



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017 and 2016**

**April 30, 2018**

## Introduction

This Management's Discussion and Analysis ("MD&A") is a review of the results of the consolidated operations of Jura Energy Corporation ("JEC" or the "Company") and its subsidiaries Spud Energy Pty Limited ("SEPL"), PetExPro Ltd., (formerly *Frontier Acquisition Company Limited*) ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL") for the years ended December 31, 2017, and 2016 and the Company's financial position as at December 31, 2017. This MD&A is approved by the Board of Directors (the "Board") on April 26, 2018, and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2017, and 2016.

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

JEC is listed on the Toronto Stock Exchange Venture Exchange ("TSX-V") and trades under the symbol of "JEC". Additional information relating to JEC is available on SEDAR at [www.sedar.com](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 consolidated annual financial statements of the Company, divided by production for the year.

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

## Boe conversions

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

## Forward-Looking Information

Certain information and statements contained in this MD&A that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, operational information, anticipated capital and operating budgets and expenditures, anticipated working capital, estimated costs, sources of financing, the Company's future outlook, expectations regarding the commencement and timing of anticipated commercial production from the Ayesha, Aminah and Ayesha North leases in the Badin IV South exploration license, Umair-1 gas discovery in Guddu exploration license, Zainab-1 gas and condensate discovery in Badin IV North exploration license, development well Sara-4 and Suri shut-in well; expectation regarding grant of development and production lease for Zainab-1 gas and condensate discovery in Badin IV North exploration license; expected pricing under Pakistan Petroleum (Exploration and Production) Policy, 2012 and other pricing policies; timing for and drilling results of exploration wells in the Badin IV South and Guddu exploration licenses, expectations regarding the grant of or extension applied in terms of expired exploration licenses and leases by the Government of Pakistan ("GoP") and expectations regarding the timing of closing of private placement of debentures. 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 therefrom. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

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

## Highlights

The key highlights for the year ended December 31, 2017, and up to the date of this MD&A are as follows:

- The Company reported a net loss for the year ended December 31, 2017 of \$1.32 million compared to a net loss of \$1.52 million in 2016. The decrease in net loss for the current period is mainly due to increase in revenue on account of commencement of production from Zarghun South-3 development well in Zarghun South lease and decrease in general and administrative costs. The net loss for the year ended December 31, 2016 was offset by the reversal of impairment of property, plant and equipment of \$13.02 million;
- Gross profit for the year ended December 31, 2017 was \$3.81 million compared to a gross profit of \$0.12 million in 2016. The significant increase in gross profit is due to the increase in revenue during the current period;
- Net revenue during 2017 increased by 69% compared to the year ended December 31, 2016. The 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 realized price on account of improvement in international crude oil prices;
- Production during the year ended December 31, 2017 increased by 30% compared to the year ended December 31, 2016. The increase is mainly due to the increase in production from the Zarghun South lease after the 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

\$1.54 million) pursuant to which the facility amount was increased from PKR 1,060 million (approximately \$9.59 million) to PKR 1,230 million (approximately \$11.13 million);

- The drilling of exploration well, Zainab-1, in Badin IV North exploration license commenced in June 2017;
- In July 2017, Zainab-1 was completed as gas producer well;
- In July 2017, SEPL entered into a 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 \$11.13 million) to PKR 1,530 million (approximately \$13.85 million);
- In November 2017, SEPL entered into a term finance facility with JS Bank Limited, a related party, in the amount of PKR 200 million (approximately \$1.81 million);
- Subsequent to the year, the drilling of exploration well, Umair-1, in Guddu exploration license commenced in January 2018;
- In February 2018, Umair-1 was completed as gas producer well; and
- In April 2018, SEPL, JEC and JS Energy Limited entered into a short term loan agreement of \$2 million.

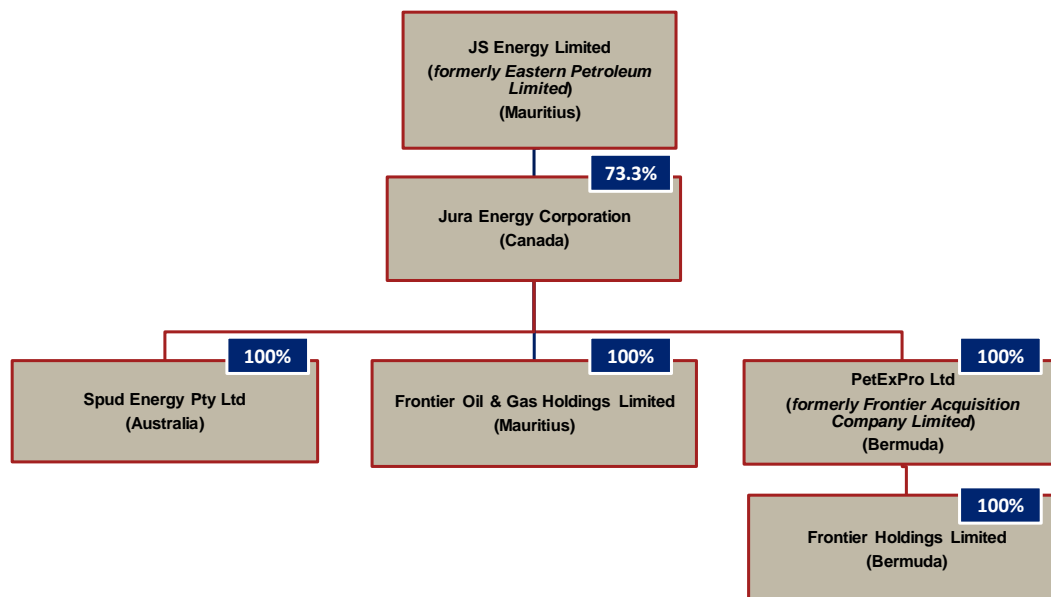
### Overview of the Company and Operations

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
<b><u>Producing</u></b>		
Badar lease*	7.89%	Petroleum Exploration (Private) Limited
Zarghun South lease	40.00%	Mari Petroleum Company Limited
Reti lease	10.66%	Oil & Gas Development Company Limited
Maru lease	10.66%	Oil & Gas Development Company Limited
Maru South lease	10.66%	Oil & Gas Development Company Limited
<b><u>Development</u></b>		
Sara lease	60.00%	Spud Energy Pty Limited
Suri lease	60.00%	Spud Energy Pty Limited
Kandra lease*	37.50%	Petroleum Exploration (Private) Limited
Ayesha lease	27.50%	Petroleum Exploration (Private) Limited
Aminah lease	27.50%	Petroleum Exploration (Private) Limited
Ayesha North 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 between 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 operated working interest in two leases and non-operated working interests in four leases and three exploration licenses. The working interests range from 10.66% to 60%.

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

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

### Operated Concession

#### ***Sara and Suri Leases***

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

The Sara and Suri leases expired on July 7, 2016 and June 29, 2015 respectively. On June 8, 2015, the operator on behalf of the Sara & Suri JV Partners applied for an extension in the Sara Lease term for a period of five years with effect from July 7, 2016 and in the Suri Lease term for a period of six years with effect from June 30, 2015. Further, the Company has also applied to the GoP for an exemption from applicability of Rule 43 on Sara and Suri leases for a period of six-months from the date of grant of extension in Sara and Suri leases and re-allocation of gas from Sara-Suri shut-in fields for a third-party sale.

Subsequent to the year end, in March 2018, the Economic Coordination Committee of the Federal Cabinet ("ECC") granted (i) exemption from Rule 43 for Sara and Suri leases for a period of six months; (ii) an extension in Sara and Suri leases up to February 2020 and (iii) approval for the sale of gas from Sara and Suri leases to a third party at a negotiated price.

## Non-operated Concessions

### ***Badar Lease***

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

### ***Zarghun South Lease***

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

Commercial production from Zarghun South commenced in August 2014. During 2017, average production from Zarghun South was approximately 15.13 million cubic feet per day ("MMcf/d").

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

### ***Kandra Lease***

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

### ***Ayesha, Aminah and Ayesha North Leases ("Badin IV South leases")***

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

Gas production from Badin IV South leases has been allocated to SSGCL. The JV Partners are working on a fast-track development of these gas and condensate discoveries.

The development plan envisages construction of a 30 MMcf/d Central Processing Facility ("CPF") at the Ayesha well location. Aminah and Ayesha North well will be tied into the CPF through gathering flow lines. Processed gas from the CPF shall be transported through an approximately 29 km gas sale pipeline for tie-in into the SSGCL transmission system.

SSGCL has approved the laying and construction of sale gas pipeline. The pipeline is expected to be completed in late Q3 2018. A gas sale and purchase agreement has been finalized with SSGCL, however, such agreement does not cover a waiver/discount for higher carbon dioxide contents, which is anticipated to be finalized after approval by the Pakistan Oil and Gas Regulatory Authority ("OGRA"). The operator has submitted an application for OGRA approval.

The operator has placed a procurement order for the CPF and gathering pipelines. The acquisition of right of way for gathering flow lines and land acquisition for construction of CPF has been completed and civil work at the site is in progress.

First gas from Badin IV South leases is expected to commence in late Q3 / early Q4 2018.

The commercial production from Badin IV South leases is expected to be entitled to a gas price of \$5.19/MMBtu, based on the carriage and freight crude oil price of \$65 per barrel, under the Pakistan's 2013 Marginal Fields Gas Pricing Criteria.

The Ayesha Lease and Aminah and Ayesha North Leases will expire in 2020 and 2024 respectively.

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

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

Commercial production from the Reti-Marū leases commenced in December 2013. During 2017, average production from the leases was approximately 9.13 MMcf/d.

### ***Guddu Exploration License***

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

The drilling of exploration well, Umair-1, commenced in January 2018. Umair-1 was drilled to the total depth of 790 meters, to target Pirkoh and Habib Rahi limestone formations.

During a short duration pre-stimulation test on a 36/64-inch choke, the well flowed commingled gas from Pirkoh and Habib Rahi limestone formations at an average rate of 2.47 MMcf/d, having a heating value of approximately 755 Btu/Scf, and a wellhead flowing pressure of approximately 330 psi. The well has been completed as a gas producer in the Pirkoh and Habib Rahi limestone formations.

Anticipated future production from the Umair-1 is expected to be entitled to a gas price of \$4.45 per MMBtu, based on the carriage and freight crude oil price of \$65 per barrel, under the Pakistan Petroleum (Exploration & Production) Policy, 2012.

In November 2017, the Directorate General of Petroleum Concessions ("DGPC") granted a one-year extension of exploration license effective May 25, 2017. The license will now expire on May 25, 2018. On January 10, 2018, the operator on behalf of the JV Partners applied for an additional two-year extension in the term of Guddu exploration license with effect from May 25, 2018 to May 24, 2020 with an additional commitment of 300 sq.Km 3D seismic acquisition in the exploration license area. The approval of extension is expected in due course.

### ***Zamzama North and Sanjawi Exploration Licenses***

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

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

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

Of the Company's 27.0% and 24.0% working interests in Sanjawi and Zamzama North exploration licenses, 16.0% and 12.0%, respectively, are held directly by SEPL and the remaining 11.0% and 12.0%, respectively, are held by Energy Exploration Limited ("EEL") for the benefit of SEPL under the terms of a trust agreement. Pursuant to a share purchase agreement dated December 28, 2011, EEL will become a wholly-owned subsidiary of SEPL upon fulfillment of certain conditions precedent to closing. On closing, EEL will cease to hold these working interests in trust for SEPL.

### ***Badin IV South Exploration License***

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

The DGPC granted approval for entering into Phase-II of the license term for a period of two years effective July 5, 2016. The license will now expire on July 5, 2018.

### ***Badin IV North Exploration License***

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



The drilling of Zainab-1 commenced in 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	MMcf/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 kilometers from existing gas pipeline infrastructure.

Anticipated future production from exploration well, Zainab-1, is expected to be entitled to a gas price of \$5.19/MMBtu, based on the carriage and freight crude oil price of \$65 per barrel, under the Pakistan's 2013 Marginal Fields Gas Pricing Criteria.

The operator has submitted declaration of commerciality of Zainab-1 and TORs for 3<sup>rd</sup> Party certification, to qualify for pricing incentive provided under Marginal Gas Pricing Criteria Guidelines 2013, to DGPC for approval. The approval is expected in due course.

On April 6, 2018, the operator on behalf of the JV Partners have submitted the field development plan and has submitted the application for the grant of development and production lease for Zainab-1 gas and condensate discovery for a period of 10 years.

The Phase I of the initial term of the Badin IV North exploration license expired on December 6, 2017. Under the provisions of Badin IV North PCA, the JV exercised the option to enter Phase II of the initial term of the exploration license and submitted a renewal application to DGPC for the approval of Phase-II on October 16, 2017, which is expected in due course.

## Performance Overview and Financial Analysis

### Operational and Financial Results

Description	December 31,		
	2017	2016	2015
	-----\$-----		
Net revenue	9,255,214	5,461,477	8,626,569
Gross profit	3,809,328	121,360	2,344,278
Net loss for the year	(1,324,936)	(1,520,478)	(15,968,754)
Loss per share			
- Basic	(0.02)	(0.02)	(0.23)
- Diluted	(0.02)	(0.02)	(0.23)
Capital expenditure	1,412,950	2,729,444	4,478,116
Assets	57,366,408	53,179,583	51,218,800
Long term liabilities	24,015,241	25,025,048	6,466,626
Common shares outstanding at year-end			
Basic	69,076,328	69,076,328	69,076,328
Diluted	69,444,414	69,444,414	69,444,414
Cash dividend per share	-	-	-

JEC's revenue in 2017 represents gas sales from Reti-Maru and Zarghun South leases. The significant increase in revenue is due to increase in production from Zarghun South lease after the commencement of production from the development well ZS-3 and an increase in average realized gas price due to improvement in international crude oil prices. Jura share of average daily production during 2017 was 7.03 MMcf/d compared to 5.41 MMcf/d in 2016.



JEC suffered a net loss of \$1,324,936 during 2017. The net loss mainly represents increased finance costs due to the enhancement of Al Baraka syndicated credit facilities, increased general and administrative costs on account of management team restructuring costs.

The capital expenditure incurred during 2017 mainly represents expenditure associated with development well ZS-3 in Zarghun South lease and development of three gas and condensate discoveries in Badin IV South block.

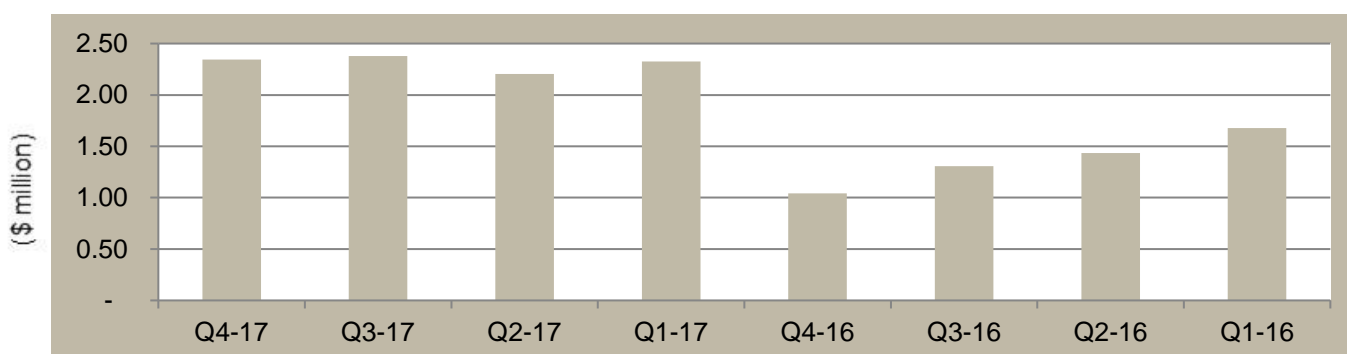
Long term liabilities of \$24,015,241 consisted of shareholder loan payable to EPL, non-current portion of Al Baraka syndicate credit facilities and JS Bank term finance facility and asset retirement obligations related to exploration and development properties.

### Summary of Quarterly Results

Description	2017				2016			
	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
	-----\$-----							
Net revenue	2,345,108	2,379,501	2,205,615	2,324,990	1,040,966	1,306,294	1,435,587	1,678,630
Net profit / (loss)	(117,865)	(505,304)	(424,653)	(277,114)	11,073,701	(1,514,669)	(9,214,186)	(1,865,324)
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)	(0.00)	(0.01)	(0.01)	(0.00)	0.16	(0.02)	(0.13)	(0.03)
Capital expenditure	(413,012)	572,146	980,779	273,037	2,584,330	(1,766,359)	874,370	1,037,103
Assets	57,366,408	55,863,665	54,875,500	54,506,053	53,179,583	37,381,715	47,219,565	50,505,183
Long-term liabilities	24,015,241	14,927,027	17,111,219	23,703,563	25,025,048	16,012,910	16,474,480	13,609,960

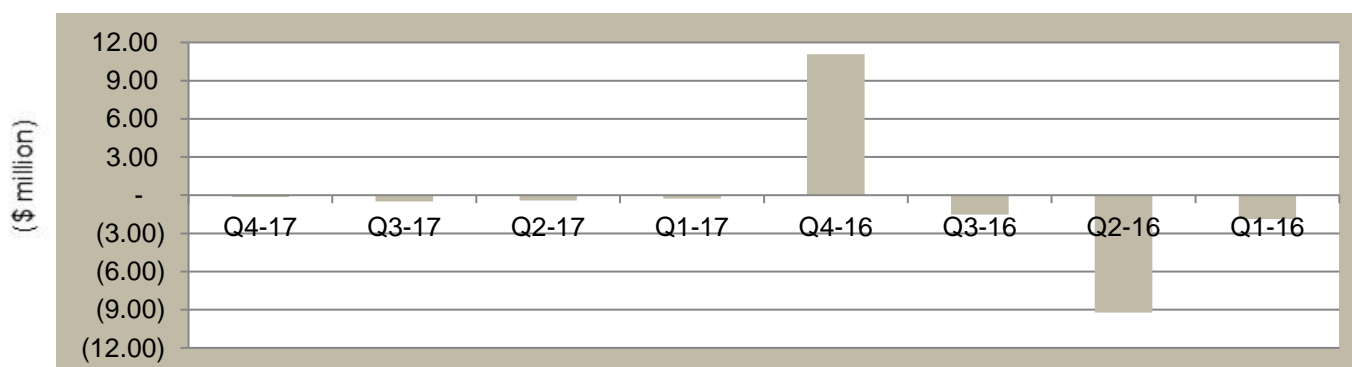
### Fourth quarter and trend analysis of quarterly information

#### Net Revenue



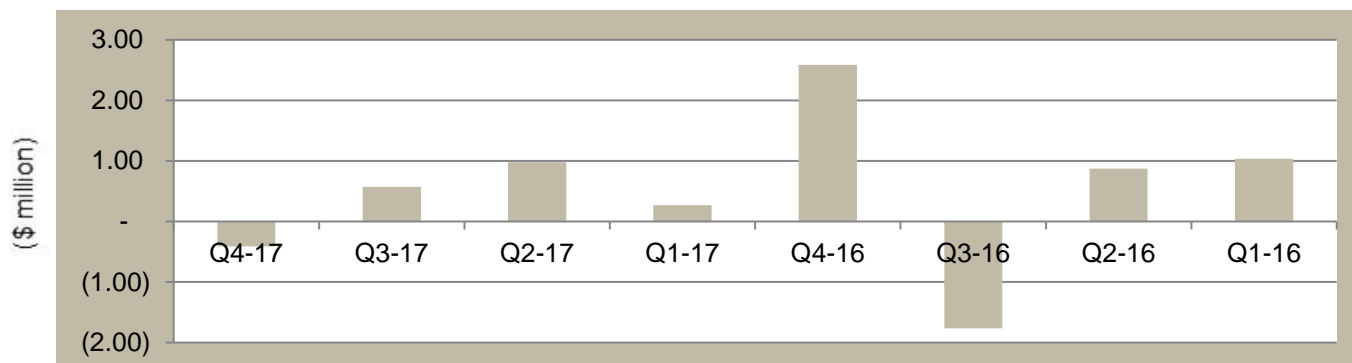
Quarterly revenue to Q4 2016 indicates a consistent declining trend due to a decrease in production from Zarghun South lease. A significant increase in quarterly revenue during 2017 is due to revenue associated with tight gas production from the development well ZS-3 in the Zarghun South lease that commenced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

#### Net profit / (loss)



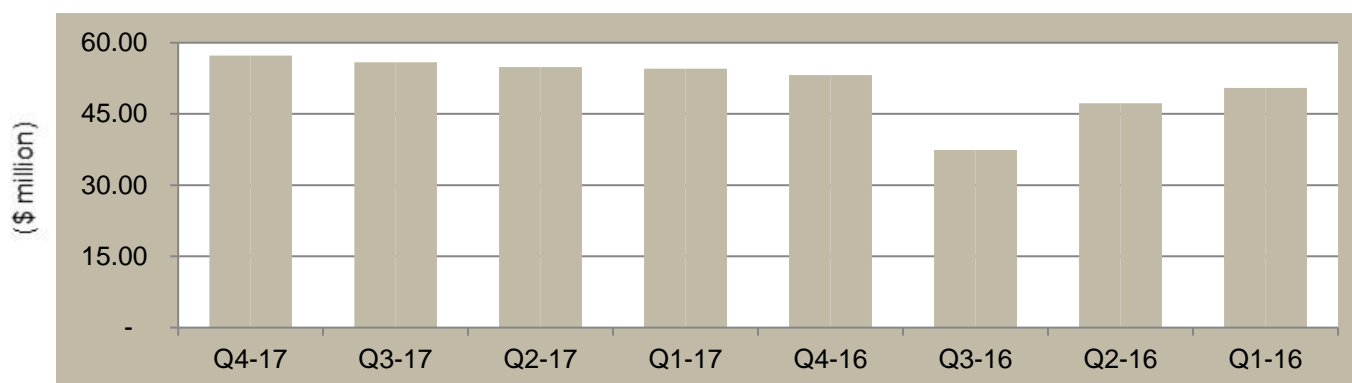
The Company continued to incur losses since inception. Net loss in 2016 is mainly due to decrease in revenue, increase in production costs, legal and professional costs associated with arbitrations with PEL, exchange loss on re-translation of shareholder loan and impairment of SEPL's 7.89% working interest 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 a third development well. During 2017, the quarterly loss decreased significantly due to an increase in revenue and a reduction in legal and professional costs associated with litigation with PEL. During Q4 2017 the Company reported a net loss of \$0.12 million which is significantly lower than Q3 2017 due to a reduction in general and administrative costs after management team restructuring.

#### Capital expenditure



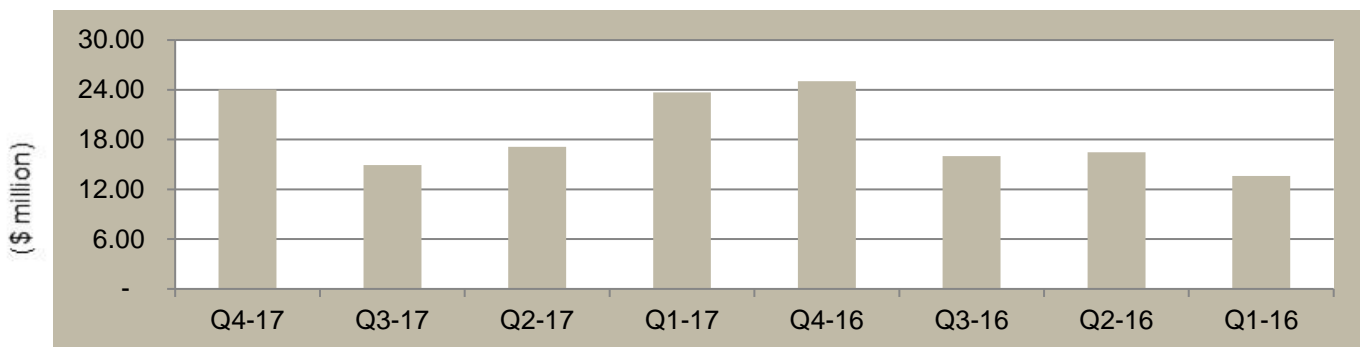
The Company continued to incur significant capital expenditure for the development of its oil and gas properties. Capital expenditure in 2016 and 2017 mainly relates to drilling of the development wells in Sara, Reti and Zarghun South leases and exploration wells in Guddu and Badin IV South exploration licenses. The adjustment in Q3 2016 represents a reversal of costs pursuant to a Settlement Agreement with PEL. Capital expenditure in Q4 2016, Q1 2017, Q2 2017 and Q3 2017 relates to the drilling of development in the Zarghun South lease and the expenditure related to development of gas and condensate discoveries in Badin IV South exploration license. Adjustment in Q4 2017 represents the allocation of exploration past costs to Government Holdings (Private) Limited pursuant to the terms of Bolan Petroleum Concession Agreement.

#### Assets



The significant decline in Q3 2016 was primarily driven by impairment of SEPL's 7.89% working interest in Badar lease and FHL's 37.5% working interest in Kandra lease pursuant to a Settlement Agreement with PEL. The increase in Q4 2016 is due to reversal on impairment of Zarghun South lease. There has been no significant change in total assets during 2017.

Long term liabilities



In Q4 2016 SEPL entered into a 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 JSEL, which result in its reclassification to a long term liability. The decrease in Q1, Q2 and Q3 2017 is due to transfer of current portion of Al Baraka syndicated credit facility, subordinated debentures and shareholder loan to current liabilities. In Q4 2017, the Company reclassified the shareholder loan from current to non-current liability based on a written undertaking from JSEL, pursuant to which the loan shall not be called for repayment for a minimum period of twelve months from the date of approval of the consolidated financial statements of the Company for the year ended December 31, 2017.

**Fourth Quarter Results and Analysis**

Description	Three months ended December 31,		
	2017	2016	Difference
	-----\$-----		
Revenue	2,345,108	1,040,966	1,304,142
Net profit / (loss)	(117,865)	11,073,701	(11,191,566)
Weighted no. of outstanding share	69,076,328	69,076,328	-
EPS (basic and diluted)	(0.00)	0.16	(0.16)
Capital expenditure	(413,012)	2,584,330	(2,997,342)
Assets (as at December 31)	57,366,408	53,179,583	4,186,825
Long term liabilities (as at December 31)	24,015,241	25,025,048	(1,009,807)

Revenue:

The increase in revenue in Q4 2017 compared to Q4 2016 is due to revenue associated with tight gas production from the development well ZS-3 in the Zarghun South lease that commenced production in January 2017 and an increase in average realized price on account of improvement in international crude oil prices.

JEC share of daily production during Q4 2017 was 7.28 MMcf/d compared to 4.18 MMcf/d in Q4 2016.

Net profit / (loss):

The significant net profit in Q4 2016 is mainly attributable to the reversal of impairment of Zarghun South lease due to improvement in international crude oil prices and increase in recoverable reserves after drilling of third development well.

Capital expenditure:

The capital expenditure in Q4 2016 mainly represents drilling of development well in Zarghun South lease. Adjustment in Q4 2017 represents the allocation of exploration past costs to Government Holdings (Private) Limited pursuant to the terms of Bolan Petroleum Concession Agreement.

Assets:

The increase in assets in Q4 2017 compared to Q4 2016 is due to capital expenditure incurred during 2017.

## Financial and Overall Performance Review and Analysis

### Review of Financial Results

#### 1. Net loss

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
Net loss	(1,324,936)	(1,520,478)	195,542

The Company posted a loss of \$1,324,936 for the year ended December 31, 2017, which is marginally lower than the Company's loss for the comparative period.

The loss for the current year is due to increased finance costs and increased general and administrative costs on account of management team restructuring costs.

Segment breakdown of profit / (loss) for the year ended December 31, 2017 is as follows:

	\$
Canada	(1,417,205)
Pakistan	92,269

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

- Canada segment is non-revenue generative. The loss in Canada mainly represents corporate expenses and finance cost on the Company's subordinated debentures.
- Net loss of the Pakistan segment represents production costs of producing assets, general and administrative expenses, finance costs offset by net revenue for the year.

#### 2. Net revenue

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
Sales	10,582,161	6,231,361	4,350,800
Royalty	(1,326,947)	(769,884)	(557,063)
Net revenue	<b>9,255,214</b>	<b>5,461,477</b>	<b>3,793,737</b>

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

The increase of \$4,350,800 in gross revenue compared to the comparative period is due to increase in tight gas production from Zarghun South after the commencement of production from the development well ZS-3 and increased realized gas price per Mcf due to improvement in international crude oil prices.

During the year ended December 31, 2017 daily gas sales volumes from the Badar, Reti-Mar and Zarghun South gas fields averaged approximately nil, 9.13 MMcf, 15.13 MMcf respectively compared to 12.61 MMcf, 11.55 MMcf and 8.92 MMcf respectively in the year 2016.

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

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
Production in Boe	442,093	340,559	101,534
Price (\$ / Boe) <sup>1</sup>	23.94	18.30	5.64

<sup>1</sup>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 the value of petroleum for the Reti-Mar and Zarghun South leases.

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

Description	For the year ended December 31,		
	2017	2016	Difference
Production in Boe	442,093	340,559	101,534
Royalty (\$ / Boe) <sup>1</sup>	3.00	2.26	0.74

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

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

### 3. Cost of production

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
Production costs	2,618,644	3,177,515	(558,871)
Depletion of oil and gas properties	2,827,242	2,162,602	664,640
	<b>5,445,886</b>	<b>5,340,117</b>	<b>105,769</b>

During the year, the JV Partners of Zarghun South lease carried out cost optimization to reduce the fixed field operating costs, which resulted in a significant reduction in production costs during 2017.

The increase in depletion of oil and gas properties is due to an increase in the carrying value of Zarghun South lease owing to the reversal of impairment of \$ 13.33 million at December 31, 2016.

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

Description	For the year ended December 31,		
	2017	2016	Difference
Production in Boe	442,093	340,559	101,534
Production costs (\$ / Boe) <sup>1</sup>	5.92	9.33	(3.41)

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

A significant decrease in production cost per Boe is due to the fact that significant component of production costs is fixed in nature and will remain constant irrespective of the increase in production. The increase in production from Zarghun South decreased average realized production costs per Boe in the current period.

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

Description	For the year ended December 31,		
	2017	2016	Difference
Production in Boe	442,093	340,559	101,534
Depletion costs (\$ / Boe) <sup>1</sup>	6.40	6.35	0.05

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

### 4. General and administrative expenses

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
General and administrative expenses	2,826,639	6,068,289	(3,241,650)

Segment breakdown of general and administrative expenses for the year ended December 31, 2017 is as follows:

	<b>\$</b>
Canada	896,770
Pakistan	1,929,869

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

## 5. Finance costs

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
Interest on amount due to related parties	1,024,977	569,175	455,802
Interest on borrowings	1,639,792	1,353,129	286,663
Accretion on asset retirement obligation	76,280	55,641	20,639
Currency translation exchange (gain) / loss	(959,910)	305,566	(1,265,476)
Interest / (adjustment) on late payment of cash calls to operators	518,104	(584,583)	1,102,687
	<b>2,299,243</b>	<b>1,698,928</b>	<b>600,315</b>

Interest on amounts due to related parties increased during the year due to increase in interest rate for shareholder loan from 3 months LIBOR plus 4% to 11% per annum and closing JS Bank term finance facility during 2017.

Interest in borrowings increased due to the enhancement of Al Baraka credit facilities from PKR 1,060 million to PKR 1,530 million.

Significant exchange gain during 2017 is due to the strengthening of US\$ exchange rate parity with PKR.

## 7. Operating netback

Description	For the year ended December 31,		
	2017	2016	Difference
	-----\$-----		
Net revenue	9,255,214	5,461,477	3,793,737
Production costs	(2,618,644)	(3,177,515)	558,871
Operating netback	6,636,570	2,283,962	4,352,608
Production in Boe	442,093	340,559	101,534
Operating Netback (\$ / Boe) <sup>1</sup>	15.01	6.71	8.30

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

Operating netback per Boe for the year ended December 31, 2017 increased by \$8.30 compared to the comparative period. This is mainly due to the increase in average realized price in the current period on account of improvement in international crude oil prices and a decrease in production costs per Boe.



## 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 26km gas pipeline for supply of gas to Engro Fertilizers Limited.

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

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

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

The JV Partners have taken up the matter with the Ministry of Petroleum and Natural Resources. Until resolution of the pricing matter, revenue from the Reti-Maru gas fields has been recorded based on the Director General (Gas) price of \$3.45 per MMBtu with the excess receipts recorded as deferred revenue. As at December 31, 2017, the Company has received an excess amount of \$1,963,041 from the buyer.

### Contingencies and Commitments

#### Taxation

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

#### Financial Commitments

The Company's financial commitments mainly consist of minimum work commitments related to its exploration licenses, approved authorities for expenditure and commitments under non-cancellable operating leases for employee vehicles. The following table summarizes the financial commitments of the Company as at December 31, 2017 and 2016. These financial commitments are expected to be funded through internal cash generation and debt and/or equity financing.

Description	December 31, 2017	December 31, 2016
		-----\$-----
Minimum capital commitments related to exploration licenses	4,487,775	4,097,000
Commitments under approved AFEs	593,952	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	20,934	49,498
- Later than one year and less than five years	13,365	36,164
<b>Total</b>	<b>5,117,026</b>	<b>4,328,862</b>

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

Description	2017	2018	2019	Total
	-----\$-----			
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	746,025	-	-	746,025
<b>Total</b>	<b>2,638,275</b>	<b>94,500</b>	<b>1,755,000</b>	<b>4,487,775</b>

### Going Concern and Liquidity

At December 31, 2017, the Company had current assets of \$8.42 million comprising trade and other receivables of \$2.80 million, restricted cash of \$1.10 million and cash and cash equivalents of \$4.52 million. Total current liabilities were \$20.59 million comprising accounts payable and accrued liabilities of \$13.53 million and current portion of borrowings and amounts due to related parties of \$7.06 million. The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of \$52.91 million. For the year ended December 31, 2017 the Company reported cash flows from operations of \$7.31 million. In addition to its ongoing working capital requirements, the Company also had financial commitments as at December 31, 2017 that amounted to \$5.12 million. Additional cash resources will be required to exploit the Company's petroleum and natural gas properties.

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

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

During 2016, SEPL entered into two Musharaka Agreements with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), pursuant to a syndicated credit facility arrangement (the "Syndicated Credit Facility"), as lead arranger, in the amount of up to PKR 1,060 million (approximately \$9.59 million).

In February 2017, SEPL entered into a third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, in the amount of up to PKR 170 million (approximately \$1.54 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately \$9.59 million) to PKR 1,230 million (approximately \$11.13 million).

In August 2017, SEPL entered into a supplemental third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, resulting in an increase in the Syndicated Credit Facility from PKR 1,230 million (approximately \$11.13 million) to PKR 1,530 million (approximately \$13.85 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 the first disbursement i.e. January 19, 2016, except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears commencing October 26, 2018.

In November 2017, SEPL entered into a term finance facility with JS Bank Limited (the "JS Bank Facility") in the amount of up to PKR 200 million (approximately \$1.81 million). The facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in twelve equal quarterly installments in arrears, commencing fifteen months after the date of the first disbursement i.e. November 14, 2017. Subsequent to the year end, in April 2018, SEPL, JEC and JSEL entered into a short-term loan agreement for an amount of \$2 million (see "Subsequent Events" below).

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 consolidated financial statements.

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

### Stock-Based Compensation

During the year ended December 31, 2017 stock-based compensation of \$3,282 (December 31, 2016: \$2,807) was charged to the consolidated statement of comprehensive loss.

### Stock Options

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

	Year ended December 31, 2017			Year ended December 31, 2016		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		\$	C\$		\$	C\$
Options outstanding, beginning of year	1,025,000	0.74	1.00	1,025,000	0.72	1.00
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	(250,000)	0.74	1.00	-	-	-
Options outstanding, end of year	775,000	0.80	1.00	1,025,000	0.74	1.00
Options exercisable, end of year	775,000	0.80	1.00	1,008,333	0.74	1.00

Price	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$	C\$		
0.80	1.00	775,000	0.63 775,000
0.80	1.00	775,000	0.63 775,000

### Restricted Share Units

The Company has a restricted share units plan pursuant to which restricted share units ("RSU") may be granted to independent directors of the Company. The RSU generally vest over a period of up to three years and expire no more than five years from the date of grant.

During the year, the Company granted 368,086 restricted share units to its directors.

### Results of Operations

The following table summarizes the working capital of the Company as at December 31, 2017 as compared to December 31, 2016:

Description	As at December 31, 2017	As at December 31, 2016
	-----\$-----	
Current assets	8,423,626	2,868,121
Current liabilities	(20,592,947)	(14,074,661)
Working capital deficiency	(12,169,321)	(11,206,540)

## Contractual Obligations

The following table sets forth the contractual obligations of the Company as at December 31, 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>	4,487,775	2,638,275	1,849,500	-	-
Commitments under outstanding AFEs	593,952	593,952	-	-	-
Operating leases	34,299	20,934	13,365	-	-
Purchase obligations <sup>(2)</sup>	1,000	1,000	-	-	-
Other obligations <sup>(3)</sup>	44,608,188	20,592,947	20,052,782	571,044	3,391,415
<b>Total contractual obligations</b>	<b>49,725,214</b>	<b>23,847,108</b>	<b>21,915,647</b>	<b>571,044</b>	<b>3,391,415</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 December 31, 2017.

## Subsequent Events

### Private placement of debentures

The Company is at an advanced stage of closing a private placement of 3,000 units of new Debentures. Each new Debenture Unit shall comprise a debenture of \$1,000 carrying interest at the rate of 11% per annum and 200 warrants of JEC. As consideration for the successful placement of subscription units, the Company shall also issue 50,000 warrants to ARK Point Advisors FZE who acted as placement agent. Interest is payable on the debenture in arrears in equal semi-annual payments on October 30 and on April 30 each year. The repayment of new Debentures will fall due on April 30, 2020, or an earlier date at the option of the Company.

The warrants will be exercisable at a price of C\$0.15 per common share of JEC and shall expire on the earlier of: (a) April 30, 2020, (b) the 90<sup>th</sup> day following the date of redemption by the Company of all outstanding Debentures issued to the subscribers, and (c) the tenth business day following the date on which notice is given by JEC to the subscriber that, during a consecutive 30-day period ending not more than five business days prior to the date of such notice, the closing price of the common shares on the TSX Venture Exchange exceeded C\$0.30 on each trading day in such period. As a result of the new Debenture units subscriptions, Jura shall issue a total of 650,000 warrants. The closing of the private placement is planned on April 30, 2018.

### Short term loan agreement

Subsequent to the balance sheet date, SEPL, JEC and JSEL entered into a short term loan agreement (the "Loan Agreement"), effective April 23, 2018, for an amount of \$2 million. The principal amount under the Loan Agreement carries interest at a rate of 11% per annum compounded quarterly. The principal and accrued interest will be due for repayment on the 181<sup>st</sup> day following the first drawdown under the Loan Agreement.

The disbursement under the Loan Agreement and the proceeds of the private placement of debentures will be used to repay the \$4 million aggregate principal amount of 11% non-convertible secured subordinated debentures maturing April 30, 2018.

## Transactions with Related Parties

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

### Transaction with majority shareholder

JSEL, which is a majority shareholder of JEC, provided financial support to SEPL in the form of an interest-bearing bridge loan. Effective October 1, 2016, SEPL entered into a fourth supplemental loan agreement with EPL pursuant to the EPL granted a grace period of 15 months in the repayment of principal and accrued mark-up. Further, the mark-up rate was revised from 3 months US\$ LIBOR plus 4% to 11% per annum compounded quarterly. The changes in loan balance during the applicable periods and balances outstanding as at December 31, 2017 and December 31, 2016 are as follows:

Description	December 31, 2017	December 31, 2016
	-----\$-----	
Balance payable at beginning of the year	9,424,843	10,175,454
Loan repaid during the year	(825,000)	(1,741,667)
Interest accrued on loan from shareholder	1,003,008	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 year	-	256,900
Amount paid on behalf of EPL during the year	-	(5,858)
<b>Balance payable at end of the year</b>	<b>9,602,851</b>	<b>9,424,843</b>

### Transaction with associated entity – JS Bank Limited

On November 7, 2014, SEPL entered into two financing facilities totaling 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 the participation of PKR 670 million (equivalent \$6.06 million). On November 14, 2017, SEPL entered into term finance facility with JS Bank Limited in the amount of up to PKR 200 million (approximately \$1.81 million). The facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in twelve equal quarterly installments in arrears, commencing fifteen months after the date of the first disbursement i.e. November 14, 2017.

Description	December 31, 2017	December 31, 2016
	-----\$-----	
<b>Old facilities</b>		
Balance payable at beginning of the year	-	2,905,276
Loan received during the year	-	-
Interest accrued	-	11,970
Interest paid during the year	-	(62,363)
Principal repaid during the year	-	(2,886,550)
Exchange loss on retranslation of loan	-	31,667
<b>Balance payable at end of the year</b>	<b>-</b>	<b>-</b>
<b>Syndicated Credit Facility</b>		
Balance payable at beginning of the year	4,769,529	-
Loan received during the year	1,557,579	4,698,213
Mark-up accrued during the year	573,489	397,923
Mark-up paid during the year	(509,199)	(275,609)
Principal repaid during the year	(892,972)	-

Description	December 31, 2017	December 31, 2016
Exchange gain on retranslation of loan	(286,836)	(50,998)
Balance payable at end of the year	<b>5,211,590</b>	<b>4,769,529</b>
<b>Term Finance Facility</b>		
Balance payable at beginning of the year	-	-
Loan received during the year	1,848,259	-
Mark-up accrued during the year	21,969	-
Exchange gain on retranslation of loan	(83,812)	-
Balance payable at end of the year	<b>1,786,416</b>	-

### **Key management personnel**

Description	December 31, 2017	December 31, 2016
	-----	\$-----
Management salaries and benefits	506,298	520,606
Directors' fees and compensation	144,811	165,377
<b>Total</b>	<b>651,109</b>	<b>685,983</b>

### **Future Outlook**

The Company's capital expenditure program for 2017 includes:

- development of Ayesha, Aminah and Ayesha North gas and condensate discoveries in Badin IV South block involving installation of a production facility;
- development of Zainab gas and condensate discovery in Badin IV North block;
- drilling of one exploration well in the Badin IV South 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 short term loan agreement with JSEL.

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

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

### **New Accounting Standards and Pronouncements**

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

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

#### **Revenue from Contracts with Customers**

In May 2014, The IASB has issued a new standard IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). This new standard replaces IAS 18 – Revenue and IAS 11 – Construction Contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS 15 is effective for financial years commencing on or after January 1, 2018. Jura will adopt IFRS 15 in its consolidated financial statements for the year ending December 31, 2018, using the cumulative effect method whereby Jura will apply the new standard as of the date of initial application with no restatement of comparative periods. The cumulative effect method adjusts the effects on revenue and expenses to the opening balance of retained earnings as at January 1, 2018. Jura expects that the implementation of the new standard will result in a material change in revenue related to Guddu block.



Jura is in the process of performing an assessment of IFRS 15 and evaluating the effect of adopting the new standard on its consolidated financial statements. Jura has identified revenue streams and is assessing the appropriate method of revenue recognition under the new standard. This involves the assessment of the expected amount of consideration. Prior to fiscal 2018, Jura recognized revenue on account of gas sales from Guddu block on the basis of the gas price determined under the 2009 Petroleum Policy, however, under the revised standard the Company will be able to recognize revenue from Guddu block based on the expected amount of consideration. The net impact to the consolidated financial statements will be \$1.96 million.

### **Financial Instruments: Recognition and Measurement**

In July 2014, IFRS 9 *Financial Instruments* was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, with additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. The company will adopt this standard on the effective date of January 1, 2018. IFRS 9 will replace the multiple classification and measurement models for financial assets that currently exist under IAS 39 Financial Instruments, and the basis on which financial assets are measured will determine their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income. The Company is currently assessing and evaluating the impacts of the new standard on the consolidated financial statements.

### **Leases**

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

### **Critical Accounting Estimates and Judgements**

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

#### Critical accounting estimates and assumptions

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

#### *a) Exploration and evaluation expenditure*

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the statement of comprehensive income / (loss).

#### *b) Estimated impairment of oil and gas properties*

Oil and gas reserves are an important element in impairment testing for oil and gas properties. Estimates of oil and gas reserves are inherently imprecise and are subject to future revision. These reserves are estimated by an independent expert with reference to the available reservoir and well information, including

production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs.

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

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

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

*d) Asset retirement obligation*

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

*e) Recognition of deferred tax assets*

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

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

*f) Measurement of share-based payments*

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

Critical judgements in applying the entity's accounting policies

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

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

*h) Asset retirement obligation*

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

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

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

j) *Determination of functional currency*

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

## Financial Risk Management

### Financial risk factors

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

#### Market risk

(i) **Currency risk**

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

Description	December 31, 2017	December 31, 2016
	-----\$-----	
<b>PKR</b>		
Bank balances	324,307	18,870
Restricted cash	-	853,561
Accounts and other receivables	480,215	456,482
Accounts payable and accrued liabilities	(4,884,968)	(3,220,391)
Amounts due to related parties	(1,786,416)	-
Borrowings	(12,254,810)	(10,331,824)
Net exposure	<b>(18,121,672)</b>	<b>(12,223,302)</b>
<b>CAD</b>		
Bank balances	980	6,056
Accounts and other receivables	2,130	30,674
Accounts payable and accrued liabilities	(381,343)	(415,017)
Net exposure	<b>(378,233)</b>	<b>(378,287)</b>

The following significant exchange rates were applied during the year:

Description	2017	2016
<b>PKR per USD</b>		
Average rate	105.50	104.30
Reporting date rate	110.50	104.80
<b>CAD per USD</b>		
Average rate	1.30	1.36
Reporting date rate	1.24	1.35

If the functional currency, at the reporting date, had fluctuated by 5% against the PKR and CAD with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been \$925,995 (2016: \$630,079) respectively lower / higher, mainly as a result of exchange gains/losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

Description	December 31, 2017	December 31, 2016
	-----	\$-----
Fixed rate instruments		
- Borrowings	4,026,055	3,961,700
- Amounts due to related parties	9,615,376	9,437,368
Floating rate instruments		
- Borrowings	12,254,809	10,331,824
- Amounts due to related parties	1,786,416	-

Fair value sensitivity analysis for fixed rate instruments

If the interest rate, at the reporting date, had fluctuated by 1% with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been \$140,412 (2016: \$103,318) respectively lower / higher, mainly as a result of interest on floating rate financial instruments. Interest rate risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(iv) Credit risk

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

Description	December 31, 2017	December 31, 2016
	-----	\$-----
Cash at bank	4,523,811	179,389
Restricted cash	1,097,351	1,053,561
Accounts and other receivables	2,954,748	1,634,647
<b>Total</b>	<b>8,575,910</b>	<b>2,867,597</b>

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 the high credit worthiness of corresponding parties.

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

Description	Rating agency	Credit rating	2017	2016
			-----	\$-----
RBC – Canada	Moody's <sup>1</sup>	A1	5,891	63,673
Meezan Bank Limited	JCR-VIS <sup>2</sup>	AA-	842	842
Bank Alfalah Limited	PACRA <sup>3</sup>	AA+	613	614
Askari Bank Limited	PACRA	AA+	1,321	1,321
JS Bank Limited	PACRA	AA-	213,186	6,538
Silk Bank Limited	JCR-VIS	A-	13,764	-
Al Baraka Bank Pakistan Limited	PACRA	A	5,385,545	1,159,962
<b>Total</b>			<b>5,621,162</b>	<b>1,232,950</b>

<sup>1</sup>Moody's Investors Service

<sup>2</sup>Japan Credit Rating Agency, Ltd (JCR) and Vital Information Services (Pvt.) Limited (VIS)

<sup>3</sup>The Pakistan Credit Rating Agency Limited

Due to the Company's long-standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal. As of December 31, 2017, trade receivables of \$1,641,737 (2016: \$1,171,130) were past due but not impaired. The aging analysis of these trade receivables is as follows:

Description	December 31, 2017	December 31, 2016
	-----	\$-----
Up to 3 months	1,641,737	1,171,130
3 to 6 months	-	-
Above 6 months	-	-
<b>Total</b>	<b>1,641,737</b>	<b>1,171,130</b>

(v) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company follows an effective cash management and planning protocol to ensure availability of funds, and to take appropriate measures for new requirements. The following are the contractual maturities of financial liabilities as at December 31, 2017:

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	13,534,116	-	-	-	-	13,534,116	13,534,116
Amounts due to related parties	78,027	81,205	11,417,280	1,327,929	-	12,904,441	11,401,792
Borrowings	5,973,756	2,059,474	4,614,840	6,059,232	-	18,707,302	16,280,865
	<b>19,585,899</b>	<b>2,140,679</b>	<b>16,032,120</b>	<b>7,387,161</b>	<b>-</b>	<b>45,145,859</b>	<b>41,216,773</b>

The following are the contractual maturities of financial liabilities as at December 31, 2016:

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

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

### Fair value of financial assets and liabilities

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

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

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

### Financial instruments by category

Financial assets	December 31, 2017	December 31, 2016
	Loans and receivables	
	-----\$-----	
Cash and cash equivalents	4,524,499	179,913
Restricted cash	1,097,351	1,053,561
Accounts and other receivables	2,954,748	1,634,647
<b>Total</b>	<b>8,576,598</b>	<b>2,868,121</b>
Financial liabilities	Other financial liabilities	
Accounts payable and accrued liabilities	13,534,116	12,032,735
Amounts due to related parties	11,401,792	9,437,368
Subordinated debentures	16,280,865	14,293,524
<b>Total</b>	<b>41,216,773</b>	<b>35,763,627</b>

### Capital risk management

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

The Company's objectives when managing capital are:

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



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

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

## **Risk Factors**

The business of exploring for, developing and producing oil and gas reserves is inherently risky. The Company will face numerous and varied risks which may prevent it from achieving its goals. The Company's actual exploration and operating results may be very different from those expected as at the date of this MD&A. Also, see "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2017 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 the 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 properties and the 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 therefrom. 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 the 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 the 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.

### ***Risk to Information Technologies Systems and Cyber Security***

The Company may be negatively affected by cybersecurity incidents or other IT systems disruption. The Company relies heavily on its information technology systems including, without limitation, its networks, equipment, hardware, software, telecommunications, and other information technology (collectively "IT systems"), and the IT systems of its vendors and third party service providers, to operate its business as a whole. Although the Company has not experienced any material losses to date relating to cybersecurity, or other IT systems disruptions, there can be no assurance that the Company will not incur such losses in the future. Despite the Company's efforts to mitigate IT systems security risks, the risk and exposure to these threats cannot be fully mitigated because of, among other things, the evolving nature of cybersecurity threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect IT systems from cybersecurity threats remain a priority. As these threats continue to evolve, the Company may be required to spend additional resources to continue to modify or enhance protective measures or to investigate and remediate any cybersecurity vulnerabilities. Any cybersecurity incidents or other IT systems disruption could result in operational delays, destruction or corruption of data, security breaches, financial losses from remedial actions, the theft or other compromising of confidential or otherwise protected information, fines and lawsuits, or damage to the Company's reputation. Any such occurrence could have an adverse impact on the Company's financial condition and 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' judgements 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, judgement, 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, 368,086 restricted share units, 50,000 stock options and 850,000 share purchase warrants outstanding as of the date of this MD&A.

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

As at December 31, 2017, an evaluation of the effectiveness of Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the



supervision and with the participation of management, including the Interim Chief Executive Officer ("CEO") and the Interim Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and the CFO concluded that, as at December 31, 2017, the design and operation of Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

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

Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at December 31, 2017, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

### **Approval**

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