NEW STRATUS ENERGY INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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 year ended December 31, 2023.

This MD&A is dated April 29, 2024, and should be read with the Company's consolidated financial statements for the year ended December 31, 2023. Additional information, including the Company's previous MD&A, and audited consolidated financial statements for the nine months ended December 31, 2022, is available on SEDAR+ at www.sedarplus.ca.

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

1. BUSINESS OVERVIEW

New Stratus Energy Inc. ("New Stratus", the "Company" or "NSE") is a Canadian publicly traded company domiciled in Canada which 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".

Effective in 2022, the fiscal year end of the Company was changed from March 31 to December 31 to align the Company's year-end with that of comparative companies and its subsidiaries, which operate on a calendar year basis. Accordingly, the current consolidated financial statements have been prepared for 12-month period (January 1 to December 31, 2023) and compared to a 9-month period (April 1st, 2023, to December 31, 2022). As result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes might not be comparable.

The Company has subsidiaries in Ecuador, Spain, Colombia, and Mexico, though active operations are focused on Ecuador and Colombia.

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.sedarplus.ca.

2. CORPORATE 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.

NSE has been evaluating opportunities, focused mainly on Latin America, especially Colombia, Peru, Ecuador, 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 "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. Petrolia, the operator controlled 100% by NSE was officially qualified by Ecuadorian Ministry of Energy to participate in such process.

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 January 2, 2024 the Company announced the closing of the acquisition of a 50% indirect interest in GoldPillar International Fund SPC Ltd. (“GoldPillar”), a private entity organized and existing under laws of the British Virgin Islands, which has previously acquired a 40% equity participation in a joint venture company, Petrolera Vencupet, S.A. (“Vencupet”), which holds the oil production rights for the fields named “Adas”, “Lido”, “Limon”, “Leona”, “Oficina Norte” and “Oficina Central”, all located onshore in the Anzoategui and Monagas States in Eastern Venezuela (the “Fields”). Petroleos de Venezuela S.A. (“PDVSA”), the Venezuelan national oil company, through its subsidiary Corporacion Venezolana de Petroleo S.A. (“CVP”), owns the remaining 60% of the share capital of Vencupet.

As consideration for the Acquisition, New Stratus will be making a significant capital investment to complete a reactivation program for up to 246 wells in the Fields, by way of a six-month €60 million (US$65.8 million) revolving line of credit to GoldPillar. Factoring repayments from the sale of oil and products under the financing agreement, New Stratus expects that its indirect maximum capital exposure under the facility at any point in time will be approximately US$25 million.

GoldPillar has also entered into agreements with PDVSA to partner in mixed companies to develop oil and gas assets in Venezuela.

Acquisition Highlights

• Fields: 794.2 km2 onshore Venezuela

• Term: initial term ending in December of 2035; will apply for an extension until 2050

• Credit Facility: GoldPillar will provide a six-month €60 million revolving line of credit to Vencupet for a total period of four and a half years; indirect maximum capital exposure of NSE under the facility at any point in time will be approximately US$25 million.

• Contingent Resources – Development Pending (1):
Best Estimate 100% Unrisked of 12,455 thousand barrels (Mbbl) and 100% Risked of 10,587 Mbbl
o Best Estimate forecast production of approximately 7,400 barrels per day.

• Contingent Resources – Development Unclarified (1): o Best Estimate 100% Unrisked of 48,905 Mbbl and 100% Risked of 30,323 Mbbl

• Four Revenue Streams for GoldPillar:

- Oil Production Revenue from a 40% working interest in the Fields.
- Services Fees as general contractor to restart production in the Fields.
- Financing Fees from providing the upfront capital to finance the capital expenditure requirements for the Fields.
- Oil Trading Fees from commercializing the production from the field. Finally, pursuant to a crude oil and product commercialization agreement, an affiliated oil trading company will commercialize nominated crude and petroleum products by PDVSA, which proceeds will be subsequently used to repay the revolving line of credit, to fund operating costs, to pay royalties and taxes, and to pay dividends to the shareholders of Vencupet.

Other Countries:

NSE has expressed interest in other 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 through the second quarter of 2024.

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 Subsequent to Petrolia Ecuador S.A. termination of its service agreement in on December 31, 2022, Petrolia initiated its reversion process, as established in the agreement between in the Government of Petrolia Ecuador S.A. Before the termination of the Service Contract, the Company conducted independent inspections of the operating conditions of Blocks 16 and 67. The inspection was performed by Bureau Veritas, which granted the Company an external certification. As mentioned above, on December 31, 2022, as part of the agreement, 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 same date, the Company terminated all employees, paying their severance as per the labor law and terminated all suppliers' contracts as well.

The hydrocarbon regulations stipulate that a minute (the "Single Act") 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 document 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 Act was signed by the Ministry of Energy and the Company on July 26,2023.

Six environmental audits have been approved by the Ministry of Environment during 2023 with no major irregularities found. 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. See also Section 9 below "Environmental, Social and Governance."

During the entire calendar year 2022 the Company executed a portion of its Asset Retirement Obligation. As part of the Service Agreement termination process, subsequent to December 31, 2022, the Company will continue carrying decommissioning tasks that include environmental audits, delivery of spare parts inventory and other closures requirements during 2023 and 2024. The costs estimated for these remaining obligations have been fully reflected in the Company's assets retirement obligation provision.

5. RESULTS OVERVIEW

Revenue and Income

Since the Company changes its year end during 2022 from March 31 to December 31 the comparative financial information is for the nine months ended December 31, 2022. hence includes production for nine months only.

As the Service Contract was terminated on December 31, 2022, no operating revenue was generated during the year ended December 31, 2023.

	twelve months	nine months
Periods ended December 31,	**2023**	**2022**
Income		
Provision of services	-	83,370,906
Operatos fees	-	688,272
Other	-	9,245,666
	$ -	$ 93,304,844
Operating costs and expenses:		
Consumption of inventories and purchases	-	16,830,748
Employee benefits	-	13,643,800
Services received, rental of machinery and vehicles	-	16,442,633
Other operating expenses	-	6,465,394
Operating expenses	-	53,382,575
Amortization and depreciation	-	21,807,111
Gross (loss) profit	-	18,115,158
General and administrative	**17,108,396**	8,997,959
Financial (cost) income	**727,127**	95,995
Stock-based compensation	-	2,802,659
Foreign exchange gain	**(152,374)**	(365,910)
Contingent payment to Repsol	-	3,386,000
Write off receivable and deposits	**670,005**	5,296,387
Write off capitalized exploration expenditure	-	2,240,368
Other income	**(7,006,965)**	(1,136,533)
Net (loss) income before income tax	**$(11,346,189)**	$ (3,201,767)
Current income tax (recovery)	**(3,883)**	5,561,401
Net (loss) income	**$(11,350,072)**	$ 2,359,634

The Company generated a net loss of $11.4 million ($0.10/share) for the year ended December 31, 2023, compared with a net income of $2.4 million ($0.02/share) for the nine months ended December 31, 2022.

The main item that explains the reduction in net income, in addition to the cancelation of the Service Contract mentioned above, for the year ended December 31, 2023, when compared to the nine months ended December 31, 2022, is the gain in acquisition of $16.7 million related to the purchase of Petrolia Ecuador S.A. recorded during the nine months ended December 31, 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 for the year ended December 31, 2023, decreased to $Nil from $53.4 million, for the comparative period. From January 1st, 2023, the Company has no operating revenues hence all expenses incurred by Petrolia Ecuador are now included as part of general and administrative expenses. This largely explains the significant increase in G&A between the year ended December 31, 2023, and nine months ended December 31, 2022. See also Section 6 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 year ended December 31, 2023, New Stratus Energy generated no service revenues, compared to $83.4 million for the comparative period. The revenue generated during the nine months ended December 31, 2022, resulted from its oil production activities in Blocks 16 and 67 in Ecuador. The average production for the period ended December 31, 2022, including partners' working interest was 14,884 bbl/d, of which Petrolia's share averaged 5,209 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 were completed except for the drilling of the exploratory well.

Concluded the environmental study, the Government environmental agency has determined 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 the Colombian National Environmental Agency ("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 year ended December 31, 2023, was $Nil, compared to $18.1 million for the comparative period. As mentioned, the decrease was due to the cancelation of the Ecuadorian Service Contract on December 31, 2022.

7. OTHER EXPENSES AND INCOME

Contingent payments to Repsol
Correspond to additional expenses incurred by the Company associated with the settlement of several balances outstanding with Repsol, regarding some recoverable taxes in Ecuador that originally were contingent payments to Repsol upon collection.

Write-off of other receivables
The Company's subsidiary in Ecuador wrote-off certain accounts receivables in dispute for which the level of certainty of their collection is in doubt.

Write-off of Colombian capitalized expenses
As the Company has not been able to continue with its exploration program in Block VMM-18, particularly related to the approval by the Ministry of Environment of a much small area, and, has requested the termination of the contract, management considered appropriate to write-off the exploration expenditures incurred as of December 31, 2022. See also "*Exploration activities: Colombia - Block VMM-18" in page 9.*

A list of other consolidated expenses and income items for the year ended December 31, 2023, and year ended December 31, 2022, is given below.

Consolidated General and Administrative Expenses

The following schedule describe New Stratus' general and administrative expenses for the year ended December 31, 2023, and nine months ended December 31, 2022:

		twelve months		nine months		
Ended December 31,		**2023**		2022		Change
Insurances	**$**	**58,358**	$	19,715	$	38,643
Legal and accounting		**1,394,038**		1,303,576		90,462
Management fees		**4,799,738**		1,821,100		2,978,638
Professional fees		**4,007,666**		3,273,538		734,128
Office and administration		**3,990,478**		1,931,749		2,058,729
Shareholders information and investor relations		**193,327**		648,281		(454,954)
Amortization and depreciation		**504,352**		-		504,352
Provision of additional contribution (Wealth Tax 2016)		**2,160,439**		-		2,160,439
	$	**17,108,396**	$	8,997,959	$	8,110,437

The overall increase in general and administrative expenses ("G&A") during the year ended December 31, 2023, when compares to the nine months ended December 31, 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 was terminated. The G&A attributable to Petrolia Ecuador for the year ended December 31, 2023, was approximately $7.1 million, representing approximately 42% of the total G&A.

The following schedule segregates G&A expenses by division, for the year ended December 31, 2023:

Year ended ended December 31, 2023		**Corporate**		**Colombia**		**Mexico**		**Ecuador**	**Total**
Insurances	$	58,358	$	-	$	-	$	-	**$ 58,358**
Legal and accounting		1,394,038		-		-		-	**1,394,038**
Management fees		2,001,895		1,455,664		-		1,342,179	**4,799,738**
Professional fees		2,619,174		-		-		1,388,492	**4,007,666**
Office and administration		1,357,367		397,350		12,420		2,223,341	**3,990,478**
Shareholders information and investor		193,327		-		-		-	**193,327**
Amortization and depreciation		254,264		250,088		-		-	**504,352**
Provision of additional contribution		-		-		-		2,160,439	**2,160,439**
	$	7,878,423	$	2,103,102	$	12,420	$	7,114,451	**$ 17,108,396**

As outlined before, all G&A expenses for Petrolia Ecuador, for the nine months ended December 31, 2022, were considered part of the subsidiary's production cost hence included as an operating cost, a component in the determination of Gross Profit. For the year ended December 31, 2023, G&A expenses were related to administrative activities related with the reversion process of the Blocks 16 & 67 to the Ecuadorian Ministry of Energy.

The Colombian G&A is mainly composed by management fees paid to local consultants, office and administration of the Bogota's office and depreciation charges of computer equipment.

Assets & Liabilities

Balances as of,		**December 31, 2023**		December 31, 2022		Change
Cash and cash equivalents	**$**	**33,624,812**	$	21,160,711	$	12,464,101
Current Assets		**48,022,015**		50,867,695		(2,845,680)
Total Assets		**48,658,378**		68,926,882		(20,268,504)
Current Liabilities		**3,936,045**		34,171,960		(30,235,915)
Total Non-Current Liabilities		**22,662,562**		335,154		22,327,408
Total Liabilities		**26,598,607**		34,507,114		(7,908,507)
Working Capital	**$**	**44,085,970**	$	16,695,735	$	27,390,235

Cash and cash equivalents (including restricted cash) position as December 31, 2023, increased to $33.6 million, from $21.2 million at December 31, 2022. See "Liquidity and Capital Resources" section 8 below for a more detailed analysis of the Company's change in cash position.

The decrease in current assets of $1.3 million was significantly impacted by a reduction in trade receivables and account receivables from consortium partners for $6.9 million, a reduction in recoverable taxes as they were collected for $5.6 million partially offset by prepaid and advances that increased by $5.2 million.

The reduction in total assets of $20.3 million was mainly due to a decrease in the Company's long-term tax receivables for approximately $16.7 million, and the decrease in current assets for approximately $2.8 million, as described above.

Current liabilities decreased by $30.2 million principally as the result of a decrease in payments to Repsol on the acquisition of Petrolia for approximately $6.8 million and additional $7.1 million related to other payables to Repsol, a reduction in taxes payable for approximately $3.0 million, a reduction in trade payables of approximately $8.0 million and a reduction on deferred benefits and assets retirement obligations related to the termination of the Service Contract for approximately $5.3 million.

Non-current liabilities increased by $22.3 million mainly as a result of a $19.4 million provision related to a solidarity tax credit that the Company received during 2023 and considers a reserve for contractual responsibilities in the same amount refunded is required.

Working capital increased by $27.4 million, principally as a result of a $12.5 million cash increase and the timing impact on Recoverable Taxes, that as of December 31, 2022, were classified as long-term assets and as December 31, 2023, as current assets, as its expiration date was less than one year.

8. 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 reversion process carried out on December 31, 2022, a report and minutes of this subcommittee were formalized, where a total of 67 pending issues were identified (47 by the Ministry of the Environment and 20 by Petrolia within term). By the end of December 31 of 2023, 73% 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 27% of pending issues, among which there are 12 points related to responses from the Ministry of the Environment and 6 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 that activity restarted on October 12th, 2023, after approvals of the current operator.

The second commitment relates to a request by 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 completed the monitoring activities and all laboratory results have proven to comply with legal regulations and permissible limits, confirming the non-existence of any environmental liability related with the operation of blocks 16 and 67 until December 31, 2022. In addition to these results, 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.

During the year ended 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 2023, four environmental audits have been approved with no major findings or non-conformities. Considering that one audit was approved on previous year, four additional audits are still pending of approval and are being reviewed by the Ministry of Environment, there are expected to be processed and approved during in year 2024. At present, all PETROLIA´s obligations with respect to environmental audits is up to date and, as mentioned, awaiting the approval of the authorities.

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.

During the year ended December 31, 2023, the Annual Operating Plan for 2022 (POA 2022) was closed, as well as the closing of the multiannual community agreement with the Waorani Nationality "Waemo Kewingi".

As part of the commitments with communities embodied in the Single Act, the following projects were fulfilled within 2023:

- 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 by the Ministry of Energy and Mines (MEM).

- Construction of a Health Center in Guiyero community (Waorani). The project began on September 27th after a delay due to the strikes in the Blocks and blocked roads. This project was delivered at the complete satisfaction of the Guiyero community on December 12th, 2023, and it was duly informed to the Ministry of Energy and Mines.

- The donation of a bus to the Indillama community (Kichwa).

9. 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 year ended December 31, 2023:

Operating Activities

For the year ended December 31, 2023, cash generated mainly by non-cash working capital items activities was $25.4 million, compared to $12.2 million generated for the period ended December 31, 2022.

Changes in operating component of working capital:

	Twelve months	**Nine months**	
Period ended December 31,	**2023**	**2022**	**Change**
Depletion and depreciation	**504,352**	21,807,111	(21,302,759)
Gain on acquisition	**-**	-	-
Write off receivable	**670,005**	2,240,368	(1,570,363)
Payments of employee defined, benefit & retirement obligations	**(1,771,672)**	(42,712,771)	40,941,099
Stock based compensation	**-**	2,802,659	(2,802,659)
Write off capitalized exploration expenditure	**-**	5,296,387	(5,296,387)
Decomission liabilities reversal	**(5,204,913)**	-	(5,204,913)
Foreing currency exchange	**(152,374)**	(365,910)	213,536
Tax credit refund	**19,399,222**	-	19,399,222
Change in operating components of working capital	**$ 13,444,620**	$ (10,932,156)	24,376,776

The most significant changes for the year ended December 31, 2023, are:

- The $21.3 million decrease in depletion as a result of full amortization of Blocks 16 and 67 oil reserves during 2022.
- A decrease in payments to employees defined benefits and retirement obligations as all cumulative retirement obligations as December 31, 2022, were then discharged.
- The Decline in SBC is due to no stock based compensation was granted during 2023.
- The Decrease in decommissioning liability of $5.2 million is due to a revised estimate on the remaining assets retirement obligations;
- A tax claim refund of $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).

Net change in non-cash working capital items.

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

	Twelve months	Nine months	
Period ended December 31,	**2023**	**2022**	**Change**
Trade and other receivables	**$ 7,341,816**	$ (5,564,491)	$ 12,906,307
Accounts receivable from consortium partners	**6,892,209**	30,393,068	(23,500,859)
Recoverable taxes	**2,825,060**	(22,695,106)	25,520,166
Inventory	**-**	2,921,023	(2,921,023)
Advances to suppliers and others	**(5,199,150)**	922,398	(6,121,548)
Other asset	**407,893**	(14,048)	421,941
Trade and other payables	**(7,952,184)**	(6,464,988)	(1,487,196)
Taxes payables	**(2,985,403)**	1,766,130	(4,751,533)
Employee benefit obligations	**776,253**	8,131,975	(7,355,722)
Other liability	**22,394,694**	(163,031)	22,557,725
Defined benefit obligations	**854,911**	3,157,500	(2,302,589)
Decommissioning obligations	**-**	(178,380)	178,380
Total net change in non-cash working capital	**$ 25,356,099**	$ 12,212,050	$ 13,144,049

Investing Activities

During the year ended December 31, 2023, the Company incurred $14.0 million in investing activities, principally represented by payments to Repsol on Petrolia's acquisition ($6.8 million) and costs associated with such acquisition ($7.1 million).

Financing activities:

For the year ended December 31, 2023, New Stratus generated $ 0.5 million cash from financing activities, mainly from the exercise of options and warrants. During the nine months ended December 31, 2022, the Company generated $2.6 million from the exercise of warrants and options. During the nine months ended December 31, 2022, the Company also repurchased 2,154,400 common shares for $2.0 million.

Available Sources of Liquidity

The Company's cash and cash equivalents position increased to $33.6 million at December 31, 2023, compared to $21.2 million at December 31, 2022.

The Company held $510,539 in restricted cash as of December 31, 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 December 31, 2023.

10. SHARE CAPITAL

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

As of December 31, 2023, New Stratus had 124,001,778 common shares issued and outstanding valued at $31,828,122.

Warrants
During the nine months ended December 31, 2022, 22,738,949 warrants were exercised and 1,637,500 expired unexercised.

On May 30, 2023, a total of 14,050,355 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.

During the year ended December 31, 2023, 1,058,255 warrants were exercised.

Subsequent to December 31, 2023, 695,000 warrants were exercised. As of date of this report 12,297,100 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 year ended December 31, 2023, the Company did not grant any stock options. During the nine months ended on December 31, 2022, the Company granted 5,890,000, to employees and consultants of the Company.

As of December 31, 2023, and the date of this report there are 11,535,000 stock options outstanding at an average exercise price of $0.73.

December 31,	Twelve months 2023	Nine months 2022
Net (loss) income	**$ (12,650,072)**	$ 2,359,634
Weighted-average common share adjustments:		
Weighted-average common shares outstanding, basic	**122,995,414**	117,493,197
Effect of stock options & warrants	**-**	577,778
Weighted-average common shares outstanding, diluted	**122,995,414**	118,070,975
Basic and diluted (loss) income per share	**$ (0.10)**	$ 0.02
Fully diluted (loss) income per share	**$ (0.10)**	$ 0.02

For the year ended December 31, 2023, stock options and warrants were anti-dilutive due to the net loss. For the nine months ended December 31, 2022, stock options and warrants were dilutive.

Fully diluted shares information:

As at the date of this report there were:

Common shares	124,696,778
Stock based compensation	11,535,000
Warrants	12,297,100
Fully diluted number of shares	148,528,878

Weighted average number of shares and dilutive effect:

For the year ended December 31, 2023, stock options and warrants were anti-dilutive due to the net loss. For the nine months ended December 31, 2022, stock options and warrants were dilutive. The calculation of fully diluted earnings per share differs during a period when a loss is realized because all potential savings from conversions and all potential increases in the number of shares are anti-dilutive. This is because the loss per share is reduced when they are included.

11. 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.

Working Capital

Periods ended December 31,	**Twelve months**	**Nine months**
Current Assets	**$ 48,022,015**	$ 50,867,695
Current Liabilities	**$ 3,936,045**	$ 34,171,960
Working capital	**$ 44,085,970**	$ 16,695,735
Working capital ratio	**12.20**	1.49
Per share:		
Basic	**$ 0.36**	$ 0.14

Adjusted Working Capital

ADJUSTED WORKING CAPITAL (1)

Periods ended December 31,	**Twelve months**	**Nine months**
Working capital (1)	**$ 44,085,970**	$ 16,695,735
Income taxes recoverable	**7,057**	414,950
Value of exercisable warrants (2)	**5,536,695**	6,322,660
Value of exercisable options (3)	**2,984,150**	40,000
Adjusted working capital	**$ 52,613,872**	$ 23,473,345
Per share:		
Basic	**$ 0.43**	$ 0.20
Fully diluted (2)	**$ 0.40**	$ 0.20

(1) Includes assumed proceeds on conversion of options and warrants

(2) Assumes the conversion of 12,992,100 warrants for 2023 and 14,050,355 warrants for 2022, both exercisable at $0.45

(3) Assumes conversion of 8,085,000 options for 2023 exercisables at a weighted average price of $0.37 fro 2023 and 800,000 options at a price of $0.05 for 2022

(4) Adjusted working Capital is a non-GAAP measurement

In the calculations of working capital per share described below, we have ignored the anti-dilution assumption, normally incorporated in the calculation of earnings per share ("EPS"), as working capital per share does not involve the inclusion of the Company earnings but only current assets and liabilities. If the dilution effect would have been included, because of the loss realized during fiscal 2023, working capital per share for the twelve months ended December 31, 2023 would have been similar to the basic ($0.36) and adjusted working capital per share ($0.40).

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.

		twelve months		nine months
Period ended December 31,		**2023**		**2022**
Cash provided (used) by operating activities	**$**	**27,450,647**	$	3,639,527
Add (deduct):				
Net change in non-cash working capital		**25,356,099**		12,212,049
Funds flow provided by operations	**$**	**52,806,746**	$	15,851,576
Funds flow provided by operations (per share basic)	**$**	**0.43**	$	0.13
Funds flow provided by operations (per share diluted)	**$**	**0.40**	$	0.13

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 growth plans and can be found on the Company's cash flow statement for the period.

		twelve months		nine months
Period ended December 31,		**2023**		**2022**
Property, plant and equipment expenditure	**$**	**(112,186)**	$	(1,098,008)
Purchase price consideration paid for business combination		**(6,772,000)**		-
Payment to Repsol		**(7,139,042)**		-
Total Capital Investment	**$**	**(14,023,228)**	$	(1,098,008)

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 non-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.

	twelve months	nine months
Period ended December 31,	**2023**	**2022**
Cash provided by (used in) operating activities	**$ 27,450,647**	$ 3,639,527
(Add) deduct:	**-**	-
Net change in non-cash working capital	**25,356,099**	12,212,049
Funds flow provided by operations[1]	**2,094,548**	(8,572,522)
Capital Investment	**(14,023,228)**	(1,098,008)
Free funds flow[1]	**$ (11,928,680)**	$ (9,670,530)

(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.

12. QUARTERLY INFORMATION

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

	2023			
Three month-periods ended	**December 31**	**September 30**	**June 30**	**March 31,**
Revenue	$ -	$ -	$ -	$ -
Gross Profit		$ -	$ -	$ -
Net income / (loss)	$ (1,121,723)	$ (4,261,385)	$ (2,733,720)	$ (3,233,244)
Basic income / (Loss) per share	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.03)
Basic number of shares	$ 124,001,778	$ 122,913,523	$ 122,913,523	122,913,523
Total assets	$ 48,658,378	$ 54,252,705	$ 57,835,534	$ 49,597,533

	2022			
Three month-periods ended	**December 31**	**September 30,**	**June 30,**	**March 31,**
Revenue	$ 30,586,045	$ 29,492,399	$ 33,226,400	$ 25,712,107
Gross Profit	$ 1,151,635	$ 4,415,835	$ 12,547,688	$ 7,249,384
Net income / (loss)	$ (7,896,009)	$ (3,756,711)	$ 14,012,354	$ 18,117,270
Basic income / (Loss) per share	$ (0.06)	$ (0.03)	$ 0.12	$ 0.18
Basic number of shares	122,904,436	119,439,730	112,749,344	61,105,445
Total assets	$ 68,926,882	$ 113,178,928	$ 113,386,768	$ 104,177,863

13. QUARTERLY RESULTS

Financial and Operating Highlights

The following information evaluates financial information for the three months ended December 31, 2023, to the three months ended December 31, 2022:

		Three months ended December 31,		
Periods ended December 31,		**2023**		2022
Income				
Provision of services		-		23,212,170
Operatos fees		-		440,554
Other		-		6,933,321
	$	-	$	30,586,045
Operating costs and expenses:				
Consumption of inventories and purchases		-		10,717,211
Employee benefits		-		6,652,798
Services received, rental of machinery and vehicles		-		9,908,358
Other operating expenses		-		(1,531,394)
Operating expenses		-		25,746,973
Amortization and depreciation		-		3,687,437
Gross (loss) profit		-		1,151,635
General and administrative		**6,129,048**		4,085,360
Financial (cost) income		**524,520**		(318,098)
Stock-based compensation		-		1,824,440
Foreign exchange gain		**(411,712)**		(1,614,453)
Contingent payment to Repsol		-		3,386,000
Write off receivable and deposits		**670,005**		3,344,029
Write off capitalized exploration expenditure		-		2,240,368
Other income		**(5,785,210)**		(663,967)
Net (loss) income before income tax	**$**	**(1,126,651)**	$	(11,132,044)
Current income tax (recovery)		**4,928**		3,236,035
Net (loss) income	**$**	**(1,121,723)**	$	(7,896,009)

For the three months ended December 31, 2023, New Stratus Energy generated $Nil in service revenues, compared to $30.6 million for the comparative period. The revenue generated during the three months ended December 30, 2022, resulted from Petrolia's oil production activities in Blocks 16 and 67 in Ecuador.

Oil production, net from auto consumption, generated $23.2 million in revenue for New Stratus for the three months ended December 31, 2022, compared to $Nil for the same period in 2023.

For the three months ending December 31, 2023, the Company generated a net loss of $2,4 million, compared with a net loss of $7.9 million for the three months ending December 31, 2022.

Operating expenses decreased from $25.7million 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.

Consolidated General and administration expenses:

The following schedule details the general and administrative expenses incurred during the three months ended December 31, 2023, and December 31, 2022, and the detailed changes for the period:

Three months ended December 31,	2023	2022	Change
Insurances	$ 9,397	$ 11,649	$ (2,252)
Legal and accounting	960,627	696,213	264,414
Management fees	1,464,282	235,995	1,228,287
Professional fees	423,276	1,036,552	(613,276)
Office and administration	2,100,901	408,788	1,692,113
Shareholders information and investor relations	104,195	48,877	55,318
Other purchase and services	(650,411)	-	(650,411)
Amortization and depreciation	62,398	-	62,398
Provision of additional contribution (Wealth Tax 2016)	1,654,383	-	1,654,383
	$ 6,129,048	$ 2,438,074	$ 3,690,974

The following schedule segregates G&A expenses by division, for the three months ended December 31, 2023:

Three months ended December 31, 2023	Corporate	Colombia	Mexico	Ecuador	Total
Insurances	$ 9,397	$ -	$ -	$ -	$ 9,397
Legal and accounting	960,627	-	-	-	960,627
Management fees	628,753	313,203	-	522,326	1,464,282
Professional fees	237,543	-	-	185,733	423,276
Office and administration	85,873	407,874	12,420	1,594,735	2,100,902
Shareholders information and investor relations	104,195	-	-	-	104,195
Other purchase and services	-	(155,660)	-	(494,751)	(650,411)
Amortization and depreciation	64,088	(670)	-	(1,020)	62,398
Provision of additional contribution (Wealth Tax 2016)	-	-		1,654,383	1,654,383
	$ 2,090,476	$ 564,747	$ 12,420	$ 3,461,406	$ 6,129,049

14. OUTLOOK

After the closing of the acquisition of Petrolia Ecuador S.A. that took place on January 14, 2022, in December 2022 the Ecuadorian Government decided not to extend the Service Operating Contract to Petrolia, the Company executed the transfer of Blocks 16 and 67 to the Ministry of Energy and Mines on December 31, 2022. During 2023 and 2024, the Company will continue to execute the remaining activities derived from Asset Retirement Obligations.

New Stratus continues evaluating different projects in the Sub-Andean Basins and will continue with these evaluations.

Among NSE primary targeted countries are found Colombia, Ecuador, Brazil, Peru, Mexico, and Venezuela. These countries have a significant production history, extensive oil reserves and established infrastructure, as well as the presence of important service provider companies in hydrocarbon exploration, production, and transportation areas.

Subsequent to year end, as part of its development strategy in Latin America, New Stratus entered into two key agreements:

On January 2, 2024 New Stratus announced the acquisition of a 50% indirect interest in GoldPillar International Fund SPC Ltd., which has acquired a 40% equity participation in a joint venture company, Petrolera Vencupet, S.A., which holds the oil production rights for the fields named “Adas”, “Lido”, “Limon”, “Leona”, “Oficina Norte” and “Oficina Central”, all located onshore in the Anzoategui and Monagas States in Eastern Venezuela.

In order to maximize the Company’s future investments, NSE continues evaluating projects containing 2P reserves (proven and probable), as well as an exploratory upside,

15. 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 several risks. In addition to the other information contained in this MD&A, investors should consider 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 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 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 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 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.

16. OFF-BALANCE SHEET ARRANGEMENTS

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

17. TRANSACTIONS WITH RELATED PARTIES

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

December 31,	Twelve months 2023	Nine months 2022
Officers and management fees	**$ 1,769,123**	$ 1,381,917
Consulting fees paid to a director	**173,106**	118,623
Share based payments	**160,317**	1,754,693
	$ 2,102,546	$ 3,255,233

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.

On August 23, 2023, the Company and its Chief Midstream and Downstream officer entered into an agreement to terminate the original Officer's contract, signed on February 1st. 2022. As compensation for bridging the original agreement, NSE agreed to indemnify the departing officer the amount of US$151,500, payable in twelve equal quarterly installments of $12,625. The departing officer will continue to act as an independent business development consultant for a monthly fee of US$4,500.

18. 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 December 31, 2023, and nine months ended December 31, 2022, wherein a more detailed discussion of accounting estimates is presented.

19. 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 must perform and 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 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 US$5,000 per month until May 31, 2026. Also on October 1, 2021, the Company entered into an agreement with an external consultant where the Company agreed to pay, subject to the successful closing of the Repsol transaction, a fee of US$500,000 in three equal installments due at closing, six months after and twelve months after such closing. As the Repsol transaction successfully closed on January 14, 2022, the Company paid the consultant USD 166,666 on January, 2022 the amount of $212,631 (USD 166,666) , on July 2022, $214,697 (USD 166,666) and on March 2023 the amount of $226,629 (USD 166,666).

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 these consolidated financial statements.

CONTINGENCIES

State Oil Company of Ecuador Petroecuador EP

Shushufindi Agreement: As recommended by the Comptroller General's Office, within the special examination of the contracting process and development of the cooperation agreement with Petroproduccion to increase crude oil production and reserves in the Shushufindi field, EP Petroecuador issued invoices for $4,066,669 (US$3,013,240) and initiated an enforceable by law collection process, proceeding to seize the invoiced amount. The Branch has challenged the procedures initiated by Petroproducción. The Company has recorded a provision for this matter.

Law 122: Petroecuador is requesting the payment of $22,417,859 (US$16,610,743) to Consortium Block 67 (Tivacuno) where the Company has a 35% interest. On august 14, 2023, a payment request was issued based on a unilateral liquidation perfomed by Petroecuador to the former Service Contract which ended in 2010, stating that Petroecuador has not withheld the entire tariff of the tax contemplated in Law 122. The Company has challenged such payment request before the Tax Court, stating that the statute of limitations to request such payment has been largely exceeded. The Company has not recorded any provision in the financial statements.

Auca Process, Yulebra, Culebra: EP Petroecuador claims payment of $1,379,336 (US$1,022,033) for information provided to Repsol YPF Ecuador S.A. within a failed bidding process called by EP Petroecuador. Repsol YPF Ecuador S.A. paid the cost of the bidding conditions, which included access to the "data room" and all the information available for this purpose. After several judicial resolutions (both from the Superior Court and the National Court of Justice), the process must be sent to the District Court of Administrative Disputes in the Metropolitan District of Quito for resolution. However, the request was denied. The Company has filed an extraordinary protection action before the Constitutional Court, which has not been admitted yet. As of December 31, 2022, the balance of Prepaid and advances payments (Note 9) included $1.4 million for the security deposit issued as part of this lawsuit. This amount was written off during the year ended December 31, 2023.

Special Examination Reports of the Comptroller General's Office

Friction Reduction Chemicals: On May 31, 2005, the Office of the Comptroller General of the State issued audit assessments against the Contractor of the Block 16 Participation Contract for $3,480,095 (US$2,578,612) ($1,218,033 (US$902,514) corresponds to the Company) for the purchase and use of friction reducing chemicals. On November 23, 2006, the Branch, on behalf of the Contractor of the Participation Contract of Block 16, filed a challenge before the Contentious Administrative Court.

Solidarity Contribution tax trial

On October 7, 2019, the Internal Revenue Service of Ecuador requested two additional payments on the denominated solidarity contribution on profits, created by the Organic Law of Solidarity and Citizen Co-responsibility. The Internal Revenue Service requested two additional payment totalizing $2,160,439 (US$1,600,681), including principal, interest and penalties.The company has challenged such payment requests and currently the matter is being discussed at the Tax Court and at the National Court of Justice in Ecuador. The Company has recorded a provision for the above-mentioned matter (see Note 16)

GoldPillar acquisition

As part of the GoldPillar transaction announced on January 2, 2024, the Company had signed on October 25, 2023, a shareholder's agreement that stipulate the administrative and corporate structure of the venturers that would participate in the agreement entered with Vencupet, among them GoldPillar. The final transfer of GoldPillar shares to NSE remained outstanding at the date of this report.

20. SUBSEQUENT EVENTS

On January 2, 2024 New Stratus announced the acquisition of a 50% indirect interest in GoldPillar International Fund SPC Ltd. ("GoldPillar"), a private entity organized and existing under laws of the British Virgin Islands, which has acquired a 40% equity participation in a joint venture company, Petrolera Vencupet, S.A., which holds the oil production rights for the fields named "Adas", "Lido", "Limon", "Leona", "Oficina Norte" and "Oficina Central", all located onshore in the Anzoategui and Monagas States in Eastern Venezuela. Petroleos de Venezuela S.A. , the Venezuelan national oil company, through its subsidiary Corporacion Venezolana de Petroleo S.A. owns the remaining 60% of the share capital of Vencupet.

As consideration for securing and presenting this opportunity to New Stratus, a finder's fee is payable to Mr. Franco Favilla ("Favilla"), an Italian national and the beneficial owner of 100% of the share capital of GoldPillar, in the amount of US$8.5 million, with US$4 million paid at closing and US$4.5 million payable in installments over 24 months from closing. The Company is finalizing this corporate documentation in order to streamline the organization's operating and administrative structure.

As of December 31, 2023, the Company has advanced $5.5 million (US$4.1 million), corresponding to payments made to Seasif Holding as part of the Indirect Interest in GoldPillar International Fund SPC Ltd.

New Stratus expects that its indirect maximum capital exposure under the facility at any point in time will be approximately US$25 million.

21. PRIOR YEAR RESTATEMENT

During the year ended December 31, 2023, management has made certain adjustments to the prior year financial statements. The impact of those adjustments on the statement of financial position as well as the nature of those adjustments are explained below:

Management has revisited the accounting treatment of the January 14, 2022 purchase price allocation. It was determined that an asset included in the purchase price allocation met the criteria of contingent asset. Collection of the contingent asset is not virtually certain. Thus, it should not be recognized.

The financial statements of the Company for the period ended December 31, 2022 have therefore been restated.

Effects of this adjustment on the statement of financial position are as follows:

As at April 1, 2022	**As previously stated**	**Adjustment**	**Restated**
Prepaid and advances payments	2,665,056	(1,300,000)	1,365,056
Deficit	$(4,759,108)	(1,300,000)	$(6,059,108)

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As at December 31, 2022	**As previously stated**	**Adjustment**	**Restated**
Prepaid and advances payments	1,742,658	(1,300,000)	442,658
Deficit	$(2,399,474)	(1,300,000)	$(3,699,474)

22. 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 the 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
US$	United States Dollars