



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED
DECEMBER 31, 2021 and 2020**

May 2, 2022

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. ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL") for the years ended December 31, 2021 and 2020 and the Company's consolidated financial position as at December 31, 2021. This MD&A is approved by the Board of Directors (the "Board") on April 29, 2022 and should be read in conjunction with the annual audited consolidated financial statements of the Company for the years ended December 31, 2021 and 2020.

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 IFRS Interpretations Committee of the IASB. The Company uses the United States Dollar as its measurement and reporting currency. All amounts reported in this MD&A are stated in United States Dollars unless otherwise indicated.

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

Non-IFRS Financial Measures

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

Operating netback is used by research analysts to compare operating performance and the Company's ability to maintain current operations and meet the forecasted capital program. The Company's operating netback is the net result of the Company's revenue (consisting of petroleum and natural gas) net of production costs, excluding depletion of oil and gas properties, as found in the consolidated 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 appropriate for the 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 indicator 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") equals to 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 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, Badin IV North, Guddu and Nareli exploration licenses and expectations regarding the grant of or extension applied in terms of expired exploration licenses and leases by the Government of Pakistan ("GoP"). All statements other than statements of present or historical facts are forward-looking statements. Forward-looking statements typically, but not always, contain words such as "anticipate", "believe",

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

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

Forward-looking statements contained in this MD&A are based on management's current expectations and assumptions regarding future capital and other expenditures (including the amount, nature and sources of funding thereof), future economic conditions, future currency, and exchange rates, future international oil prices, continued political stability, timely receipt of any necessary regulatory approvals, timing of the implementation of applicable petroleum exploration and production policies and the Company's continued ability to employ a qualified team to execute work program in a timely and cost efficient manner, the continued participation of the Company's joint venture partners ("JV Partners") in exploration and development activities, the impact of Company's response to COVID-19 global pandemic, the severity and duration of the COVID-19 pandemic, the potential for a temporary suspension of operations impacted by an outbreak of COVID-19, continued weakness and volatility of crude oil and other petroleum products due to decreased global demand as a result of COVID-19 pandemic, changes in general economic, market and business conditions. 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, 2021, and upto the date of this MD&A are as follows:

- The Company reported a net loss of \$6.81 million for the year ended December 31, 2021 compared to a net profit of \$3.85 million in 2020. The net loss for the current year is mainly due to recognition of an impairment charge of \$14.39 million and a higher depletion charge as a result of reduction in recoverable reserves of the Zarghun South lease, partially offset by an unrealized exchange gain on retranslation of Pakistan Rupee ("PKR") denominated liabilities due to weakening of PKR against US\$ and a reversal of deferred tax liability due to reduction in carrying amount of Company's oil and gas properties;
- The gross profit for the year ended December 31, 2021 was \$7.92 million compared to a gross profit of \$11.18 million in 2020. The reduction in gross profit is due to higher depletion charge as a result of reduction in recoverable reserves of Zarghun South lease, which was partially offset by increase in net revenue;
- The net revenue for the year ended December 31, 2021 increased by approximately 12% compared to 2020. The increase in net revenue is mainly due to increase in average realized price as a result of improvement in international crude oil prices and a slight increase in production during the year;

- Production during the year ended December 31, 2021 increased by 3% compared to the year ended December 31, 2020. The increase in production is mainly due to improved production yield from Ayesha, Aminah and Ayesha North leases offset by significant decline in gas production from Zarghun South lease, mainly attributed to a significant drop in wellhead flowing pressures and excessive formation water production caused by a water breakthrough in the Dunghan reservoir;
- On October 13, 2021, the Government of Pakistan awarded petroleum exploration rights in the Nareli Block (3068-9) to SEPL and its JV Partners, Mari Petroleum Company Limited ("MPCL") and Pakistan Oilfields Limited ("POL"). MPCL is the operator of the Nareli Block with a 39% working interest, whereas SEPL and POL have a 29% and 32% working interest respectively;
- In November 2021, SEPL entered into a running musharaka facility of PKR 500 million (equivalent \$2.81 million) with Al Baraka Bank (Pakistan) Limited; and
- In February 2022, Government Holdings (Private) Limited ("GHPL") and Balochistan Energy Company Limited ("BECL") exercised their rights to acquire a 2.5% working interest in the Nareli Block. The GHPL 2.5% working interest is on a full participation basis, whereas BECL 2.5% is carried working interest to be proportionality borne by MPCL, SEPL and POL.

COVID-19 global pandemic

Beginning in early March 2020 and continuing into 2021, the market conditions precipitated by the COVID-19 global pandemic ("COVID-19"), and subsequent measures intended to limit the outbreak globally, contributed to an unprecedented impact on global commodity prices. With reduced crude oil demand and excess supply, the price of crude oil and other petroleum products deteriorated significantly during the first half of 2020, and although there has been an improvement in the stability of the global oil market in the later parts of 2020 and early 2021, there remains uncertainty regarding the ongoing impact of COVID-19 on global commodity prices.

The Company continues to proactively respond to the safety challenges associated with COVID-19 and remains committed to ensuring the health and safety of all its personnel and the safety and continuity of its operations. The screening procedures and protocols implemented by the Company's COVID-19 task force during the first quarter of 2020 continue to be enhanced to ensure continued safe and reliable operations. Flexibility and adaptability continue to be integral to the Company's response to the pandemic. The Company continues to monitor the developing COVID-19 situation to determine what, if any, additional measures might need to be taken to ensure that the health and safety of its people remain a top priority.

In accordance with the government guidelines and to limit the risk and transmission of COVID-19, the Company has implemented mandatory self-quarantine policies, travel restrictions, enhanced cleaning and sanitation measures, and social distancing measures. The Company believes that it can maintain safe operations with these pandemic-related procedures and protocols in place. Additionally, in order to prevent and/or minimize any COVID-19 outbreak at field sites, the operators have implemented additional measures as part of their pandemic response, including changes to crew size and shift durations, screening measures prior to allowing field access to employees and staff, and mandating the use of masks and other measures to ensure continued safe and reliable operations.

Overview of the Company and its Operations

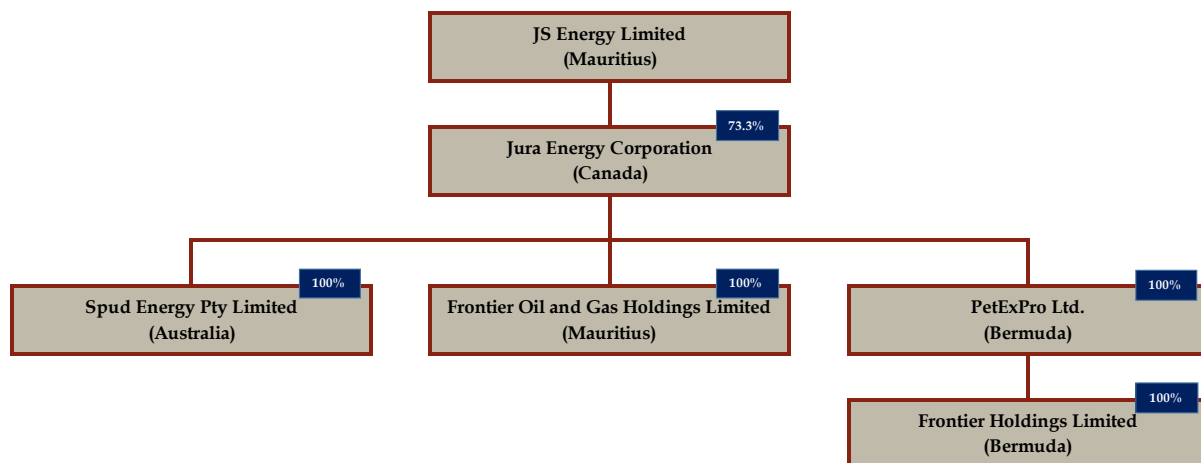
JEC is an international upstream oil and gas exploration and production company. The Company's activities are currently conducted in Pakistan, where it has working interests in the following exploration licenses/leases through its wholly owned subsidiaries Spud Energy Pty Limited ("SEPL") and Frontier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

| Exploration licenses/leases | Working Interest | | Operator |
|-----------------------------|------------------|--------|---|
| | Owner | (%) | |
| Producing | | | |
| Zarghun South lease | SEPL | 40.00% | Mari Petroleum Company Limited |
| Reti lease | SEPL | 10.66% | Oil and Gas Development Company Limited |
| Maru lease | SEPL | 10.66% | Oil and Gas Development Company Limited |
| Maru South lease | SEPL | 10.66% | Oil and Gas Development Company Limited |

| | | | |
|------------------------------------|------|--------|---|
| Sara lease | SEPL | 60.00% | Spud Energy Pty Limited |
| Suri lease | SEPL | 60.00% | Spud Energy Pty Limited |
| Badar lease* | SEPL | 7.89% | Petroleum Exploration (Private) Limited |
| Ayesha lease | FHL | 27.50% | Petroleum Exploration (Private) Limited |
| Aminah lease | FHL | 27.50% | Petroleum Exploration (Private) Limited |
| Ayesha North lease | FHL | 27.50% | Petroleum Exploration (Private) Limited |
| <u>Development</u> | | | |
| Zainab lease | FHL | 27.50% | Petroleum Exploration (Private) Limited |
| Kandra lease* | FHL | 37.50% | Petroleum Exploration (Private) Limited |
| <u>Exploration</u> | | | |
| Guddu exploration license | SEPL | 13.50% | Oil and Gas Development Company Limited |
| Nareli exploration license | SEPL | 27.55% | Mari Petroleum Company Limited |
| Zamzama North exploration license | SEPL | 24.00% | Heritage Oil and Gas Limited |
| Badin IV South exploration license | FHL | 27.50% | Petroleum Exploration (Private) Limited |
| Badin IV North exploration license | FHL | 27.50% | Petroleum Exploration (Private) Limited |
| Kandra exploration rights | FHL | 35.00% | Petroleum Exploration (Private) Limited |

*Pursuant to the terms of Settlement Agreement entered into between SEPL, FHL and Petroleum Exploration (Private) Limited ("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 (excluding Badar lease) and three exploration licenses. The working interest ranges from 10.66% to 60%.

FHL has non-operated working interests in two exploration licenses, four leases (excluding Kandra lease) and exploration rights within the Kandra lease. The working interest ranges from 27.5% to 35%.

The following is a summary of the Company's operations in the most recently completed financial year and upto the date of this MD&A.

Operated Concession

Sara and Suri Leases

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

In March 2018, the Economic Coordination Committee of the Federal Cabinet ("ECC") granted approval for the sale of gas from the Sara and Suri leases to a third party at a negotiated price. Pursuant to the competitive bidding process, the JV Partners approved the sale of gas from Sara and Suri leases to Konnect Gas (Pvt) Limited ("KGPL"), an affiliate of SEPL.

Production from Sara and Suri leases under a third-party sale arrangement commenced on October 16, 2020. Pursuant to the terms of a Gas Sale and Purchase Agreement ("GSA") between SEPL and KGPL, the production from Sara and Suri leases is entitled to a gas price of US\$ 2.15/MMBtu.

Pursuant to the terms of the Sara and Suri GSA, the minimum daily contracted quantity required to be off taken by the buyer is 1.105 MMcf/d (the "DCQ"). However, due of closure of international borders as a result of COVID-19 pandemic, the buyer was unable to procure the necessary equipment and logistic facilities required to offtake the DCQ. The buyer requested the Sara and Suri Working Interest Owners to reduce the DCQ to 0.25 MMcf/d for a period of six months upto April 2020, which was initially declined by Oil and Gas Development Company Limited ("OGDCL"), and as a result thereof OGDCL instructed the operator to suspend supply of gas to the buyer effective March 1, 2021.

In January 2022, the buyer and sellers agreed to revise the terms of the Sara and Suri GSA, pursuant to which the DCQ was reduced to upto 0.5 MMcf/d for a period of two months reckoned from the date of recommencement of production and upto 1.00 MMcf/d thereafter. The production from Sara and Suri Leases resumed on January 25, 2022.

Sara and Suri Leases expired on February 29, 2020. On February 28, 2020, SEPL on behalf of JV Partner applied for extension in lease term for further period of four years effective March 1, 2020. SEPL believes that the approval of extension in the term of Sara and Suri leases will be granted in due course.

Non-operated Concessions

Badar Lease

SEPL holds a 7.89% working interest in the Badar lease. Pursuant to the terms of the Settlement Agreement entered into 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 lease commenced in August 2014. During 2021, average daily production from Zarghun South lease was approximately 17.59 MMcf/d. The current daily field production is approximately 8.32 MMcf/d.

In September 2021, the production from Zarghun South leases started to decline significantly. The decline in gas production from Zarghun South lease is mainly attributed to a significant drop in wellhead flowing pressures and excessive formation water production caused by a water breakthrough in the Dunghan reservoir.

On February 04, 2021, the Zarghun South JV Partners entered into the Bolan Supplemental PCA with the President, which incorporated provisions for the entitlement of tight gas pricing incentives for the Dunghan Reservoir within the Zarghun South leases.

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.

Zarghun South lease will expire in 2029.

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.

Commercial production from Badin IV South leases commenced in February 2020. During 2021, average daily production from Badin IV South leases was approximately 18.25 MMcf/d. The current daily field production is approximately 17.01 MMcf/d.

On July 16, 2020, the GoP approved gas prices for Badin IV South Leases under Marginal Gas Fields – Gas Pricing Criteria and Guidelines 2013 (the "Marginal Gas Pricing Criteria"). On August 13, 2020, the Badin IV South JV Partners entered into the Badin IV South Supplemental PCA with the President, which incorporated provisions for the entitlement of gas pricing incentives under the Marginal Gas Pricing Criteria for Ayesha, Aminah and Ayesha North leases.

The Ayesha lease expired in 2020. The operator on behalf of the JV Partners has submitted an application for a five years extension in the lease term. FHL believes that the approval of extension will be granted in ordinary course of business.

The Aminah and Ayesha North leases will expire in 2024 and 2025 respectively.

Reti, Maru and Maru South Leases and Maru East, Khamiso and Umair Gas Fields ("Reti-Maru leases")

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

Commercial production from the Reti-Maru leases commenced in December 2013. During 2021, average production from the leases was approximately 9.98 MMcf/d. The current daily field production is approximately 8.42 MMcf/d.

The Reti, Maru and Maru South Leases will expire in 2023, 2029 and 2026 respectively.

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).

In order to fully explore the hydrocarbon potential of the license, the Guddu JV Partners acquired 545 Sq. Km of 3D seismic data. The processing and interpretation of 3D seismic data is in progress.

The Guddu exploration license expired on December 31, 2021. The operator on behalf of the JV Partners has submitted an application for an eighteen-month extension in the license term. SEPL believes that the approval of extension will be granted in ordinary course of business.

Zamzama North Exploration Licenses

Pricing for gas under the Zamzama North exploration license has been deemed converted to pricing under the Petroleum Policy, 2012. Accordingly, any gas sales from future discoveries 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 PCA within a period of 60 days. The JV Partners are pursuing the matter with the DGPC.

Of the Company's 24.0% working interests in Zamzama North exploration license, 12.0% is held directly by SEPL and the remaining 12.0% is held by Energy Exploration Limited ("EEL"), a related party, 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 this working interest in trust for SEPL.

Nareli Exploration License

On October 13, 2021, the GoP awarded Petroleum exploration rights in the Nareli Block (3068-9) to SEPL and its joint venture partners, MPCL and POL. MPCL is the operator of the Nareli Block with a 39% Working Interest, whereas SEPL and POL have a 29% and 32% Working Interest, respectively.

In February 2022, GHPL and BECL exercised their rights to acquire a 2.5% working interest in the Nareli Block. The GHPL 2.5% working interest is on a full participation basis, whereas BECL 2.5% is carried working interest to be proportionality borne by MPCL, SEPL and POL.

The Nareli exploration license will expire on October 12, 2024.

Badin IV South Exploration License

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

The Badin IV South exploration license will expire on February 2, 2024.

Badin IV North Exploration License

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

The Phase II of the Badin IV North exploration license expired on December 6, 2019. On December 4, 2019, the operator on behalf of the JV Partners submitted an application to DGPC for grant of eight months extension in the term of Phase II of Badin IV North exploration license. FHL believes that the extension will be granted in due course.

Performance Overview and Financial Analysis

Operational and Financial Results

| Description | December 31, | | |
|----------------------------------|--------------|------------|------------|
| | 2021 | 2020 | 2019 |
| | -----\$----- | | |
| Net revenue | 20,953,932 | 18,741,498 | 10,654,406 |
| Gross profit | 7,918,638 | 11,182,443 | 5,999,602 |
| Net profit / (loss) for the year | (6,809,544) | 3,853,319 | (216,395) |
| Earnings / (loss) per share | | | |
| - Basic | (0.10) | 0.06 | (0.00) |
| - Diluted | (0.10) | 0.05 | (0.00) |
| Capital expenditure | 3,119,841 | 4,843,445 | 3,915,706 |
| Assets | 43,445,576 | 63,907,081 | 55,612,584 |
| Long term liabilities | 10,184,931 | 25,358,039 | 20,501,622 |
| Common shares | | | |
| - Basic | 69,076,328 | 69,076,328 | 69,076,328 |
| - Diluted | 70,737,486 | 70,737,486 | 70,737,486 |
| Cash dividend per share | - | - | - |

JEC's net revenue increased significantly during 2020 and 2021 compared to 2019. The increase in year 2020 is due to commencement of production from Ayesha, Aminah and Ayesha North leases in Badin IV South block and ZS-4 development well in Zarghun South lease. The increase in net revenue during 2021 is mainly due to increase in average realized price as a result of improvement in international crude oil prices and a slight increase in production during the year.

JEC reported a net loss of \$6,809,544 during 2021 compared to a net profit of \$3,853,319 in year 2020. The net loss for the current year is mainly due to recognition of an impairment charge of \$14.39 million and a higher depletion charge as a result of reduction in recoverable reserves of the Zarghun South lease, partially offset by an unrealized exchange gain on retranslation of PKR denominated liabilities due to weakening of PKR against US\$ and a reversal of deferred tax liability due to reduction in carrying amount of Company's oil and gas properties.

The capital expenditure incurred during 2019 and 2020 mainly represents expenditure associated with the development of three gas and condensate discoveries in Badin IV South block, 2D seismic data acquisition and drilling of a development well in Zarghun South lease and the capital expenditure for year 2021 represents buyout cost of amine sweetening unit installed in Badin IV South block.

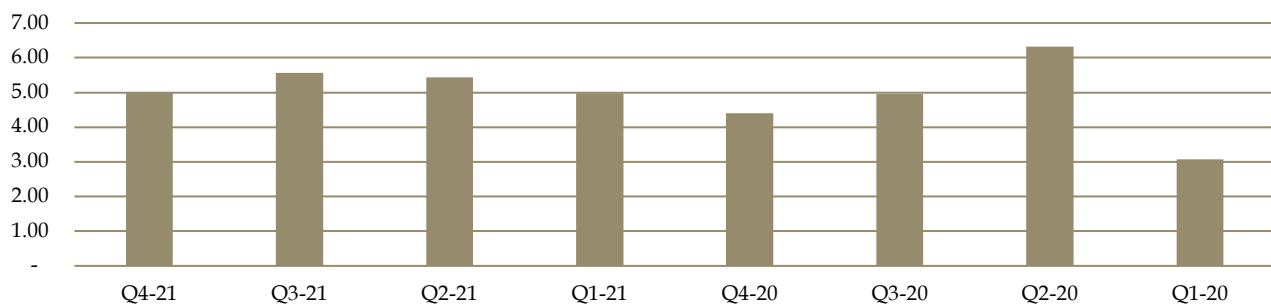
The significant reduction in long term liabilities during 2021 is mainly due to repayment of shareholder loan and Askari Bank syndicated term finance facilities during the year. Further, there is a significant reduction in deferred tax liability due to reduction of carrying value of oil and gas properties as a result of impairment charge for the year.

Summary of Quarterly Results

| Description | 2021 | | | | 2020 | | | |
|---|-------------|-------------|------------|------------|------------|------------|------------|------------|
| | Q-4 | Q-3 | Q-2 | Q-1 | Q-4 | Q-3 | Q-2 | Q-1 |
| Net revenue | 4,991,465 | 5,561,455 | 5,426,516 | 4,974,496 | 4,394,233 | 4,960,653 | 6,313,015 | 3,073,597 |
| Net profit/(loss) | (6,891,178) | (2,779,275) | 2,213,495 | 647,414 | 6,825 | 1,134,480 | 2,936,657 | (224,643) |
| 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 |
| Earnings/(loss) per share (basic and diluted) | (0.10) | (0.04) | 0.03 | 0.01 | 0.00 | 0.02 | 0.04 | - |
| Capital expenditure | 175,298 | 1,741,048 | 382,076 | 821,419 | 286,655 | 345,171 | 1,185,036 | 3,026,583 |
| Assets | 43,445,576 | 54,253,818 | 63,810,850 | 63,389,257 | 63,907,081 | 61,083,951 | 63,677,456 | 58,204,878 |
| Long-term liabilities | 10,184,931 | 14,547,836 | 19,391,183 | 21,822,199 | 25,358,039 | 25,743,683 | 28,942,746 | 28,007,726 |

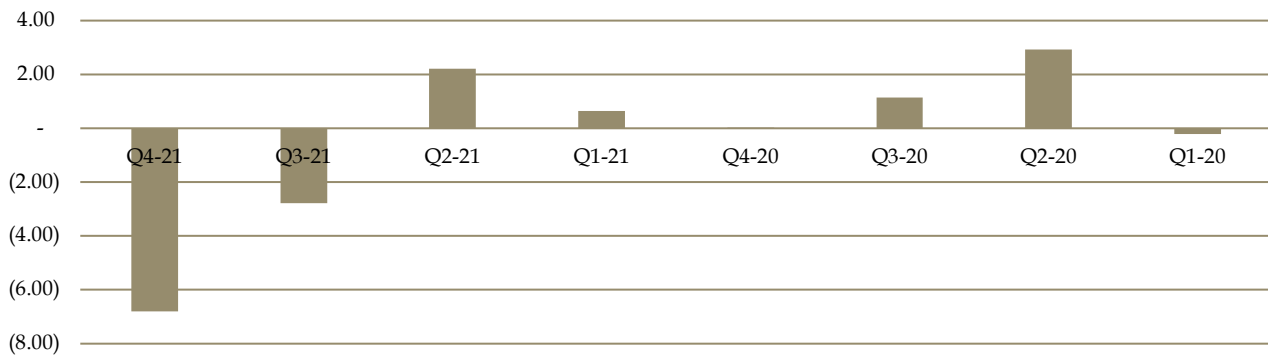
Trend Analysis of Quarterly Results

Net Revenue (\$ million)



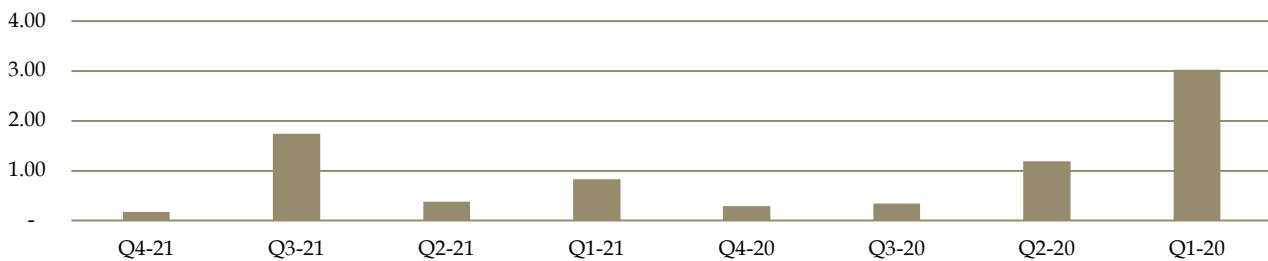
The increase in net revenue in Q2 2020 is due to increase in production after commencement of commercial production from Ayesha, Aminah and Ayesha North leases in February 2020, and ZS-4 development well in Zarghun South lease in April 2020. The decline in net revenue during Q3 and Q4 2020 is due to controlled production from Ayesha, Aminah and Ayesha North leases in order to maintain CO₂ contents in the commingled stream within agreed threshold and application of a retrospective quality discount of 20% on production from Ayesha, Aminah and Ayesha North leases owing to expiry of waiver period for the installation of amine sweetening unit. The increase in net revenue during Q1 and Q2 2021 is due to increase in production from Ayesha, Aminah and Ayesha North leases after installation and commissioning of amine sweetening unit in February 2021. The increase in net revenue during Q3 2021 is due to increase in average realized price as a result of improvement in international crude oil prices offset by significant reduction in production from Zarghun South lease. The decrease in net revenue in Q4 2021 is due to consistent decline in production from Zarghun South lease caused by water breakthrough in the Dunghan reservoir.

Net profit / (loss) (\$ million)



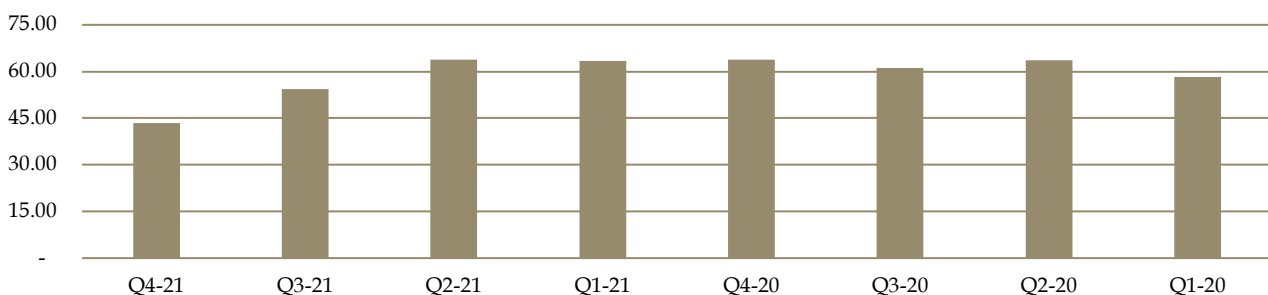
The net loss in Q1 2020 was mainly due to exchange loss on retranslation of PKR denominated liabilities on account of strengthening of PKR against US\$, recognition of impairment charge as a result of reduction in international crude oil price forecast owing to COVID-19 global pandemic and recognition of additional deferred tax liability due to reduction in value of PKR denominated tax losses and allowances. The net profit during Q2 and Q3 2020, and Q1 2021 is due to increase in revenue after commencement of commercial production from Ayesha, Aminah and Ayesha North leases, and ZS-4 development well in Zarghun South lease. The significant reduction in net profit during Q4 2020 is due to recognition of Zarghun South royalty adjustment, and accrual of management increments and performance incentive and exchange loss on retranslation of PKR denominated liabilities due to strengthening of PKR exchange rate parity against US\$. The increase in net profit during Q1 and Q2 2021 is due to increase in production from Ayesha, Aminah and Ayesha North leases after installation of amine sweetening unit. The net loss during Q3 and Q4 2021 is due to recognition of an impairment and a higher depletion charge as a result of reduction in recoverable reserves of Zarghun South lease partially offset by unrealized exchange gain on retranslation of PKR denominated liabilities due to weakening of PKR against US\$ and a reversal of deferred tax charge due to reduction in carrying amount of Company's oil and gas properties.

Capital expenditure (\$ million)



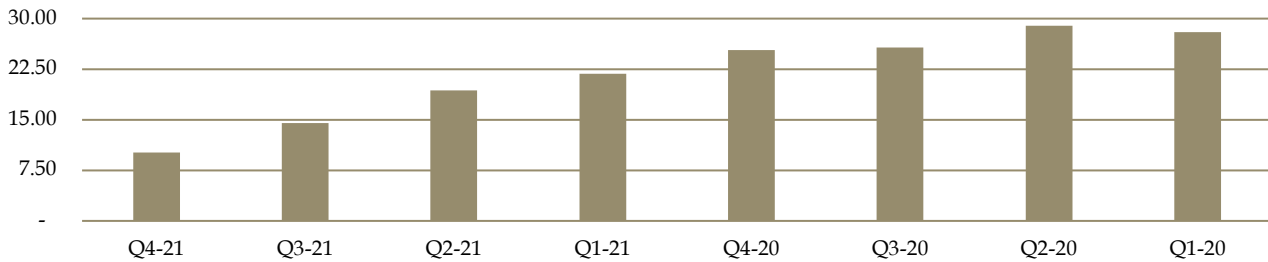
The Company continued to incur significant capital expenditure for the development of its oil and gas properties, and exploration and evaluation assets. Capital expenditure in 2020 and 2021 mainly relates to drilling of exploration wells in Guddu, development expenditure related to gas and condensate discoveries in Badin IV South block, drilling of ZS-4 development well in Zarghun South lease and installation of amine sweetening unit in Badin IV South Block.

Assets (\$ million)



There is no significant change in total assets upto Q2 2021. The reduction in total assets during Q3 and Q4 2021 is due to recognition of impairment of Zarghun South lease as a result of reduction in recoverable reserves.

Long term liabilities (\$ million)



The significant reduction in long term liabilities during 2021 is mainly due to repayment of shareholder loan and Askari Bank syndicated term finance facilities during the year. Further, during Q3 and Q4 2021, there is a significant reduction in deferred tax liability due to reduction of carrying value of oil and gas properties as a result of impairment charge for the year.

Fourth Quarter Results and Analysis

| Description | Three months ended December 31, | | |
|--|---------------------------------|------------|--------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Net revenue | 4,991,465 | 4,394,233 | 597,232 |
| Net profit/(loss) | (6,891,178) | 6,825 | (6,898,003) |
| Weighted no. of outstanding share | 69,076,328 | 69,076,328 | - |
| Earnings/(loss) per share | (0.10) | 0.00 | (0.10) |
| Capital expenditure | 175,298 | 286,655 | (111,357) |
| Assets (at December 31) | 43,445,576 | 63,907,081 | (20,461,505) |
| Long term liabilities (at December 31) | 10,184,931 | 25,358,039 | (15,173,108) |

Net revenue:

The increase in net revenue during Q4 2021 is mainly due to increase in average realized price as a result of improvement in international crude oil prices.

Net profit/(loss):

The net loss during Q4 2021 is due to recognition of an impairment and a higher depletion charge as a result of reduction in recoverable reserves of Zarghun South lease partially offset by unrealized exchange gain on retranslation of PKR denominated liabilities due to weakening of PKR against US\$ and a reversal of deferred tax charge due to reduction in carrying amount of Company's oil and gas properties.

Assets:

The significant reduction in total assets as at December 31, 2021, is due to recognition of impairment of Zarghun South lease and a higher depletion charge as a result of reduction in recoverable reserves.

Long term liabilities:

The significant reduction in long term liabilities at December 31, 2021, is due to repayment of shareholder loan and Askari Bank syndicated term finance facilities and a significant reduction in deferred tax liability due to reduction of carrying value of oil and gas properties as a result of impairment charge.

Financial and Overall Performance Review and Analysis

Review of Financial Results

1. Net profit/(loss)

| Description | For the year ended December 31, | | |
|-------------------|---------------------------------|-----------|--------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Net profit/(loss) | (6,809,544) | 3,853,319 | (10,662,863) |

The Company reported a net loss of \$6,809,544 for the year ended December 31, 2021, compared to a net profit of \$3,853,319 in 2020.

The net loss for the current year is mainly due to recognition of an impairment charge of \$14.39 million and a higher depletion charge as a result of reduction in recoverable reserves of the Zarghun South lease, partially offset by an unrealized exchange gain on retranslation of PKR denominated liabilities due to weakening of PKR against US\$ and a reversal of deferred tax liability due to reduction in carrying amount of Company's oil and gas properties

Segment breakdown of net profit/(loss) for the year ended December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|----------|-------------|-----------|
| | \$ | \$ |
| Canada | (546,277) | (678,682) |
| Pakistan | (6,263,267) | 4,532,001 |

The segment-wise profit/(loss) for the year is mainly attributable to the following:

- Canada segment is non-revenue generative. The loss in Canada mainly represents general and administrative expenses.
- Net profit/(loss) of the Pakistan segment represents revenue from sale of gas and condensate, offset by production costs, general and administrative expenses, impairment of oil and gas properties, finance costs and unrealized exchange gain/(loss) on foreign currency denominated liabilities due to strengthening/weakening of PKR exchange rate parity against US\$.

2. Net revenue

| Description | For the year ended December 31, | | |
|---------------|---------------------------------|-------------|------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Gross revenue | 23,998,157 | 22,726,292 | 1,271,865 |
| Royalty | (3,044,225) | (3,984,794) | 940,569 |
| Net revenue | 20,953,932 | 18,741,498 | 2,212,434 |

Net revenue represents the sale of gaseous hydrocarbons from Reti, Maru, Maru South, Maru East, Khamiso and Umair (together "Reti-Maru leases"), Ayesha, Aminah and Ayesha North (together "Badin IV South leases"), Sara, Suri and Zarghun South leases net of royalty. The increase in gross revenue is mainly due to increase in average realized price as a result of improvement in international crude oil prices and a slight increase in production during the year.

A comparison of weighted average daily sale gas volume for years presented is as follows:

| Description | For the year ended December 31, | | |
|-----------------------|---------------------------------|-------|------------|
| | 2021 | 2020 | Difference |
| | -----MMcf/d----- | | |
| Reti-Maru Leases | 9.98 | 10.28 | (0.30) |
| Zarghun South Leases | 17.59 | 20.65 | (3.06) |
| Badin IV South Leases | 18.25 | 13.75 | 4.50 |
| Sara and Suri Leases | 0.25 | 0.25 | - |

A comparison of gross sale volume and average realized price per Boe for the years presented is as follows:

| Description | For the year ended December 31, | | |
|---|---------------------------------|---------|------------|
| | 2021 | 2020 | Difference |
| Production in Boe | 827,837 | 806,864 | 20,973 |
| Average annual realized price (\$/Boe) ¹ | 28.99 | 28.17 | 0.82 |

¹Refer to non-IFRS financial measures.

The royalty is calculated at 12.5% of revenue. A comparison of royalty costs per Boe for the years presented is as follows:

| Description | For the year ended December 31, | | |
|-------------------------------|---------------------------------|---------|------------|
| | 2021 | 2020 | Difference |
| Production in Boe | 827,837 | 806,864 | 20,973 |
| Royalty (\$/Boe) ¹ | 3.68 | 4.94 | (1.26) |

¹Refer to non-IFRS financial measures.

The decrease in royalty per Boe during the current year is due to recognition of historical adjustment of gathering and processing charges of Zarghun South recorded in year 2020.

3. Cost of production

| Description | For the year ended December 31, | | |
|-------------------------------------|---------------------------------|------------------|------------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Production costs | 3,990,122 | 2,903,867 | 1,086,255 |
| Depletion of oil and gas properties | 9,045,172 | 4,655,188 | 4,389,984 |
| | 13,035,294 | 7,559,055 | 5,476,239 |

The significant increase in cost of production during the current year is due to additional depletion charge as a result of reduction in recoverable reserves of Zarghun South lease.

A comparison of production cost per Boe for the years presented is as follows:

| Description | For the year ended December 31, | | |
|--|---------------------------------|---------|------------|
| | 2021 | 2020 | Difference |
| Production in Boe | 827,837 | 806,864 | 20,973 |
| Production costs (\$/Boe) ¹ | 4.82 | 3.60 | 1.22 |

¹Refer to non-IFRS financial measures.

The increase in production cost per Boe is due to additional operating costs associated with the amine sweetening unit installed in the Badin IV South block.

A comparison of depletion of oil and gas properties per Boe for the years presented is as follows:

| Description | For the year ended December 31, | | |
|---|---------------------------------|---------|------------|
| | 2021 | 2020 | Difference |
| Production in Boe | 827,837 | 806,864 | 20,973 |
| Depletion of oil and gas properties (\$/Boe) ¹ | 10.93 | 5.77 | 5.16 |

¹Refer to non-IFRS financial measures.

The significant increase in depletion per Boe is due to additional depletion charge as a result of reduction in recoverable reserves of Zarghun South lease.

4. General and administrative expenses

| Description | For the year ended December 31, | | |
|-------------------------------------|---------------------------------|-----------|------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| General and administrative expenses | 3,628,113 | 2,759,764 | 868,349 |

The increase in general and administrative expenses is due to increments and annual bonus granted to the management team and increase in legal and professional costs.

Segment-wise breakup of general and administrative expenses for the year ended December 31, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|----------|-----------|-----------|
| | \$ | \$ |
| Canada | 537,720 | 355,548 |
| Pakistan | 3,090,393 | 2,404,216 |

5. Exchange gain - net

| Description | For the year ended December 31, | | |
|---------------------|---------------------------------|---------|------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Exchange gain - net | 1,918,610 | 344,460 | 1,574,150 |

The currency translation exchange gain is due to the strengthening of US\$ exchange rate parity against PKR. The devaluation of PKR against US\$ was approx. 10.72% compared to approx. 3.4% in 2020.

6. Finance costs

| Description | For the year ended December 31, | | |
|--|---------------------------------|------------------|--------------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Interest on amounts due to related parties | 704,595 | 1,416,064 | (711,469) |
| Interest on borrowings | 1,313,388 | 1,709,582 | (396,194) |
| Accretion on asset retirement obligation | - | 75,368 | (75,368) |
| Late payment surcharge on payment of cash calls to operators | - | 58,489 | (58,489) |
| | 2,017,983 | 3,259,503 | (1,241,520) |

The decrease in interest on amounts due to related parties and borrowings is due reduction in carrying amount on account of repayments made during the year.

7. Income tax charge/(reversal)

| Description | For the year ended December 31, | | |
|--------------------------------|---------------------------------|---------|-------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Current tax | - | - | - |
| Deferred tax charge/(reversal) | (3,281,861) | 916,744 | (4,198,605) |

The reversal of deferred tax is due to a significant reduction in carrying value of oil and gas properties as a result of impairment and higher depletion charge recorded during the year.

8. Operating netback

| Description | For the year ended December 31, | | |
|---|---------------------------------|-------------|-------------|
| | 2021 | 2020 | Difference |
| | -----\$----- | | |
| Net revenue | 20,953,932 | 18,741,498 | 2,212,434 |
| Production costs | (3,990,122) | (2,903,867) | (1,086,255) |
| Operating netback | 16,963,810 | 15,837,631 | 1,126,179 |
| Production in Boe | 827,837 | 806,864 | 20,973 |
| Operating Netback (\$/Boe) ¹ | 20.49 | 19.63 | 0.86 |

¹Refer to non-IFRS financial measures.

Impairment of oil and gas properties

During the year, the gas production from Zarghun South lease was significantly lower than the forecast prepared by the independent reserves valuer in its report prepared as at December 31, 2020. The decline in gas production is attributed to a significant drop in wellhead flowing pressures and excessive formation water production caused by a water breakthrough in the naturally fractured Dunghan reservoir. As a result, the management carried out an impairment test for its Cash Generating Units in accordance with the accounting policy stated in note 3 (xvii-b).

The tests were performed using a fair value less cost of disposal methodology using a discounted cash flow model. The fair value of each Cash Generating Unit ("CGU") was categorized as Level 3 fair value based on the unobservable inputs used. The determination of the recoverable amount of a CGU involves several assumptions and estimates which are subject to estimation uncertainty, as well as a significant degree of judgment. Significant estimates involved in the calculation include pricing assumptions, production and cost assumptions and the appropriate discount rate. The Company engages an independent reserves valuer to prepare an annual reserve report, which contains the pricing, production and cost assumptions that form the basis for determining the recoverable amount of each CGU. The future net cash flows are calculated by applying forecasted prices of gas reserves to estimated future production of proved and probable gas reserves, less estimated future expenditures to be incurred in developing and producing the proved and probable reserves. The present value of estimated future net cash flows is computed using an after-tax discount rate of 17.5%. The discount rate used reflects the specific risks relating to the underlying CGUs. As a result of the impairment tests, an impairment charge of \$14.39 million was recorded for CGU-I. At December 31, 2021, the recoverable amount of CGU-I was \$10.73 million. No impairment is required to be recognized for CGU-II and CGU-III.

The crude oil price forecast used to determine the recoverable amount are \$75/bbl in 2022, \$69.87/bbl in 2023, \$67.63/bbl in 2024, \$68.98/bbl in 2025 and an annual escalation of approximately 2% after 2025.

Estimates of the recoverable amounts are sensitive to discount rate and crude oil prices. The impact of 1% (increase)/decrease in the discount rate and 5% increase/(decrease) in the crude oil price forecast on the recoverable amount of each CGU is as follow:

| | Recoverable amount | Discount rate | | Crude oil price | |
|---------|--------------------|---------------|-------------|-----------------|-------------|
| | | 1% increase | 1% decrease | 5% increase | 5% decrease |
| | \$ | \$ | \$ | \$ | \$ |
| CGU-I | 10,784,000 | (183,000) | 189,000 | 204,000 | (273,000) |
| CGU-II | 3,414,000 | (83,000) | 87,000 | 74,000 | (88,000) |
| CGU-III | 16,112,000 | (383,000) | 399,000 | 532,000 | (616,000) |

As a result of applying the sensitivities to the discount rate and crude oil price, adequate cushion is available for CGU-II and CGU-III, however, there will be an immaterial impact on the impairment recorded for CGU-I.

Provisions, contingencies and commitments

Contingencies and Commitments

Bank guarantees issued to the Government of Pakistan

A bank guarantee of \$928,725 (2020: nil) has been issued to the DGPC in respect of minimum work commitments under the Nareli exploration license.

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 and approved authorities for expenditure. The following table summarizes the financial commitments of the Company as at December 31, 2021 and 2020. These financial commitments are expected to be funded through internal cash generation.

| Description | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| | -----\$----- | |
| Minimum capital commitments related to exploration licenses | 6,594,114 | 2,972,086 |
| Commitments under approved AFEs | 115,658 | 558,550 |
| Commitment under share purchase agreement for the acquisition of EEL | 1,000 | 1,000 |
| Total | 6,710,772 | 3,531,636 |

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

| Description | 2022 | 2022 | 2023 | Total |
|----------------|------------------|------------------|------------------|------------------|
| | -----\$----- | | | |
| Zamzama North | 1,224,000 | - | - | 1,224,000 |
| Guddu | 426,300 | - | - | 426,300 |
| Badin IV North | 978,036 | - | - | 978,036 |
| Badin IV South | 343,750 | - | - | 343,750 |
| Nareli | 1,207,343 | 1,207,343 | 1,207,342 | 3,622,028 |
| Total | 4,179,429 | 1,207,343 | 1,207,342 | 6,594,114 |

Going Concern and Liquidity

At December 31, 2021, the Company had current assets of \$15.94 million comprising accounts and other receivables of \$8.87 million, restricted cash of \$2.52 million and cash and cash equivalents of \$4.55 million. Total current liabilities were \$22.08 million comprising accounts payable and accrued liabilities of \$16.65 million and current portion of borrowings and amounts due to related parties of \$5.43 million. During the year, the Company reported a net loss of \$6.81 million (2020: net profit of \$3.85 million). As at December 31, 2021, the Company has an accumulated deficit of \$54.67 million (2020: \$47.86 million). For the year ended December 31, 2021 the Company reported cash flows from operations of \$17.58 million (2020: \$8.27 million). In addition to its ongoing working capital requirements, the Company also had financial commitments as at December 31, 2021

that amounted to \$6.71 million. Furthermore, there could be uncertainties related to consistent decline in daily production from Zarghun South, economic dependence on joint venture partners and the current economic and political conditions in Pakistan.

These events and conditions create material uncertainties that may cast 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 Company's ability to continue its operations and to realize assets at the carrying values is dependent upon obtaining additional debt or equity financing, maintaining continued support from its majority shareholder, generating positive cash flows and compliance with its capital expenditure commitments.

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.

Stock-Based Compensation

During the year ended December 31, 2021 stock-based compensation of \$88,937 (2020: \$22,157) was charged to the consolidated statement of comprehensive income/(loss).

Restricted Share Units

The Company has a restricted share unit plan pursuant to which restricted share units ("RSU") may be granted to directors and officers of the Company. The RSU generally vest over a period of upto three years and expire no more than five years from the date of grant. During the year, the Company granted 439,405 (2020: 385,672) restricted share units to its directors.

Results of Operations

The following table summarizes the working capital of the Company as at December 31, 2021 as compared to December 31, 2020:

| Description | As at December 31, 2021 | As at December 31, 2020 |
|----------------------------|----------------------------|----------------------------|
| | -----\$----- | |
| Current assets | 15,945,047 | 15,304,588 |
| Current liabilities | (22,083,448) | (20,651,238) |
| Working capital deficiency | (6,138,401) | (5,346,650) |

On November 27, 2021, SEPL entered into a running musharaka facility with Al Baraka Bank (Pakistan) Limited for an amount of PKR 500 million (approximately \$2.81). The running musharaka facility remained undrawn as at December 31, 2021. The working capital deficiency includes current portion of borrowings and amounts due to related parties amounting to \$5.43 million, which are due for repayment over next twelve months in accordance with a repayment schedule agreed with the counterparties. The adjusted working capital deficiency will be funded from the proceeds of running musharaka facility and operating cashflows of the Company. The management believes that the Company will generate adequate operating cashflows required to settle these obligations in a timely manner as and when they become due.

Contractual Obligations

The following table sets forth the contractual obligations of the Company as at December 31, 2021:

| Description | Payments due by period | | | | |
|--|------------------------|---------------------|-----------|--------------|------------------|
| | Total | Less than 1 year | 1-3 years | 4-5 years | After 5 years |
| | -----\$----- | | | | |
| Minimum capital commitments related to exploration licenses ⁽¹⁾ | 6,594,114 | 4,179,429 | 2,414,685 | - | - |

| | | | | | |
|--------------------------------------|-------------------|-------------------|------------------|----------|------------------|
| Commitments under outstanding AFEs | 115,658 | 115,658 | - | - | - |
| Purchase obligations ⁽²⁾ | 1,000 | 1,000 | - | - | - |
| Other obligations ⁽³⁾ | 32,268,379 | 22,083,448 | 6,260,224 | - | 3,924,707 |
| Total contractual obligations | 38,979,151 | 26,379,535 | 8,674,909 | - | 3,924,707 |

Notes:

- (1) "Obligations related to exploration licenses" means the obligations which are legally binding on the Company pursuant to the terms of the relevant PCA.
- (2) "Purchase obligation" means a binding share 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

Off-balance sheet arrangements include a bank guarantee of \$928,725 (2020: nil) issued to the DGPC in respect of minimum work commitments under the Nareli exploration license.

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 - JS Energy Limited

JS Energy Limited, the majority shareholder of JEC, provided financial support to SEPL in the form of an interest-bearing bridge loan and a short-term loan. The loans carry interest at the rate of 11% per annum compounded quarterly. The changes in loan balances during the applicable periods and balances outstanding as at December 31, 2021 and 2020 are as follows:

| Description | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| | -----\$----- | |
| Bridge loan | | |
| Balance payable at beginning of the year | 7,489,109 | 11,945,956 |
| Interest accrued during the year | 354,075 | 1,170,610 |
| Principal repaid during the year | (7,350,270) | (932,796) |
| Interest paid during the year | (349,730) | (4,694,661) |
| Balance payable at end of the year | 143,184 | 7,489,109 |
| Short-term loan | | |
| Balance payable at beginning of the year | - | 822,739 |
| Interest accrued during the year | - | 9,804 |
| Principal repaid during the year | - | (820,607) |
| Interest paid during the year | - | (11,936) |
| Balance payable at end of the year | - | - |

Transaction with Associated Entity - JS Bank Limited

JS Bank is a participant in Askari Bank syndicated term finance facilities with a participation of PKR 550 million (equivalent \$3.10 million). Further, JS Bank has also provided running finance facilities of PKR 425 million (equivalent \$2.39 million).

The changes in loan balances during the applicable periods and balances outstanding as at December 31, 2021 and 2020 are as follows:

| Description | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| | -----\$----- | |
| AKBL Syndicated term finance facilities | | |
| Balance payable at beginning of the | 3,385,343 | - |
| Loan received during the year | - | 3,367,645 |
| Interest accrued during the year | 350,875 | 361,134 |

| Description | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| Principal repaid during the year | (642,971) | - |
| Interest paid during the year | (322,270) | (274,328) |
| Exchange gain on retranslation | (264,938) | (69,108) |
| Balance payable at end of the year | 2,506,039 | 3,385,343 |
| Running finance facilities | | |
| Balance payable at beginning of the year | 3,968,181 | - |
| Facility utilized/ (settled) during the year | (1,189,381) | 3,815,722 |
| Interest accrued during the year | 350,520 | 185,773 |
| Interest paid during the year | (350,447) | (66,595) |
| Exchange loss on retranslation | (343,308) | 33,281 |
| Balance payable at end of the year | 2,435,566 | 3,968,181 |
| ABPL Syndicated credit facilities | | |
| Balance payable at beginning of the year | - | 1,578,859 |
| Interest accrued during the year | - | 38,810 |
| Principal repaid during the year | - | (1,552,046) |
| Interest paid during the year | - | (64,702) |
| Exchange gain on retranslation | - | (921) |
| Balance payable at end of the year | - | - |
| Term finance facilities | | |
| Balance payable at beginning of the year | - | 1,852,383 |
| Interest accrued during the year | - | 49,877 |
| Principal repaid during the year | - | (1,822,783) |
| Interest paid during the year | - | (78,970) |
| Exchange gain on retranslation | - | (507) |
| Balance payable at end of the year | - | - |

Key Management Personnel

| Description | December 31, 2021 | December 31, 2020 |
|----------------------------------|----------------------|----------------------|
| | -----\$----- | |
| Management salaries and benefits | 565,724 | 557,700 |
| Directors' fees and compensation | 248,018 | 88,784 |
| Total | 813,742 | 646,484 |

Future Outlook

The Company's capital expenditure program for 2022 includes:

- 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 and internal cash generation.

In the near future, the Company expects the commencement of commercial production from Zainab gas and condensate discovery in Badin IV North block.

The Company's future outlook is also dependent on the expected extension in the terms of expired licenses and leases. The management believes that these extensions will be granted in the ordinary course of business.

Impact of change in international oil prices on wellhead gas prices in Pakistan

In early March 2020 and upto February 2021, the global crude oil prices experienced multi-decade lows coupled with extreme levels of volatility driven primarily by the unprecedented demand shock due to COVID-19. The crude oil prices have recovered significantly since March 2021.

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

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

As a result of the formula used for calculating the price for gas purchased by the GoP, decreases in international oil prices do not proportionately reduce the price for gas purchased by the GoP. For example, a 40% reduction in international crude oil pricing from \$50/Bbl to \$30/Bbl will result in a 5 - 25% decrease in the price for gas purchased by the GoP under various applicable petroleum policies. Petroleum Policy, 2012 has the highest ceiling price and, accordingly, gas prices under this policy are the most impacted by a reduction in international oil prices. The applicability of particular petroleum policy to wellhead gas pricing for a discovery depends upon timing of drilling and commencement of production from the discovery area.

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 the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) Exploration and evaluation expenditure

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

b) Estimated impairment of oil and gas properties

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

Oil and gas properties are reviewed for impairment, whenever events or change in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount.

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 of disposal. 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 economically recoverable reserves 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.

g) Leases

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is estimated at the inception of the lease. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. The Company's incremental borrowing rate is estimated using prevailing interest rates, market precedents and the Company's credit rating.

h) Expected renewal of expired exploration licenses and leases

The expiry of the term of an exploration license or lease is an important element in impairment testing for exploration and evaluation assets and oil and gas properties. While assessing the expected renewals of expired exploration licenses and leases, the management consider the related provisions of relevant

petroleum concession agreements, history of previous renewals granted by the regulatory authorities and industry precedents.

Critical judgements in applying the entity's accounting policies

i) Determination of CGUs for impairment testing

For 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.

j) Asset retirement obligation

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

k) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

l) Determination of functional currency

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

m) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Furthermore, the Company assesses and reassesses the likelihood of it exercising renewal options.

n) Impact of the coronavirus ("COVID-19") pandemic

The COVID-19 pandemic continues to evolve and despite the governmental responses to control and restrict the spread, it continued to result in disruptions of business operations and an increase in economic uncertainty worldwide. As a result, there remains significant uncertainty as to the extent and duration of the global economic slowdown. This uncertainty has created volatility in commodity prices, currency exchange rates and a marked decline in long-term interest rates. Management applied judgment and will continue to assess the situation in determining the impact of the significant uncertainties created by these events and conditions on the carrying amounts of assets and liabilities in the consolidated financial statements.

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/payable in foreign currency. The Company's exposure to currency risk is as follows:

| Description | December 31, 2021 | December 31, 2020 |
|--|---------------------|---------------------|
| | -----\$----- | |
| PKR | | |
| Bank balances | 1,605,246 | 605,798 |
| Accounts and other receivables | 1,359,718 | 1,762,782 |
| Accounts payable and accrued liabilities | (11,458,515) | (9,357,194) |
| Amounts due to related parties | (2,435,566) | (3,968,181) |
| Borrowings | (9,113,121) | (12,316,816) |
| Net exposure | (20,042,238) | (23,273,611) |
| CAD | | |
| Bank balances | - | 320 |
| Accounts and other receivables | 22,183 | 9,233 |
| Accounts payable and accrued liabilities | (27,681) | (2,135) |
| Net exposure | (5,498) | 7,418 |

The following significant exchange rates were applied during the year:

| Description | 2021 | 2020 |
|---------------------|--------|--------|
| PKR per USD | | |
| Average rate | 161.66 | 162.03 |
| Reporting date rate | 177.77 | 160.55 |
| CAD per USD | | |
| Average rate | 1.25 | 1.34 |
| Reporting date rate | 1.27 | 1.27 |

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 \$1,002,387 (2020: \$1,163,310) 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, 2021 | December 31, 2020 |
|----------------------------------|-------------------|-------------------|
| | -----\$----- | |
| Fixed rate instruments | | |
| - Amounts due to related parties | 143,184 | 7,489,109 |
| Floating rate instruments | | |
| - Borrowings | 9,113,121 | 12,316,816 |
| - Amounts due to related parties | 2,435,566 | 3,968,181 |

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 \$115,487 (2020: \$162,850) 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, 2021 | December 31, 2020 |
|--------------------------------|-------------------|-------------------|
| | -----\$----- | |
| Cash at bank | 4,552,282 | 2,626,455 |
| Restricted cash | 2,517,924 | 512,325 |
| Accounts and other receivables | 8,874,418 | 12,162,705 |
| Total | 15,944,624 | 15,301,485 |

The credit risk on liquid funds is limited because the counterparties 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 the counterparty default rate:

| Description | Rating agency | Credit rating | 2021 | 2020 |
|-----------------------------------|----------------------|---------------|------------------|------------------|
| | | | -----\$----- | |
| Royal Bank of Canada | Moody's ¹ | Aa2 | - | 909,254 |
| Meezan Bank Limited | VIS ² | AA+ | 484 | 519 |
| Bank Alfalah Limited | VIS | AA+ | 563 | 574 |
| Askari Bank Limited | PACRA ³ | AA+ | 6,263,506 | 596,843 |
| JS Bank Limited | PACRA | AA- | 2,470 | 4,554 |
| Silk Bank Limited | VIS | A- | 5 | 5 |
| Al Baraka Bank (Pakistan) Limited | VIS | A+ | 803,178 | 1,627,031 |
| Total | | | 7,070,206 | 3,138,780 |

¹Moody's Investors Service

²VIS Credit Rating Company

³The 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 counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

The majority of the Company's trade receivables relate to the sale of natural gas to Sui Southern Gas Company Limited ("SSGCL"), a Pakistan state-owned gas transmission company. At December 31, 2021, 94.53% (2020: 96.87%) of the Company's trade receivables were for gas sales to SSGCL. While determining whether amounts that are past due are collectible, the management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. JEC considers all

amounts greater than 90 days to be past due, at which point significant increase in credit risk exists. The lifetime expected credit loss allowances related to the Company's accounts and other receivables was nominal as at and for the years ended December 31, 2021 and 2020. As of December 31, 2021, trade receivables of \$51,911 (2020: \$1,037,177) were past due but not impaired. The aging analysis of these trade receivables is as follows:

| Description | December 31, 2021 | December 31, 2020 |
|----------------|----------------------|----------------------|
| | ----- | ----- |
| | \$ | \$ |
| Upto 3 months | 6,865,059 | 7,539,371 |
| 3 to 6 months | 51,911 | 1,033,493 |
| Above 6 months | - | 3,684 |
| Total | 6,916,970 | 8,576,548 |

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 process to ensure availability of funds and to take appropriate measures for new requirements. The following are contractual maturities of financial liabilities as at December 31, 2021 and 2020:

| | 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 |
|--|-----------------------|------------------|-----------------------------|-----------------------------|-----------------|------------------------------------|--------------------|
| At December 31, 2021 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 16,651,801 | - | - | - | - | 16,651,801 | 16,651,801 |
| Amounts due to related parties | 123,730 | 2,497,431 | 158,934 | - | - | 2,780,095 | 2,578,750 |
| Borrowings | 3,825,178 | 3,473,199 | 3,121,483 | 725,415 | - | 11,145,275 | 9,113,121 |
| | 20,600,709 | 5,970,630 | 3,280,417 | 725,415 | - | 30,577,171 | 28,343,672 |
| At December 31, 2020 | | | | | | | |
| Accounts payable and accrued liabilities | 14,487,980 | - | - | - | - | 14,487,980 | 14,487,980 |
| Amounts due to related parties | 4,143,607 | - | 8,312,911 | - | - | 12,456,518 | 11,457,290 |
| Borrowings | 1,394,633 | 2,111,195 | 3,992,037 | 7,865,540 | - | 15,363,405 | 12,316,816 |
| | 20,026,220 | 2,111,195 | 12,304,948 | 7,865,540 | - | 42,307,903 | 38,262,086 |

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 and accounts payable and accrued liabilities approximate their carrying amount due to the short-term nature of the instruments. The fair value of the borrowings and amount and amounts due to related parties approximates their carrying value as the interest rates charged on these balances are comparable to current market rates.

Financial instruments by category

| | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| | Amortized Cost | |
| | -----\$----- | |
| Financial assets | | |
| Cash and cash equivalents | 4,552,282 | 2,626,455 |
| Restricted cash | 2,517,924 | 512,325 |
| Accounts and other receivables | 8,874,418 | 12,162,705 |
| | 15,944,624 | 15,301,485 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 16,651,801 | 14,487,980 |
| Amounts due to related parties | 2,578,750 | 11,457,290 |
| Borrowings | 9,113,121 | 12,316,816 |
| | 28,343,672 | 38,262,086 |

Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence, and 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 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, financial support of its lenders and 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, 2021 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 and in the first half of 2020, 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.

COVID-19 Global Pandemic

The current outbreak of COVID-19, and any future emergence and spread of similar pathogens, could have an adverse impact on global economic conditions. Additionally, the Company's ability to continue its oil and gas exploration and production without disruption, as well as potential adverse impacts on the operations of the Company's suppliers, contractors and service providers, may impact the operation and results of the Company in the immediate term and in the event of prolonged disruptions associated with the outbreak.

The COVID-19 outbreak and corresponding responses from governmental authorities have resulted and may continue to result in, among other things: increased volatility in financial markets and foreign currency exchange rates; disruptions to global supply chains; adverse effects on the health and safety of the Company's workforce, or guidelines or restrictions to protect health and safety of such workforces, rendering employees unable to work or travel; temporary operational restrictions; and an overall slowdown in the global economy. In particular, the COVID-19 pandemic has resulted in, and may continue to result in, a reduction in the demand for, and prices of, crude oil and natural gas. A prolonged period of decreased demand for, and prices of, these commodities could also result in the Company voluntarily curtailing or shutting in production, which could adversely impact the Company's business, financial condition and results of operations. The full extent of the risks surrounding the severity and timing of the COVID-19 pandemic is continually evolving and is not fully known at this time; therefore, there is significant risk and uncertainty which may have a material and adverse effect on Jura's operations. The risks disclosed elsewhere in this MD&A may be exacerbated as a result of the COVID-19 pandemic.

In accordance with the government guidelines and to limit the risk and transmission of COVID-19, the Company has implemented mandatory self-quarantine policies, travel restrictions, enhanced cleaning and sanitation measures, and social distancing measures, including directing the vast majority of its office staff and certain non-essential field staff to work from home. The Company believes that it can maintain safe operations with these pandemic-related procedures and protocols in place. Additionally, in order to prevent and/or minimize any COVID-19 outbreak at field sites, the operators has implemented additional measures as part of its pandemic response, including changes to crew size and shift durations, screening measures prior to allowing field access to employees and staff, and mandating the use of masks and other measures to ensure continued safe and reliable operations.

Obtaining financing

The Company is in the growth phase of its oil and gas operations with limited revenues from three 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, the extent of the outbreak of COVID-19 in Pakistan and related responses by governmental authorities, 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, the business disruption due to COVID-19 pandemic 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 and 1,844,237 restricted share units outstanding as of the date of this MD&A.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

As at December 31, 2021, an evaluation of the effectiveness of Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and the CFO concluded that, as at December 31, 2021, 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 Company 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, 2021, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

In mid-March 2020, in accordance with the guidance of provincial and federal health officials and to limit the risk and transmission of COVID-19, the Company implemented mandatory self-quarantine policies, travel restrictions, enhanced cleaning and sanitation measures, and social distancing measures, including directing the vast majority of its office staff and certain non-essential field staff to work from home from mid-March until mid-September and then again in mid-December to date. Monitoring these measures is an ongoing process, and the Company continues to follow the guidance of provincial and federal health authorities. These changes to processes have not resulted in any material changes to the internal controls over financial reporting.

Approval

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