ months.

As the Service Contract was terminated on December 31, 2022, no operating revenue was generated during the six months ended June 30, 2023.

Six months ended June 30,	**2023**	2022
Income		
Provision of services	**$** -	$ 57,024,460
Operatos fees		258,205
Other	-	1,655,842
	$ -	$ 58,938,507
Operating costs and expenses:		
Consumption of inventories and purchases	-	4,992,287
Employee benefits	-	6,066,916
Services received, rental of machinery and vehicles	-	4,203,303
Other operating expenses	-	6,990,278
Operating expenses	-	22,252,784
Amortization and depreciation	-	16,888,651
Gross (loss) profit	**$** -	$ 19,797,072

Six months ended June 30,	2023	2022
Gross (loss) profit	**$ -**	$ 19,797,072
General and administrative	**6,388,637**	3,651,068
Financial (cost) income	**(233,067)**	(51,144)
Stock-based compensation	**-**	299,793
Foreign exchange gain	**(9,749)**	486,757
Acquisiton costs	**-**	2,956,360
Gain on acquisition	**-**	(18,010,552)
Other income	**(191,300)**	(398,512)
Net (loss) income before income tax	**$ (5,954,521)**	$ 30,863,302
Current income tax (recovery)	**(12,443)**	1,266,322
Net (loss) income	**$ (5,966,964)**	$ 32,129,624

The Company generated a net loss of $6.0 million ($0.05/share) for the six months ended June 30, 2023, compared with net income of $32.1 million ($0.25/share) for the six months ended June 30, 2022.

The main item that explains the reduction in net income, in addition to the cancelation of the Service Contract mentioned above, for the six months ended June 30, 2023, when compared to the six months ended June 30, 2022, is the gain in acquisition of $18.0 million related to the purchase of Petrolia Ecuador S.A. recorded during the six months ended June 30, 2022. The gain was mainly generated by the difference between the valuation of the oil reserves as of the acquisition date and the purchase price. The Company also recorded during the same period $3.0 million in acquisition costs related to the same transaction.

Operating expenses decreased from $22.3 million to $Nil. For the six months ended June 30, 2022, all costs associated with the Ecuadorian operation were disclosed as operating costs, including all Ecuadorian general and administrative expenses, as the Company considered the whole component as a net revenue producer. From January 1st, 2023, the Company has no operating revenues hence all expenses incurred by Petrolia Ecuador are now grouped as part of general and administrative expenses. This largely explains the significant increase in G&A between the six months period ended June 30, 2023 and 2022. See also Section 7 below, “Other Expenses and Income” for a detailed geographical breakdown of these expenses.

Operational Highlights

As mentioned above, the main objective of Petrolia Ecuador S.A. since January 1st. 2023 had focused on completing all reversion activities related to the termination of the service contracts of blocks 16 and 67.

For the six months ended June 30, 2023, New Stratus Energy generated $Nil in service revenues, compared to $57.0 million for the comparative period. The revenue generated during the six months ended June 30, 2022, resulted from its oil production activities starting January 14, 2022, in Blocks 16 and 67 in Ecuador. The average production for the six months period, including partners’ working interest was 15,263 bbl/d, of which Petrolia’s share averaged 5,342 bbl/d.

Reserves and Exploration Update

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 proved and probable ("2P") net 2P reserves of 1.2 million barrels of heavy oil. This report was prepared as of March 31, 2022. As the Service Contract establishes the relinquishment of the Block 16 and 67 to the Ecuadorian government on December 31, 2022, all reserves were fully depleted in the books of the Company as that date.

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"), 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 was required.

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 visits to the field to verify the routes of penetration to reach the site where the location would be built for the first well to be drilled in this large structure.

All activities that NSE committed have been completed except for the drilling of the exploratory well.

Concluded the environmental study, the Government environmental agency has concluded that large areas of the Block were environmentally sensitive hence materially limiting the area available for exploration work and rendering the feasibility of the project, both financially and operational ineffective. Accordingly, on September 26, 2022, the Company presented to ANH a request to enter into a mutual agreement among the parties to terminate the E&P Contract for Block VMM-18. Following this communication, the ANH has requested confirmation of restrictions imposed by ANLA, to which the Company provided detailed documentation on March 9, 2023. The Company is currently awaiting a reply from the ANH on its application.

The Company has written off all its previously capitalized expenditures on the property totaling $2.2 million by December 31, 2022.

6. GROSS PROFIT

Gross profit for the six months ended June 30, 2023, was $Nil, compared to $19.8 million for the comparative period.

Gross profit decreased by $19.8 million principally due to the cancelation of the Service Contract on December 31, 2022. The six months ended June 30, 2022, included approximately 5 ½ months of production, as NSE acquired the Blocks only on January 14, 2022.

7. OTHER EXPENSES AND INCOME

Consolidated General and Administrative Expenses

The following schedule describe New Stratus' general and administrative expenses for the six months ended June 30, 2023, and June 30, 2022:

The following schedule describes the Company's General and Administrative ("G&A") consolidated expenses for the six months ended June 30, 2023, and June 30, 2022:

Six months ended June 30,	**2023**	2022	Change
Insurances	**$ 24,940**	$ 2,700	$ 22,240
Legal and accounting	**191,538**	406,755	(215,217)
Management fees and salaries	**2,292,701**	1,143,980	1,148,721
Professional fees	**2,273,742**	1,431,690	842,052
Office and administration	**332,414**	563,724	(231,310)
Shareholders information and investor relations	**69,379**	102,219	(32,840)
Other purchases and services	**540,704**	-	540,704
Taxes	**445,443**	-	445,443
Depletion and Depreciation	**217,776**	-	217,776
	$ 6,388,637	$ 3,651,068	$ 2,737,569

The overall increase in general and administrative expenses ("G&A") on June 30, 2023, when compares to the six months ended June 30, 2022, is mainly the result of the reclassification of Petrolia Ecuador administrative expenses, previously classified as operating expenses, as G&A. The Company discloses from January 1st, 2023, all administrative expenses incurred by Petrolia Ecuador as generals and administration because of the non-operating role assumed by this subsidiary after the Service Contract with the Government of Ecuador terminated. The G&A attributable to Petrolia Ecuador for the six months ended June 31, 2023, was approximately $1.7 million, representing approximately 27% of the total corporate G&A.

The following schedule segregates G&A expenses by division, for the six months ended June 30, 2023:

Six months ended June 30, 2023	Corporate	Colombia	Ecuador	Total
Insurances	$ 24,940	$ -	$ -	**$ 24,940**
Legal and accounting	191,538	-	-	**191,538**
Management fees and salaries	910,664	828,296	553,741	**2,292,701**
Professional fees	1,379,385	-	894,357	**2,273,742**
Office and administration *	931,553	-	(599,139)	**332,414**
Shareholders information and investor relations	69,379	-	-	**69,379**
Consumption of inventory	-	110,762	429,942	**540,704**
Depreciation & Depletion	126,087	91,421	268	**217,776**
Taxes	-	-	445,443	**445,443**
	$ 3,633,546	**$ 1,030,479**	**$ 1,724,612**	**$ 6,388,637**

* The negative charge of $0.6 million disclosed under Ecuador - Office and Administration correspond to the reversal of certain accrued liabilities with the Ministry of Energy, reclassified to Other Revenues, for approximately $0.9 million, hence rendering a normalized value of approximately $0.3 million to the Ecuadorian office and administration expenses.

The following schedule segregates G&A expenses by division, for the six months ended June 30, 2022:

Six months ended June 30, 2022	Corporate	Colombia	Ecuador	Total
Insurances	$ 2,700	$ -	$ -	**$ 2,700**
Legal and accounting	406,755	-	-	**406,755**
Management fees and salaries	1,143,980	-	-	**1,143,980**
Professional fees	1,431,690	-	-	**1,431,690**
Office and administration	495,747	67,977	-	**563,724**
Shareholders information and investor relations	102,219	-	-	**102,219**
	$ 3,583,091	**$ 67,977**	**$ -**	**$ 3,651,068**

As outlined before, all G&A expenses for Ecuador, for the six months ended June 30, 2022, were considered part of the subsidiary's production cost hence included as an operating cost, a component in the determination of Gross Profit.

Corporate G&A remained relatively stable, for both compared periods ended June 30, 2023 and 2022 and Colombian operations increased by approximately $1.0 million for the same period.

The increase in Colombian G&A was mainly related to the transfer of the execution of certain Colombian management fees and salaries previously paid by the corporate offices.

8. ASSETS AND LIABILITIES

Balances as of,		**June 30, 2023**		December 31, 2022		Change
Cash and cash equivalents	**$**	**33,542,673**	$	21,160,711	$	12,381,962
Current Assets		**57,085,329**		52,167,695		4,917,634
Total Assets		**57,835,534**		70,226,882		(12,391,348)
Current Liabilities		**9,551,548**		34,171,960		(24,620,412)
Total Non-Current Liabilities		**19,726,853**		335,154		19,391,699
Total Liabilities		**29,278,401**		34,507,114		(5,228,713)
Working capital	**$**	**47,533,781**	$	34,615,116	$	12,918,665

Cash and cash equivalents (including restricted cash) position as at June 30, 2023, increased to $33.5 million, from $21.2 million at December 31, 2022. See "Liquidity and Capital Resources" section 10 below for a more detailed analysis of the Company's change in cash position.

The increase in current assets of $4.9 million was significantly affected by certain tax receivables that as of December 31, 2022 were classified as long-term, and as of June 30, 2023 are expected to be recoverable in a period of less than a year.

NSE current assets position was also enhanced by the receipt of other tax claims awarded to the Consortium Block 16 on a final and definitive ruling by the National Court of Justice of Ecuador, regarding a previous year tax claim, which granted the Consortium the right to obtain a tax credit for $19,7 million (US$14.5 million). Due to the allocation mechanism among the partners in the Consortium, Petrolia is the sole beneficiary of the tax credit refund.

Petrolia considers that the agreements and covenants entered into by the Company during past years related to this income tax credit require the recognition of a reserve for contractual responsibilities in the same amount refunded, hence affecting its long-term liability position.

As described in Note 4 to the Company's financial statements as of June 30, 2023, NSE has announced a formal arbitration claim under the terms contemplated in the service contract agreements; however, the Company, during the period of negotiations with the Ministry of Energy, aims to reach an amicable settlement on all the outstanding issues derived from the service contracts, including this fiscal year refund.

Total assets ended at $57.8 million on June 30, 2023, a decrease from a $70.2 million at December 31, 2022, mainly due to the following events:

- A decrease in recoverable taxes of approximately $8.7 million.
- A decrease in trade receivables of approximately 9.1 million.
- A decrease in receivables from the Consortium partners of approximately $ 6.9 million.
- An increase in cash of approximately $ 12.4 million

NSE current liabilities decrease by $24.6 million of which its main component was trade and accounts payable for a change of $20.7 million. The main components of this change were payments to Repsol on the purchase of Petrolia and other related contingent for $10.5 million payment of other trade payables for approximately $10.2 million.

Non-current liabilities increased by $19.4 million the Company has recorded a provision of $19.7 million related to a prior year tax claim that Petrolia considers that the agreements and covenants entered into require the recognition of a reserve for contractual responsibilities in the same amount refunded.

Working capital increased by $29.5 million for the six months period ended June 30, 2023, principally as a result of a strong cash position and the timing impact on Recoverable Taxes, that as of December 31, 2022 were classified as long-term assets and as June 30, 2023 included as current as its expiration date is less than one year.

9. ENVIRONMENT, SOCIAL AND GOVERNANCE

NSE's Environmental, Social and Governance (ESG) performance includes information of its operations in Ecuador and how it helped to mitigate potential non-financial risks emanating from the oil fields.

The report complements information on our operations and financial performance above, in order to provide a holistic overview of our performance and priorities to ensure we had sustainable operation.

Environmental

The operation of Blocks 16 and 67 took place in an area of great environmental sensitivity, which partially coincides with the Yasuní National Park, located in the Amazon jungle of Ecuador.

After the work carried out by the socio-environmental subcommittee, environmental component, as part of the reversal process carried out on December 31, 2022, a report and minutes of this subcommittee were formalized, where a total of 68 pending issues were identified (48 by the Ministry of the Environment and 20 by Petrolia within term), all of them related to purely administrative aspects to be fulfilled.

By the end of June 30 of 2023, 61% of these points have been closed (mainly related to administrative aspects of compliance with the Environmental Management Plan and Environmental Events of the operating period). Work continues on 39% of pending issues, among which there are 17 points related to responses from the Ministry of the Environment and 8 points to be addressed by PETROLIA within term.

As a result of the work of the commission, the commitment of Petrolia to carry out two field activities was also established.

The first commitment is related to the completion of the environmental remediation of an event that occurred back in July 2021 and that was duly reported to the authorities and timely managed by Petrolia. This remediation was being executed until December 2022. Starting January 2023, after the reversion process and once a new operator in Blocks 16 and 67 was in place, work has been done to resume the indicated remediation process, meeting the requirements of the new operator and the competent authorities. At present, the execution of this activity is ready to re-start and waiting for the operative conditions to allow it and the approvals of the current operator.

The second commitment has to do with meeting the request of the Ministry of the Environment to monitor a series of locations within blocks 16 and 67, to rule out the existence of possible sources of contamination. Petrolia has carried out all the steps and preparations to carry out this work, which is currently in progress and, in a similar way to the previous commitment. Regarding this second commitment, it should be noted that all the audits carried out in past years by independent companies and endorsed by the environmental regulator, concluded that there is no evidence of environmental liabilities (real or potential) in the operations of blocks 16 and 67 until the end of 2022, at which time the service contract ended.

Finally, regarding the environmental audits, during the first six months of 2023, Petrolia completed the reports of all pending audits from 2022 (second quarter July - December 2022), which were timely delivered to the regulatory entity for analysis and subsequent approval. These audits did not reveal significant deviations or non-compliances. Work has also been done to respond to the observations made by the Ministry of the Environment in recent months to other environmental audits of past periods (this is part of the normal review and approval process for this type of audits). During the second quarter of this year, one of the pending audits has been approved (for the period 2016-2020 - license 174), and the others are expected to be approved during the remaining of this year. At present, all PETROLIA´s obligation with respect to environmental audits is up to date and, as mentioned, awaiting the approval of the regulatory.

Social

Blocks 16 and 67 (Tivacuno) are located in the Waorani and Kichwa indigenous communities. To balance the opportunities that the communities have for a better quality of life, prior operators signed a collaboration agreement with N.A.W.E (Nacionalidad Waorani del Ecuador) in the Waorani community. The agreement focuses on four broad clusters: health, education, support to N.A.W.E. management and community leaders and, support to the development of communities.

For the year 2022, there was a budget assigned that is managed by Petrolia as operator for the Blocks 16 and 67 and indigenous communities N.A.W.E. and Kichwa, to ensure the goals planned are met. The resources given by Petrolia Ecuador S.A. and the Consortium partners promoted the community development and supply of several needs according to the Annual Operating Plan (POA) 2022. This plan was established in consensus with the Waorani Nationality of Ecuador (NA.W.E.) within the framework of the Mutual Cooperation Agreement "Waemo Kewingi" 2015 – 2022.

In community issues, during the first six months of 2023, the Annual Operating Plan 2022 (POA 2022) was closed, as well as the closing of the multiannual community agreement with the Waorani Nationality "Waemo Kewingi".

The two agreements closings were formally carried out with the authorities of the NAWE (Waorani Nationality of Ecuador) and the signed documents have been notarized.

Within the reversion process, no progress has been made with the pending issues with the community, which were reflected in the Reversion Report of the Socio-Environmental Sub-Commission (social Section), and in the pending activities of 2022 (to be concluded in 2023) because the Single Act, document with which the reversion of Blocks 16 and 67 (Tivacuno) is formalized, has been signed.

As part of the commitments with communities embodied in the Single Act, the following are the projects to be fulfilled:

- Delivery of construction materials to Añangu community (Kickwa) for the construction of a point of control (security access). This project was concluded and duly informed to the Ministry of Energy and Mines (MEM).

- Construction of a Health Center in Guiyero community (Waorani). The beginning of the project was delayed due to the strikes in the Blocks and blocked roads.
- On the other hand, as part of the corporate social responsibility, the donation of a bus to the Indillama community (Kichwa) was concluded in July. This bus is like the one donated in the past to Waorani communities.

10. LIQUIDITY AND CAPITAL RESOURCES

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.

Liquidity

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.

The following schedule outlined the main drivers of the change in cash position for the six-month period ended June 30, 2023:

Six months ended June 30,		**2023**		2022
Net income (loss) for the period	**$**	**(5,966,964)**	$	32,129,624
Changes in operating components of working capital		**18,485,628**		(335,351)
Net change in non-cash working capital items		**14,944,100**		(11,326,308)
	$	**27,462,764**	$	20,467,965
Investing activities		**(13,894,880)**		(962,058)
Financing activities		**-**		5,211,163
Foreign exchange impact on foreing currency denominated balances		**(1,185,922)**		(3,244,533)
Net change in cash position	**$**	**12,381,962**	$	21,472,537

Operating Activities

For the six months ended June 30, 2023, cash generated by operating activities was $27.5 million, compared to $20.5 million generated during the six months ended June 30, 2022. Operating activities for the six months ended June 30, 2022 included oil production from Blocks 16 and 67 in Ecuador while for the six months ended June 30, 2023 related mostly to administration and development of the consolidated group.

Changes in operating component of working capital:

Six months ended June 30,	**2023**	**2022**
Amoritzation and depreciation	**217,776**	16,888,651
Gain on acquisition	**-**	(18,010,552)
Payments of employee salaries & benefits	**(1,162,334)**	-
Stock based compensation	**-**	299,793
Foreign exchange gain	**30,964**	486,757
Payable to related parties	**-**	(15,081)
Inventory	**-**	(274,529)
Other liability	**19,399,222**	(4,975)
Change in operating components of working capital	**$ 18,485,628**	$ (629,936)

The most significant changes for the six months ended June 30, 2023 are:

The decrease of $1.2 million in payments of salaries and benefits, resulting from the discontinuance of operations in Blocks 16 and 67 in Ecuador.

The liability recorded for $19.4 million relates to the ruling by the National Court of Justice of Ecuador, regarding a previous year tax claim, which granted the Consortium the right to obtain a tax credit for $19.4 million (US$14.5 million). Petrolia considers that the agreements and covenants entered by the Company during past years related to this income tax credit require the recognition of a reserve for contractual responsibilities in the same amount refunded.

Net change in non-cash working capital items

The most significant changes in non-cash working capital items, are described in the table below:

Six months ended June 30,	**2023**	**2022**
Trade and other receivables	**$ 9,312,861**	$ (9,700,765)
Accounts receivable from consortium partners	**6,892,209**	7,029,723
Recoverable taxes	**8,694,878**	(9,904,839)
Inventory	**-**	(274,529)
Advances to suppliers and others	**(401,267)**	(1,062,925)
Other asset	**(22)**	(383,601)
Trade and other payables	**(6,761,388)**	3,380,167
Taxes payables	**(3,037,947)**	36,289
Employee benefit obligations	**563,037**	1,048,170
Due to related parties	**-**	(15,081)
Other liability	**(7,523)**	(4,975)
Defined benefit obligations	**-**	(1,499,547)
Decommissioning obligations	**(310,738)**	25,605
Total net change in non-cash working capital	**$ 14,944,100**	$ (11,326,308)

Investing Activities

During the six months ended June 30, 2023, the Company incurred $13.9 million in investing activities, principally represented by payments to Repsol on Petrolia's acquisition ($10.5 million) and costs associated with such acquisition ($3.4 million).

Financing activities:

For the six months ended June 30, 2023, New Stratus did not generated cash from financing activities. During the six months ended June 30, 2022, the Company generated $5.2 million from the exercise of warrants and options.

Common shares issued

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

No shares were issued during the six months ended June 30, 2023, or 2022.

Available Sources of Liquidity

The Company's cash and cash equivalents position increased to $33.5 million at June 30, 2023, compared to $20.7 million at December 31, 2022.

The Company held $510,539 in restricted cash as of June 30, 2023, and 2022, on letters of credit associated with project warranties and corporate credit cards.

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern 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.
NSE'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 period ended June 30, 2023.

11. SHARE CAPITAL

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

As of June 30, 2023, New Stratus had 122,913,523 common shares issued and outstanding valued at $31,227,085.

Warrants:

As part of the July 30, 2021, financing, the Company issued 16,095,376 warrants valued at $186,776. Each warrant will entitle the holder to purchase one common share at an exercise price of $0.45 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 $0.32, 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.

No warrants were issued, exercised or expired during the three and six months ended June 30, 2023.

On May 30, 2023, a total of 2,045,021 warrants expiring on July 21, 2023, and exercisable at $0.45 were extended by an additional year to July 22, 2024. All other terms remain unchanged.

As of June 30, 2023, and the date of this report there are 14,050,355 warrants outstanding at an average exercise price of $0.45.

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 six months ended June 30, 2023, the Company did not grant new options and 265,000 options exercisable at $0.65 were forfeited.

During the six months ended June 30, 2022, the Company granted 450,000 options exercisable at $0.5 and 2,340,000 exercisable at $0.65, both issues expiring within a period of five years from granting. No options were issued, expired or exercised during the six months period ended June 30, 2023.

As of June 30, 2023, and the date of this report there are 11,790,000,000 stock options outstanding at an average exercise price of $0.52.

Fully diluted shares information:

As at the date of this report there were:

Common shares	122,913,523
Stock based compensation	11,790,000
Warrants	14,050,355
Fully diluted number of shares	148,753,878

Weighted average number of shares and dilutive effect:

	Three months		Six months	
Periods ended June 30,	**2023**	**2022**	**2023**	**2022**
Weighted average shares outstanding, basic	**122,913,523**	112,749,344	**122,913,523**	112,749,344
Effect of stock options and warrants	**863,333**	14,460,350	**863,333**	14,460,350
Weighted average shares outstanding,diluted	**123,776,856**	127,209,694	**123,776,856**	127,209,694

12. NON-GAAP AND OTHER FINANCIAL MEASUREMENTS

This MD&A uses various "non-GAAP financial measures" and "non-GAAP ratios" (as defined in NI 52-112), which are described in further detail below. Such measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Investors are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of New Stratus Energy's performance.

These measures facilitate management's comparisons to the Company's historical operating results in assessing its results and strategic and operational decision-making and may be used by financial analysts and others in the oil and gas industry to evaluate the Company's performance. Further, management believes that such financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. Below is a description of each of these measures used in this MD&A.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure. It is most comparable to net income before taxes as reported in the primary financial statements. For Management and Investors, adjusted 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 adjusted 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 adjusted EBITDA for the three months and six months periods ended June 30, 2023, and June 30, 2022, respectively:

Periods ended June 30,	Three months 2023	2022	Six months 2023	2022
Net (loss) income Before Income Taxes	**$ (2,724,468)**	$ 9,762,472	**$ (5,954,521)**	$ 30,863,302
Add (deduct)				
Other income (expense)	**43,349**	(129,570)	**(191,300)**	(398,512)
Acquisition cost	**-**	-	**-**	2,956,360
Gain on acquisition	**-**	-	**-**	(18,010,552)
Foreign exchange loss (gain)	**(370,743)**	531,744	**(9,749)**	486,757
Stock-based compensation	**-**	262,968	**-**	299,793
Financial income	**(233,067)**	116,292	**(233,067)**	(51,144)
Depletion & Depreciation	**-**	9,138,331	**-**	16,888,651
Adjusted EBITDA	**$ (3,284,929)**	$ 19,682,237	**$ (6,388,637)**	$ 33,034,655
Basic operating EBITDA income per share *	**(0.03)**	0.17	**$ (0.05)**	$ 0.31
Fully diluted operating EBITDA income per share *	**(0.03)**	0.15	**$ (0.05)**	$ 0.27

* Basic and diluted adjusted EBITDA per share are non-GAAP ratios. It is calculated by dividing adjusted EBITDA by the weighted average number of basic and diluted shares outstanding.

Working Capital

Periods ended,	**March 31, 2023**	December 31, 2022
Current Assets	**$ 57,085,329**	$ 52,167,695
Current Liabilities	**$ 9,551,548**	$ 34,171,960
Working capital	**$ 47,533,781**	$ 17,995,735
Working capital ratio	**5.98**	1.53
Per share:		
Basic	**$ 0.39**	$ 0.15
Fully diluted	**$ 0.38**	$ 0.15

Funds Flow Provided by Operations

Funds flow provided by operations is a non-GAAP financial measure. It is most comparable to cash from operating activities. Funds flow provided by operations is a measure of the Company’s ability to finance its capital investment plans and meet its financial obligations. This measure is defined as cash from (used in) operating activities excluding settlement of asset retirement obligations and net change in non-cash working capital items.

Funds flow provided by operations is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers.

Six months ended June 30,		**2023**		**2022**
Cash provided (used) by operating activities	**$**	**27,462,764**	$	20,467,965
Add (deduct):				
Net change in non-cash working capital		**14,944,100**		(11,326,308)
Funds flow provided by operations	**$**	**42,406,864**	$	9,141,657
Funds flow provided by operations (per share basic)	**$**	**0.35**	$	0.09
Funds flow provided by operations (per share diluted)	**$**	**0.34**	$	0.08

Capital Investment

Capital investment is a non-GAAP financial measure which the Company uses to describe its total capital costs associated with exploration activities as well as the acquisition of other equipment. The measure includes expenditures for Property, Plant and Equipment ("PPE") and expenditures for exploration, production and development, including organic growth plans and can be found on the Company's cash flow statement for the period.

Six months ended June 30,		**2023**		**2022**
Property, plant and equipment expenditure	**$**	**16,162**	$	(2,366)
Total Capital Investment	**$**	**16,162**	$	(2,366)

Free Funds Flow

Free Funds Flow is a non-GAAP financial measure. It is most comparable to cash from operating activities as reported in the primary financial statements. Free funds flow assists the Company in measuring its available funds after financing its capital programs. It is defined as operating activities excluding the settlement of asset retirement obligations and net change in non-cash working capital less capital investment. It demonstrates the Company's ability to fund its return of capital, such as dividend payments or a normal-course issuer bid without accessing outside funds.

Free funds flow is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers.

Six months ended June 30,	**2023**	**2022**
Cash provided by (used in) operating activities	**$ 27,462,764**	$ 20,467,965
(Add) deduct:		
Net change in non-cash working capital	**14,944,100**	(11,326,308)
Funds flow provided by operations [1]	**12,518,664**	31,794,273
Capital Investment	**16,162**	(2,366)
Free funds flow[1]	**$ 12,534,826**	$ 31,791,907

(1) Funds flow provided by operations and Free funds flow are non-GAAP measures. Additional information regarding these non-GAAP measures are provided in the Non-GAAP and Other Measures section of this MD&A.

13. QUARTERLY INFORMATION

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

	2023		2022	
Three month-periods ended	**June 30**	**March 31,**	**December 31,**	**September 30,**
Revenue	$ -	$ -	$ 30,586,045	$ 29,492,399
Gross Profit	$ -	$ -	$ 1,151,635	$ 4,415,835
Net income / (loss)	$ (2,733,720)	$ (3,233,244)	$ (7,896,009)	$ (3,756,711)
Basic income / (Loss) per share	$ (0.02)	$ (0.03)	$ (0.06)	$ (0.03)
Basic weighted average number of shares	$ 122,913,523	122,913,523	122,904,436	119,439,730
Total assets	$ 57,835,534	$ 57,835,534	$ 70,226,882	$ 113,178,928

	2022		2021	
Three month-periods ended	**June 30,**	**March 31,**	**December 31,**	**September 30,**
Revenue	$ 33,226,400	$ 25,712,107	$ -	$ -
Gross Profit	$ 12,547,688	$ 7,249,384	$ -	$ -
Net income / (loss)	$ 14,012,354	$ 18,117,270	$ (1,848,213)	$ (916,003)
Basic income / (Loss) per share	$ 0.12	$ 0.18	$ (0.02)	$ (0.01)
Basic weighted average number of shares	112,749,344	61,105,445	80,214,054	73,515,313
Total assets	$ 113,386,768	$ 104,177,863	$ 7,902,532	$ 9,216,244

14. QUARTERLY RESULTS

Financial and Operating Highlights

Three months ended June 30,	2023	2022
Income		
Provision of services	**$** -	$ 32,192,190
Operatos fees	-	108,116
Other	-	926,094
	$ -	$ 33,226,400
Operating costs and expenses:		
Consumption of inventories and purchases	-	2,660,721
Employee benefits	-	3,584,822
Services received, rental of machinery and vehicles	-	2,189,524
Other operating expenses	-	3,105,314
Operating expenses	-	11,540,381
Amortization and depreciation	-	9,138,331
Gross (loss) profit	-	12,547,688
General and administrative	**3,284,929**	2,003,782
Financial (cost) income	**(233,067)**	116,292
Stock-based compensation	-	262,968
Foreign exchange gain	**(370,743)**	531,744
Other income	**43,349**	(129,570)
Net (loss) income before income tax	**$ (2,724,468)**	$ 9,762,472
Current income tax (recovery)	**(9,252)**	4,249,882
Net (loss) income	**$ (2,733,720)**	$ 14,012,354

For the three months ended June 30, 2023, New Stratus Energy generated $Nil in service revenues, compared to $32.2 million for the comparative period. The revenue generated during the three months ended June 30, 2022, resulted from its oil production activities starting January 14, 2022, in Blocks 16 and 67 in Ecuador. The average production for the three months period, including partners' working interest was 15,369 bbl/d, of which Petrolia's share averaged 5,379 bbl/d.

Oil production, net from auto consumption, generated $32 million in revenue for New Stratus for the three months ended June 30, 2022, compared to $Nil for the same period in 2023.

For the three months ending June 30, 2023, the Company generated net loss of $2.7 million ($0.02/share), compared with a net income of $14.0 million ($0.12/share) for the three months ending June 30, 2022.

Operating expenses decreased from $11.5 million to $Nil. As mentioned above, since from January 1st, 2023, the Company has no operating revenues hence all expenses incurred by Petrolia Ecuador are grouped as part of General and Administrative expenses.

The following schedule provides a detail of the Company consolidated expenses for the three months ended June 30, 2023, and 2022.

Three months ended June 30,		2023		2022		Change
Insurances	$	(75,809)	$	200	$	(76,009)
Legal and accounting		149,373		406,755		(257,382)
Management fees and salaries		1,282,065		445,129		836,936
Professional fees		1,264,078		699,386		564,692
Office and administration		93,230		371,887		(278,657)
Shareholders information and investor relations		48,103		80,425		(32,322)
Other purchases and services		42,334		-		42,334
Taxes		372,971		-		372,971
Depreciation of computer equipment		108,584		-		108,584
	$	3,284,929	$	2,003,782	$	1,281,147

As mentioned above**, t**he overall increase in General and Administrative expenses ("G&A") for the three months ended June 30, 2023, when compares to the three months ended June 30, 2022, relates to the reclassification of Petrolia Ecuador, expenses to G&A. As Petrolia does not fulfill an production's role since January 1st, 2023, all its activities are mainly focused on decommissioning and administrative functions, hence representing a more administrative rather than a revenue producer nature.

The most significant items for the consolidated G&A expenses for the six months period ended June 30, 2023 were management fees and salaries, professional fees, other purchase and services, and taxes.

15. OUTLOOK

After the closing of the acquisition of Petrolia Ecuador S.A. (previously Repsol Ecuador S.A.) that took place on January 14, 2022, the Ecuadorian Government decided not to extend the SOC to Petrolia, the Company executed the transfer of Blocks 16 and 67 (Tivacuno) to the Ministry of Energy and Mines on December 31, 2022. During 2023 and 2024, the Company will continue to execute remaining activities derived from Asset Retirement Obligations. In addition, Management continues to evaluate opportunities in Ecuador through the participation in new bidding processes in other Ecuadorian projects.

New Stratus has been evaluating different projects in the Sub-Andean Basins and will continue with these evaluations during the current year 2023.

Among the countries in which NSE's primary targets are found are Colombia, Ecuador, Brazil, Peru, Mexico and Venezuela, which have very attractive contractual conditions in the region.

These 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.

The Company also continues area discussions with the Colombian Ministry of Energy for its VMM-18 block, after concluding its seismic data reprocessing, as well as environmental work.

Also, as outlined above, on August 2, 2023, the Company announced the signing of a MOU with GoldPillar International Fund SPC Ltd. ("GoldPillar"), a private entity organized and existing under the laws of the British Virgin Islands and which is in negotiations with Petroleos de Venezuela S.A. ("PDVSA"), the Venezuelan national oil company, to partner in mixed companies to develop oil and gas assets in Venezuela.

16. 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 may 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 effect 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 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 oil and gas 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 Company'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.

17. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements at December 31, 2022, or June 30, 2023, nor have any such arrangements been entered into by the Company as of the date of this MD&A.

18. TRANSACTIONS WITH RELATED PARTIES

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

	Three months		Six months	
Periods ended June 30,	**2023**	2022	**2023**	2022
Officers and management fees	**$ 387,616**	$ 424,104	**$ 837,299**	$ 2,144,100
Director Fees	**23,440**	38,393	**40,056**	38,393
Consulting fees paid to a director	**40,304**	-	**80,813**	125,634
Share based payments	-	125,634	-	509,411
	$ 451,361	$ 588,131	**$ 958,168**	$ 2,817,538

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

19. CRITICAL ACCOUNTING ESTIMATES

This MD&A should be read in conjunction with the Company's unaudited consolidated financial statements and related note 3 for the three months ended March 31, 2022, wherein a more detailed discussion of accounting estimates is presented.

20. 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 drill an exploration well valued at $4,063,200 (US$3,000,000). The Company is awaiting a response from the ANH with respect to the Company's request to enter into a mutual agreement among the parties to terminate the E&P Contract for Block VMM-18 as well as the reassessment by the ANH of the area restrictions imposed during the environmental assessment by the ANLA. (See also the Company's December 31, 2022 Audited Financial Statements Note 10 - Exploration and Evaluation Assets) and avoid the potential liability related with the Company's obligation to drill an exploration well.

Consulting agreements

The Company is obligated under a consulting agreement in the amount of $6,772 (US$5,000) per month until May 31, 2026.

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.

21. ADVISORY ON FORWARD-LOOKING STATEMENTS

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.

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 extension of the term of the Blocks and entering into a production sharing contract with the Government of Ecuador in respect of the Blocks instead of the Service Operating Contracts; 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.

22. GLOSSARY

Term/Abbreviation	Definition
ANH	Colombian National Hydrocarbons Agency
ANLA	National Authority for Environmental Licenses
boe/d	Barrel of oil equivalent per day
bbl/d	Barrel of oil per day
E&P	Exploration and production
Farm-in agreement	An agreement between two operators, one of which owns the interest in a piece of land where oil or gas has been discovered
OCP	The OCP crude oil pipeline is Ecuador's second largest pipeline
PSC	Production Sharing Contract
SOC	Service Contract
WTI	West Texas Intermediate
	United States Dollars