



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2017 and 2016**

**August 29, 2017**

## Introduction

This Management's Discussion and Analysis ("MD&A") is a review of the results of the consolidated operations of Jura Energy Corporation ("JEC" or the "Company") and its subsidiaries Spud Energy Pty Limited ("SEPL"), PetExPro Ltd., (formerly Frontier Acquisition Company Limited) ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL") for the three and six months ended June 30, 2017 and 2016 and the Company's financial position as at June 30, 2017. This MD&A is approved by the Board of Directors (the "Board") on August 29, 2017 and should be read in conjunction with the condensed consolidated interim financial statements of the Company for three and six months ended June 30, 2017, annual audit financial statements for the years ended December 31, 2016 and 2015 and the Company's annual MD&A for the years ended December 31, 2016 and 2015.

The condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2017 and 2016 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, 2016 and 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 Venture Exchange ("TSX-V") and trades under the symbol of "JEC". Additional information relating to JEC is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.juraenergy.com](http://www.juraenergy.com).

## Non IFRS Financial Measures

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

Operating netback is used by research analysts to compare operating performance and the Company's ability to maintain current operations and meet the forecasted capital program. The Company's operating netback is the net result of the Company's revenue (consisting of petroleum and natural gas) net of production costs, excluding depletion of oil and gas properties, as found in the 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 and the Company's future outlook. All statements other than statements of present or historical facts are forward-looking statements. Forward-looking statements typically, but not always, contain words such as "anticipate", "believe", "estimate", "expect", "potential", "could", "forecast",

"guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will" or other similar words suggesting future outcomes.

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

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

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

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

### **Highlights**

The key highlights for the three and six months ended June 30, 2017 and up to the date of this MD&A are as follows:

- The Company reported a net loss for the three and six months period ended June 30, 2017 of \$0.42 million and \$0.71 million respectively compared to a net loss of \$9.21 million and \$11.08 million in the comparative period. The significant decrease in net loss for the current period is mainly due to increase in revenue in the current period and provision for settlement of \$7.58 million recorded in the comparative period;
- Gross profit for the three and six months period ended June 30, 2017 was \$0.86 million and \$1.85 million respectively compared to a gross loss of \$0.04 million and gross profit of \$0.24 million in 2016. This significant increase in gross profit is due to the increase in revenue during the current period;
- Net revenue increased by 54% and 45% during the three and six months period ended June 30, 2017 compared to the comparative period. This significant increase in revenue is due to additional revenue associated with production from development well ZS-3 in the Zarghun South lease and increase in average realised price on account of improvement in international crude oil prices;
- Production during the three and six months period ended June 30, 2017 increased by 18% and 14% respectively compared to the three and six months period ended June 30, 2016. The increase is mainly due to increase in production from the Zarghun South lease after commencement of production from development well ZS-3;
- In February 2017, SEPL entered into a third Musharaka Agreement with Al Baraka Bank (Pakistan) Limited ("ABPL") under the Syndicated Credit Facility in the amount of PKR 170 million (approximately

\$1.62 million) pursuant to which the facility amount is increased from PKR 1,060 million (approximately \$10.11 million) to PKR 1,230 million (approximately \$11.73 million);

- The drilling of exploratory well, Zainab-1, in Badin IV North exploration license commenced on June 5, 2017;
- In July 2017, Zainab-1 was completed as gas producer well; and
- Subsequent to period end, SEPL entered into supplemental third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility pursuant to which the facility amount is increased from PKR 1,230 million (approximately \$11.73 million) to PKR 1,530 million (approximately \$14.59 million).

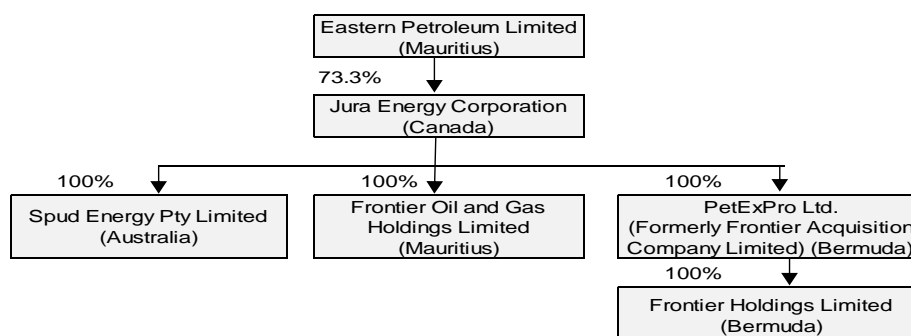
### Overview of the Company and Operations

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 / rights and leases through its wholly-owned subsidiaries Spud Energy Pty Limited ("SEPL") and Frontier Holdings Limited ("FHL"):

Exploration licenses / rights / leases	Working Interest	Operator
<b><u>Producing</u></b>		
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
<b><u>Development</u></b>		
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
<b><u>Exploration</u></b>		
Kandra exploration rights	35.00%	Petroleum Exploration (Private) Limited
Guddu exploration license	13.50%	Oil & Gas Development Company Limited
Zamzama North exploration license	24.00%	Heritage Oil and Gas Limited
Sanjawi exploration license	27.00%	Heritage Oil and Gas Limited
Badin IV South exploration license	27.50%	Petroleum Exploration (Private) Limited
Badin IV North exploration license	27.50%	Petroleum Exploration (Private) Limited

\* Pursuant to the terms of Settlement Agreement entered into SEPL, FHL and PEL, effective August 12, 2016, SEPL and FHL has agreed to assign SEPL's 7.89% working interest in Badar and FHL's 37.5% working interest in Kandra lease to PEL. The applications for the assignment of 7.89% working interest in Badar and 37.5% working interest in Kandra lease have been submitted to Government of Pakistan, the approval of which is expected in due course.

The group structure of the Company is as indicated below:



## Background of Oil and Gas Properties

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

FHL has non-operated working interests in two exploration licenses, one development lease in Pakistan and exploration rights within the Kandra lease. The working interests range from 27.5% to 35%.

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, 2016 except for the following:

### *Badin IV North exploration license*

The drilling of Zainab-1 commenced on June 5, 2017 and reached the targeted depth on June 28, 2017. The well was logged and completed in the Lower Goru "B" Sands of Cretaceous age. Post-completion surface well testing was conducted after perforating selective intervals of approximately 16.5 meters. A summary of the well testing results carried out at various choke sizes is as follows:

Choke size	Test duration	Average gas flow rates	Condensate rate	Water rate	Wellhead flowing pressure
	hours	MMscf/d	Bbl/d	Bbl/d	Psi
32 / 64"	12	10.20	451	72	2,133
40 / 64"	12	14.30	500	130	2,026
48 / 64"	12	19.04	500	130	1,861
56 / 64"	24	23.04	772	54	1,724

The Zainab-1 well is located only 1.5 kilometres from existing gas pipeline infrastructure.

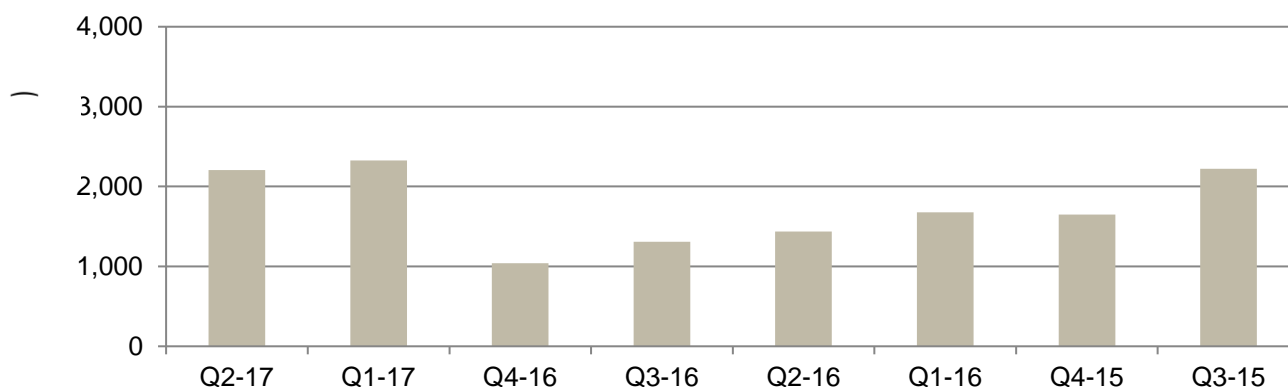
## Performance Overview and Financial Analysis

### Summary of Quarterly Results

Description	2017		2016				2015	
	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3
	-----\$-----							
Net revenue	2,205,615	2,324,990	1,040,966	1,306,294	1,435,587	1,678,630	1,648,239	2,222,534
Net profit/(loss)	(424,653)	(277,114)	11,073,701	(1,514,669)	(9,214,186)	(1,865,324)	(16,787,298)	532,027
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)	(0.01)	(0.00)	0.16	(0.02)	(0.13)	(0.03)	(0.24)	0.01
Capital expenditure	980,779	273,037	2,584,330	(1,766,359)	874,370	1,037,103	2,758,048	267,304
Assets	54,875,500	54,506,053	53,179,583	37,381,715	47,219,565	50,505,183	51,218,800	65,547,825
Long term liabilities	17,111,219	23,703,563	25,025,048	16,012,910	16,474,480	13,609,960	6,466,626	6,655,207

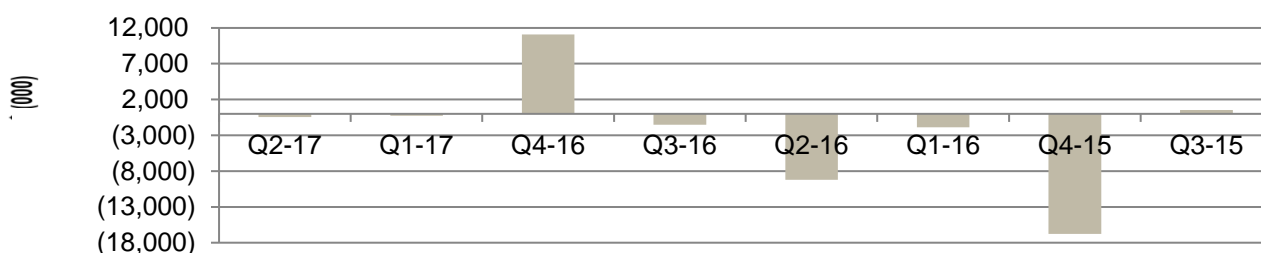
### Trend analysis of quarterly information

#### Net Revenue



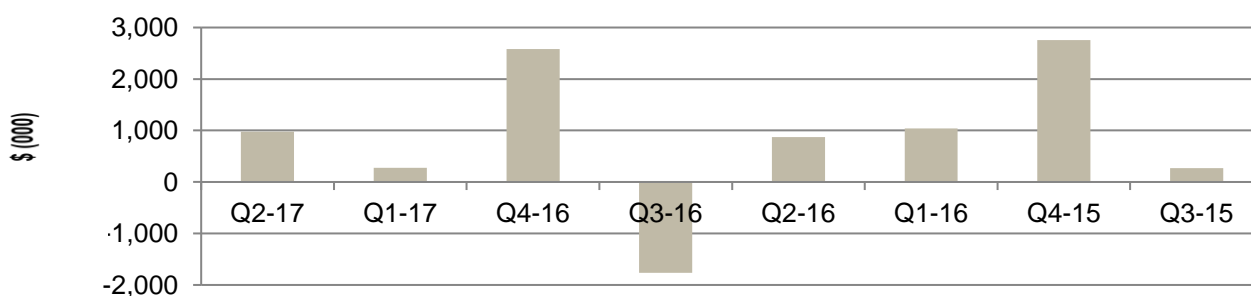
Quarterly revenue to Q4 2016 indicate a consistent declining trend due to decrease in production from Zarghun South lease. Significant increase in revenue during Q1 and Q2 2017 is due to revenue associated with tight gas production from development well ZS-3 in the Zarghun South lease that commenced production in January 2017 and increase in average realised price on account of improvement in international crude oil prices.

#### Net profit / (loss)



The Company continued to incur losses since inception. In Q4 2015, the Company reported a loss of \$16.79 million primarily driven by a \$14.10 million impairment of oil and gas properties. Net loss in 2016 is mainly due to decrease in revenue, increase in production costs, legal and professional costs associated with arbitrations with PEL, exchange loss on re-translation of shareholder loan and impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL. In Q4 2016, the Company reported a net profit of \$11.07 million. The profit in Q4 2016 was driven by a reversal of impairment of Zarghun South due to improvement in international crude oil prices and increase in recoverable reserves after drilling of third development well. In Q2 2017, the Company reported a net loss of \$0.42 million which is significantly lower than Q2 2016 due to increase in revenue and provision for settlement recorded in Q2 2016.

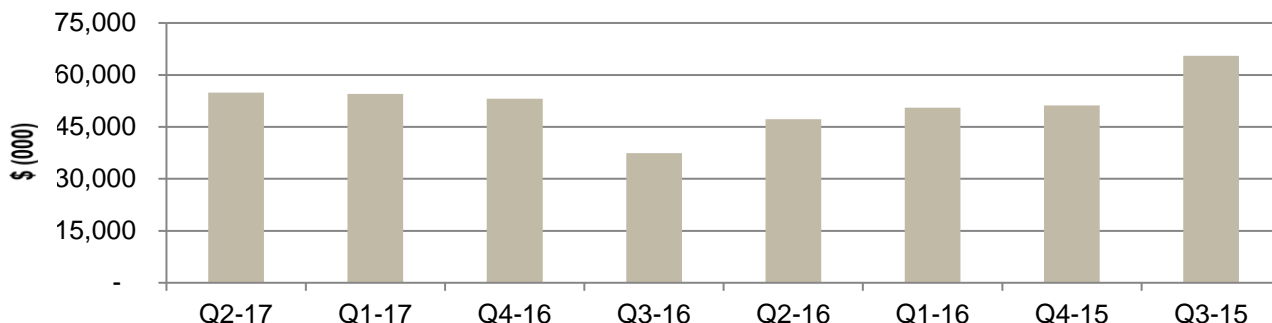
#### Capital expenditure



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

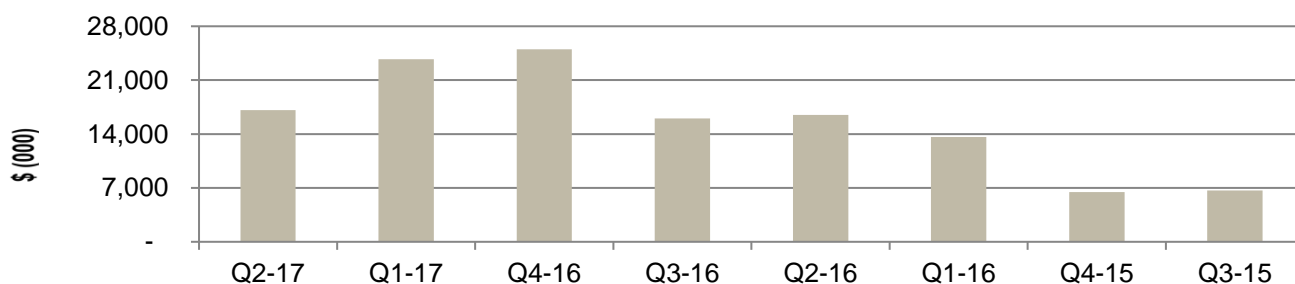
expenditure in Q4 2016, Q1 2017 and Q2 2017 relates to the drilling of development in the Zarghun South lease and development expenditure related to gas and condensate discoveries in Badin IV South exploration license.

Assets



The significant decline in Q4 2015 and Q3 2016 was primarily driven by a \$14.1 million impairment of oil and gas properties and impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL. The increase in Q4 2016 is due to reversal on impairment of Zarghun South lease.

Long term liabilities



Significant increase in Q1 and Q2 2016 represents closing of long term Al Baraka syndicated credit facility. In October 2016, SEPL entered into fourth supplemental agreement with the shareholder pursuant to which a grace period of 15 months for the repayment of principal and accrued mark-up has been granted by EPL, which result in its reclassification to long term liability. The decrease in Q1 and Q2 2017 is due to transfer of current portion of Al Baraka syndicated credit facility, subordinated debentures and shareholder loan to current liabilities.

**Financial and Overall Performance Review and Analysis**

**Review of Financial Results**

**1. Net loss**

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
Net loss	(424,653)	(9,214,186)	8,789,533	(701,767)	(11,079,510)	10,377,743

The Company posted a net loss of \$0.42 million and \$0.70 million for the three and six months period ended June 30, 2017, which is significantly lower than the comparative period.

The decrease in net loss for the current period is mainly due to increase in revenue after commencement of production from development well ZS-3 in the Zarghun South lease. The significant net loss for the comparative period is due to decrease in revenue pursuant to a decline in production and international crude oil prices, increased general and administrative expenses mainly related to legal and professional costs associated with



arbitration proceedings and provision for settlement pursuant to the terms of Settlement Agreement dated August 12, 2016.

Segment breakdown of loss for the three and six months period ended June 30, 2017 is as follows:

	<b>Three months ended June 30, 2017</b>	<b>Six months ended June 30, 2017</b>
	\$	\$
Canada	295,734	642,275
Pakistan	128,919	59,492

The segment-wise 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 due to production costs, general and administrative costs, increase in finance costs offset by increase in revenue after commencement of production from development well ZS-3 in the Zarghun South lease.

## 2. Net revenue

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Sales	2,520,485	1,633,005	887,480	5,177,003	3,548,700	1,628,303
Royalty	(314,870)	(197,418)	(117,452)	(646,398)	(434,483)	(211,915)
<b>Net revenue</b>	<b>2,205,615</b>	<b>1,435,587</b>	<b>770,028</b>	<b>4,530,605</b>	<b>3,114,217</b>	<b>1,416,388</b>

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

The increase of \$0.89 million and \$1.63 million in gross revenue compared to the comparative period is due to increase in production from Zarghun South after commencement of production from development well ZS-3 and increase in average realised price on account of improvement in international crude oil prices.

During the six months period ended June 30, 2017 daily gas sales volumes from the Reti-Maru and Zarghun South gas fields averaged approximately 9.67 MMcf and 14.83 MMcf respectively compared to 12.39 MMcf and 9.55 MMcf respectively in 2016.

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

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Production in Boe	106,704	90,544	16,160	217,255	191,122	26,133
Price (\$ / Boe) <sup>1</sup>	23.62	18.04	5.58	23.83	18.57	5.26

<sup>1</sup>Refer to non IFRS financial measures.

The increase in realized price per Boe is due tight gas production from Zarghun South lease entitled to significantly higher price compared to conventional gas production from Zarghun South and Reti-Maru leases.

The royalty is calculated at 12.5% of value of petroleum.



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

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Production in Boe	106,704	90,544	16,160	217,255	191,122	26,133
Royalty (\$ / Boe) <sup>1</sup>	(2.95)	(2.18)	(0.77)	(2.98)	(2.27)	(0.71)

<sup>1</sup>Refer to non IFRS financial measures.

The increase in royalty per Boe is associated with higher realized gas price for tight gas production during the current period.

### 3. Cost of production

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Production costs	605,167	898,979	(293,812)	1,201,409	1,626,423	(425,014)
Depletion of oil and gas properties	735,563	574,289	161,274	1,477,001	1,251,265	225,736
	<b>1,340,730</b>	<b>1,473,268</b>	<b>(132,538)</b>	<b>2,678,410</b>	<b>2,877,688</b>	<b>(199,278)</b>

The decrease in production costs is due to production costs associated with Badar lease incurred in the comparative period. SEPL agreed to assign its 7.89% working interest in Badar lease to Petroleum Exploration (Private) Limited pursuant to the terms of Settlement Agreement dated August 12, 2016.

The increase in depletion of oil and gas properties is due an increase in the carrying value of Zarghun South lease owing to reversal of impairment of \$ 13.30 million at December 31, 2016.

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

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Production in Boe	106,704	90,544	16,160	217,255	191,122	26,133
Production costs (\$ / Boe) <sup>1</sup>	5.67	9.93	(4.26)	5.53	8.51	(2.98)

<sup>1</sup>Refer to non IFRS financial measures.

The decrease in production cost per Boe is due to production costs associated with Badar lease incurred in the comparative period. Further, the significant component of production costs is fixed in nature and will continue to incur irrespective of actual volume of production. The increase in production during the current period decreased overall average realized production costs per Boe.

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

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Production in Boe	106,704	90,544	16,160	217,255	191,122	26,133
Depletion costs (\$ / Boe) <sup>1</sup>	6.89	6.34	0.55	6.80	6.55	0.25

<sup>1</sup>Refer to non IFRS financial measures.

#### 4. General and administrative expenses

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
General and administrative expenses	629,210	1,991,689	(1,362,479)	1,299,160	3,020,229	(1,721,069)

The decrease in general and administrative expenses is due significant legal and professional costs, in relation to the arbitrations with PEL, incurred in the comparative period.

Segment breakdown of general and administrative expenses for three and six months ended June 30, 2017 is as follows:

	Three months ended June 30, 2017 \$	Six months ended June 30, 2017 \$
Canada	166,568	390,238
Pakistan	462,642	908,922

#### 5. Finance costs / (income)

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Interest on amount due to related parties	243,755	103,521	140,234	495,203	206,733	288,470
Interest on borrowings	406,842	333,263	73,579	801,053	623,506	177,547
Accretion on asset retirement obligation	18,966	13,851	5,115	37,932	27,700	10,232
Interest / (adjustment) on late payment of cash calls to operators	-	(669,542)	669,542	-	(584,583)	584,583
Currency translation exchange (gain) / loss – net	(9,235)	(181,845)	172,610	(79,386)	436,886	(516,272)
	<b>660,328</b>	<b>(400,752)</b>	<b>1,061,080</b>	<b>1,254,802</b>	<b>710,242</b>	<b>544,560</b>

#### 6. Operating netback

Description	For the three months period ended June 30,			For the six months period ended June 30,		
	2017	2016	Difference	2017	2016	Difference
	-----\$-----					
Net revenue	2,205,615	1,435,587	770,028	4,530,605	3,114,217	1,416,388
Production costs	(605,167)	(898,979)	293,812	(1,201,409)	(1,626,423)	425,014
Operating netback	<b>1,600,448</b>	<b>536,608</b>	<b>1,063,840</b>	<b>3,329,196</b>	<b>1,487,794</b>	<b>1,841,402</b>
Production in Boe	106,704	90,544	16,160	217,255	191,122	26,133
Operating Netback (\$ / Boe) <sup>1</sup>	<b>15.00</b>	<b>5.93</b>	<b>9.07</b>	<b>15.32</b>	<b>7.78</b>	<b>7.54</b>

<sup>1</sup>Refer to non IFRS financial measures.

Operating netback per Boe for three six months ended June 30, 2017 increased significantly due to increase realised price for tight gas production from Zarghun South lease.

## Provisions, contingencies and commitments

### 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, 2016.

### 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 June 30, 2017 and December 31, 2016. These financial commitments are expected to be funded through internal cash generation and debt and/or equity financing.

Description	June 30, 2017	December 31, 2016
	-----\$-----	
Minimum capital commitments related to exploration licenses	4,097,000 <sup>1</sup>	4,097,000
Commitments under approved AFEs	145,200	145,200
Commitment under share purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under operating leases		
- Not later than one year	36,804	49,498
- Later than one year and less than five years	23,993	36,164
<b>Total</b>	<b>4,303,997</b>	<b>4,328,862</b>

<sup>1</sup>Breakdown of minimum capital commitments related to exploration licenses per year:

Description	2017/18	2018/19	2019/20	Total
	-----\$-----			
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	355,250	-	-	355,250
<b>Total</b>	<b>2,247,500</b>	<b>94,500</b>	<b>1,755,000</b>	<b>4,097,000</b>

### Going Concern and Liquidity

At June 30, 2017, the Company had current assets of \$4.84 million comprising accounts and other receivables of \$3.10 million, restricted cash of \$1.08 million and cash and cash equivalents of \$0.66 million. Total current liabilities were \$24.38 million comprising accounts payable and accrued liabilities of \$13.74 million and current portion of borrowings and amounts due to related parties of \$10.64 million. During the six months ended June 30, 2017 the Company reported a net loss of \$0.70 million (June 30, 2016– \$11.08 million). As at June 30, 2017, the Company has an accumulated deficit of \$52.28 million (December 31, 2016 – \$51.58 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at June 30, 2017 that amounted to \$4.30 million. Additional cash resources will be required to exploit the Company's petroleum and natural gas properties.

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

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

In 2016, SEPL entered into two Musharaka Agreements with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), pursuant to a syndicated credit facility arrangement (the "Syndicated Credit Facility"), as lead arranger, in the amount of up to PKR 1,060 million (approximately \$10.11 million). The Syndicated Credit Facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. During 2017, SEPL entered into a third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility in the amount of PKR 170 million (approximately \$1.62 million). Subsequent to period end, SEPL entered into supplemental third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility pursuant to which the facility amount is increased from PKR 1,230 million (approximately \$11.73 million) to PKR 1,530 million (approximately \$14.59 million) (See "Subsequent Events below"). The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of disbursement except for the third Musharaka Agreement, the principal of which is repayable in twelve quarterly instalments in arrears.

The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful. The principal shareholder has confirmed its commitment to provide financial support to the Company as and when required for a minimum period of twelve months from the date of approval of these financial statements.

These 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 June 30, 2017 as compared to December 31, 2016:

Description	As at June 30, 2017	As at December 31, 2016
	-----\$-----	
Current assets	4,836,985	2,868,121
Current liabilities	(24,385,613)	(14,074,661)
Working capital deficiency	(19,548,628)	(11,206,540)

### Contractual Obligations

The following table sets forth the contractual obligations of the Company as at June 30, 2017:

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 <sup>(1)</sup>	4,097,000	2,247,500	1,849,500	-	-
Commitments under outstanding AFEs	145,200	145,200	-	-	-
Operating leases	60,797	36,804	23,993	-	-
Purchase obligations <sup>(2)</sup>	1,000	1,000	-	-	-
Other obligations <sup>(3)</sup>	41,496,832	24,385,613	13,737,205	-	3,374,014
<b>Total contractual obligations</b>	<b>45,800,829</b>	<b>26,816,117</b>	<b>15,610,698</b>	<b>-</b>	<b>3,374,014</b>

#### 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 June 30, 2017.

### Transactions with Related Parties

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

#### *Transaction with majority shareholder*

EPL, which is a majority shareholder of JEC, provided financial support to SEPL in the form of an interest-bearing bridge loan. The loan carries mark-up at the rate of 11% per annum compounded quarterly. The changes in loan balance during the applicable periods and balances outstanding as at June 30, 2017 and December 31, 2016 are as follows:

Description	June 30, 2017	December 31, 2016
	-----	\$-----
Balance payable at beginning of the period	9,424,843	10,175,454
Loan repaid during the period	(825,000)	(1,741,667)
Interest accrued on loan from shareholder	495,203	300,305
Exchange gain on retranslation of shareholder loan	-	467,544
Extinguishment of shareholder loan	-	(9,208,303)
Recognition of new shareholder loan at fair value	-	9,180,468
Interest for the period	-	256,900
Amount paid on behalf of EPL during the period	-	(5,858)
<b>Balance payable at end of the period</b>	<b>9,095,046</b>	<b>9,424,843</b>

#### *Transaction with associated entity – JS Bank Limited*

On November 7, 2014, SEPL entered into two financing facilities totalling PKR 400 million (equivalent \$3.9 million) with JS Bank Limited, a related party controlled by Mr. Jahangir Siddiqui (who also controls EPL). These facilities carry interest at the rate of 3 months KIBOR plus 2% payable quarterly in arrears. On January 19, 2016, these facilities were settled in full from the proceeds of Al Baraka syndicated credit facility. Further, JS Bank is a participant in Al Baraka syndicate credit facility with participation of PKR 670 million (equivalent \$6.39 million).

Description	June 30, 2017	December 31, 2016
	-----	\$-----
<b>Old facilities</b>		
Balance payable at beginning of the period	-	2,905,276
Loan received during the period	-	-
Interest accrued	-	11,970
Interest paid during the period	-	(62,363)
Principal repaid during the period	-	(2,886,550)
Exchange (gain) / loss on retranslation of loan	-	31,667
<b>Balance payable at end of the period</b>	<b>-</b>	<b>-</b>
<b>Syndicated Credit Facility</b>		
Balance payable at beginning of the period	4,769,529	-
Loan received during the period	1,557,073	4,698,213
Mark-up accrued during the period	288,833	397,923
Mark-up paid during the period	(244,805)	(275,609)
Principal repaid during the period	(298,415)	-
Exchange gain on retranslation of loan	(13,055)	(50,998)
<b>Balance payable at end of the period</b>	<b>6,059,160</b>	<b>4,769,529</b>

### **Key management personnel**

Description	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	-----\$-----			
Management salaries and benefits	114,554	211,575	228,452	314,412
Directors' fees and compensation	23,244	115,140	106,423	131,788
<b>Total</b>	<b>137,798</b>	<b>326,715</b>	<b>334,875</b>	<b>446,200</b>

### **Subsequent Event**

Subsequent to period end, SEPL entered into supplemental third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility pursuant to which the facility amount was increased from PKR 1,230 million (approximately \$11.73 million) to PKR 1,530 million (approximately \$14.59 million).

### **Future Outlook**

The Company's capital expenditure program for 2017 includes:

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

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

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

- The Sara and Suri leases;
- Zainab-1 gas and condensate discovery in Badin IV North exploration license; and
- The Ayesha, Aminah and Ayesha North gas and condensate discoveries.

### **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 condensed consolidated interim financial statements for the three and six months ended June 30, 2017 are the same as those used in the preparation of Company's consolidated annual audited financial statements for the year ended December 31, 2016.

### **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 longstanding 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 protocol 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 disclosures required in the annual MD&A and should be read in conjunction with the Company's consolidated annual audit financial statements and annual MD&A for the years ended December 31, 2016 and 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, borrowings, accrued liabilities and amounts due to related parties approximate their carrying amount due to the short-term nature of the instruments. The fair value of the Company's borrowings approximates their carrying value as the interest rates charged on these borrowings are comparable to current market rates.



## **Risk Factors**

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

### ***Volatility of Crude oil prices***

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

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

### ***Obtaining financing***

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

### ***Commercial Risk***

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

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

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

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

commercially developed is referred to as the "chance of development." For contingent resources, the chance of commerciality is equal to the chance of development.

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

### ***Exploration Risk***

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

### ***Operational Risk***

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

### ***Development Risk***

To the extent that the Company succeeds in discovering oil and/or gas, reserves may not be capable of production levels projected or in sufficient quantities to be commercially viable. On a long-term basis, the Company's viability depends on the ability to find or acquire, develop and commercially produce additional oil and gas reserves. Without the addition of reserves through exploration, acquisition or development activities, reserves and production will decline over time as reserves are produced. Future reserves will depend not only on the ability to develop then-existing properties, but also on the ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas developed and to effectively distribute production into markets. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While the Company will endeavor to effectively manage these conditions, it may not be able to do so optimally, and will not be able to eliminate them completely in any case. Therefore, these conditions could diminish revenue and cash flow levels and result in the impairment of oil and gas interests.

### ***Drilling Risks***

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

### ***Environmental Risks***

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

### ***Operations***

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

### ***Reserve Estimates***

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

### ***Facilities***

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

### ***Operating Expenses***

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

### ***Fluctuations in Operating Results can cause Share Price Decline***

The Company's operating results will likely vary in the future primarily from fluctuations in revenues and operating expenses, including the ability to produce the oil and gas reserves that are developed, expenses that

are incurred, the prices of oil and gas in the commodities markets and other factors. If the results of operations do not meet the expectations of current or potential investors, the price of the Company's shares may decline.

### ***Decommissioning Costs***

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

### ***Foreign Operations***

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

### ***Local Legal, Political and Economic Factors***

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

### ***Enforcement of Civil Liabilities***

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

### ***Penalties***

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

### ***Competition for Exploration and Development Rights***

The oil and gas industry is highly competitive. This competition is increasingly intense as prices of oil and gas on the commodities markets have reduced significantly in recent years. Additionally, other companies engaged in the same line of business may compete with the Company from time to time in obtaining capital from

investors. Competitors include larger, more established companies, which may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

### ***Technology***

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

### ***Foreign Currency Exchange Rate Fluctuation***

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

### ***Exchange Controls***

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

### ***Insurance***

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

### ***Attracting and Retaining Talented Personnel***

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



### **Growth Management**

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

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

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

### **Outstanding Share Capital**

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

### **Disclosure Controls and Procedures, and Internal Controls over Financial Reporting**

Based on the evaluation of the design and operating effectiveness of the Company's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), the Interim Chief Executive Officer and the Chief Financial Officer concluded that the Company's DC&P and ICFR were effective as at June 30, 2017.

During the three months ended June 30, 2017, there have been no changes made to the Company's ICFR that materially affected or are reasonably likely to materially affect, its ICFR.

### **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](http://www.sedar.com).