

## Management's Discussion and Analysis

### For the three months ended and year ended December 31, 2021

#### RESERVES AND RESOURCE ESTIMATES

The Company engaged McDaniel to evaluate 100% of the Company's reserves and resource data as at December 31, 2021. The conclusions of this evaluation have been presented in a Detailed Property Report which has been prepared in accordance with standards set out in the Canadian National Instrument NI 51-101 and COGEH.

The Company's crude oil reserves as at December 31, 2021 were, based on the Company's working interest of 27.6 % in the Atrush Block, estimated to be as follows:

#### Company estimated reserves (diluted) As at December 31, 2021

	Proved Developed	Proved Undeveloped	Total Proved	Probable	Total Proved & Probable	Possible	Total Proved, Probable & Possible
<b>Light/Medium Oil (Mbbbl)<sup>(1)</sup></b>							
Gross <sup>(2)</sup>	9,347	4,758	<b>14,104</b>	9,592	<b>23,696</b>	10,229	<b>33,925</b>
Net <sup>(3)</sup>	5,189	2,588	<b>7,777</b>	3,917	<b>11,694</b>	3,845	<b>15,539</b>
<b>Heavy Oil (Mbbbl)<sup>(1)</sup></b>							
Gross <sup>(2)</sup>	2,267	882	<b>3,149</b>	3,560	<b>6,709</b>	3,395	<b>10,104</b>
Net <sup>(3)</sup>	1,259	478	<b>1,737</b>	1,574	<b>3,311</b>	1,317	<b>4,628</b>

#### Notes:

- (1) The Atrush Field contains crude oil of variable density. Fluid type is classified according to COGEH: Light/Medium Oil is based on density less than 920 kg/m<sup>3</sup> and Heavy Oil is between 920 and 1000 kg/m<sup>3</sup>.
- (2) Company gross reserves are based on the Company's 27.6 % working interest share of the property gross reserves.
- (3) Company net reserves are based on Company share of total Cost and Profit Revenues. Note, as the government pays income taxes on behalf of the Company out of the government's profit oil share, the net reserves were based on the effective pre-tax profit revenues by adjusting for the tax rate.

The Company's crude oil resources as at December 31, 2021, were estimated to be as follows:

#### Company estimated contingent resources (diluted) <sup>(1)</sup> <sup>(2)</sup> <sup>(4)</sup> <sup>(5)</sup> As at December 31, 2021

	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)	Risked Best Estimate
<b>Light/Medium Oil (Mbbbl)<sup>(3)</sup></b>				
Gross (Development On Hold)	1,289	1,614	1,961	1,130
Gross (Development Not Viable)	0	0	0	0
<b>Heavy Oil (Mbbbl)<sup>(3)</sup></b>				
Gross (Development On Hold)	3,841	6,359	24,516	4,451
Gross (Development Not Viable)	12,827	26,814	33,546	2,681
Gross Total	16,665	33,173	58,062	8,262

#### Notes:

- (1) Company gross interest resources are based on a 27.6 % working interest share of the property gross resources.
- (2) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.
- (3) The Atrush Field contains crude oil of variable density. Fluid type is classified according to COGEH: Light/Medium Oil is based on a density less than 920 kg/m<sup>3</sup> and Heavy Oil is between 920 and 1000 kg/m<sup>3</sup>.
- (4) The "Risked Best Estimate" contingent resources account for the chance of development, which is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution. The chance of development was estimated to be 70 % for the Light/Medium and Heavy Crude Oil Development "On Hold" contingent resources and 10% for the Heavy Crude Oil Development "Not-Viable" contingent resources.
- (5) The contingent resources are sub-classified as "development unclarified" with an "undetermined" economic status.

The contingent resources represent the likely recoverable volumes associated with further phases of development during Phase 1 ("Development On Hold") which differ from reserves mainly due to the uncertainty over the future development plan.

Prospective resources have not been re-evaluated since December 31, 2013.

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#### Risks in estimating resources

There are uncertainties inherent in estimating the quantities of reserves and resources including factors which are beyond the control of the Company. Estimating reserves and resources is a subjective process and the results of drilling, testing, production and other new data after the date of an estimate may result in revisions to original estimates.

Reservoir parameters may vary within reservoir sections. The degree of uncertainty in reservoir parameters used to estimate the volume of hydrocarbons, such as porosity, net pay and water saturation, may vary. The type of formation within a reservoir section, including rock type and proportion of matrix or fracture porosity, may vary laterally and the degree of reliability of these parameters as representative of the whole reservoir may be proportional to the overall number of data points (wells) and the quality of the data collected. Reservoir parameters such as permeability and effectiveness of pressure support may affect the recovery process. Recovery of reserves and resources may also be affected by the availability and quality of water, fuel gas, technical services and support, local operating conditions, security, performance of the operating company and the continued operation of well and plant equipment.

Additional risks associated with estimates of reserves and resources include risks associated with the oil and gas industry in general which include normal operational risks during drilling activity, development and production; delays or changes in plans for development projects or capital expenditures; the uncertainty of estimates and projections related to production, costs and expenses; health, safety, security and environmental risks; drilling equipment availability and efficiency; the ability to attract and retain key personnel; the risk of commodity price and foreign exchange rate fluctuations; the uncertainty associated with dealing with governments and obtaining regulatory approvals; performance and conduct of the Operator; and risks associated with international operations.

The Company's project is in the development stage and, as such, additional information must be obtained by further drilling and testing to ultimately determine the economic viability of developing any of the contingent or prospective resources. There is no certainty that the Company will be able to commercially produce any portion of its contingent or prospective resources. Any significant change, in particular if the volumetric resource estimates were to be materially revised downwards in the future, could negatively impact investor confidence and ultimately impact the Company's performance, share price and total market capitalization.

The Company has engaged professional geologists and engineers to evaluate reservoir and development plans; however, process implementation risk remains. The Company's reserves and resource estimations are based on data obtained by the Company which has been independently evaluated by McDaniel.

#### FINANCIAL INSTRUMENTS

The Company's financial instruments currently consist of cash, cash equivalents, advances to joint operations, other receivables, borrowings, related party loan, accounts payable and accrued expenses, accrued interest on bonds, provisions for decommissioning costs, and current tax liabilities. The Company classifies its financial assets and liabilities at initial recognition in the following categories:

- Financial Assets at Amortized Cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This includes the Company's loans and receivables which consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil. The Company's intent is to hold these receivables until cash flows are collected. Financial assets at amortized cost are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for any expected credit losses on a financial asset that is measured at amortized cost.
- Financial Assets at Fair Value through Profit or Loss ("FVTPL") – Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. The Company does not currently have any financial assets measured at FVTPL.
- Financial Liabilities at Amortized Cost – Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.
- Financial Liabilities at FVTPL – Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. The Company does not currently have any financial liabilities measured at FVTPL.

With the exception of borrowings, accrued interest on bonds and provisions for decommissioning costs, which have fair value measurements based on valuation models and techniques where the significant inputs are derived from quoted prices or indices, the fair values of the Company's other financial instruments did not require valuation techniques to establish fair values as the instrument was either cash and cash equivalents or, due to the short term nature, readily convertible to or settled with cash and cash equivalents.