MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
DECEMBER 31, 2016 and 2015

April 11, 2017

Introduction

This Management's Discussion and Analysis ("MD&A") is a review of the results of the consolidated operations of Jura Energy Corporation ("JEC" or the "Company") and its subsidiaries Spud Energy Pty Limited ("SEPL"), PetExPro Ltd., (formerly Frontier Acquisition Company Limited) ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL") for the years ended December 31, 2016 and 2015 and the Company's financial position as at December 31, 2016. This MD&A is approved by the Board of Directors (the "Board") on April 6, 2017 and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2016 and 2015.

The consolidated financial statements of the Company have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the Standing Interpretations Committee of the IASB. The Company uses the United States Dollar as its measurement and reporting currency. All amounts reported in this MD&A are stated in United States Dollars unless otherwise indicated.

JEC is listed on the Toronto Stock Exchange Venture Exchange ("TSX-V") and trades under the symbol of "JEC". Additional information relating to JEC is available on SEDAR at www.sedar.com and the Company's website at www.juraenergy.com.

Non IFRS Financial Measures

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. The terms net revenue per Barrel of Oil Equivalent ("Boe"), production cost per Boe, depletion per Boe and operating netback per Boe are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies operating in similar industries.

Operating netback is used by research analysts to compare operating performance and the Company's ability to maintain current operations and meet the forecasted capital program. The Company's operating netback is the net result of the Company's revenue (consisting of petroleum and natural gas) net of production costs, excluding depletion of oil and gas properties, as found in the consolidated financial statements of the Company, divided by production for the year.

Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of the Company's performance.

Boe conversions

The use of the Boe unit of measurement may be misleading, particularly if used in isolation. A Boe conversion ratio of 5.8 thousand cubic feet ("Mcf"): 1 Barrel ("Bbl") is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Information

Certain information and statements contained in this MD&A that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, operational information, anticipated capital and operating budgets and expenditures, anticipated working capital, estimated costs, sources of financing, the Company's future outlook, expectations regarding the commencement and timing of anticipated commercial production from the Ayesha lease, Aminah and Ayesha North gas and condensate discoveries in Badin IV South exploration license, Khamiso-1 gas discovery in Guddu exploration license, development well Sara-4 and Suri shut-in well; expected pricing under Pakistan Petroleum (Exploration and Production) Policy, 2012 and other pricing policies; timing for and drilling results of exploration wells in the Badin IV North and Guddu exploration licenses and expectations regarding the grant of extension applied in terms of expired exploration licenses and leases by the Government of Pakistan ("GoP"); and expectations regarding the grant of an exemption by GoP from the rule permitting revocation of the Sara and Suri leases. All statements other than statements of present or historical facts are forward-looking statements. Forward-looking statements typically, but not always, contain words such as "anticipate", "believe",

"estimate", "expect", "potential", "could", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will" or other similar words suggesting future outcomes.

Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Forward-looking statements contained in this MD&A are based on management's current expectations and assumptions regarding future capital and other expenditures (including the amount, nature and sources of funding thereof), future economic conditions, future currency and exchange rates, future international oil prices, continued political stability, timely receipt of any necessary regulatory approvals, timing of the implementation of applicable petroleum exploration and production policies and the Company's continued ability to employ a qualified team to execute work program in a timely and cost efficient manner and the continued participation of the Company's joint venture partners ("JV Partners") in exploration and development activities. In addition, budgets are based upon the Company's current exploration plans and anticipated costs, both of which are subject to changes based on unexpected delays and changes in market conditions.

Although management of the Company believes that the expectations and assumptions reflected in such forward-looking statements are reasonable, the Company cautions readers and prospective investors in the Company's securities not to place undue reliance on forward-looking statements as, by their nature, they are based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company including, but not limited to, those risks as set forth under the heading "Risk Factors". Accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits the Company will derive there from. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

The information contained, herein, is made as of the date of this MD&A, and, except as required by applicable securities law, the Company does not undertake any obligation to update or to revise any of the included forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Highlights

The key highlights for the year ended December 31, 2016 and up to the date of this MD&A are as follows:

- In April 2016, SEPL entered into supplemental Musharaka Agreement in respect of Zarghun South lease with Al Baraka Bank (Pakistan) Limited ("ABPL") under the Syndicated Credit Facility, pursuant to which the facility amount was enhanced from PKR 750 million (approximately $7.15 million) to PKR 960 million (approximately $9.16 million);

- In May 2016, SEPL entered into Musharaka Agreement in respect of Sara and Suri leases with ABPL under the Syndicated Credit Facility in the amount of PKR 100 million (approximately $0.95 million) resulted in an increase in the facility amount from PKR 960 million (approximately $9.16 million) to PKR 1,060 million (approximately $10.11 million);

- Effective October 1, 2016, Eastern Petroleum Limited, SEPL and JEC entered into a fourth amended and restated loan agreement providing SEPL with a grace period of one year for the repayment of principal and accrued interest. The first repayment is now due on January 1, 2018;

- Subsequent to year end, SEPL entered into a third Musharaka Agreement with ABPL under the Syndicated Credit Facility in the amount of PKR 170 million (approximately $1.62 million) pursuant to which the facility amount is increased from PKR 1,060 million (approximately $10.11 million) to PKR 1,230 million (approximately $11.73 million);

- The commercial production from the development well, Badar-2, in the Badar lease commenced in April 2016;

- In July 2016, Khamiso-1 exploration well in Guddu exploration license was completed as gas producer;
- On August 12, 2016, FHL, Petroleum Exploration (Private) Limited ("PEL") and SEPL entered into a Settlement Agreement (the "Agreement") providing terms for the settlement of all disputes between FHL and PEL;
- The drilling of development well ZS-3 in Zarghun South lease commenced in September 2016;
- The commercial production from development well ZS-3 in Zarghun South lease commenced in January 2017.
- Production during the year ended December 31, 2016 decreased by 25% compared to the year ended December 31, 2015. The decrease is due to decline in production from Zarghun South lease and transfer of SEPL's 7.89% working interest in Badar lease to PEL pursuant to the terms of Settlement Agreement dated August 12, 2016. Jura share of average daily production during the year ended December 31, 2016 was 5.41 Million Cubic Feet per day ("MMcf/d") compared to 7.24 MMcf/d in the comparative period;
- Net revenue decreased by 37% during the year ended December 31, 2016 compared to the comparative period. This is mainly due to decrease in average daily production during the current period and a lower average realised gas price due to decline in international crude oil prices;
- Gross profit for the year ended December 31, 2016 was $0.12 million compared to $2.34 million in 2015. This significant decline is due to the decrease in revenue and increase in production costs during the current period;
- Net loss for the year ended December 31, 2016 was $1.52 million compared to a net loss of $15.97 million in the comparative period. The net loss for the current period is mainly due to decrease in revenue, increase in production costs, significant increase in general and administrative expenses, increase in finance costs, non-cash foreign exchange loss on retranslating the Company's foreign currency denominated loans and impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL offset by reversal of impairment of Zarghun South lease due to improvement in international crude oil prices and increase in reserves after drilling of third development well. The increase in general and administrative expenses was primarily due to legal costs associated with the arbitrations with PEL; and
- Capital expenditures during the year ended December 31, 2016 were $2.73 compared to $4.48 million in 2015. The decrease during the current period mainly represents reversal of costs pursuant to a Settlement Agreement with PEL. Capital expenditure incurred during the year relates to the drilling of development wells in the Sara and Zarghun South leases and drilling of exploration well in Guddu exploration license;

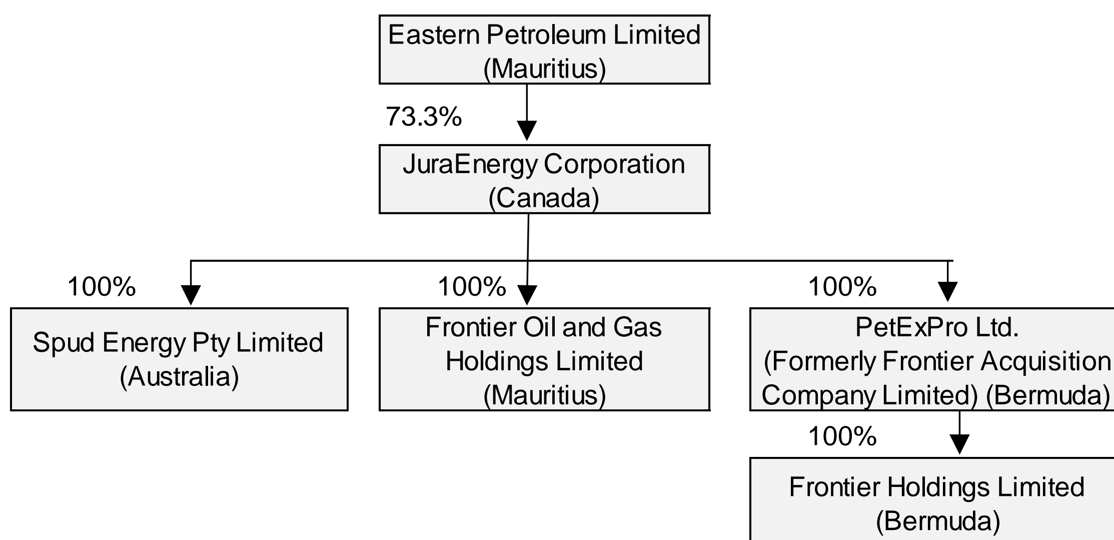
Overview of the Company and Operations

JEC is an international upstream oil and gas exploration and production company. The Company's activities are currently conducted in Pakistan, where it has working interests in the following exploration licenses / leases through its wholly-owned subsidiaries Spud Energy Pty Limited ("SEPL") and Frontier Holdings Limited ("FHL"):

Exploration licenses / leases	Working Interest	Operator
Producing		
Badar lease*	7.89%	Petroleum Exploration (Private) Limited
Zarghun South lease	40.00%	Mari Petroleum Company Limited
Reti, Maru and Maru South leases	10.66%	Oil & Gas Development Company Limited
Development		
Sara and Suri leases	60.00%	Spud Energy Pty Limited
Kandra lease*	37.50%	Petroleum Exploration (Private) Limited
Ayesha lease	27.50%	Petroleum Exploration (Private) Limited
Exploration		
Kandra exploration license	35.00%	Petroleum Exploration (Private) Limited
Guddu exploration license	13.50%	Oil & Gas Development Company Limited
Zamzama North exploration license	24.00%	Heritage Oil and Gas Limited
Sanjawi exploration license	27.00%	Heritage Oil and Gas Limited
Badin IV South exploration license	27.50%	Petroleum Exploration (Private) Limited
Badin IV North exploration license	27.50%	Petroleum Exploration (Private) Limited

* Pursuant to the Settlement Agreement entered into SEPL, FHL and PEL, effective August 12, 2016, SEPL and FHL has agreed to assign SEPL's 7.89% working interest in Badar and FHL's 37.5% working interest in Kandra lease to PEL.

The group structure of the Company is as indicated below:



Background of Oil and Gas Properties

SEPL has one operated and five non-operated working interests in certain exploration licenses and leases in Pakistan which have been granted by the Government of Pakistan. The working interests range from 10.66% to 60%, as detailed in the preceding Overview section.

FHL has non-operated working interests in three exploration licenses and one development lease in Pakistan. The working interests range from 27.5% to 35%.

The following is a summary of the Company's operations in the most recently completed financial year.

Operated Concession

Sara and Suri Leases

SEPL holds a 60.0% working interest in the Sara and Suri leases.

The drilling of development well Sara-4 was commenced in December 2015. In January 2016, the Sara-4 well was successfully completed in the Sui Upper Limestone formation of Eocene age. During a 7-hour post-completion test on a 20/64-inch choke, the well flowed gas at an average rate of approximately 1.6MMcf/d with an average wellhead flowing pressure of approximately 730 psi. The development well Sara-4 was drilled to a total depth of 1120 meters. Sara-4 is located approximately 0.3 km from the existing Sara and Suri gas pipeline infrastructure.

The Operator has applied to the Government of Pakistan ("GoP") for re-allocation of gas (~ 3.0 MMcf/d) from Sara-Suri shut-in fields for a third party sale.

The Sara and Suri leases expired on July 7, 2016 and June 29, 2015 respectively. On June 8, 2015, the operator on behalf of the Sara & Suri JV Partners applied for an extension in the Sara Lease term for a period of five years with effect from July 7, 2016 and in the Suri Lease term for a period of six years with effect from June 30, 2015. Further, the Company has applied for an exemption from applicability of Rule 43 on Sara and Suri leases for a period of three months from the date of grant of extension in Sara and Suri leases. The Company believes that the extension in Sara and Suri leases and exemption from applicability of Rule 43 will be granted in due course.

Non-operated Concessions

Badar Lease

SEPL holds a 7.89% working interest in the Badar lease. Pursuant to the terms of the Settlement Agreement entered into SEPL, FHL and PEL, effective August 12, 2016, SEPL has agreed to assign its 7.89% working interest in Badar lease to PEL.

Zarghun South Lease

SEPL holds a 40.0% working interest in the Zarghun South lease.

Commercial production from Zarghun South commenced in August 2014. During 2016, average production from Zarghun South was 8.92 MMcf/d.

A supplemental Zarghun South GSA to incorporate provisions related to supply of tight gas has been submitted to Sui Southern Gas Company Limited ("SSGCL") for approval and execution.

The drilling of development well ZS-3 commenced in September 2016. After successful drilling as a deviated well to a total measured depth of 1820 meters, ZS-3 has been successfully completed as a gas producing well in the Dunghan Limestone formation of Paleocene age.

During the short duration post completion test, the well flowed gas at an average rate of 10.5 MMcf/d at 32/64-inch choke size, having a heating value of approximately 920 Btu/Scf, with an average wellhead flowing pressure of 1800 psi.

After tie-in with the gas processing facilities, the production from development ZS-3 commenced in January 2017 resulting in an increase in field production from ~ 8 MMcf/d to ~16 MMcf/d.

Production from the ZS-3 is expected to be entitled to a gas price of US$ 5.52 per MMBtu, based on a carriage and freight crude oil price of US$55 per barrel, under the Tight Gas (Exploration & Production) Policy, 2011.

Kandra Lease

FHL holds a 37.5% working interest in the Kandra lease. Pursuant to the terms of the Settlement Agreement entered into SEPL, FHL and PEL, effective August 12, 2016, FHL has agreed to assign its 37.5% working interest in Kandra lease to PEL.

Reti, Maru and Maru South Leases and Maru East Gas Field ("Reti-Maru leases")

SEPL holds a 10.66% working interest in the Reti-Maru leases in the Guddu block.

Commercial production from the Reti-Maru leases commenced in December 2013. During 2016, average production from the leases was 11.55 MMcf/d.

Guddu Exploration License

SEPL holds a 13.5% working interest in the Guddu exploration license (subject to reduction to 10.66% upon declaration of commerciality).

The drilling of exploration well Khamiso-1 commenced in May 2016. After successful drilling, Khamiso-1, was completed as a gas producer well in the Pirkoh Limestone formation of Eocene age.

During a short duration pre-stimulation test on a 32/64-inch choke, the well flowed gas at an average rate of 2.95 MMcf/d, having heating value of approximately 697 Btu/Scf, with an average wellhead flowing pressure of 505 psi.

Anticipated future production from the Khamiso-1 gas discovery in Guddu block is expected to be entitled to a gas price of US$4.15 per MMBtu, based on carriage and freight crude oil price of US$55 per barrel, under the Pakistan Petroleum (Exploration & Production) Policy, 2012. After tie-in with the existing gas pipeline infrastructure, commercial production from Khamiso-1 is expected to commence in Q2 2017.

In November 2016, the Directorate General of Petroleum Concessions ("DGPC") granted a two-year extension of exploration license effective May 25, 2015. The license will now expire on May 25, 2017.

Zamzama North and Sanjawi Exploration Licenses

Pricing for gas under the Zamzama North and Sanjawi exploration licenses has been deemed converted to pricing under the Petroleum Policy, 2012. Accordingly, any gas sales from future discoveries in these licenses will be entitled to a gas price under the Petroleum Policy, 2012.

The Zamzama North exploration license reached the end of its initial term on December 14, 2011. In February 2016, the DGPC issued a notice to the operator for the fulfilment of outstanding work obligations stipulated in the Zamzama North Petroleum Concession Agreement within a period of 60 days. The joint venture partners are pursuing the matter with the DGPC.

The operator of the Sanjawi exploration license has declared force majeure in October 2011 due to security concerns. In February 2016, the DGPC, on behalf of the GoP, served a notice for termination of the Sanjawi exploration license. The JV Partners are pursuing the matter with the DGPC.

Of the Company's 27.0% and 24.0% working interests in Sanjawi and Zamzama North exploration licenses, 16.0% and 12.0%, respectively, are held directly by SEPL and the remaining 11.0% and 12.0%, respectively, are held by Energy Exploration Limited ("EEL") for the benefit of SEPL under the terms of a

trust agreement. Pursuant to a share purchase agreement dated December 28, 2011, EEL will become a wholly-owned subsidiary of SEPL upon fulfillment of certain conditions precedent to closing. On closing, EEL will cease to hold these working interests in trust for SEPL.

Badin IV South Exploration License

FHL holds a 27.5% working interest in the Badin IV South exploration license.

The drilling of the Aminah-1 exploration well commenced on January 6, 2016 and it reached the targeted depth of 2,297 meters on February 1, 2016. The well was logged and completed in the Lower Goru "A" Sands of Cretaceous age. Post-completion surface well testing was conducted in July 2016 after selective perforations of 14 meters in the Lower Goru A-Sand. During a 10-hour test on 48/64-inch fixed choke, the well flowed gas at an average rate of approximately 19 MMcf/d with an average wellhead flowing pressure of 1,607 psi and having an average heating value of approximately 1,000 Btu/Scf. The average condensate to gas ratio was approximately 3.8 bbl/MMcf with the water rate of 24.5 barrels per day.

The drilling of the Ayesha North-1 exploration well commenced on March 25, 2016 and it reached the target depth of 2,820 meters on May 10, 2016. The well was logged and completed in the Lower Goru "A" Sands of Cretaceous age. Post-completion surface well testing was conducted in July 2016 after perforating 18 meters interval in the Lower Goru A-Sand. During an 8-hour test on 48/64-inch fixed choke, the well flowed gas at an average rate of approximately 8.7 MMcf/d with an average wellhead flowing pressure of 771 psi and having an average heating value of approximately 970 Btu/Scf. The average condensate to gas ratio was approximately 8.17 bbl/MMcf with water rate of 28 barrel per day. The gas rate and wellhead pressures are expected to improve after planned stimulation to remove the formation damage.

Anticipated future production from Aminah-1 and Ayesha North-1 is expected to be priced under the Pakistan's Petroleum (Exploration & Production) Policy, 2012.

The Badin IV South JV Partners are working on a joint commercialisation plan for Ayesha-1, Aminah-1 and Ayesha North-1 discoveries with first gas production anticipated in Q1 2018.

Badin IV North Exploration License

FHL holds a 27.5% working interest in the Badin IV North exploration license.

The JV Partners have approved the drilling of exploration well Zainab-1. The drilling is expected to commence in the Q2 2017. Badin IV North Exploration license will expire on June 6, 2017.

Performance Overview and Financial Analysis

Operational and Financial Results

Description	December 31,		
	2016	2015	2014
	----------$----------		
Net revenue	5,461,477	8,626,569	2,295,180
Gross profit / (loss)	121,360	2,344,278	(98,017)
Net loss for the year	(1,520,478)	(15,968,754)	(3,451,661)
Loss per share			
- Basic	(0.02)	(0.23)	(0.05)
- Diluted	(0.02)	(0.23)	(0.05)
Capital expenditure	2,729,444	4,478,116	12,002,117
Assets	53,179,583	51,218,800	58,577,647
Long term liabilities	25,025,048	6,466,626	7,208,475
Common shares outstanding at year end			
Basic	69,076,328	69,076,328	69,076,328
Diluted	69,076,328	69,076,328	69,076,328
Cash dividend per share	-	-	-

JEC's revenue in 2016 represents gas sales from the Badar, Reti-Maru and Zarghun South leases. The significant decrease in revenue mainly due to decrease in average daily production during the current period and a lower average realised gas price due to decline in international crude oil prices. Average daily production during 2016 was 5.41 MMcf/d compared to 7.24 MMcf/d in 2015.

JEC suffered a net loss of $1,520,478 during 2016. The net loss is mainly due to decrease in revenue, increase in production costs, significant increase in general and administrative expenses, increase in finance costs, non-cash foreign exchange loss on translating the Company's foreign currency denominated loans and impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL offset by a reversal of impairment of Zarghun South lease due to improvement in international crude oil prices and increase in reserves after drilling of third development well. The increase in general and administrative expenses was primarily due to legal costs associated with the arbitrations.

The capital expenditure incurred during 2016 mainly related to drilling of development wells in the Sara and Zarghun South leases and one exploration well in the Guddu exploration license.

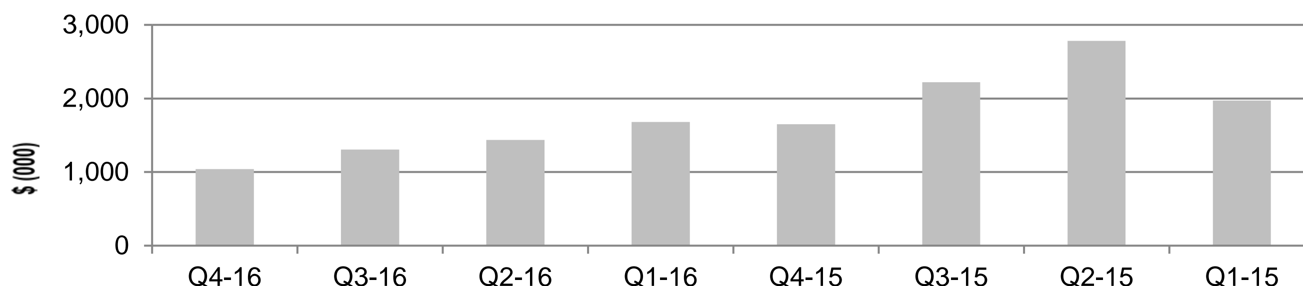
Long term liabilities of $25,025,048 consisted of shareholder loan payable to EPL, non-current portion of Al Baraka syndicate Islamic term finance facility and asset retirement obligations related to exploration and development properties and the Company's subordinated debentures.

Summary of Quarterly Results

Description	2016				2015			
	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
	--------------------$--------------------							
Revenue	1,040,966	1,306,294	1,435,587	1,678,630	1,648,239	2,222,534	2,784,414	1,971,382
Net profit / (loss) for the year	11,073,701	(1,514,669)	(9,214,186)	(1,865,324)	(16,787,298)	532,027	51,724	234,793
Weighted no. of outstanding share	69,076,328	69,076,328	69,076,328	69,076,328	69,076,328	69,076,328	69,076,328	69,076,328
EPS (basic and diluted)	0.16	(0.02)	(0.13)	(0.03)	(0.24)	0.01	0.00	0.00
Capital expenditure	2,584,330	(1,766,359)	874,370	1,037,103	2,758,048	267,304	754,441	698,323
Assets	53,179,583	37,381,715	47,219,565	50,505,183	51,218,800	65,547,825	63,702,738	60,612,271
Long term liabilities	25,025,048	16,012,910	16,474,480	13,609,960	6,466,626	6,655,207	6,770,358	7,090,367

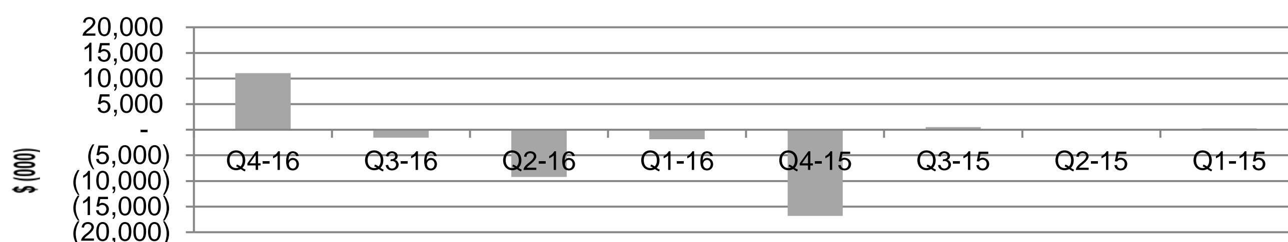
Fourth quarter and trend analysis of quarterly information

Net Revenue



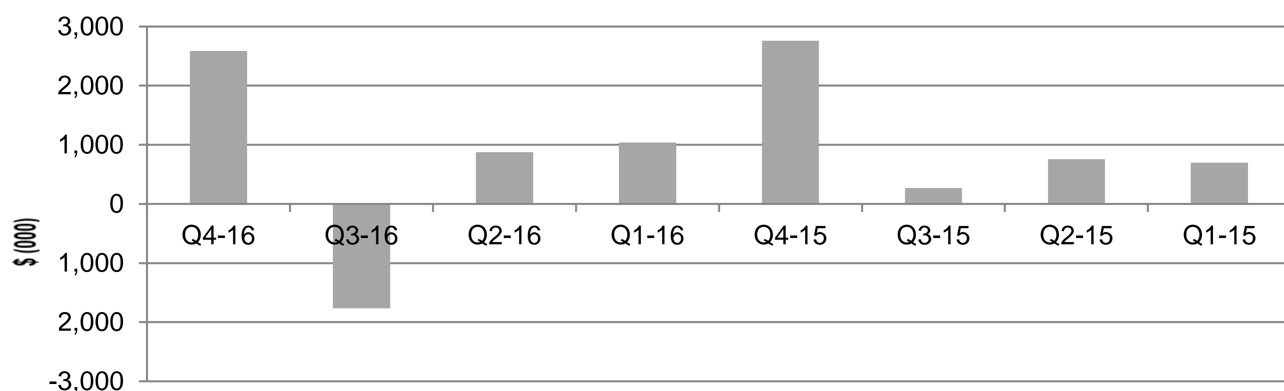
Quarterly revenue figures to Q2 2015 indicate an increasing trend due to the commencement of commercial production from Zarghun South in August 2014. Revenue during Q2 2015 increased significantly due to an increase in production from Zarghun South and commencement of production from Reti-2 and Maru East-1 wells in the Guddu Block in Q2 2015. The significant declining trend since Q2 2015 is due to decline in production from Zarghun South and a decrease in average realized price due to the decline in international crude oil prices.

Net profit / loss for the year



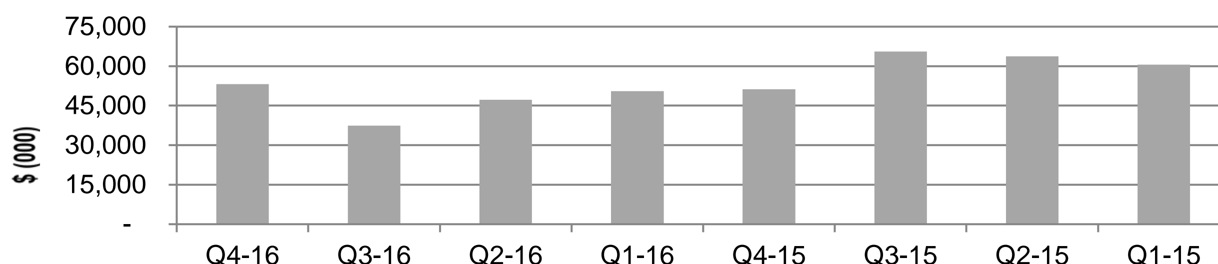
The Company continued to incur losses since inception. In Q4 2015, the Company reported a loss of $16,787,298 primarily driven by a $14.1 million impairment of oil and gas properties. Net loss in 2016 is mainly due to decrease in revenue, increase in production costs, legal and professional costs associated with arbitrations with PEL, exchange loss on re-translation of shareholder loan and impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL. In Q4 2016, the Company reported a net profit of $11,073,701. The profit in Q4 2016 is driven by a reversal of impairment of Zarghun South due to improvement in international crude oil prices and increase in recoverable reserves after drilling of third development well.

Capital expenditure



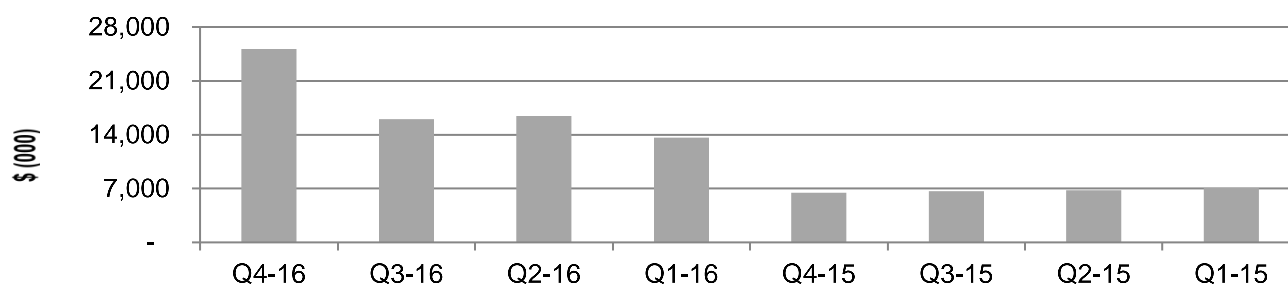
The Company continued to incur significant capital expenditure for the development of its oil and gas properties. Capital expenditure in 2015 and 2016 mainly relates to drilling of the development wells in Sara, Reti and Zarghun South leases and exploration wells in Guddu and Badin IV South exploration licenses. The adjustment in Q3 2016 represents reversal of costs pursuant to a Settlement Agreement with PEL.

Assets



Until Q3 2015, there was an increasing trend in total assets of the Company. This increase is due to expenditure incurred on the development of the Company's oil and gas properties and drilling of exploration and development wells and receivables accrued on gas sales from Zarghun South. The significant decline in Q4 2015 and Q3 2016 was primarily driven by a $14.1 million impairment of oil and gas properties and impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL. The increase in Q4 2016 is due to reversal on impairment of Zarghun South lease.

Long term liabilities



There has been no significant change in long term liabilities up to Q4 2015. Significant increase in Q1 and Q2 2016 represents closing of long term Al Baraka syndicated credit facility. In October 2016, SEPL entered into fourth supplemental agreement with the shareholder pursuant to which a grace period of 15 months for the repayment of principal and accrued mark-up has been granted by EPL, which result in its reclassification to long term liability.

Fourth Quarter Results and Analysis

Description	Three months ended December 31,		
	2016	2015	Difference
	----------$----------		
Revenue	1,040,966	1,648,239	(607,273)
Net profit / (loss)	11,073,701	(16,787,298)	27,860,999
Weighted no. of outstanding share	69,076,328	69,076,328	-
EPS (basic and diluted)	0.16	(0.24)	0.40
Capital expenditure	2,584,330	2,758,048	(173,718)
Assets	53,179,583	51,218,800	1,960,783
Long term liabilities	25,025,048	6,466,626	18,558,422

Revenue:

The decrease in revenue in Q4 2016 compared to Q4 2015 is mainly due to decrease in production and decline in international crude oil prices. JEC share of daily production during Q4 2016 was 4.18 MMcf/d compared to 6.75 MMcf/d in Q4 2015.

Net profit / (loss):

The net profit in Q4 2016 is mainly attributable to reversal of impairment of Zarghun South lease due to improvement in international crude oil prices and increase in recoverable reserves after drilling of third development well. In Q4 2015 an impairment of $14,082,000 was recorded due to decline in international crude oil prices.

Capital expenditure:

The capital expenditure in Q4 2016 mainly represents drilling of development well in Zarghun South lease.

Assets:

The increase in assets in Q4 2016 is due to reversal of impairment of Zarghun South offset by impairment Badar and Kandra lease capitalised costs pursuant to the terms of Settlement Agreement dated August 12, 2016 entered into between PEL, FHL and SEPL.

Long term liabilities:

The significant increase in long term liabilities in Q4 2016 is due to long term Syndicated Credit Facilities entered into with ABPL during 2016 and reclassification of shareholder loan as a non-current liability pursuant to the terms of fourth amended and restated agreement dated October 1, 2016.

Financial and Overall Performance Review and Analysis

Review of Financial Results

1. Net loss

Description	For the year ended December 31,		
	2016	2015	Difference
	----------$----------		
Net loss	(1,520,478)	(15,968,754)	14,448,276

The Company posted a loss of $1,520,478 for the year ended December 31, 2016, which is significantly lower than the Company's loss for the comparative period.

The loss for the current year is primarily driven by impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL, a decrease in revenue due to decline in production and international crude oil prices, increase in production costs, significant increase in general and administrative expenses, increase in finance costs and non-cash foreign exchange loss on translating the Company's foreign currency denominated loans offset by a reversal of impairment of Zarghun South lease due to improvement in international crude oil prices and increase in recoverable reserves after drilling of third development well. The increase in general and administrative expenses was primarily due to legal costs associated with the arbitrations with PEL.

Segment breakdown of profit / (loss) for the year ended December 31, 2016 is as follows:

	$
Canada	(1,607,723)
Pakistan	87,245

The segment-wise loss for the year is mainly attributable to the following:

- Canada segment is non-revenue generative. Loss in Canada mainly represents corporate expenses and finance cost on the Company's subordinated debentures.

- Net loss of the Pakistan segment is primarily driven by impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL, a decrease in revenue due to decline in production and international crude oil prices, increase in production costs, significant increase in general and administrative expenses, increase in finance costs and

non-cash foreign exchange loss on translating the Company's foreign currency denominated loans offset by a reversal of impairment of Zarghun South lease due to improvement in international crude oil prices and increase in recoverable reserves after drilling of third development well. The increase in general and administrative expenses was primarily due to legal costs associated with the arbitrations with PEL.

2. Net revenue

Description	For the year ended December 31,		
	2016	2015	Difference
	-----------$----------		
Sales	6,231,361	9,838,108	(3,606,747)
Royalty	(769,884)	(1,211,539)	441,655
Net revenue	**5,461,477**	**8,626,569**	**(3,165,092)**

Net revenue represents sale of gaseous hydrocarbons from the Badar, Reti, Maru and Maru South and Zarghun South leases net of royalty.

The decrease of $3,606,747 in gross revenue compared to the comparative period is due to decrease in production from Zarghun South and lower realized price per Mcf due to decline in international crude oil prices.

During the year ended December 31, 2016 daily gas sales volumes from the Badar, Reti-Maru and Zarghun South gas fields averaged approximately 12.67 MMcf, 11.55 MMcf and 8.92 MMcf respectively compared to 11.22 MMcf, 12.96 MMcf and 12.44 MMcf respectively in year 2015.

Gross production volume and price trends for the years presented are as follows:

Description	For the year ended December 31,		
	2016	2015	Difference
Production in Boe	340,559	455,850	(115,291)
Price ($ / Boe)[1]	18.30	21.58	(3.28)

[1]*Refer to non IFRS financial measures.*

The royalty is calculated at 12.5% of revenue minus gathering, processing and transportation charges, in the case of the Badar lease, and 12.5% of value of petroleum for the Reti-Maru and Zarghun South leases.

The trend in royalty costs per Boe for the periods presented is as follows:

Description	For the year ended December 31,		
	2016	2015	Difference
Production in Boe	340,559	455,850	(115,291)
Royalty ($ / Boe)[1]	2.26	2.66	(0.40)

[1]*Refer to non IFRS financial measures.*

3. Cost of production

Description	For the year ended December 31,		
	2016	2015	Difference
	----------$----------		
Production costs	3,177,515	2,695,737	481,778
Depletion of oil and gas properties	2,162,602	3,586,554	(1,423,952)
	5,340,117	**6,282,291**	**(942,174)**

Comparative production and production cost per Boe for the periods presented are as follows:

Description	For the year ended December 31,		
	2016	2015	Difference
Production in Boe	340,559	455,850	(115,291)
Production costs ($ / Boe)[1]	9.33	5.91	3.42

[1]*Refer to non IFRS financial measures.*

Increase in production cost per Boe is due to the fact that significant component of production costs is fixed in nature and will continue to incur irrespective of decrease in production. The decrease in production from Zarghun South increased average realized production costs per Boe in the current period.

Comparative depletion cost per Boe for the periods presented are as follows:

Description	For the year ended December 31,		
	2016	2015	Difference
Production in Boe	340,559	455,850	(115,291)
Depletion costs ($ / Boe)[1]	6.35	7.87	(1.52)

[1]*Refer to non IFRS financial measures.*

The decrease in depletion cost per Boe is due to decrease in carrying value of Zarghun South due to impairment of $14.1 million recorded at December 31, 2015.

4. General and administrative expenses

Description	For the year ended December 31,		
	2016	2015	Difference
	----------$----------		
General and administrative expenses	6,068,289	3,491,446	2,576,843

Segment breakdown of general and administrative expenses for the year ended December 31, 2016 is as follows:

	$
Canada	1,092,726
Pakistan	4,975,563

The increase in general and administrative expenses is mainly due to legal and professional costs associated with arbitrations with PEL and bonus and increments paid to the employees' effective March 1, 2016.

5. Finance costs

Description	For the year ended December 31,		
	2016	2015	Difference
	----------$----------		
Interest on amount due to related parties	569,175	685,388	(116,213)
Interest on borrowings	1,353,129	489,734	863,395
Accretion on asset retirement obligation	55,641	50,765	4,876
Currency translation exchange (gain) / loss	305,566	(1,724,591)	2,030,157
Interest / (adjustment) on late payment of cash calls to operators	(584,583)	1,194,825	(1,779,408)
	1,698,928	**696,121**	**1,002,807**

Interest on amounts due to related parties decreased during the year due to settlement of JS Bank facilities in January 2016. Interest in borrowings increased due to mark-up on Al Baraka Syndicate financing closed during the current period.

During the current period the Company successfully negotiated settlement of late payment surcharge with the operator of Zarghun South lease resulting in the reversal of approximately US$ 0.7 million of accrued late payment surcharge.

7. Operating netback

Description	For the year ended December 31,		
	2016	2015	Difference
	---------$----------		
Net revenue	5,461,477	8,626,569	(3,165,092)
Production costs	(3,177,515)	(2,695,737)	(481,778)
Operating netback	2,283,962	5,930,832	(3,646,870)
Production in Boe	340,559	455,850	(115,291)
Operating Netback ($ / Boe)[1]	6.71	13.01	(6.30)

[1]*Refer to non IFRS financial measures.*

Operating netback per Boe for the year ended December 31, 2016 decreased by $6.30 compared to the comparative period. This is mainly due to the lower average realized price in the current period on account of decline in international crude oil prices and increase in production costs.

Reversal / (impairment) for the year

The review of the Company's PP&E assets for indicators of impairment as at December 31, 2016 provided evidence that impairment previously recorded should be reversed.

2015 Impairment of CGU-I

In the year ended December 31, 2015, as a result of decline in the international crude oil prices and the carrying value of net assets of the Company being more than its market capitalization, the management carried out an impairment test for the two CGUs of the Company comprised of development and production properties in Pakistan falling in Zone II (CGU-I) and Zone III (CGU-II) respectively, in accordance with the accounting policy stated in note 2(xvi). The tests were performed using a fair value less cost of disposal (FVLCD) methodology using a discounted cash flow model. The fair value of each CGU was categorized as Level 3 fair value based on the unobservable inputs used. The present value of future cash flows was computed by applying forecasted prices of gas to estimated future production of proved and probable gas reserves, less estimated future expenditures to be incurred in developing and producing the proved and probable reserves. The present value of estimated future net cash flows was computed using an after-tax discount rate of 15%. The discount rate used reflects the specific risks relating to the underlying CGUs. As a result of the impairment tests carried out in 2015, an impairment charge of $14.1 million for CGU-I was recorded. At December 31, 2015, the recoverable amount of CGU-I was $19.78 million. No impairment was required to be recognized for CGU-II.

2016 Reversal of Impairment of CGU-1

As at December 31, 2016, the recoverable amount of the CGU-I was estimated to be $35.81 million resulting in reversal of impairment of $13.33 million net of depletion that would have been recorded had no impairment been recorded. The reversal arose due to the increase in the CGU's estimated recoverable amount caused by an improvement in international crude oil price forecast and availability of improved reserves estimates after drilling the third development well in Zarghun South lease. The fair value of CGU-I was categorized as Level 3 fair value based on the unobservable inputs used.

The crude oil forecast prices used in to determine the recoverable amount are $55/bbl in 2017, $65/bbl in 2018 and 2019 and $75/bbl in 2020 and onwards.

The FVLCD calculation assumes weighted average gas prices in $/Mcf as follows:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	-----$/Mcf-----									
CGU-I	4.44	4.65	4.61	5.00	5.35	5.62	5.65	5.65	5.65	5.65

Estimates of the recoverable amounts of the CGUs are sensitive to discount rate and crude oil prices.

A 1% increase / (decrease) in the discount rate would have resulted in (decrease) / increase in the recoverable amounts by ($1.49 million) / $1.61 million.

A 5% increase / (decrease) in the crude oil price would have resulted in an increase / (decrease) in the recoverable amounts by $0.68 million / ($0.68 million).

Provisions, contingencies and commitments

Provision for pricing matter – Reti-Maru leases

In January 2013, the GoP approved the sale of gas from the Reti-Maru leases to a consortium of four fertilizer companies (the "Consortium" or the "buyer"). On March 15, 2013, the JV Partners executed a GSA with the Consortium. Pursuant to the GSA, the buyer laid down a 26 km gas pipeline for supply of gas to Engro Fertilizers Limited.

Further to the execution of the GSA for the supply of untreated gas, the GoP communicated a provisional price of $6.00 per MMBtu, subject to a quality discount of 10%, in accordance with the Petroleum Policy, 2012. However, the GoP issued a clarification in March 2013 that the applicability of the Petroleum Policy, 2012 price will be subject to execution of a supplemental Petroleum Concession Agreement.

On September 16, 2013, the operator submitted a draft GPA for the Reti-Maru leases to the Director General (Gas) for approval. However, pursuant to amendments in the Petroleum Policy 2012, Director General (Gas) intimated that the Reti-Maru gas discoveries qualify for the conversion price of $3.45 per MMBtu under Pakistan's Petroleum (Exploration and Production) Policy, 2009.

Commercial production from the Reti-Maru leases was commenced on December 26, 2013. Under the terms of the GSA, and pending gas price determination by the GoP, the provisional gas price was determined to be $6.00 per MMBtu subject to a quality discount of 10%.

The JV Partners have taken up the matter with the Ministry of Petroleum and Natural Resources. Until resolution of the pricing matter, revenue from the Reti-Maru gas fields has been recorded based on the Director General (Gas) price of $3.45 per MMBtu with the excess receipts recorded as deferred revenue. As at December 31, 2016, the Company has received an excess amount of $1,644,342 from the buyer.

Contingencies and Commitments

Disputes with PEL

During the current period, FHL was a party to two arbitration proceedings, one initiated by PEL in relation to an Area of Mutual Interest provision contained in the Kandra Farm-in Agreement and the other initiated by FHL against PEL in relation to PEL's attempt to forfeit FHL's working interest in the Badin IV South exploration license owing to a purported default by FHL in respect of payment of a cash call for the month of May 2015.

On August 12, 2016, FHL, SEPL and PEL entered into a Settlement Agreement, pursuant to which, both FHL and PEL have withdrawn their respective requests for arbitration with ICC.

Settlement with Petroleum Exploration (Pvt) Limited

On August 12, 2016, FHL, PEL and SEPL entered into a Settlement Agreement providing terms for the settlement of all disputes between FHL and PEL. PEL is the operator of FHL's Badin IV North, Badin IV South, Ayesha and Kandra working interests and SEPL's Badar working interest. In connection with the settlement of the disputes, FHL, SEPL and PEL have agreed to the following:

a) the two arbitration matters between FHL and PEL before the International Chamber of Commerce (the "Arbitrations") have been withdrawn;
b) each party shall bear their own legal and other costs with respect to the Arbitrations and the settlement, and neither party shall claim reimbursement of such costs from the other party;
c) PEL has irrevocably withdrawn the default notice and forfeiture notices served to FHL with respect to the Badin IV South exploration license ("Badin IV South");
d) PEL has irrevocably withdrawn the application submitted to the Government of Pakistan seeking assignment to PEL of FHL's working interest in Badin IV South;

e) PEL has agreed to pay certain current and future exploration and development costs attributable to FHL's working interest share of expenditures under the Kandra Development and Production Lease and the Badin IV North and Badin IV South exploration licenses;
f) PEL has agreed to pay certain development costs attributable to FHL's working interest share of expenditure in the Ayesha Development and Production Lease and the Aminah and Ayesha North gas discoveries in Badin IV South;
g) PEL has agreed to carry a certain percentage of FHL's working interest in the drilling of an exploration well in the Kandra Development and Production Lease;
h) FHL have agreed to waive their audit rights in relation to certain past costs;
i) SEPL has agreed to sell its working interest in the Badar Mining Lease to PEL for cash consideration payable upon completion of the transfer, which is subject to customary approvals in Pakistan; and
j) FHL has agreed to transfer its entire working interest in the Kandra Development and Production Lease and assign its interest in Kandra Power Company to PEL.

As a result of the settlement, an impairment of $7,229,050 ($312,838 in respect of property, plant and equipment and $6,916,212 in respect of exploration and evaluation assets) has been recognized in the statement of comprehensive income / (loss).

Taxation

The Company is involved in claims and actions arising in the course of the Company's operations and is subject to various legal actions and exposures, including tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

Financial Commitments

The Company's financial commitments mainly consist of minimum work commitments related to its exploration licenses, approved authorities for expenditure and commitments under non-cancellable operating leases for employee vehicles. The following table summarizes the financial commitments of the Company as at December 31, 2016 and 2015. These financial commitments are expected to be funded through internal cash generation and debt and/or equity financing.

Description	December 31, 2016	December 31, 2015
	-------$-------	
Minimum capital commitments related to exploration licenses	4,097,000[1]	4,099,250
Commitments under approved AFEs	145,200	1,561,169
Commitment under share purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under operating leases		
- Not later than one year	49,498	64,071
- Later than one year and less than five years	36,164	86,578
Total	**4,328,862**	**5,812,068**

[1]Breakdown of minimum capital commitments related to exploration licenses per year:

Description	2017	2018	2019	Total
	-------$------			
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	355,250	-	-	355,250
Total	**2,247,500**	**94,500**	**1,755,000**	**4,097,000**

Going Concern and Liquidity

At December 31, 2016, the Company had current assets of $2.87 million comprising trade and other receivables of $1.64 million, restricted cash of $1.05 million and cash and cash equivalents of $0.18 million. Total current liabilities were $14.07 million comprising accounts payable and accrued liabilities of $12.03 million and current portion of borrowings of $2.04 million. The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of $51.58 million. For the year ended December 31, 2016 the Company reported cash flows from operations of $2.09 million. In addition to its ongoing working capital requirements, the Company also had financial commitments as at December 31, 2016 that amounted to $4.33 million. Additional cash resources will be required to exploit the Company's petroleum and natural gas properties.

In addition to the above-mentioned factors, there are a number of additional material uncertainties that raise significant doubt as to the Company's ability to continue as a going concern, and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The uncertainties include the need for additional cash resources to fund its existing operations and for the development of its properties, economic dependence on joint venture partners and the current economic and political conditions in Pakistan.

To date, all exploration, development and other operational activities of the Company have been funded by internal cash generation from its producing concessions, equity and debt issuances, funding by a shareholder, and by farm-out through which a third party reimbursed the Company for a portion of its historical costs and will pay a portion of the Company's future capital expenditures to earn a portion of the Company's working interest in its properties.

During 2016, SEPL entered into two Musharaka Agreements with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), pursuant to a syndicated credit facility arrangement (the "Syndicated Credit Facility"), as lead arranger, in the amount of up to PKR 1,060 million (approximately $10.11 million). The Syndicated Credit Facility carries mark-up at the rate of 3 month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of disbursement. During the year, the Company has fully drawn down the Syndicated Credit Facility to settle other facilities amounting to $2,905,276 and a portion of accounts payable and accrued liabilities.

Subsequent to year end, SEPL entered into a third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility in the amount of PKR 170 million (approximately $1.62 million) *(See "Subsequent Events below")*. The management is in the advanced stage of closing a further enhancement of the Syndicated Credit Facility, pursuant to which the facility amount will increase from PKR 1,230 million (approximately $11.73 million) to PKR 1,530 million (approximately $14.59 million). The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful. The principal shareholder has confirmed its commitment to provide financial support to the Company as and when required for a minimum period of twelve months from the date of approval of these financial statements.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Stock Based Compensation

The Company has a share option plan pursuant to which options may be granted to directors, officers, and employees of the Company. The options generally vest over a period of up to three years and expire no more than five years from the date of grant.

On May 4, 2015, the Company granted 50,000 options with an exercise price of C$ 1 to one of its directors. The weighted average fair value of stock options granted was $0.20 per stock option as at May 4, 2015 using the Black-Scholes Pricing Model.

The assumptions used in the calculations are:	**May 04, 2015**
Risk-free interest rate (%)	0.88
Expected life (years)	5.00
Estimated volatility of underlying common shares (%)	85.00
Forfeiture rate (%)	0.00

	Year ended December 31, 2016			Year ended December 31, 2015		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		$	C$		$	C$
Options outstanding, beginning of year	1,025,000	0.72	1.00	2,368,294	0.61	0.84
Granted	-	-	-	50,000	0.72	1.00
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	-	-	-	(1,393,294)	0.53	0.73
Options outstanding, end of year	1,025,000	0.74	1.00	1,025,000	0.72	1.00
Options exercisable, end of year	1,008,333	0.74	1.00	991,666	0.72	1.00

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
$	C$			
0.74	1.00	1,025,000	1.34	1,008,333
0.74	1.00	1,025,000	1.34	1,008,333

Shares Based Compensation

During the year ended December 31, 2016 stock-based compensation of $2,807 (December 31, 2015: $16,134) was charged to the consolidated statement of comprehensive loss.

Subsequent Event

Subsequent to year end, SEPL entered into a third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility in the amount of PKR 170 million (approximately $1.62 million) pursuant to which the facility amount was increased from PKR 1,060 million (approximately $10.11 million) to PKR 1,230 million (approximately $11.73 million).

Results of Operations

The following table summarizes the working capital of the Company as at December 31, 2016 as compared to December 31, 2015:

Description	As at December 31, 2016	As at December 31, 2015
	----------$-----------	
Current assets	2,868,121	8,209,514
Current liabilities	(14,074,661)	(29,154,629)
Working capital deficiency	(11,206,540)	(20,945,115)

Contractual Obligations

The following table sets forth the contractual obligations of the Company as at December 31, 2016:

Description	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	----------$-----------				
Minimum capital commitments related to exploration licenses [(1)]	4,097,000	2,247,500	1,849,500	-	-
Commitments under outstanding AFEs	145,200	145,200	-	-	-
Operating leases	85,662	49,498	36,164		
Purchase obligations [(2)]	1,000	1,000	-		
Other obligations [(3)]	39,099,709	14,074,661	18,456,320	3,232,646	3,336,082
Total contractual obligations	**43,428,571**	**16,517,859**	**20,341,984**	**3,232,646**	**3,336,082**

Notes:

(1) "Obligations related to exploration licenses" means the obligations which are legally binding on the Company pursuant to the terms of the relevant Petroleum Concession Agreement.

(2) "Purchase obligation" means a binding sale and purchase agreement entered into by the Company with respect to the acquisition of EEL that specifies all significant terms related thereto, and the timing of the transaction.

(3) "Other obligations" means other financial liabilities reflected in the Company's statement of financial position.

Off-Balance Sheet Arrangements

JEC did not have any off-balance sheet arrangements as at December 31, 2016.

Transactions with Related Parties

The Company's related parties with significant transactions during the year include its majority shareholder, EPL, JS Bank Limited, an associated entity and key management personnel. Details of transactions with related parties are as follows:

Transaction with majority shareholder

EPL, which is a majority shareholder of JEC, provided financial support to SEPL in the form of an interest-bearing bridge loan. Effective October 1, 2016 SEPL entered into fourth supplemental loan agreement with EPL pursuant to the EPL granted a grace period of 15 months in the repayment of principal and accrued mark-up. Further the mark-up rate was revised from 3 months US$ LIBOR plus 4% to 11% per annum compounded quarterly. The changes in loan balance during the applicable periods and balances outstanding as at December 31, 2016 and December 31, 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	----------$----------	
Balance payable at beginning of the year	10,175,454	10,284,720
Loan received during the year net of embedded derivative	-	1,200,000
Loan repaid during the year	(1,741,667)	(133,013)
Interest accrued on loan from shareholder	300,305	353,019
Exchange gain on retranslation of shareholder loan	467,544	(1,529,272)
Extinguishment of shareholder loan	(9,208,303)	-
Recognition of new shareholder loan at fair value	9,180,468	-
Interest for the year	256,900	-
Amount paid on behalf of EPL during the year	(5,858)	-
Balance payable at end of the year	**9,424,843**	**10,175,454**

Transaction with associated entity – JS Bank Limited

On November 7, 2014, SEPL entered into two financing facilities totalling PKR 400 million (equivalent $3.9 million) with JS Bank Limited, a related party controlled by Mr. Jahangir Siddiqui (who also controls EPL). These facilities carry interest at the rate of 3 months KIBOR plus 2% payable quarterly in arrears. On January 19, 2016, these facilities were settled in full from the proceeds of Al Baraka syndicated credit facility. Further, JS Bank is a participant in Al Baraka syndicate credit facility with participation of PKR 500 million (equivalent $4.77 million).

Description	December 31, 2016	December 31, 2015
	----------$----------	
Old facilities		
Balance payable at beginning of the year	2,905,276	3,833,505
Loan received during the year	-	115,501

Description	December 31, 2016	December 31, 2015
Interest accrued	11,970	332,369
Interest paid during the year	(62,363)	(332,447)
Principal repaid during the year	(2,886,550)	(985,557)
Exchange (gain) / loss on retranslation of loan	31,667	(58,095)
Balance payable at end of the year	**-**	**2,905,276**
Syndicated Credit Facility		
Balance payable at beginning of the period / year	-	-
Loan received during the period / year	4,698,213	-
Mark-up accrued during the period / year	397,923	-
Mark-up paid during the period / year	(275,609)	-
Exchange (gain) / loss on retranslation of loan	(50,998)	-
Balance payable at end of the period / year	**4,769,529**	**-**

Key management personnel

Description	December 31, 2016	December 31, 2015
	----------$----------	
Management salaries and benefits	520,606	395,034
Management stock based compensation	-	1,597
Directors' fees and compensation	165,377	117,286
Total	**685,983**	**513,917**

Future Outlook

The Company's capital expenditure program for 2016 includes:

- development of Ayesha lease, Aminah and Ayesha North gas and condensate discoveries in Badin IV South exploration license involving installation of a production facility;
- drilling of one exploration well in the Badin IV North exploration license; and
- drilling of one exploration well in the Guddu exploration license.

This capital expenditure program is expected to be funded through available cash, internal cash generation and proceeds of the enhancement of Syndicated Credit Facility.

In the near future, the Company expects the commencement of commercial production from the following:

- The Sara and Suri leases; and
- The Ayesha, Aminah and Ayesha North gas and condensate discoveries.

Impact of decline in International oil prices on wellhead gas prices in Pakistan

In Pakistan, the price for gas purchased by the GoP is based on a formula and linked to the international prices for a basket of imported Arabian and Persian Gulf crude oil ("Basket of Crude"). Prices are based upon a baseline of 1,000 Btu/Scf. If the gas which is sold has a Btu content which is less than or greater than 1,000 Btu/Scf, the price is proportionately decreased or increased, respectively.

The wellhead gas price in Pakistan is determined by applying step up discounting using various slabs under the different applicable petroleum policies to the C&F price of the Basket of Crude. The basket will reflect the actual mix of imported crude oils in the previous six months (January to June and July to December) in Pakistan as notified by the Ministry of Petroleum and Natural Resources, Government of Pakistan. Each discounting table under a policy has a predetermined C&F floor and ceiling price. The discount table is designed to provide maximum benefit to the seller for a lower C&F price. As the C&F price increases the applicable discount also increases until the C&F price reaches the ceiling price. The discounts applicable to the C&F price under various slabs range from 0% to 90%. No benefit is provided to the seller if the C&F price is higher than the ceiling price. The applicable floor and ceiling prices vary for each petroleum policy.

As a result of the formula used for calculating the price for gas purchased by the GoP, decreases in international oil prices do not proportionately reduce the price for gas purchased by the GoP. For example, a 60% reduction in international crude oil pricing from $100/Bbl to $40/Bbl will result in only a 33% decrease in the price for gas purchased by the GoP. Petroleum Policy, 2012 has the highest ceiling price and, accordingly, gas prices under this policy are the most impacted by a reduction in international oil prices. The applicability of a particular petroleum policy to wellhead gas pricing for a discovery depends upon timing of drilling and commencement of production from the discovery area.

New Accounting Standards and Pronouncements

a) *New standards, amendments and interpretations not yet adopted*

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. The following table outlines the new accounting pronouncements issued by the IASB that are applicable to, or may have a future impact on, the Company. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* It replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

Financial Instruments: Recognition and Measurement

In July 2014, IFRS 9 *Financial Instruments* was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The company is currently assessing the impact of this standard.

Leases

In January 2016, the IASB issued IFRS 16 *Leases* which replaces the existing leasing standard (IAS 17 *Leases*) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same, which provides the choice of classifying a lease as either a finance or operating lease. IFRS 16 is effective January 1, 2019, with earlier application permitted. The company is currently assessing the impact of this standard.

Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) *Exploration and evaluation expenditure*

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future

exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the statement of comprehensive income / (loss).

b) *Estimated impairment of oil and gas properties*

Oil and gas reserves are an important element in impairment testing for oil and gas properties. Estimates of oil and gas reserves are inherently imprecise and are subject to future revision. These reserves are estimated by an independent expert with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs.

The recoverable amount of a cash generating unit ("CGU") and an individual asset is determined based on the higher of the value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the field and economical reserves recoverable and may require a material adjustment to the carrying value of oil and gas properties. The Company monitors internal and external indicators of impairment relating to its assets.

c) *Estimated oil and gas reserves used for depletion of oil and gas properties*

Proved and probable reserves, used for recording depletion of oil and gas properties, are estimated by an independent expert with reference to available reservoir and well information. Proved and probable reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Changes to the estimates of proved and probable reserves, affect the amount of depletion recorded in the financial statements for oil and gas properties related to hydrocarbon production activities.

d) *Asset retirement obligation*

Estimates of the amount of provision for asset retirement obligations are recognized based on current legal and constructive requirements, technology and price levels. Provision is recorded based on the estimates received from the operator, where available, or the information provided by the technical department of the Company based on the best estimates. However, the actual outflows can differ from the estimated cash outflows due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future; the carrying amount of provision is reviewed and adjusted to take account of such changes.

e) *Recognition of deferred tax assets*

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Company has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses in Pakistan.

f) *Measurement of share-based payments*

Share-based payments recorded pursuant to share-based compensation plans are subject to estimated fair values, forfeiture rates, volatility and the future attainment of performance criteria, if any.

Critical judgements in applying the entity's accounting policies

g) *Determination of cash-generating units for impairment testing*

For the purpose of impairment testing, oil and gas properties are aggregated into CGUs, based on separately identifiable and largely independent cash flows. The determination of the Company's CGUs, however, is subject to judgement.

h) *Asset retirement obligation*

Provision is recognized for the future restoration cost of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change.

i) *Fair valuation of embedded derivatives and stock options at grant date*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the grant date and at each reporting date. The Company has used Black-Scholes option pricing model for fair valuation of stock options at grant date and embedded derivatives at reporting date.

j) *Determination of functional currency*

The determination of the functional currency of the Company is critical and requires significant judgment, since recording of transactions and exchange differences arising there from are dependent on the functional currency selected.

Financial Risk Management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Board. The Board provides risk management guidance covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions, or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the Pakistan Rupee (PKR) and Canadian Dollar (CAD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable in foreign currency. The Company's exposure to currency risk is as follows:

Description	December 31, 2016	December 31, 2015
	-------------$----------	
PKR		
Bank balances	18,870	17,647
Restricted cash	840,294	-
Accounts and other receivables	456,482	1,072,968
Accounts payable and accrued liabilities	(3,220,391)	(3,470,953)
Amounts due to related parties	-	(2,905,276)
Net exposure	**(1,891,478)**	**(5,285,614)**
CAD		
Bank balances	6,056	3,689
Accounts and other receivables	30,674	13,556
Accounts payable and accrued liabilities	(415,017)	(294,472)
Amounts due to related parties	-	(8,440,454)
Net exposure	**(378,287)**	**(8,717,681)**

The following significant exchange rates were applied during the year:

Description	2016	2015
PKR per USD		
Average rate	104.3	101.94
Reporting date rate	104.80	104.38
CAD per USD		
Average rate	1.36	1.28
Reporting date rate	1.35	1.38

If the functional currency, at the reporting date, had fluctuated by 5% against the PKR and CAD with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been $113,488 (2015: $700,165) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instrument exposed to other price risk.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the date of the statement of financial position, the interest rate profile of the Company's interest bearing financial instruments is:

Description	December 31, 2016	December 31, 2015
	------------$----------	
Fixed rate instruments		
- Borrowings	3,961,700	3,902,270
- Amounts due to related parties	9,437,368	-
Floating rate instruments		
- Borrowings	10,331,824	-
- Amounts due to related parties	-	11,345,730

Fair value sensitivity analysis for fixed rate instruments

If the interest rate, at the reporting date, had fluctuated by 1% with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been $103,318 (December 31, 2015 $113,457) respectively lower / higher, mainly as a result of interest on floating rate financial instruments. Interest rate risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(iv) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date is as follows:

Description	December 31, 2016	December 31, 2015
	------------$---------	
Cash at bank	179,389	1,723,170
Restricted cash	1,053,561	-
Accounts and other receivables	1,634,647	6,485,608
Total	**2,867,597**	**8,208,778**

The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade receivables the Company believes that it is not exposed to major concentrations of credit risk, due to high credit worthiness of corresponding parties.

The credit quality of bank balances and restricted cash, that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Description	Rating agency	Credit rating	2016	2015
			-----------$------------	
RBC – Canada	Moody's	Aa3	63,673	26,318
HSBC – Australia	Moody's	A1	-	15,970
Meezan Bank Limited	JCR-VIS[3]	A-1+	842	847
Bank Alfalah Limited	PACRA[2]	A1+	614	618
Askari Bank Limited	JCR-VIS[3]	A-1+	1,321	1,331
JS Bank Limited	PACRA	A1+	6,538	1,523
Al Baraka Bank Pakistan Limited	PACRA	A1	1,159,962	1,676,563
Total			**1,232,950**	**1,723,170**

[1]Moody's Investors Service
[2]The Pakistan Credit Rating Agency Limited
[3]Japan Credit Rating Agency, Ltd (JCR) and Vital Information Services (Pvt.) Limited (VIS)

Due to the Company's long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal. As of December 31, 2016, trade receivables of $1,171,130 (2015: $3,479,063) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

Description	December 31, 2016	December 31, 2015
	----------$------------	
Up to 3 months	1,171,130	2,202,009
3 to 6 months	-	1,277,054
Above 6 months	-	-
Total	**1,171,130**	**3,479,063**

(v) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company follows an effective cash management and planning protocol to ensure availability of funds, and to take appropriate measures for new requirements. The following are the contractual maturities of financial liabilities as at December 31, 2016:

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	US$	US$	US$	US$	US$	US$	US$
Accounts payable and accrued liabilities	12,032,735	-	-	-	-	12,032,735	12,032,735
Amounts due to related parties	-	-	10,970,389	-	-	10,970,389	9,437,368
Borrowings	1,326,597	1,918,886	7,447,585	6,458,860	-	17,151,928	14,293,524
	13,359,332	**1,918,886**	**18,417,974**	**6,458,860**	**-**	**40,155,052**	**35,763,627**

The following are the contractual maturities of financial liabilities as at December 31, 2015:

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	US$	US$	US$	US$	US$	US$	US$
Accounts payable and accrued liabilities	16,073,899	-	-	-	-	16,073,899	16,073,899
Amounts due to related parties	13,092,700	-	-	-	-	13,092,700	13,080,730
Borrowings	220,000	220,000	440,000	4,220,000	-	5,100,000	3,902,270
	29,386,599	**220,000**	**440,000**	**4,220,000**	**-**	**34,266,599**	**33,056,899**

There is a material uncertainty about the Company's ability to continue as going concern. See *"Going Concern and Liquidity"* above.

Fair value of financial assets and liabilities

The fair valuation of financial assets and liabilities is determined using different levels defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

The fair value of cash and cash equivalents, restricted cash, accounts and other receivables, accounts payable, borrowings, accrued liabilities and amounts due to related parties approximate their carrying amount due to the short-term nature of the instruments. The fair value of the Company's borrowings approximates their carrying value as the interest rates charged on these borrowings are comparable to current market rates.

Financial instruments by category

Financial assets	December 31, 2016	December 31, 2015
	Loans and receivables	
	-----------$-----------	
Cash and cash equivalents	179,913	1,723,906
Restricted cash	1,053,561	-
Accounts and other receivables	1,634,647	6,485,608
Total	**2,868,121**	**8,209,514**
Financial liabilities	**Other financial liabilities**	
Accounts payable and accrued liabilities	12,032,735	6,681,751
Amounts due to related parties	9,437,368	14,118,225
Subordinated debentures	14,293,524	3,852,536
Total	**35,763,627**	**24,652,512**

Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the Company's business. The Board monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt obligations.

For working capital and capital expenditure requirements, the Company primarily relies on internal cash generation and financial support of the parent company.

Risk Factors

The business of exploring for, developing and producing oil and gas reserves is inherently risky. The Company will face numerous and varied risks which may prevent it from achieving its goals. The Company's actual exploration and operating results may be very different from those expected as at the date of this MD&A. Also, see "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2016 for a further description of the risks and uncertainties associated with the Company's business and recovery of its oil and gas reserves and resources.

Volatility of Crude oil prices

In Pakistan, the price for gas purchased by the GoP is based on a formula linked to the international prices for a basket of Arabian and Persian Gulf crude oil imported into Pakistan. Crude oil prices are affected by, among other things, global economic health and global economic growth, pipeline constraints, regional and international supply and demand imbalances, political developments, compliance or non-compliance with quotas agreed upon by OPEC members, decisions by OPEC not to impose quotas on its members, access to markets for crude oil, and weather.

Through the latter half of 2014 and into latter half of 2016, world oil prices have declined significantly. A prolonged period of low and/or volatile prices could affect the value of Company's oil and gas properties and the level of spending on growth projects, and could result in the curtailment of production from some properties and/or the impairment of that property's carrying value. Accordingly, low crude oil, could have a material adverse effect on Company's business, financial condition, reserves, and may also lead to further impairment of assets.

Obtaining financing

The Company is in the growth phase of its oil and gas operations with limited revenues from three properties and majority of its properties are in exploration and development stage. There can be no assurance of its ability to develop and operate its projects profitably. The Company has been historically dependent upon the financial support from its shareholders to provide the finance needed to fund its operations, but the Company cannot assure that the shareholders will continue to do so. The Company's ability to continue in business depends upon its continued ability to obtain significant financing from internal as well as external sources and the success of its exploration efforts and any production efforts resulting there from. Any reduction in its ability to raise finance in the future would force the Company to reallocate funds from other planned uses and could have a significant negative effect on its business plans and operations, including its ability to continue its current development and exploration activities.

Commercial Risk

In order to assign recoverable resources of oil and gas, the Company must establish a development plan consisting of one or more projects. In-place quantities for which a feasible project cannot be defined using established technology or technology under development are classified as unrecoverable. In this context, "technology under development" refers to technology that has been developed and verified by testing as feasible for future commercial applications to the subject reservoir. In the early stage of exploration or development, as is the case for the Company, project definition will not be of the detail expected in the later stages of maturity. In most cases, recovery efficiency will be largely based on analogous projects.

Estimates of recoverable quantities are stated in terms of the sales products derived from a development program, assuming commercial development. It must be recognized that reserves, contingent resources and prospective resources involve different risks associated with achieving commerciality. The likelihood that a project will achieve commerciality is referred to as the "chance of commerciality." The chance of commerciality varies in different categories of recoverable resources as follows:

Reserves**:** To be classified as reserves, estimated recoverable quantities must be associated with a project(s) that has demonstrated commercial viability. Under the fiscal conditions applied in the estimation of reserves, the chance of commerciality is effectively 100%.

Contingent Resources**:** Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on the forecast of fiscal conditions over the life of the project. For contingent resources, the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the "chance of development." For contingent resources, the chance of commerciality is equal to the chance of development.

Prospective Resources**:** Not all exploration projects will result in discoveries. The chance that an exploration project will result in the discovery of petroleum is referred to as the "chance of discovery." Thus, for an undiscovered accumulation, the chance of commerciality is the product of two risk components -- the chance of discovery and the chance of development.

Exploration Risk

Oil and gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. The Company's exploration expenditures may not result in new discoveries of oil or gas in commercially viable quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. If exploration costs exceed estimates, or if exploration efforts do not produce results that meet expectations, exploration efforts may not be commercially successful, which could adversely impact the ability to generate revenues from operations.

Operational Risk

If the Company's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, business may experience a setback. These unexpected events may be due to technical difficulties, operational difficulties including floods which impact the production, transport or sale of products, geographic and weather conditions, business reasons or otherwise. Because the Company is in its early stages of development, it is particularly vulnerable to these events. Prolonged problems may threaten the commercial viability of operations.

Development Risk

To the extent that the Company succeeds in discovering oil and/or gas, reserves may not be capable of production levels projected or in sufficient quantities to be commercially viable. On a long-term basis, the Company's viability depends on the ability to find or acquire, develop and commercially produce additional oil and gas reserves. Without the addition of reserves through exploration, acquisition or development activities, reserves and production will decline over time as reserves are produced. Future reserves will depend not only on the ability to develop then-existing properties, but also on the ability to identify and acquire additional

suitable producing properties or prospects, to find markets for the oil and natural gas developed and to effectively distribute production into markets. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While the Company will endeavor to effectively manage these conditions, it may not be able to do so optimally, and will not be able to eliminate them completely in any case. Therefore, these conditions could diminish revenue and cash flow levels and result in the impairment of oil and gas interests.

Drilling Risks

There are risks associated with the drilling of oil and gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, craterings, sour gas releases, fires, spills or natural disasters. The occurrence of any of these and other events could significantly reduce revenues or cause substantial losses, impairing future operating results. The Company may become subject to liability for pollution, blow-outs or other hazards. The Company obtains insurance with respect to these hazards, but such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. The payment of such liabilities could reduce the funds available to the Company or could, in an extreme case, result in a total loss of properties and assets. Moreover, the Company may not be able to maintain adequate insurance in the future at rates that are considered reasonable. Oil and gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Environmental Risks

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner that may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. The application of environmental laws to the Company's business may cause it to curtail production or increase the costs of production, development or exploration activities.

Operations

Operations are subject to all of the risks frequently encountered in the development of any business, including control of expenses and other difficulties, complications and delays, as well as those risks that are specific to the oil and gas industry.

Reserve Estimates

The Company makes estimates of oil and gas reserves, upon which it bases financial projections. The Company makes these reserve estimates using various assumptions, including assumptions as to oil and gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Some of these assumptions are inherently subjective, and the accuracy of reserve estimates relies in part on the ability of the management team, engineers and other advisers to make accurate assumptions. Economic factors beyond the Company's control, such as interest rates and exchange rates, will also impact the value of reserves. The process of estimating oil and gas reserves is complex, and requires the Company to make significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each property. As a result, reserve estimates will be inherently imprecise. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of

recoverable oil and gas reserves may vary substantially from those estimated. If actual production results vary substantially from reserve estimates, this could materially reduce revenues and result in the impairment of oil and gas interests.

Facilities

Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in the particular areas where these activities will be conducted, and access to these facilities may be limited. To the extent that operations are conducted in remote areas, needed facilities may not be proximate to operations, which will increase expenses. Demand for such limited equipment and other facilities or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. The quality and reliability of necessary facilities may also be unpredictable and the Company may be required to make efforts to standardize facilities, which may entail unanticipated costs and delays. Shortages and/or the unavailability of necessary equipment or other facilities will impair activities, either by delaying activities, increasing costs or otherwise.

Operating Expenses

Exploration, development, production, marketing (including distribution costs) and regulatory compliance costs (including taxes) substantially impact the net revenues derived from oil and gas produced. These costs are subject to fluctuations and variation in different locales in which the Company will operate, and the Company may not be able to predict or control these costs. If these costs exceed expectations, this may adversely affect results of operations. In addition, the Company may not be able to earn net revenue at predicted levels, which may impact the ability to satisfy any obligations.

Fluctuations in Operating Results can cause Share Price Decline

The Company's operating results will likely vary in the future primarily from fluctuations in revenues and operating expenses, including the ability to produce the oil and gas reserves that are developed, expenses that are incurred, the prices of oil and gas in the commodities markets and other factors. If the results of operations do not meet the expectations of current or potential investors, the price of the Company's shares may decline.

Decommissioning Costs

The Company may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which are used for production of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith are often referred to as "decommissioning." If decommissioning is required before economic depletion of the properties or if estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, the Company may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair the ability to focus capital investment in other areas of the business.

Foreign Operations

The oil and gas industry in Pakistan is not as efficient or developed as the oil and gas industry in Canada. As a result, exploration and development activities may take longer to complete and may be more expensive than similar operations in Canada. The availability of technical expertise, specific equipment and supplies may be more limited and such factors may subject international operations to economic and operating risks that may not be experienced in Canadian operations.

Local Legal, Political and Economic Factors

Currently the Company is undertaking its oil and gas activities exclusively in Pakistan. Exploration and production operations in foreign countries are subject to legal, political and economic uncertainties, including interference with private contract rights (such as privatization), extreme fluctuations in currency exchange rates, high rates of inflation, exchange controls, changes in tax rates and other laws or policies affecting environmental issues (including land use and water use), workplace safety, foreign investment, foreign trade, investment or taxation, as well as restrictions imposed on the oil and gas industry, such as restrictions on production, price controls and export controls. Political and economic instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including imposing additional taxes. In an extreme case, such a change

could result in termination of contract rights and expropriation of foreign-owned assets. Any changes in oil and gas or investment regulations and policies or a shift in political attitudes in Pakistan will be beyond the Company's control and may significantly hamper the ability to expand operations or operate the business at a profit.

Enforcement of Civil Liabilities

Certain of the directors of the Company reside outside of Canada and, similarly, a majority of the assets of the Company are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon directors not residing in Canada. It may also not be possible to enforce against the Company and certain of its directors' judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Penalties

The Company's exploration, development, production and marketing operations are regulated under foreign federal, state and local laws and regulations. Under these laws and regulations, the Company could be held liable for personal injuries, property damage, site clean-up and restoration obligations or costs and other damages and liabilities. The Company may also be required to take corrective actions, such as installing additional safety or environmental equipment, which could require significant capital expenditures. Failure to comply with these laws and regulations may also result in the suspension or termination of operations and subject the Company to administrative, civil and criminal penalties, including the assessment of natural resource damages. The Company could be required to indemnify employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result of these laws and regulations, future business prospects could deteriorate and profitability could be impaired by costs of compliance, remedy or indemnification of employees, thus reducing profitability.

Competition for Exploration and Development Rights

The oil and gas industry is highly competitive. This competition is increasingly intense as prices of oil and gas on the commodities markets have reduced significantly in recent years. Additionally, other companies engaged in the same line of business may compete with the Company from time to time in obtaining capital from investors. Competitors include larger, more established companies, which may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Technology

The Company relies on technology, including geographic and seismic analysis techniques and economic models, to develop reserve estimates and to guide exploration and development and production activities. The Company will be required to continually enhance and update its technology to maintain its efficacy and to avoid obsolescence. The costs of doing so may be substantial, and may be higher than the costs that are anticipated for technology maintenance and development. If the Company is unable to maintain the efficacy of the technology, the ability to manage the business and to compete may be impaired. Further, even if technical effectiveness is maintained, the technology may not be the most efficient means of reaching objectives, in which case higher operating costs may be incurred than if the technology was more efficient.

Foreign Currency Exchange Rate Fluctuation

The Company may sell oil and gas production under agreements that may be denominated in United States dollars or other foreign currencies. Many of the operational and other expenses incurred will be paid in the local currency of the country containing the operations. As a result, the Company will be exposed to currency exchange rate fluctuation and translation risk when local currency (Pakistan Rupee or Canadian Dollar) financial transactions are translated to United States dollars. This may have a significant effect on profitability between periods.

Exchange Controls

Foreign operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends received from foreign subsidiaries. Exchange controls may prevent transferring funds abroad.

Insurance

Involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Any insurance that the Company may obtain may have limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, the Company may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce funds available. If the Company suffers a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, the Company could be required to divert funds from capital investment or other uses towards covering the liability for such events.

Attracting and Retaining Talented Personnel

The Company's success depends in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of management and other personnel in conducting the business of the Company. The Company has a small management team and the loss of any of these individuals or the inability to attract suitably qualified staff could materially adversely impact the business. The Company may also experience difficulties in certain jurisdictions in efforts to obtain suitably qualified staff and in retaining staff who are willing to work in that jurisdiction. The Company's success will depend on the ability of management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further, key personnel may not continue their association or employment with the Company, which may not be able to find replacement personnel with comparable skills. The Company has sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If the Company is unable to attract and retain key personnel, business may be adversely affected.

Growth Management

The Company's strategy envisions expanding the business. If the Company fails to effectively manage growth, financial results could be adversely affected. Growth may place a strain on management systems and resources. The Company will need to continue to refine and expand business development capabilities, systems and processes and access to financing sources. As the Company grows, it will need to continue to hire, train, supervise and manage new employees. The Company may not be able to:

(i) Expand systems effectively or efficiently or in a timely manner;
(ii) Allocate human resources optimally;
(iii) Identify and hire qualified employees or retain valued employees; or
(iv) Incorporate effectively the components of any business that may be acquired in the effort to achieve growth.

If the Company is unable to manage growth and operations, the financial results could be adversely affected by inefficiency, which could diminish profitability.

Outstanding Share Capital

The Company has 69,076,328 common shares, 1,025,000 stock options and 850,000 share purchase warrants outstanding as of the date of this MD&A.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

As at December 31, 2016, an evaluation of the effectiveness of Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the

supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and the CFO concluded that, as at December 31, 2016, the design and operation of Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the CEO and CFO, management conducted an evaluation of the effectiveness of its internal control over financial reporting.

Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at December 31, 2016, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

Approval

The Company's Audit Committee has approved the disclosure contained within this MD&A. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.