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

March 30, 2016

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"), Frontier Acquisition Company Limited ("FAC") and Frontier Holdings Limited ("FHL") for the years ended December 31, 2015 and 2014 and the Company's financial position as at December 31, 2015. This MD&A is approved by the Board of Directors (the "Board") on March 24, 2016 and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2015 and 2014.

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 ("TSX") 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 earnings before interest, depreciation, tax and amortization ("EBIDTA"), Adjusted EBIDTA, 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 the similar industries.

The Company's adjusted EBIDTA is defined as EBIDTA before impairment, if any. 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 gas and condensate discovery, development well Badar-2, development well Sara-4 and Suri shut-in well; expected pricing under Pakistan Low Btu Gas Pricing Policy, 2012, Pakistan Petroleum (Exploration and Production) Policy, 2012 and other pricing policies; timing for and drilling results of exploration wells in the Badin IV South and Badin IV North exploration licenses; expectations regarding the grant of an exemption by the Government of Pakistan ("GoP") from the rule permitting revocation of the Sara and Suri leases; expectations regarding the outcome and timing of the decision of arbitration proceedings initiated against Frontier Holdings Limited ("FHL") by Petroleum

Exploration (Pvt) Limited ("PEL"); and expectation regarding the decline of PEL's request to forfeit FHL's working interest in Badin IV South block by the GoP. 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 March 30, 2016 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, 2015 and up to the date of this MD&A are as follows:

- Production increased by 125% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily due to increase in production from Zarghun South and commencement of production from the Maru East-1 and Reti-2 wells in the Guddu block. Jura share of average daily production during the year was 7.24 Million Cubic Feet per day ("MMcf/d") compared to 3.22 MMcf/d in 2014;

- Net revenue increased by 276% during the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was primarily due to the increase in production and higher realised price for tight gas production from Zarghun South;

- Gross profit for the year ended December 31, 2015 was $2.3 million compared to gross loss of $0.1 million in the year ended December 31, 2014. This was primarily due to the increase in revenue during the year;

- The Company had a negative EBITDA[1] for the year ended December 31, 2015 of $11.7 million compared to negative EBIDTA[1] of $1.42 million in the year ended December 31, 2014. The increase in negative EBITDA was primarily due to a $14.1 million impairment of oil and gas properties recorded during the year;

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

- Adjusted EBITDA[1] for the year ended December 31, 2015 was $2.4 million compared to negative Adjusted EBIDTA[1] of $1.42 million in the year ended December 31, 2014. This was mainly due to increase in revenue on account of increase in production and higher realised gas price for tight gas production from Zarghun South;

- Net loss for the year ended December 31, 2015 was $15.97 million compared to $3.45 million in the year ended December 31, 2014. The significant increase was largely due to impairment of oil and gas properties, higher depletion charge, general and administrative expenses and finance costs partially offset by an increase in revenue during the year and non-cash foreign exchange gain on translating the Company's foreign currency denominated loans at the year-end exchange rate. The increase in general and administrative expenses was primarily due to legal costs associated with the arbitration proceedings initiated against FHL during the year. The increase in finance cost is due to a late payment surcharge of $1.2 million incurred by the Company due to delay in payment to the operator of the Zarghun South and Guddu blocks and capitalization of eligible borrowing costs in 2014;

- Capital expenditures were $4.5 million for the year ended December 31, 2015. Capital expenditure during the year relates to the drilling of one exploration well in the Guddu exploration license and two development wells in the Reti and Sara leases respectively;

- A development well, Reti-2, in the Reti lease was drilled in February 2015. After successful drilling, the development well Reti-2 was completed as a gas producer;

- In May 2015 an exploration well, Ismail-1, was drilled in the Guddu exploration license. The target formation was found to be water-bearing. Consequently, the well was plugged and abandoned without testing;

- Commercial production from Maru East-1 commenced in May 2015;

- Production from development well Reti-2 commenced in June 2015;

- Development well, Sara-4, in the Sara lease was drilled in December 2015. After successful drilling, the development well Sara-4 was completed as a gas producer;

- In December 2015, SEPL entered into a Syndicated Long Term Islamic Financing Facility (the "Facility") amounting to PKR 750 million (equivalent $7.2 million);

- In May 2015, Petroleum Exploration (Private) Limited, served a notice of arbitration to FHL. The notice of arbitration relates to the scope of an Area of Mutual Interest ("AMI") provision contained in the Kandra Farm-In Agreement made between PEL and FHL in April 2006 (*See Provisions, Contingencies and Commitments – Disputes with PEL" below)*;

- In October 2015, PEL served a notice to FHL 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 (*See Provisions, Contingencies and Commitments – Disputes with PEL" below);*

- In January 2016 the drilling of exploration well Aminah-1 in the Badin IV South Exploration license resulted in a potential gas and condensate discovery (*See "Background of oil and gas properties – Badin IV South Exploration License" below)*;

- In January 2016, the first tranche of PKR 300 million under the Facility was disbursed and used to settle the existing JS Bank Facilities; and

- In February 2016, the second tranche of PKR 450 million under the Facility was disbursed.

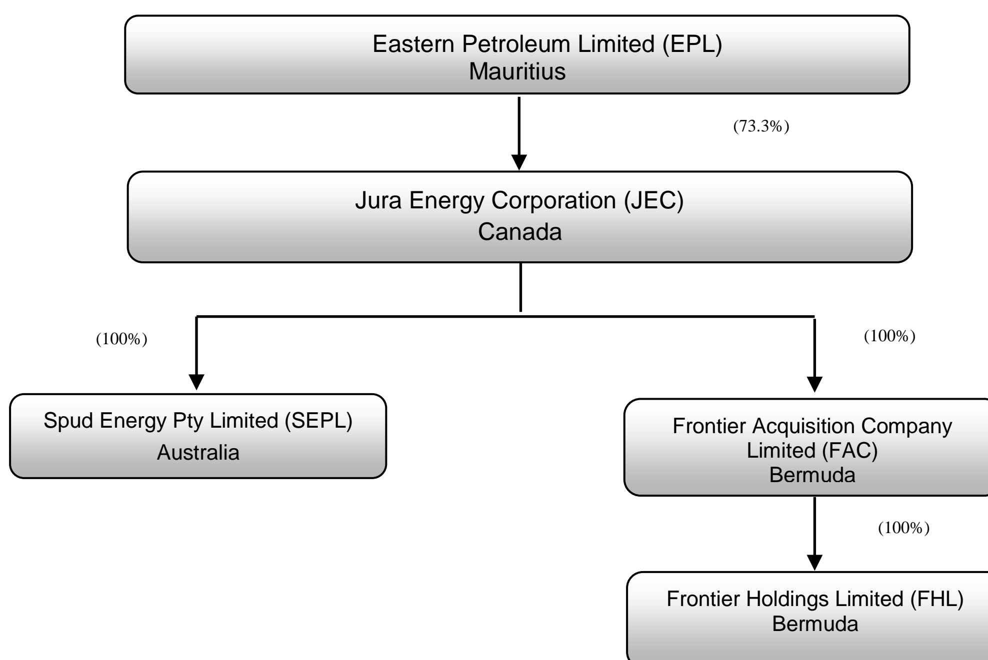
[1]*Refer to non IFRS financial measures.*

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

The group structure of the Company is as indicated below:



Background of Oil and Gas Properties

SEPL has one operated and six 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 7.89% to 60%, as detailed in the preceding Overview section.

FHL has non-operated working interests in two exploration licenses and two development leases (one of which also includes exploration rights in the development and production lease area) in Pakistan. The working interests range from 27.5% to 37.5%.

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. Anticipated future production from Sara-4 is expected to be entitled to a gas price of $2.61 per Million British Thermal Unit ("MMBtu"), based on the carriage and freight price of crude oil of $40 per barrel, under the GoP's Modified 1994 Petroleum Policy as set out in the GoP's Policy framework of 2000.

Negotiations are in progress with GENCO-II for the finalisation of a Gas Sale and Purchase Agreement ("GSA"). Production from the Sara-4 development well and Suri shut-in wells is expected to commence in Q2 2016.

The Suri lease expired on June 29, 2015. The operator, on behalf of JV Partners, has applied for an extension in the Suri lease term for a period of six years with effect from June 30, 2015, which SEPL believes will be granted. The Sara lease will expire on July 7, 2016. Further, the Company has applied for an exemption from applicability of Rule 43 on Sara and Suri leases till March 31, 2016.

Non-operated Concessions

Badar Lease

SEPL holds a 7.89% working interest in the Badar lease.

Commercial production from the Badar lease commenced in April 2006. During 2015, average production from the Badar lease was 11.22 MMcf/d.

The production from the Badar-2 development well is delayed, pending gas price notification by the GoP under the Pakistan Petroleum (Exploration and Production) Policy, 2012 ("Petroleum Policy, 2012").

The production from Badar-2 is expected to be entitled to a gas price of approximately $3.89 per MMBtu (based on the cost and freight price of crude at $40 per barrel) under the Petroleum Policy, 2012. The production from Badar-2 is expected to commence in Q2 2016.

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 2015, average production from Zarghun South was 12.44 MMcf/d.

In August 2015, the GoP issued provisional gas price notification of tight and conventional gas production from the Zarghun South lease.

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.

Kandra Lease

FHL holds a 37.5% working interest in the Kandra lease.

The Kandra gas field development plan was approved by the GoP in January 2006. The plan envisages the partial removal of CO_2 from Kandra shallow gas and the subsequent commingling of this gas with a high Btu gas. The commingled gas would then be used as feedstock for a power station to be constructed nearby. The construction of this facility is a condition of the viability of the plan. The reasons for the delay in developing the Kandra field include a delay in obtaining confirmation of the price at which Kandra gas will be sold and a change in plans from refurbishing an existing power plant to constructing a new facility.

The JV Partners are evaluating various options for the optimal field development strategy prior to the commencement of drilling of new wells and completion of existing wells.

The operator has submitted a Gas Pricing Agreement ("GPA") for Kandra gas under the Pakistan Low Btu Gas Pricing Policy, 2012 ("Low Btu Policy") to the GoP for approval. Pursuant to the terms of the GPA, Kandra gas is expected to be entitled to a gas price of $8.75 per MMBtu. The operator of the Kandra gas field is in the process of finalizing a GSA with SSGCL which envisages supply of 40MMcf/d of 300 Btu/Scf gas. Pending delay in finalization of the GPA for Kandra gas and GSA with SSGCL, the reserves of Kandra lease have been downgraded to *"Contingent Resources – Development on Hold"* category.

Reti, Maru and Maru South Leases ("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 2015, average production from the leases was 12.96 MMcf/d.

The drilling of development well Reti-2 commenced in February 2015. After successful drilling, the development well Reti-2 was completed in the Pirkoh Limestone formation of Eocene age as a gas producer. During a short duration test on 48/64-inch choke, the well flowed gas at the rate of approximately 6.22 MMcf/d at a wellhead flowing pressure of 400 psi.

After tie-in with the existing gas pipeline infrastructure, production from development well Reti-2 commenced in June 2015.

Maru East Gas Field

Commercial production from Maru East-1 commenced after allocation of gas from the well to Engro Fertilizers Limited, the existing buyer of gas from the Reti-Maru leases.

Production from Maru East-1 is expected to be entitled to a gas price of approximately $3.89 per MMBtu (based on the cost and freight price of crude at $40 per barrel) under the Petroleum Policy, 2012.

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 Ismail-1 exploration well commenced in May 2015. The total depth of the exploratory well was 825 meters. Based on the interpretation of logs and the results of Modular Dynamic Tester, the formation was found to be water-bearing. Consequently, the well was plugged and abandoned without testing.

In April 2015, the operator, on behalf of the JV Partners, applied for a further one-year extension in the third year license term of the Guddu exploration license, which the Company believes will be granted.

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 Directorate General Petroleum Concessions ("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 exploration well Aminah-1 resulted in a potential gas and condensate discovery in the Badin IV South exploration license.

At present the operator, PEL, has not provided drilling depth, testing results or other status information with regard to the drilling of Aminah-1 directly to FHL, and FHL has not independently verified the discovery.

The drilling of exploration well Ayesha North-1 is expected to commence in March 2016.

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 second quarter of 2016. Badin IV North Exploration license will expire on December 7, 2016.

Performance Overview and Financial Analysis

Operational and Financial Results

Description	December 31,		
	2015	2014	2013
	----------$----------		
Net revenue	8,626,569	2,295,180	447,068
Gross profit / (loss)	2,344,278	(98,017)	194,342
Net loss for the year	(15,968,754)	(3,451,661)	(4,453,267)
Loss per share			
- Basic	(0.23)	(0.05)	(0.06)
- Diluted	(0.23)	(0.05)	(0.06)
Capital expenditure	4,478,116	12,002,117	7,155,420
Assets	51,218,800	58,577,647	48,803,211
Long term liabilities	6,466,626	7,208,475	5,314,827
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 2015 represents gas sales from the Badar, Reti-Maru and Zarghun South leases. The significant increase in revenue is due to an increase in production during the year and higher realized gas price for tight gas production from Zarghun South. Average daily production during 2015 was 7.24 MMcf/d compared to 3.22 MMcf/d in 2014. Commercial production from the Reti-Maru and Zarghun South leases commenced in December 2013 and August 2014 resulting in significant increase in revenue in 2014 and 2015.

JEC suffered a net loss of $15,968,754 during 2015, primarily driven by a $14.1 million impairment of oil and gas properties. Other factors include increased cost of production, salaries and other benefits, consultancy, legal and professional services and finance costs on: (i) a loan from its principal shareholder, Eastern Petroleum Limited ("EPL"); (ii) financing facilities provided by JS Bank Limited; (iii) the Company's subordinated debentures; and (iv) late payment surcharge incurred on delayed payments to the operators of Zarghun South and Guddu. These effects were partially offset by the increase in revenue during the year.

The capital expenditure incurred during 2015 mainly related to drilling of development wells in the Sara and Reti leases and one exploration well in the Guddu exploration license.

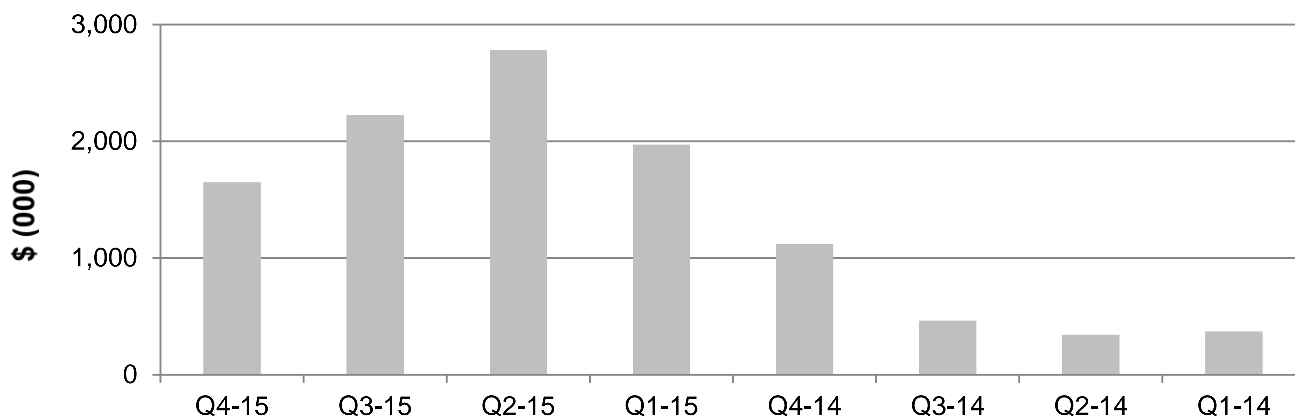
Long term liabilities of $6,466,626 consisted of asset retirement obligations related to exploration and development properties and the Company's subordinated debentures. The decrease in long term liabilities in 2015 is due to settlement of four principal instalments of the JS Bank term finance facility.

Fourth Quarter and Summary of Quarterly Results

Description	2015				2014			
	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
	--------------------$--------------------							
Revenue	1,648,239	2,222,534	2,784,414	1,971,382	1,122,721	462,126	341,813	368,520
Net profit / (loss) from continuing operations	(16,787,298)	532,027	51,724	234,793	(1,609,670)	(264,412)	(1,104,457)	(473,122)
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)	(0.24)	0.01	0.00	0.00	(0.02)	(0.00)	(0.02)	(0.01)
Capital expenditure	2,758,048	267,304	754,441	698,323	1,807,397	3,915,362	2,380,828	3,898,530
Assets	51,218,800	65,547,825	63,702,738	60,612,271	58,577,647	56,916,592	54,293,031	51,716,003
Long term liabilities	6,466,626	6,655,207	6,770,358	7,090,367	7,208,475	5,667,879	5,531,920	5,575,720

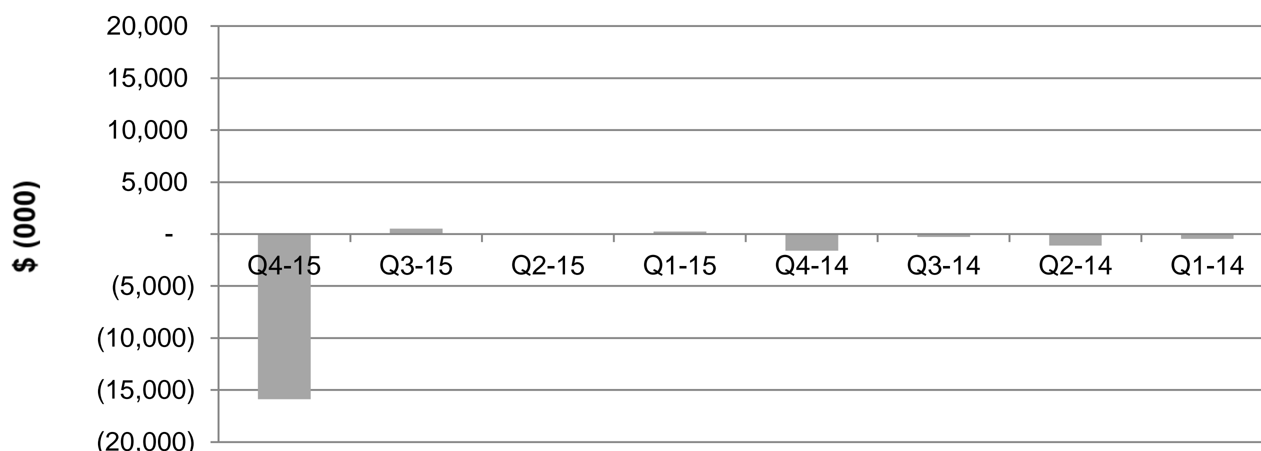
Fourth quarter and trend analysis of quarterly information

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 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. Revenue in Q3 2015 and Q4 2015 decreased significantly due to controlled production from Zarghun South for reservoir monitoring and a decrease in average realized price due to the decline in international crude oil prices. Further, the production from Zarghun South was suspended for two weeks in November 2015 on account of gas sales pipeline maintenance.

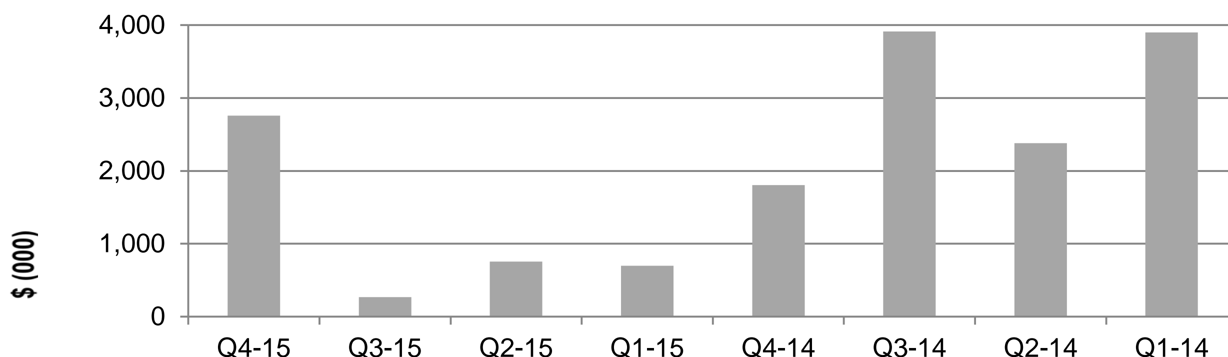
Net loss from continuing operations



The Company continued to incur losses up to Q4 2014. In Q1 2015 the Company reported a profit for the first time due to an increase in production from Zarghun South and exchange gain arising on retranslation of foreign currency denominated borrowings at reporting date exchange rate.

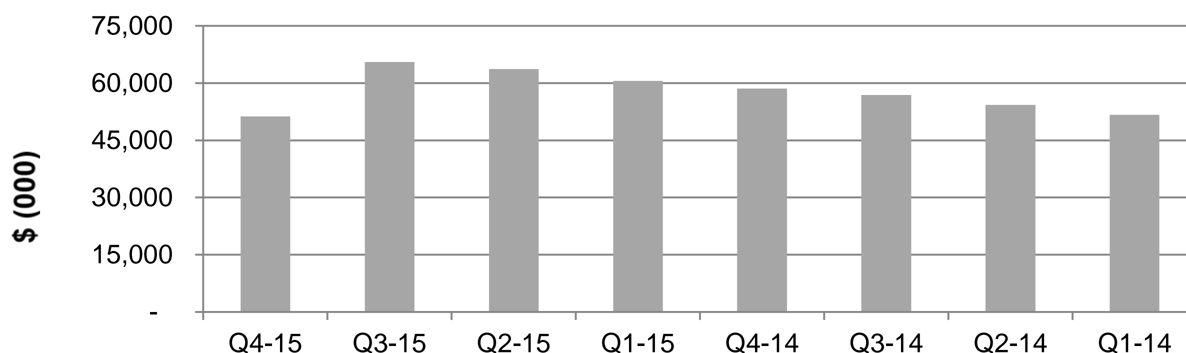
In Q4 2015, the Company reported a loss of $16,787,298 primarily driven by a $14.1 million impairment of oil and gas properties, decrease in revenue on account of suspension of production from Zarghun South for two weeks due to pipeline maintenance, a lower average realized gas price, legal and professional costs associated with arbitration and late payment surcharge incurred on delayed payments to the operators of Zarghun South and Guddu.

Capital expenditure



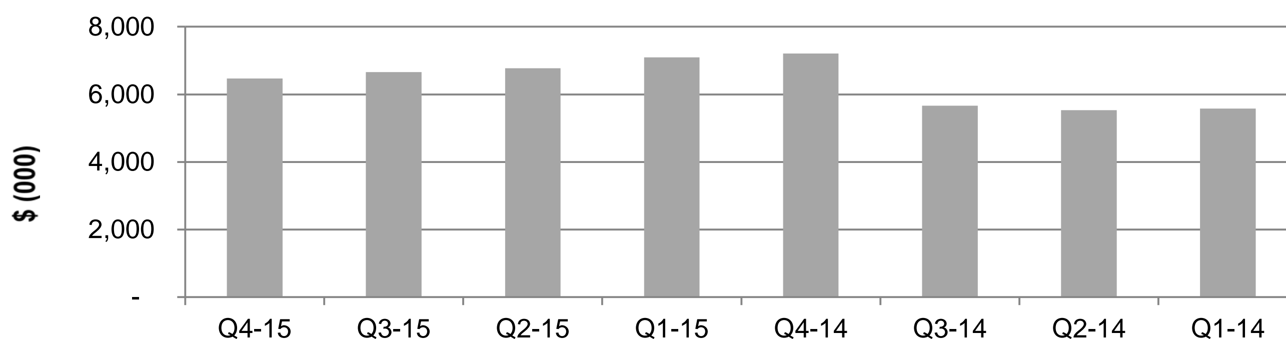
The Company continued to incur significant capital expenditure for the development of its oil and gas properties. Capital expenditure incurred in Q1 2014 through Q4 2014 primarily relates to the development of the Zarghun South lease, Reti, Maru and Maru South leases, Sara and Suri leases and drilling of a development well in the Badar lease and exploration wells in the Badin IV South exploration license and Guddu exploration license. Capital expenditure in Q4 2015 mainly relates to drilling of the Sara-4 development well in the Sara lease.

Assets



Until Q4 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 was primarily driven by a $14.1 million impairment of oil and gas properties.

Long term liabilities



There has been no significant change in long term liabilities up to Q3 2014. During Q4 2014, the Company closed a term finance facility with JS Bank Limited ("JS Bank") and recognised asset retirement obligations related to the gas processing facilities in the Zarghun South lease, a development well in the Badar lease and exploration discoveries in the Guddu and Badin IV South exploration licenses. This resulted in a significant increase in long term liabilities. The decrease in long term liabilities in the year 2015 is due to repayment of installments of principal of the JS Bank term finance facility.

Financial and Overall Performance Review and Analysis

Review of Financial Results

1. Net loss

Description	For the year ended December 31,		
	2015	2014	Difference
	----------$----------		
Net loss	(15,968,754)	(3,451,661)	(12,517,093)

The Company posted a loss of $15,968,754 for the year ended December 31, 2015, which is significantly higher than the Company's loss for the comparative period.

The increase in loss for the year is primarily driven by a $14.1 million impairment of oil and gas properties due to decline in international crude oil prices, increase in production costs. Other factors include depletion of capitalized costs, legal and professional costs associated with litigations and finance costs partially offset by increase in revenue from Zarghun South and commencement of production from exploration well Maru East-1 and development well Reti-2 in the Reti lease.

Segment breakdown of loss for the year ended December 31, 2015 is as follows:

	$
Canada	(1,074,328)
Pakistan	(14,894,426)

The 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 a $14.1 million impairment of oil and gas properties, increased production costs, depletion of producing properties, finance costs on shareholder loans and JS Bank Limited financing facilities, salaries and other benefits and other administrative costs netted against revenue from the Badar, Reti, Maru and Maru South and Zarghun South leases and gain on retranslation of shareholder loans at reporting date exchange rate.

2. Net revenue

Description	For the year ended December 31,		
	2015	2014	Difference
	-----------$----------		
Sales	9,838,108	2,617,385	7,220,723
Royalty	(1,211,539)	(322,205)	(889,334)
Net revenue	**8,626,569**	**2,295,180**	**6,331,389**

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

The increase of $7,220,723 in revenue compared to the comparative period is due to increase in production from Zarghun South and commencement of production from exploration well Maru East-1 and development well Reti-2 in Reti lease.

During the year ended December 31, 2015 daily gas sales volumes from the Badar, Reti-Maru and Zarghun South gas fields averaged approximately 11.22 MMcf, 12.96 MMcf and 12.44 MMcf respectively compared to 11.76 MMcf, 10.54 MMcf and 2.92 MMcf respectively in year 2014.

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

Description	For the year ended December 31,		
	2015	2014	Difference
Production in Boe	455,850	202,581	253,269
Price ($ / Boe)[1]	21.58	12.92	8.66

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

The significant increase in realized price per Boe is due to the higher price for tight gas production from Zarghun South lease under the Tight Gas Petroleum Policy, compared with the price obtained by the Company for production from the Badar and Reti-Maru leases.

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,		
	2015	2014	Difference
Production in Boe	455,850	202,581	253,269
Royalty ($ / Boe)[1]	2.66	1.59	1.07

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

The historical effective rate of royalty for the Badar lease is approximately 9.5% of the value of petroleum compared to 12.5% of the value of petroleum for the Reti-Maru and Zarghun South leases. During the year ended December 31, 2015, revenue from the Badar lease comprised 4% of Jura's revenue compared to 8% in the comparative period. This resulted in a significant increase in royalty per Boe for the current period.

3. Cost of production

Description	For the year ended December 31,		
	2015	2014	Difference
	----------$----------		
Production costs	2,695,737	1,096,703	1,599,034
Depletion of oil and gas properties	3,586,554	1,296,494	2,290,060
	6,282,291	**2,393,197**	**3,889,094**

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

Description	For the year ended December 31,		
	2015	2014	Difference
Production in Boe	455,850	202,581	253,269
Production costs ($ / Boe)[1]	5.91	5.41	0.50

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

Increase in production cost per Boe from 2014 to 2015 represents high production costs associated with the Zarghun South leases.

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

Description	For the year ended December 31,		
	2015	2014	Difference
Production in Boe	455,850	202,581	253,269
Depletion costs ($ / Boe)[1]	7.87	6.40	1.47

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

Depletion cost per Boe increased significantly during the year in comparison with the comparative period due to higher depletion costs of Zarghun South leases and a slight downward revision in Zarghun South recoverable reserves.

4. General and administrative expenses

Description	For the year ended December 31,		
	2015	2014	Difference
	---------$---------		
General and administrative expenses	3,491,446	2,611,164	880,282

Segment breakdown of general and administrative expenses for the year ended December 31, 2015 is as follows:

	$
Canada	610,948
Pakistan	2,880,498

The increase in general and administrative expenses in 2015 is mainly due to legal costs associated with arbitration.

5. Finance income

Description	For the year ended December 31,		
	2015	2014	Difference
	---------$---------		
Finance income	**1,724,591**	**593,369**	**1,131,222**

Finance income mainly represents foreign exchange gain on retranslation of shareholder's loan to SEPL at the reporting date exchange rate due to the strengthening of US$ to C$ exchange rate parity.

6. Finance costs

Description	For the year ended December 31,		
	2015	2014	Difference
	---------$---------		
Interest on amount due to related parties	685,388	234,957	450,431
Interest on subordinated debentures	489,734	485,392	4,342
Accretion on asset retirement obligation	50,765	67,846	(17,081)
Other finance costs	1,194,825	492,974	701,851
	2,420,712	**1,281,169**	**1,139,543**

Finance costs increased significantly during the year compared to comparative period. This is mainly due to an increase in amortised cost of shareholder's loan and mark up on the JS Bank financing. Other finance costs mainly represent the additional sum charged by the operators of the Zarghun South and Guddu blocks due to a delay in payment of cash calls.

7. Operating netback

Description	For the year ended December 31,		
	2015	2014	Difference
	---------$----------		
Net revenue	8,626,569	2,295,180	6,331,389
Production costs	(2,695,737)	(1,096,703)	(1,599,034)
Operating netback	**5,930,832**	**1,198,477**	**4,732,355**
Production in Boe	455,850	202,581	253,269
Operating Netback ($ / Boe)[1]	13.01	5.92	7.09

[1]Refer to non IFRS financial measures.

Operating netback per Boe for the year ended December 31, 2015 increased by $7.09 compared to the comparative year. This is mainly due to the higher average realized price for tight gas production from Zarghun South. Average realized price for tight gas production from Zarghun South was $29.9 per Boe compared to average realized price of $13.1 per Boe for production from Badar, Reti-Maru and conventional reserves in Zarghun South.

8. Adjusted EBIDTA

Description	For the year ended December 31,		
	2015	2014	Difference
	---------$----------		
Adjusted EBIDTA	2,443,704	(1,424,236)	3,867,940

[1]*Refer to non IFRS measures.*

Adjusted EBIDTA for the year ended December 31, 2015 increased significantly due to increase in production from Zarghun South and commencement of production from exploration well Maru East-1 and development well Reti-2 in the Reti lease.

Impairment of oil and gas properties

As a result of the decline in 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, as of December 31, 2015. The Company's CGUs are 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) of the audited financial statements of the Company. 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 reserves 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 is 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, 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 is required to be recognized for CGU-II. The crude oil forecast prices used in impairment tests are $40/bbl in 2016, $50/bbl in 2017 and 2018 and $65/bbl in 2019 and onwards. The FVLCD calculation assumes weighted average gas prices in $/Mcf as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	----------$/Mcf----------									
CGU-I	4.07	4.56	4.74	5.44	5.44	5.44	5.44	5.44	5.44	5.44
CGU-II	2.52	3.20	3.25	4.42	4.04	3.01	2.65	2.67	2.77	2.85

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 for CGU-I and CGU-II by ($0.78 million) / $0.83 million and ($0.44 million) / $0.47 million respectively.

A 5% increase / (decrease) in the crude oil price would have resulted in an increase / (decrease) in the recoverable amounts for CGU-I and CGU-II by $0.68 million / ($0.78 million) and $0.51 million / ($0.82 million) respectively.

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, 2015, the Company has received an excess amount of $1,324,610 from the buyer.

Contingencies and Commitments

Bank guarantees issued to GoP

The bank guarantees issued to the GoP, representing 50% of the minimum outstanding financial obligations under various petroleum concession agreements, have expired. The Company has initiated a process to hypothecate Kandra reserves in lieu of bank guarantees. The hypothecation will result in the GoP having a lien on Kandra reserves to the extent of 100% of the minimum financial obligations.

Disputes with PEL

From time to time, the Company may become involved in legal or administrative proceedings in the normal conduct of business. In May 2015, FHL, a wholly owned subsidiary of JEC, became a party to arbitration proceedings brought by PEL under the International Chamber of Commerce Rules for Arbitration and governed by English law. Under English law, arbitration proceedings are by their nature confidential and therefore the parties are restricted as to what public disclosures they can make about the proceedings. However, FHL is able to confirm that the proceedings relate to the scope of an Area of Mutual Interest ("AMI") provision contained in the Kandra Farm-In Agreement made between PEL and FHL in April of 2006. PEL asserts that it is entitled to participate (up to a 50% share) in working interests held by SEPL at the time of the completion of a reverse takeover on July 11, 2012 pursuant to the acquisition agreement, as amended, between the Company and Eastern Petroleum Limited entered into and announced by the news release on November 23, 2011, and any other working interests acquired by FHL and its affiliates after that date. PEL submitted its statement of claim on November 23, 2015. FHL submitted its statement of defence and a counterclaim on December 23, 2015. The exchange of document production requests took place on February 9, 2016. Given the preliminary stage of the arbitration proceedings, management is of the view that the determining the probability of any particular outcome resulting from the AMI arbitration described above cannot be undertaken at this time with any sufficient degree of reliability.

In addition, FHL and PEL are in dispute with regard to, among other things, a past cash call for the Badin IV South block under the Joint Operating Agreement entered into by the parties in connection with that block (the "JOA") pursuant to which PEL has commenced proceedings with the GoP to attempt the forfeiture of FHL's Working Interest in the Badin IV South block. FHL and the other non-operated working interest owner challenged the validity of the cash call, which was in any event paid, and FHL disputes the claim by PEL that

FHL is in default under the Badin IV South JOA and that FHL's working interest in the block is validly subject to forfeiture. FHL believes that it is highly unlikely that the forfeiture will be approved by the GoP. Jura is presently evaluating its options in connection with its ongoing disputes in connection with the JOA.

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, 2015 and 2014. These financial commitments are expected to be funded through internal cash generation and debt and/or equity financing.

Description	December 31, 2015	December 31, 2014
	-------$-------	
Minimum capital commitments related to exploration licenses	4,099,250[1]	4,419,050
Commitments under approved AFEs	1,561,169	1,767,285
Commitment under share purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under operating leases		
- Not later than one year	64,071	103,521
- Later than one year and less than five years	86,578	92,258
Total	**5,812,068**	**6,383,114**

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

Description	2016	2017	2018	Total
	-------$------			
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Badin IV North	357,500	-	-	357,500
Total	**2,249,750**	**94,500**	**1,755,000**	**4,099,250**

Going Concern and Liquidity

At December 31, 2015, the Company had current assets of $8.21 million comprising trade and other receivables of $6.49 million and cash and cash equivalents of $1.72 million. Total current liabilities were $29.15 million comprising account payable and accrued liabilities of $16.07 million and amounts due to related parties of $13.08 million. The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of $50.1 million. For the year ended December 31, 2015 the Company reported cash flows from operations of $3.48 million mainly due to significant increase in accounts payable and accrued liabilities. During the year, the Company has recorded an impairment of $14.1 million against its oil and gas properties. In addition to its ongoing working capital requirements, the Company also had financial commitments as at December 31, 2015 that amounted to $5.81 million. Additional cash resources will be required to exploit the Company's petroleum and natural gas properties. Further, FHL is a defendant in an arbitration proceeding

lodged against it by PEL during the year and PEL has initiated proceedings to forfeit FHL's working interest in Badin IV South.

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 outcome of arbitration proceeding against PEL, 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 the 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.

On February 20, 2013, SEPL entered into an unsecured bridge loan financing arrangement of C$11 million with its majority shareholder, Eastern Petroleum Limited ("EPL"). The loan carries interest at the rate of 3 months US$ LIBOR + 4%. Further, EPL also has a right to convert each C$1 of outstanding principal and accrued interest thereon into one common share of the Company. As at December 31, 2015, the Company had completely utilized this financing arrangement. The loan is repayable on demand after February 20, 2015 (the "maturity date"). However, EPL has provided an undertaking to the Company, pursuant to which, EPL shall not demand repayment of the principal amount and accrued interest thereon after the maturity date, unless the Company has sufficient funds to repay, in EPL's reasonable judgment, or the Company closes a qualifying financing.

On December 30, 2015, SEPL entered into a syndicated credit facility dated effective December 18, 2015 (the "Syndicated Credit Facility") with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), as lead arranger, in the amount of up to PKR 750 million (approximately $7.2 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. Subsequent to the year end, the Company has drawn down PKR 750 million under the Syndicated Credit Facility to settle the JS Bank facilities amounting to $2.90 and a portion of accounts payable and accrued liabilities. As at December 31, 2015, the Company was non-compliant with one of the financial covenants of the Syndicated Credit Facility for which a waiver has been granted by Al Baraka, acting on behalf of the participants.

Management is currently evaluating and pursuing other funding alternatives, including the expansion of the Syndicated Credit Facility from PKR 750 million to PKR 1,100 million for which shareholders' approval has been granted on March 21, 2016 and closing of a US$-denominated component of the Syndicated Credit facility of $ 6 million to fund the Company's ongoing operations. 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 financial statements of the Company 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, 2015			**Year ended December 31, 2014**		
	Number of options	**Weighted average exercise price**		**Number of options**	**Weighted average exercise price**	
		$	**C$**		**$**	**C$**
Options outstanding, beginning of year	2,368,294	0.61	0.84	2,943,294	0.68	0.79
Granted	50,000	0.72	1.00	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	(1,393,294)	0.53	0.73	(575,000)	0.52	0.60
Options outstanding, end of year	1,025,000	0.72	1.00	2,368,294	0.72	0.84
Options exercisable, end of year	991,666	0.72	1.00	1,813,042	0.68	0.79

Price		**Number outstanding**	**Weighted average remaining contractual life (years)**	**Exercisable**
$	**C$**			
0.72	1.00	1,025,000	2.34	991,666
0.72	1.00	1,025,000	2.34	991,666

Shares Based Compensation

During the year ended December 31, 2015 stock-based compensation of $16,134 (December 31, 2014: $40,601) was charged to the consolidated statement of comprehensive loss.

Results of Operations

The following table summarizes the working capital of the Company as at December 31, 2015 as compared to December 31, 2014:

Description	**As at December 31, 2015**	**As at December 31, 2014**
	----------$-----------	
Current assets	8,209,514	2,222,274
Current liabilities	(29,154,629)	(19,819,007)
Working capital deficiency	(20,945,115)	(17,596,733)

The working capital deficiency reflects amounts due to EPL on demand following maturity of a shareholder loan on February, 20, 2015 amounting to $10,175,454. However, EPL has undertaken not to demand repayment of the loan until closing of a debt or equity financing by the Company or the Company having sufficient liquidity to repay the loan on the maturity date, see "Going Concern and Liquidity" above. All other liabilities are expected to be settled through internal cash generation from the Badar, Reti, Maru, Maru South and Zarghun South leases and the Syndicated Credit Facility.

Contractual Obligations

The following table sets forth the contractual obligations of the Company as at December 31, 2015:

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)]	4,099,250	2,249,750	1,849,500	-	-
Commitments under outstanding AFEs	1,561,169	1,561,169	-	-	-
Operating leases	150,649	64,071	86,578	-	-
Purchase obligations [(2)]	1,000	1,000	-	-	-
Other obligations [(3)]	35,621,255	29,154,629	3,902,270	-	2,564,356
Total contractual obligations	**41,433,323**	**33,030,619**	**5,838,348**	**-**	**2,564,356**

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, 2015.

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 a non-interest bearing loan payable on demand and an interest bearing bridge loan financing to meet its financial commitments. The interest bearing bridge loan carries interest at the rate of US dollar LIBOR + 4% compounded quarterly. The changes in loan balance during the applicable periods and balances outstanding as at December 31, 2015 and December 31, 2014 are as follows:

Description	December 31, 2015	December 31, 2014
	----------$-----------	
Balance payable at beginning of the year	10,284,720	7,952,646
Loan received during the year net of embedded derivative	1,200,000	3,057,514
Loan repaid during the year	(133,013)	(500,000)
Interest accrued on loan from shareholder	353,019	390,935
Exchange gain on retranslation of shareholder loan	(1,529,272)	(608,869)
Amount paid on behalf of EPL during the year	-	(7,506)
Balance payable at end of the year	**10,175,454**	**10,284,720**

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.

Description	December 31, 2015	December 31, 2014
	----------$----------	
Balance payable at beginning of the year	3,833,505	-
Loan received during the year	115,501	3,717,218
Interest accrued	332,369	50,223
Interest paid during the year	(332,447)	-
Principal repaid during the year	(985,557)	-
Exchange (gain) / loss on retranslation of loan	(58,095)	66,064
Balance payable at end of the year	**2,905,276**	**3,833,505**

Key management personnel

Description	December 31, 2015	December 31, 2014
	----------$----------	
Management salaries and benefits	395,034	354,150
Management stock based compensation	1,597	8,669
Directors' fees and compensation	117,286	151,575
Total	**513,917**	**514,394**

Future Outlook

The Company's capital expenditure program for 2016 includes:

- development of the Ayesha gas and condensate discovery involving installation of a production facility;
- installation of a front end compression facility at the Suri shut-in wells;
- drilling of a development well in the Zarghun South lease;
- Installation of a front end compression facility at the Zarghun South lease;
- drilling of two exploration wells in the Badin IV South license; and
- drilling of one exploration well in the Badin IV North license.

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

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

- Development well Badar-2 in the Badar lease;
- The Sara and Suri leases; and
- The Ayesha lease.

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.

Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB issued amendments to IFRS 11 Joint Arrangements to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3 Business Combinations. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amendment could impact the Company in the event it increases or decreases its ownership share in an existing joint operation or invests in a new joint operation.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB issued amendments to address an inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and those in International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures regarding the sale or contribution of assets between an investor and its associate or joint venture. The amendment clarified that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amendment could impact the Company in the event that it has transactions with Associates or Joint Ventures.

Disclosure Initiative

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amended standard is not expected to have a material impact on the Company's disclosure.

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, 2015	December 31, 2014
	--------------$-----------	
PKR		
Bank balances	17,647	11,618
Accounts and other receivables	1,072,968	306,237
Accounts payable and accrued liabilities	(3,470,953)	(323,273)
Amounts due to related parties	(2,905,276)	(3,833,505)
Net exposure	**(5,285,614)**	**(3,838,923)**
CAD		
Bank balances	3,689	10,893
Accounts and other receivables	13,556	11,177
Accounts payable and accrued liabilities	(294,472)	(203,475)
Amounts due to related parties	(8,440,454)	(8,416,707)
Net exposure	**(8,717,681)**	**(8,598,112)**

The following significant exchange rates were applied during the year:

Description	2015	2014
PKR per USD		
Average rate	101.94	101.01
Reporting date rate	104.38	101.94
CAD per USD		
Average rate	1.28	1.10
Reporting date rate	1.38	1.16

If the functional currency, at the reporting date, had fluctuated by 5% against the PKR, CAD and AED with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been $700,165 (2014: $621,852) 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, 2015	December 31, 2014
	------------$----------	
Fixed rate instruments		
- Subordinated debentures	3,902,270	3,852,536
Floating rate instruments		
- Amounts due to related parties	11,345,730	12,250,212

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 $113,457 (December 31, 2014 $122,502) 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, 2015	December 31, 2014
	------------$---------	
Cash at bank	1,723,170	147,181
Restricted cash	-	35,024
Accounts and other receivables	6,485,608	2,074,798
Total	**8,208,778**	**2,257,003**

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	2015	2014
			----------$-----------	
HSBC – Canada	Moody's[1]	A1	-	66,838
RBC – Canada	Moody's	Aa3	26,318	-
HSBC – Australia	Moody's	A1	15,970	86,821
Meezan Bank Limited	JCR-VIS[3]	A-1+	847	854

Bank Alfalah Limited	PACRA[2]	A1+	618	617
Askari Bank Limited	JCR-VIS[3]	A-1+	1,331	1,331
JS Bank Limited	PACRA	A1+	1,523	15,216
Al Baraka Bank Pakistan Limited	PACRA	A1	1,676,563	10,528
Total			**1,723,170**	**182,205**

[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, 2015, trade receivables of $3,479,063 (2014: $ 1,811,542) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

Description	**December 31, 2015**	**December 31, 2014**
	----------$------------	
Up to 3 months	2,202,009	1,675,371
3 to 6 months	1,277,054	136,171
Above 6 months	-	-
Total	**3,479,063**	**1,811,542**

(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 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, 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
Subordinated debentures	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**

The following are the contractual maturities of financial liabilities as at December 31, 2014:

	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	6,681,751	-	-	-	-	6,681,751	6,681,751
Amounts due to related parties	11,012,051	669,576	3,061,112	-	-	14,742,739	14,118,225
Subordinated debentures	220,000	220,000	440,000	4,660,000	-	5,540,000	3,852,536
	17,913,802	**889,576**	**3,501,112**	**4,660,000**	**-**	**26,964,490**	**24,652,512**

There is a material uncertainty about the Company's ability to continue as going concern.

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 and 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 subordinated debentures approximates its carrying value as the interest rates charged on these debentures are comparable to current market rates.

Financial instruments by category

Financial assets	December 31, 2015	December 31, 2014
	Loans and receivables	
	----------$----------	
Cash and cash equivalents	1,723,906	147,476
Restricted cash	-	35,024
Accounts and other receivables	6,485,608	2,074,798
Total	**8,209,514**	**2,257,298**
Financial liabilities	**Other financial liabilities**	
Accounts payable and accrued liabilities	16,073,899	6,681,751
Amounts due to related parties	13,080,730	14,118,225
Subordinated debentures	3,902,270	3,852,536
Total	**33,056,899**	**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, 2015 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 and linked to the international prices for a basket of imported Arabian and Persian Gulf crude oil. 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 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 depended 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 is 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 operating its oil and gas activities 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.

Litigation Risk

The Company is currently involved in arbitration proceedings and may in the future become involved in other disputes, litigation or arbitration proceedings. The results of these proceedings cannot be predicted with certainty. Further, the Company may be required to incur significant expenses or devote significant resources in defence against such proceedings. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's assets, business, financial condition and results of operations.

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 raised 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, foreign owned companies, which, in particular, 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 financial statements are translated to Canadian dollars, which may have a significant effect on profitability and/or comparability of revenues and expenses 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 at March 30, 2016.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

As at December 31, 2015, 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, 2015, 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, 2015, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published an updated Internal Control – Integrated Framework and related illustrative documents, which superseded the 1992 COSO Framework as of December 15, 2014 (the "2013 COSO Framework"). As of December 31, 2014, the Company was utilizing the original framework published in 1992. During 2015, the Company adopted the 2013 COSO Framework as it relates to its internal control over financial reporting. In 2015 there was no change in Company's internal control over financial reporting that materially affected or is reasonably likely to materially affect Company's internal control over financial reporting.

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.