JURA ENERGY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2016

May 11, 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 three months ended March 31, 2016 and 2015 and the Company's financial position as at March 31, 2016. This MD&A is approved by the Board of Directors (the "Board") on May 11, 2016 and should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three months ended March 31, 2016 and 2015, annual audited consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 and the Company's annual MD&A for the years ended December 31, 2015 and 2014.

The condensed consolidated interim financial statements of the Company for the three months ended March 31, 2016 and 2015 have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") as applicable to the interim financial reports including IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2015 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("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 condensed consolidated interim financial statements of the Company, divided by production for the period.

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 and the outcome and results of the TSX Delisting Review (see "TSX Delisting Review" below). 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 May 11, 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 three months ended March 31, 2016 and up to the date of this MD&A are as follows:

- Production decreased by 7% during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The decrease is due to decline in production from Zarghun South. Jura share of average daily production during the period was 6.41 Million Cubic Feet per day ("MMcf/d") compared to 6.97 MMcf/d in 2015;

- Net revenue decreased by 15% during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. This is mainly due to decrease in average daily production during the current period and a lower average realised gas price due to decline in international crude oil prices;

- Gross profit for the three months ended March 31, 2016 was $0.27 million compared to $0.57 million in 2015. This is primarily due to the decrease in revenue during the current period;

- The Company had a negative EBITDA[1] for the three months ended March 31, 2016 of $0.06 million compared to EBIDTA[1] of $0.72 million in the three months ended March 31, 2015. This is mainly due to decrease in revenue and additional legal and professional costs incurred in relation to the arbitrations with PEL;

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

- Net loss for the three months ended March 31, 2016 was $1.87 million compared to a net profit of $0.23 million in the comparative period. The net loss for the current period is mainly due to decrease in revenue, significant increase in general and administrative expenses, increase in finance costs and non-cash foreign exchange loss on translating the Company's foreign currency denominated loans at the period-end exchange rate. The increase in general and administrative expenses was primarily due to legal costs associated with the arbitrations with PEL;

- Capital expenditures incurred during the three months ended March 31, 2016 were $1.0 million. Capital expenditure relates to the completion of development well in the Sara lease and costs accrued in relation to drilling of exploration wells in Badin IV South and Badin IV North exploration licenses;

- In March 2016, FHL has initiated arbitration proceedings against PEL in relation to PEL's attempt to forfeit FHL's working interest in the Badin IV South exploration license owing to a purported default by FHL in respect of payment of a cash call for the month of May 2015;

- On March 31, 2016, the Toronto Stock Exchange (the "TSX") announced that it had placed the Company under a delisting review as result of a decline in the market value of the Company's shares (*See Provisions, Contingencies and Commitments – TSX Delisting Review" below)*; and

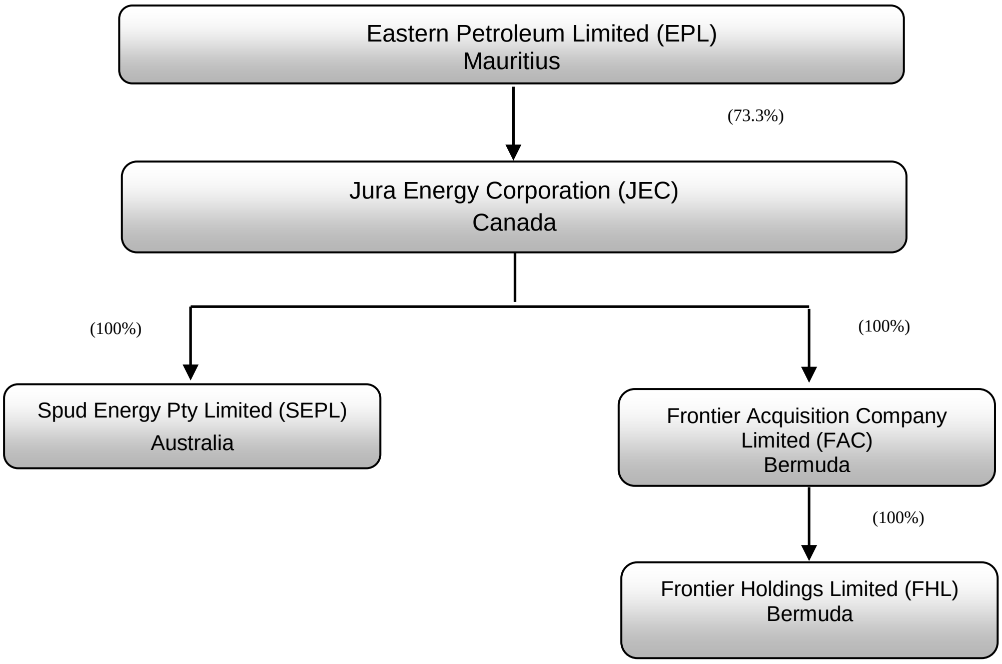
- In April 2016, SEPL entered into supplemental Syndicated Credit Facility with Al Baraka February 2016, pursuant to which the facility amount was enhanced from PKR 750 million to PKR 960 million.

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%.

There has been no significant change in the status of activities in the exploration licenses and development leases since the filling of annual MD&A for the year ended December 31, 2015.

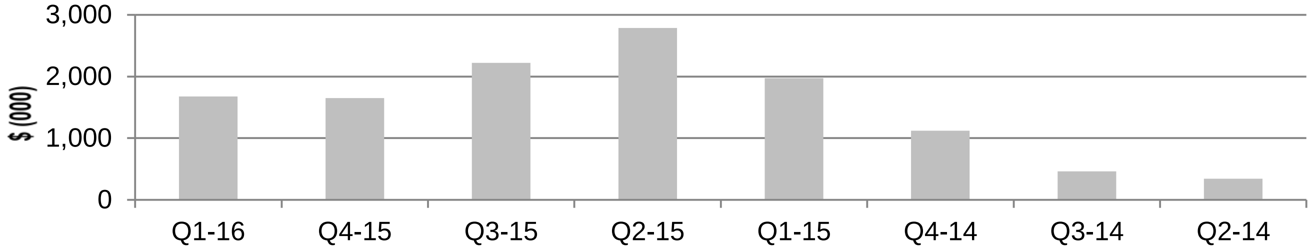
Performance Overview and Financial Analysis

Summary of Quarterly Results

Description	2016	2015				2014		
	Q1	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2
	--------------------$--------------------							
Revenue	1,678,630	1,648,239	2,222,534	2,784,414	1,971,382	1,122,721	462,126	341,813
Net profit / (loss) from continuing operations	(1,865,324)	(16,787,298)	532,027	51,724	234,793	(1,609,670)	(264,412)	(1,104,457)
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)	(0.03)	(0.24)	0.01	0.00	0.00	(0.02)	(0.00)	(0.02)
Capital expenditure	1,037,103	2,758,048	267,304	754,441	698,323	1,807,397	3,915,362	2,380,828
Assets	50,505,183	51,218,800	65,547,825	63,702,738	60,612,271	58,577,647	56,916,592	54,293,031
Long term liabilities	13,609,960	6,466,626	6,655,207	6,770,358	7,090,367	7,208,475	5,667,879	5,531,920

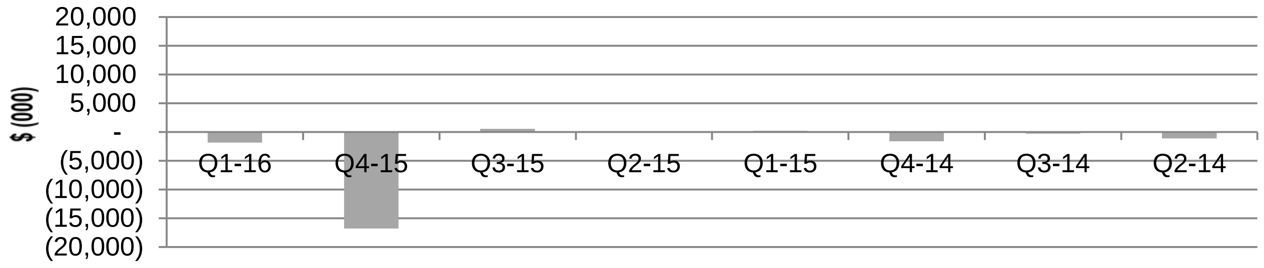
Trend analysis of quarterly information

Net Revenue



Quarterly revenue figures to Q2 2015 indicate an increasing trend due to the commencement of commercial production from Zarghun South in August 2014. Revenue during Q2 2015 increased significantly due to an increase in production from Zarghun South and commencement of production from Reti-2 and Maru East-1 wells in the Guddu Block in Q2 2015. Revenue in Q3 2015, Q4 2015 and Q1 2016 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.

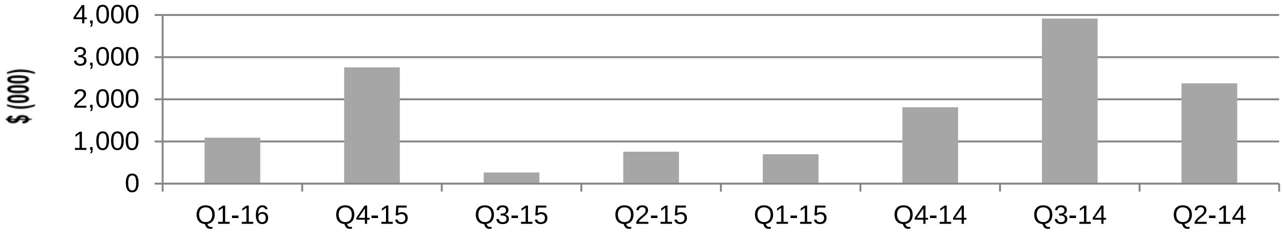
Net loss from continuing operations



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.

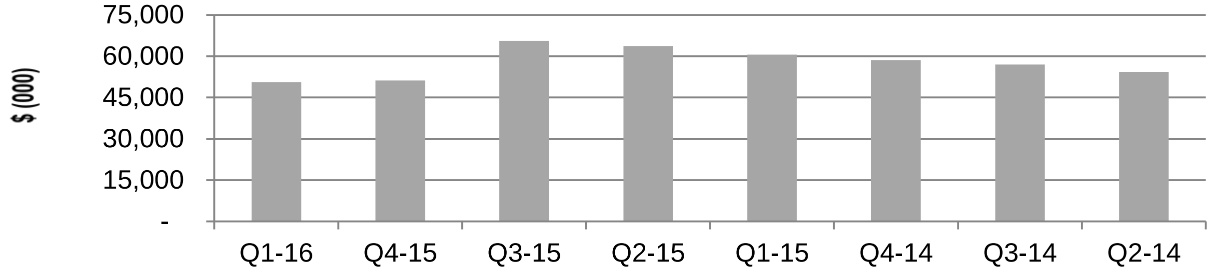
In Q4 2015, the Company reported a loss of $16,787,298 primarily driven by a $14.1 million impairment of oil and gas properties, decrease in revenue on account of suspension of production from Zarghun South for two weeks due to pipeline maintenance, a lower average realized gas price, legal and professional costs associated with arbitration and late payment surcharge incurred on delayed payments to the operators of Zarghun South and Guddu. Net loss in Q1 2016 is mainly due to legal and professional costs associated with arbitrations with PEL and exchange loss on re-translation of shareholder loan at period end exchange rate due to strengthening of C$ against US$.

Capital expenditure



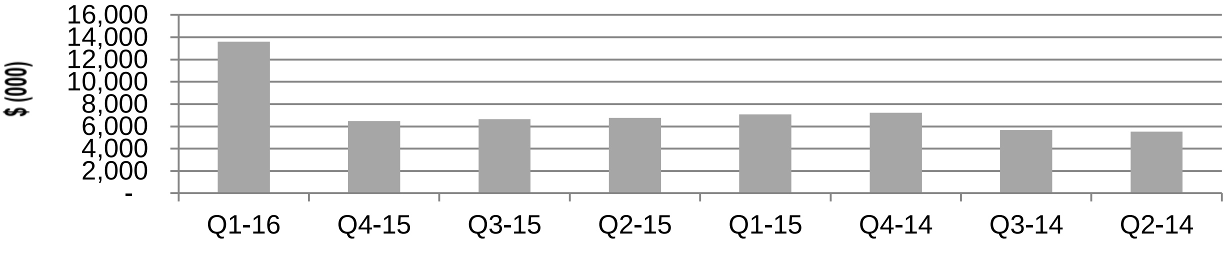
The Company continued to incur significant capital expenditure for the development of its oil and gas properties. Capital expenditure incurred in 2014 primarily relates to the development of the Zarghun South lease, Reti, Maru and Maru South leases, Sara and Suri leases and drilling of a development well in the Badar lease and exploration wells in the Badin IV South exploration license and Guddu exploration license. Capital expenditure in 2015 and 2016 mainly relates to drilling of the development wells in Sara and Reti leases and exploration wells in Guddu and Badin IV South exploration licenses.

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. 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. Significant increase in Q1 2016 represents closing of long term Al Baraka syndicated credit facility.

Financial and Overall Performance Review and Analysis

Review of Financial Results

1. Net loss

Description	For the three months ended March 31,		
	2016	2015	Difference
	----------$----------		
Net profit / (loss)	(1,865,324)	234,793	(2,100,117)

The Company posted a loss of $1,865,324 for the three months ended March 31, 2016 compared to a net profit of $234,793 in the comparative period.

The loss for the current period is primarily driven by a decrease in revenue due to decline in production and international crude oil prices, legal and professional costs associated with the arbitrations ongoing with PEL, increase in finance costs and net exchange loss on retranslation of foreign currency denominated loans due to strengthening of foreign currencies against US$.

Segment breakdown of loss for the three months ended March 31, 2016 is as follows:

	$
Canada	(276,286)
Pakistan	(1,589,038)

The loss for the period 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 decrease in due to decline in production and international crude oil prices, legal and professional costs associated with the arbitrations ongoing with PEL, increase in finance costs and net exchange loss on retranslation of foreign currency denominated loans due to strengthening of foreign currencies against US$.

2. Net revenue

Description	For the three months ended March 31,		
	2016	2015	Difference
	-----------$----------		
Gross revenue	1,915,695	2,247,825	(332,130)
Royalty	(237,065)	(276,443)	39,378
Net revenue	**1,678,630**	**1,971,382**	**(292,752)**

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

The decrease of $332,130 in gross revenue compared to the comparative period is due to decrease in production from Zarghun South and lower realized price per Mcf due to decline in international crude oil prices.

During the three months ended March 31, 2016 daily gas sales volumes from the Badar, Reti-Maru and Zarghun South gas fields averaged approximately 10.54 MMcf, 13.16 MMcf and 10.44 MMcf respectively compared to 11.09 MMcf, 10.35 MMcf and 12.45 MMcf respectively in the comparative period.

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

Description	For the three months ended March 31,		
	2016	2015	Difference
Production in Boe	100,578	108,132	(7,554)
Price ($ / Boe)[1]	19.05	20.79	(1.74)

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

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

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

Description	For the three months ended March 31,		
	2016	2015	Difference
Production in Boe	100,578	108,132	(7,554)
Royalty ($ / Boe)[1]	2.36	2.56	(0.20)

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

3. Cost of production

Description	For the three months ended March 31,		
	2016	2015	Difference
	----------$----------		
Production costs	727,444	600,603	126,841
Depletion of oil and gas properties	676,976	802,137	(125,161)
	1,404,420	**1,402,740**	**1,680**

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

Description	For the three months ended March 31,		
	2016	2015	Difference
Production in Boe	100,578	108,132	(7,554)
Production costs ($ / Boe)[1]	7.23	5.55	1.68

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

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

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

Description	For the three months ended March 31,		
	2016	2015	Difference
Production in Boe	100,578	108,132	(7,554)
Depletion costs ($ / Boe)[1]	6.73	7.41	(0.68)

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

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

4. General and administrative expenses

Description	For the three months ended March 31,		
	2016	2015	Difference
	---------$----------		
General and administrative expenses	1,028,540	662,557	365,983

Segment breakdown of general and administrative expenses for the three months ended March 31, 2016 is as follows:

	$
Canada	142,853
Pakistan	885,687

The increase in general and administrative expenses is due to legal and professional costs associated with arbitrations ongoing with PEL.

5. Finance costs

Description	For the three months ended March 31,		
	2016	2015	Difference
	---------$----------		
Interest on amount due to related parties	103,212	177,965	(74,753)
Interest on borrowings	290,243	122,671	167,572
Accretion on asset retirement obligation	13,849	12,692	1,157
Interest on late payment of cash calls to operators	84,954	157,415	(72,461)
Currency translation exchange loss – net	618,736	-	618,736
	1,110,994	**470,743**	**640,251**

Finance costs increased significantly during the three months ended March 31, 2016 compared to comparative period. This is mainly due to mark-up on Al Baraka Syndicate financing closed during the current period, and net exchange loss on retranslation of foreign currency denominated borrowings.

6. Operating netback

Description	For the three months ended March 31,		
	2016	2015	Difference
	---------$----------		
Net revenue	1,678,630	1,971,382	(292,752)
Production costs	(727,444)	(600,603)	(126,841)
Operating netback	**951,186**	**1,370,779**	**(419,593)**
Production in Boe	100,578	108,132	(7,554)
Operating Netback ($ / Boe)[1]	9.46	12.68	(3.22)

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

Operating netback per Boe for the current period decreased by $3.22 compared to the comparative period. This is mainly due to the lower average realized price in the current period on account of decline in international crude oil prices.

7. EBIDTA

Description	For the three months ended March 31,		
	2016	2015	Difference
	---------$----------		
EBIDTA	(60,954)	720,222	(781,176)

[1] *Refer to non IFRS measures.*

The decrease in EBIDTA for the current period is due to decrease in revenue and increase in general and administrative expenses.

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 March 31, 2016, the Company has received an excess amount of $1,399,390 from the buyer.

Contingencies and Commitments

There has been no material change in contingencies as disclosed in the latest consolidated annual audited financial statements of the Company for the year ended December 31, 2015.

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 March 31, 2016 and December 31, 2015. These financial commitments are expected to be funded through internal cash generation and debt and/or equity financing.

Description	March 31, 2016	December 31, 2015
	-------$-------	
Minimum capital commitments related to exploration licenses	4,099,250	4,099,250
Commitments under approved AFEs	735,925	1,561,169
Commitment under share purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under operating leases		
- Not later than one year	55,487	64,071
- Later than one year and less than five years	73,288	86,578
Total	**4,964,950**	**5,812,068**

TSX Delisting Review

On March 31, 2016, the TSX announced that it had placed the Company under a delisting review as result of a decline in the market value of the Company's shares (the "TSX Delisting Review"). The Company is being reviewed under the TSX's remedial review process and has been granted 120 days to comply with all requirements for continued listing, and has been advised by the TSX that if the Company cannot demonstrate that it meets all TSX requirements set out in Part VII of the Toronto Stock Exchange Company manual on or before July 29, 2016, the Company's securities will be delisted 30 days from such date. A meeting of the Continued Listing Committee of the TSX is scheduled to be heard on July 26, 2016. As the market value of the Company's shares, being the only issue noted by the TSX to the Company triggering the Delisting Review, is not in the Company's control, the Company is investigating its alternatives, including applying for the listing the Company's shares on the TSX Venture Exchange (the "TSXV") concurrent with the potential delisting of the Company shares by the TSX. The Company anticipates that it meets all of the listing requirements for the TSXV. There can be no assurances that the market value of the Company's shares will increase to meet the TSX's requirements by July 29, 2016, nor that the Company's shares will be accepted for listing on the TSXV. If the Company cannot satisfy the TSX that the deficiency has been rectified, it may determine to delist the Company's shares. In such event, the TSX would issue a written notice to the market as to the date the delisting would be effective, which would generally be 30 days after the written notice.

Going Concern and Liquidity

At March 31, 2016, the Company had current assets of $7.15 million comprising trade and other receivables of $3.77 million, restricted cash of $0.36 million and cash and cash equivalents of $3.02 million. Total current liabilities were $23.16 million comprising account payable and accrued liabilities of $13.89 million, amounts due to related parties of $9.10 million and current portion of borrowings of $0.18 million. The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of $51.93 million. For the three months ended March 31, 2016 the Company reported cash flows from operations of $3.97 million. In addition to its ongoing working capital requirements, the Company also had financial commitments as at March 31, 2016 that amounted to $4.96 million. Additional cash resources will be required to exploit the Company's petroleum and natural gas properties. Further, FHL is a party to two arbitration proceedings, one initiated by Petroleum Exploration (Private) Limited ("PEL") in relation to an Area of Mutual interest provisions contained in the Kandra Farm-in Agreement and the other initiated by FHL against PEL in relation to PEL's attempt to forfeit FHL's working interest in the Badin IV South exploration license owing to a purported default by FHL in respect of payment of a cash call for the month of May 2015. The probable outcome of both arbitrations cannot be ascertained at this time with sufficient degree of reliability.

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 proceedings 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 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 March 31, 2016, the Company had completely utilized this financing arrangement. The loan is due for repayment on demand. 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, 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 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. During the three months ended March 31, 2016, the Company has drawn down PKR 750 million under the Syndicated Credit Facility to settle other facilities amounting to $2.9 million and a portion of Accounts payable and accrued liabilities. As at March 31, 2016, the Company was non-compliant with one of the financial covenants of the Syndicated Credit Facility for which a waiver has been obtained from Al Baraka, acting on behalf of the participants, prior to March 31, 2016. Subsequent to March 31, 2016, SEPL entered into supplement Syndicated Credit Facility with Al Baraka, acting on behalf of the participants, pursuant which the facility amount has been enhanced from PKR 750 million (approximately $7.2 million) to PKR 960 million (approximately $9.2 million).

Management is in process of closing the US$-denominated component of the Syndicated Credit Facility amounting to $6 million to fund the Company's capital commitments. The Company's access to credit or capital could be further restricted by the potential delisting of its shares from the TSX pursuant to an ongoing delisting review by TSX. 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 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.

Results of Operations

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

Description	As at March 31, 2016	As at December 31, 2015
	----------$-----------	
Current assets	7,152,060	8,209,514
Current liabilities	(23,161,739)	(29,154,629)
Working capital deficiency	(16,009,679)	(20,945,115)

The working capital deficiency reflects amounts due to EPL on demand following maturity of a shareholder loan on February, 20, 2015 amounting to $9,090,489. 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 March 31, 2016:

Description	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	----------$-----------				
Minimum capital commitments related to exploration licenses (1)	4,099,250	2,249,750	1,849,500	-	-
Commitments under outstanding AFEs	735,925	735,925	-	-	-
Operating leases	128,775	55,487	73,288	-	-
Purchase obligations (2)	1,000	1,000	-	-	-

Other obligations [3]	36,771,699	23,161,739	7,526,698	3,505,057	2,578,205
Total contractual obligations	**41,736,649**	**26,203,901**	**9,449,486**	**3,505,057**	**2,578,205**

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 March 31, 2016.

Transactions with Related Parties

The Company's related parties with significant transactions during the period 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 March 31, 2016 and December 31, 2015 are as follows:

Description	March 31, 2016	December 31, 2015
	----------$-----------	
Balance payable at beginning of the period / year	10,175,454	10,284,720
Loan received during the year net of embedded derivative	-	1,200,000
Loan repaid during the period / year	(1,741,667)	(133,013)
Interest accrued on loan from shareholder	91,242	353,019
Exchange loss / (gain) on retranslation of shareholder loan	570,826	(1,529,272)
Amount paid on behalf of EPL during the period / year	(5,366)	-
Balance payable at end of the period / year	**9,090,489**	**10,175,454**

Transaction with associated entity – JS Bank Limited

On November 7, 2014, SEPL entered into two financing facilities totalling PKR 400 million (equivalent $3.9 million) with JS Bank Limited, a related party controlled by Mr. Jahangir Siddiqui (who also controls EPL). These facilities carry interest at the rate of 3 months KIBOR plus 2% payable quarterly in arrears.

Description	March 31, 2016	December 31, 2015
	----------$----------	
Balance payable at beginning of the period / year	2,905,276	3,833,505
Loan received during the period / year	-	115,501
Interest accrued during the period / year	11,970	332,369
Interest paid during the period / year	(62,363)	(332,447)
Principal repaid during the period / year	(2,886,550)	(985,557)
Exchange (gain) / loss on retranslation of loan	31,667	(58,095)
Balance payable at end of the period / year	**-**	**2,905,276**

Key management personnel

Description	March 31, 2016	March 31, 2015
	----------$----------	
Management salaries and benefits	102,837	100,783
Management stock based compensation	-	1,369
Directors' fees and compensation	16,648	33,108
Total	**119,485**	**135,260**

Future Outlook

The Company's capital expenditure program for 2016 includes:

- development of the Ayesha and Aminah 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 one exploration well 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:

- The Sara and Suri leases; and
- The Ayesha lease.

Critical Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in the preparation of these condensed consolidated interim financial statements are the same as those used in the preparation of Company's consolidated annual audited financial statements for the year ended December 31, 2015.

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 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.

(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.

(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 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.

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.

(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.

This interim MD&A do not include all financial risk management information and disclosure required in the annual financial statements; they should be read in conjunction with the Company's consolidated annual audited financial statements for the year ended December 31, 2015. There has been no change in the risk management policies since December 31, 2015.

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.

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. The Company's access to credit or capital could be further restricted by the potential delisting of its shares from the TSX (see "TSX Delisting Review").

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.

Maintaining a Listing on a Recognized Stock Exchange

The Company's shares are currently listed for trading on the TSX. In order to maintain a listing on the TSX, certain qualitative and quantitative requirements must be met. Due to the market value of the Company's shares, the TSX has notified the Company that it has commenced the Delisting Review (*see "TSX Delisting Review" above*). There can be no assurance that the Company will be able to maintain its current listing or qualify for listing on any alternate stock exchange. If this were to occur, the ability of the Company to raise equity or debt financing could be adversely affected. Also, this could have a material adverse effect on the trading price of the Company's shares and materially impact the level of liquidity in the trading of the Company's shares, particularly if an alternative listing of the Company's shares on the TSXV or on another stock exchange could not be obtained.

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 May 11, 2016.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

As at March 31, 2016, an evaluation of the effectiveness of the 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 Interim Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and the CFO concluded that, as at March 31, 2016, the design and operation of the 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 March 31, 2016, 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 (the "2013 COSO Framework"). As of December 31, 2015, the Company was utilizing the 2013 COSO Framework as it relates to its internal control over financial reporting. In 2016 there was no change in the Company's internal control over financial reporting that materially affected or is reasonably likely to materially affect the 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.