MANAGEMENT DISCUSSION AND ANALYSIS

for the quarter ended
june 30, 2014

This management discussion and analysis ("MD&A") is a comparison of Junex's financial position and results for the quarter ended June 30, 2014, with those of the previous year. It should be read in conjunction with the consolidated financial statements and notes for the quarter ended June 30,2014 thereto for the year ended December 31, 2013. These interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and are presented in Canadian dollars. The interim consolidated financial statements as at June 30, 2014 and the Quarterly Report for the three month ended June 30, 2014 have not been audited by the Company's external auditors.

Nature of Business

The Company was incorporated under Part 1A of the Companies Act (Québec). Its main activity is oil and gas exploration in the province of Québec. The Company is also engaged in complementary activities such as selling natural brine and providing oil and gas well drilling services.

Junex is a junior oil and gas exploration company that holds exploration rights on approximately 5.2 million acres of land located in the Appalachian basin in the Province of Quebec. The company is in the heart of the Utica Shale gas discovery located in the St. Lawrence Lowlands and holds a significant land-package on the Anticosti Island where an independent report has provided their Best Estimate of the undiscovered shale oil initially-in-place ("OIIP") at 12.2 billion barrels for the Macasty Shale.

Forward-Looking Statements

Certain statements in this report should be considered as forward-looking statements. Such statements are subject to risks, uncertainty and other factors that could cause the Company's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements typically contain words such as "anticipate", "believe", "plan", "estimate", "expect", "may", "will", "project", "should" or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements pertaining to the following:

- Realization and results of future exploration;
- Size of hydrocarbon discoveries and/or production;
- Anticipated revenues and cash flows;
- Capital expenditures contemplated by the Company or its partners;
- Cost and scheduling of operations planned by the Company or its partners;
- The Company's ability to enter into new joint venture agreements;
- Estimation of reserves in place and/or recoverable;
- The Company's financing capability.

The statements made herein may constitute forward-looking statements. These statements relate to future events or Junex's future financial performance and entail risks, uncertainties and other factors, both known and unknown, that may appreciably affect its results, financial performance or achievements when considered in light of the content or implications of statements made by Junex. Actual events or results could be significantly different. Accordingly, investors should not place undue reliance on forward-looking statements. Junex does not intend and undertakes no obligation to update these forward-looking statements.

1.1 Date

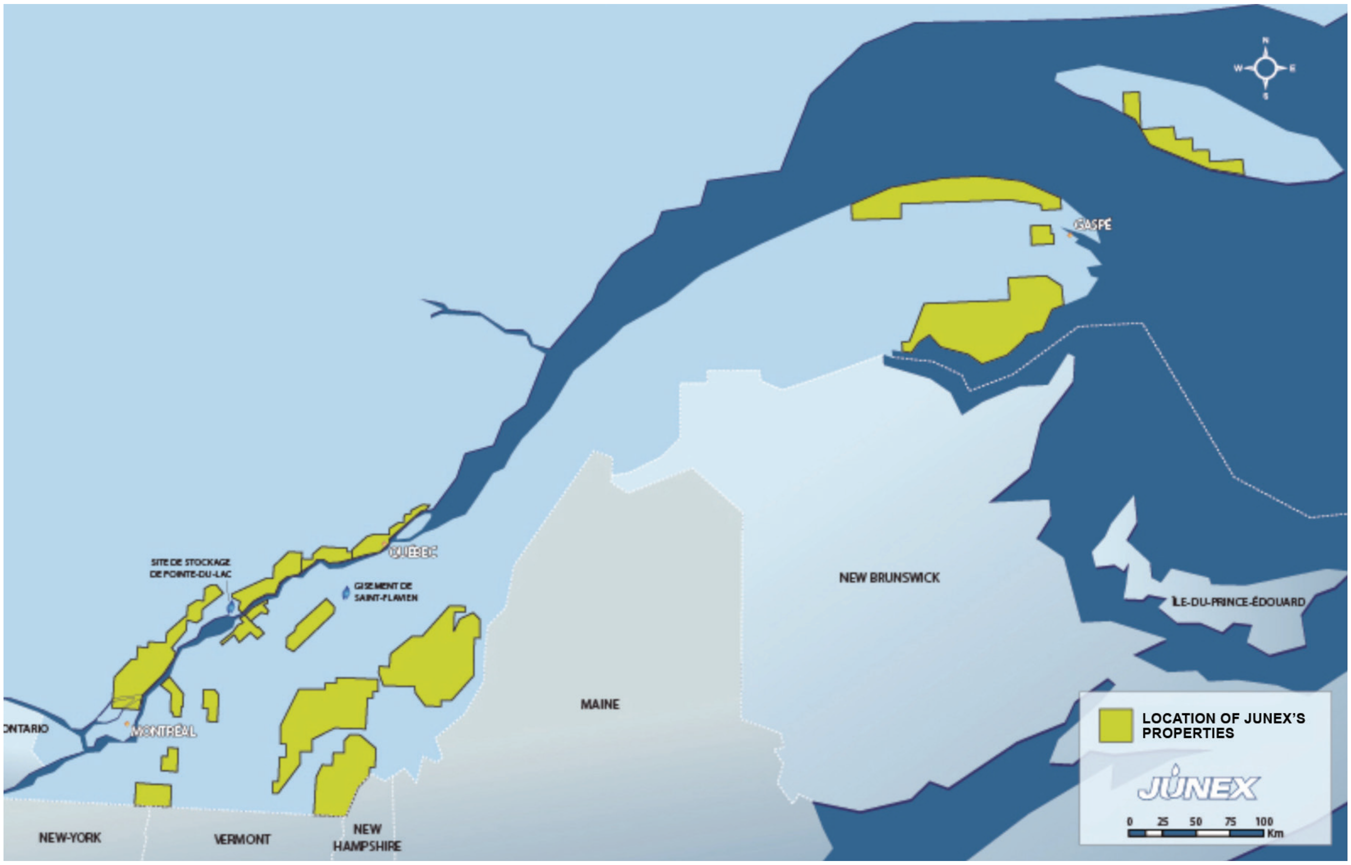
This report for the period ended June 30, 2014, was completed on August 25, 2014.

1.2 Exploration Program

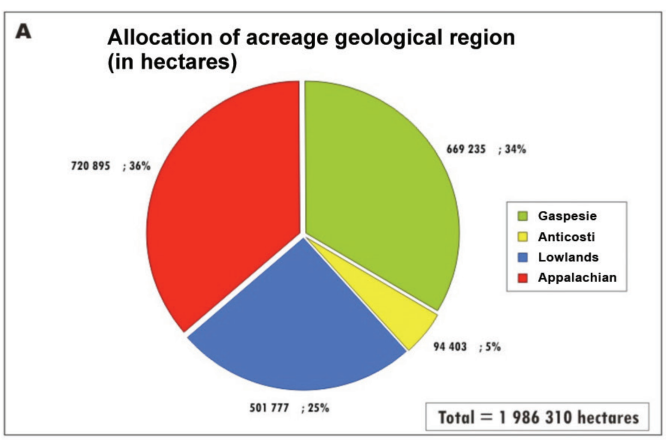
Report on Operations

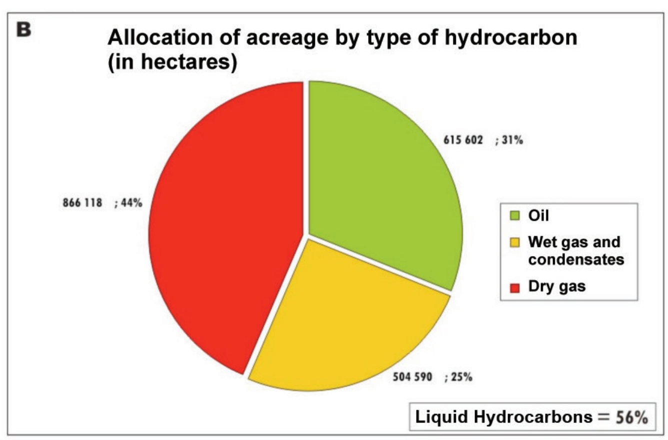
Junex is a junior petroleum and natural gas exploration company who holds exploration rights on approximately 5.2 million acres in the Appalachian Basin in Quebec. Junex is the largest holder of oil and gas exploration licenses in Quebec and its properties are located in sedimentary basins in the St. Lawrence Lowlands, on the Gaspé Peninsula, on Anticosti Island and in the Appalachian region. With its presence in these different regions, Junex has diversified its portfolio of exploration objectives and thus reduced the risks typically associated with a single exploration focus. The company's portfolio of projects is well balanced with just over half of these properties having a potential for petroleum liquids (oil or condensate).

Location of Junex's properties in Quebec



Distribution of Junex's portfolio of properties in Quebec

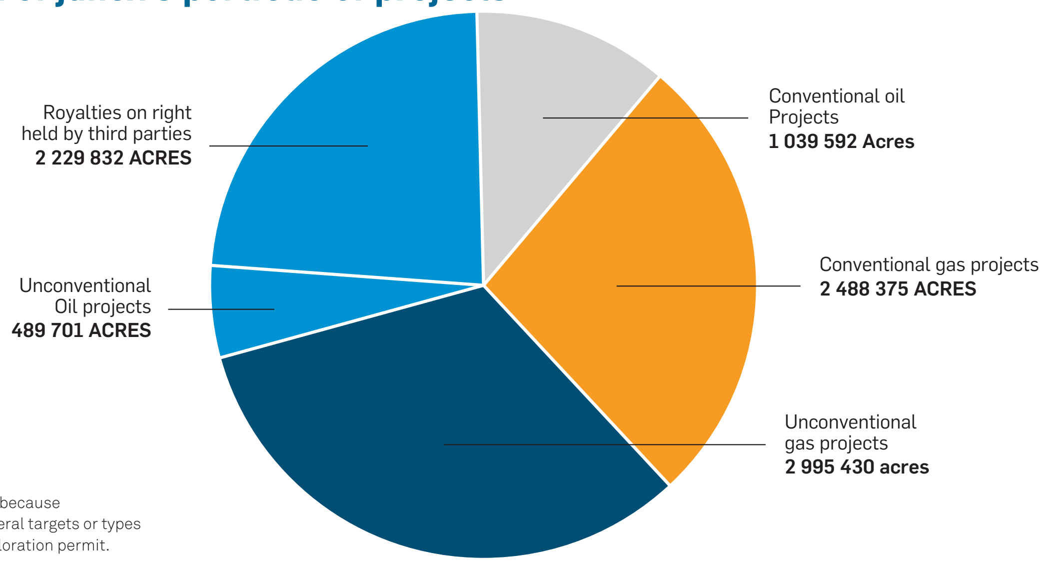




Since 2006, Junex has entered into various partnership agreements to explore the shale gas potential in certain areas in the St. Lawrence Lowlands. Three agreements are currently in place, including two with Lone Pine Resources Inc. and another with Canadian Quantum Energy Corporation, both of who are based in Calgary, Alberta. Moreover, in February 2014, Junex has signed a Letter of Intent with Ressources Québec for oil exploration on its Anticosti permits. This agreement will be implemented only if a third party joins the partnership.

Junex also owns overriding royalties on production ranging from 0.5% to 5% in an additional 12,000 square kilometer-sized area (2.2 million acres) in two sedimentary basins in Quebec: the Gaspé Peninsula and the St. Lawrence Lowlands.

Distribution of junex's portfolio of projects



Potential overlap of areas because of the juxtaposition of several targets or types of projects on a single exploration permit.

Elsewhere in North America, Junex is in the process of earning a 25 % working interest in an oil exploration project covering more than 2,200 acres located in the Permian Basin in west Texas.

Over the years, Junex's exploration efforts have demonstrated the oil and gas potential of its exploration permits. In addition to the significant natural gas potential of the Utica Shale Basin in the St. Lawrence Lowlands, the Company also has excellent oil projects for which the resource potential has been evaluated by an independent firm of oil and gas experts.

Petroleum Resource Assessment of Junex's Properties

Date	Area	OIIP* resources (MMbbl)		Evaluator
		Gross	Net	
December 2012	Galt	329.8	227.0	Netherland, Sewell & Associates Inc.
September 2011	Anticosti	12,200.0	12,200.0	Netherland, Sewell & Associates Inc.
TOTAL		**12,529.8**	**12,427.0**	

*Total of the undiscovered and discovered resources of oil initially in place.

Exploration Operations Review for the first Quarter of 2014

Capital investments in exploration operations during the first Quarter of 2014 totaled $368,226.

Galt Project

Located 15 kilometers west of the town of Gaspé, the Galt project covers an area of 16,645 acres.

In December 2012, NSAI's provided an update of their Best Estimate of the total Oil-Initially-In-Place ("OIIP") resources at 330 million barrels for the Forillon and Indian Point formations of the Galt property. This 330 million barrel figure includes Discovered Contingent OIIP volumes of 36 million barrels and Undiscovered Prospective OIIP volumes of 294 million barrels in the combined Forillon and Indian Point formations

In addition to its 69.6% working interest in the Galt property, Junex controls a 100% working interest in the surrounding 36,816 acre-sized Galt property that was not evaluated in this latest study.

After completing a comprehensive review of all geological data of the project during the last year, the second quarter was spent preparing the many administrative requirements that would allow us to drill additional wells on this property over the coming months. The program that we hope to launch will start with drilling a total of four horizontal wells whose objectives are to optimize reservoir production. This campaign of four horizontal drillings should allow the intersection of several natural vertical fractures and, consequently, increase the production capacity of light oil from the geological reservoir of the Forillon Formation. It is considered that the first of these four wells would be completed in the summer or fall of 2014. In June, the Quebec Ministry of Natural Resources advised Junex that all the criteria were fulfilled in regards to the drilling of the Galt No 4HZ well and that the necessary authorizations would be issued at the beginning of Summer.

Junex's investment in the Galt project over the second Quarter of 2014 totaled $148,892.

Anticosti Project

The South Anticosti block of permits covers an area of 944 square kilometers and is 100% held by Junex.

Junex's acreage on Anticosti is principally situated to the south of and on the deeper side of the major Jupiter Fault Zone ("Jupiter Fault") where the prospective sedimentary layers are located deeper than those located north of the fault. Based on the results obtained from the Utica Shale in the St. Lawrence Lowlands and those observed in the majority of the basins in the U.S., Junex is of the opinion that the Macasty located in the Deep Fairway should have a more significant reservoir pressure (or reservoir energy) than the shallow Macasty located outside of the Fairway, which could translate by a potentially increased production in the Deep Fairway.

Based on available data, the company's mapping indicates that the Macasty's average thickness is approximately two times that encountered in the wells previously drilled by other operators outside the Deep Fairway. Junex's interpretation of pertinent geochemical lab data indicates that the organic-rich Macasty on its Deep Fairway acreage places it well within the Oil Window of thermal maturity, which compares much more favourably with published findings for the oil-rich Utica/Point Pleasant Shale in Ohio and the prolific Eagle Ford Shale in Texas than currently does the less thermally mature Macasty Shale outside of the Deep Fairway.

In addition to the Macasty Shale, the deeper sedimentary sequences contain an excellent oil and gas potential. Several seismically-defined drilling targets have been identified within the Trenton Black River Formations, which is a prolific producer in the Appalachian basin in the United States.

During the first quarter of 2014, Junex signed a Letter of Intent with Ressources Québec which could lead to a two-phase exploration program with a maximum of $90 million funded in whole by RQ and a third yet to be identified industry partner. In return for their investment, Ressources Québec and this industry partner will earn a working interest of 80% in a Limited Partnership who will control 100% of Junex's permits.

Per this agreement, a total of nine (9) wells totalling $50 million will be drilled during Phase 1 of the exploration program. The second phase will be determined in function of the results of the first phase. The costs for the second phase are estimated at $40 million. This agreement is subject to the conclusion of an agreement with a third party from industry by October 31, 2014.

In parallel to this agreement with Junex, Ressources Québec has also signed a partnership agreement with the group of companies holding most of the other permits on Anticosti Island. This second agreement forecasts that drilling will be completed in 2014. The location maps of the work published in the spring of 2014 suggest that most of the wells will be drilled in proximity to Junex's permits. The value of our licenses could fluctuate depending on the results that will be obtained from these operations. Junex's investments in the Anticosti project totaled $82,123 for the first quarter of 2014.

Other Properties

Junex holds a significant position of permits in the St. Lawrence Low-Lands and is directly involved in the gas discovery in the Utica Shales.

Since 2011, the socio-political climate of Quebec has resulted in a *de facto* moratorium on exploration in the St. Lawrence Lowlands and the Quebec Government had launched a Strategic Environmental Study to evaluate the different impacts of a possible natural gas production in the St. Lawrence Lowlands. The results of this study were filed in early 2014 and a public consultation of the *Bureau d'Audience Publique sur l'Environnement* (BAPE) was launched. In 2014, Junex participated to the Public Consultation by filing a Memoire highlighting the importance of performing a pilot project with the purpose of addressing the main issues involved in Shale Gas exploration and production in Quebec's particular context. The conclusions of the BAPE will be presented at the end of 2014 and until that time, Junex does not intend to invest any capital in the Utica Shale project.

Permian Basin, Texas
Schleicher County Project

In 2012, Junex signed an agreement with Telesis Operating Co., an oil and gas exploration and production company headquartered in Fort Worth, Texas. Having been actively engaged in exploration, acquisitions, production and operations in the oil and gas industry since 1980, Telesis currently owns and operates approximately 165 oil and gas wells located primarily in West Texas.

Since signature of this agreement, work has progressed for Junex to gain a 25% interest in a block of permits located in the Permian Basin in Schleicher County in West Texas.

Junex's partner and project operator led the field operations between July and October 2012. In December 2012, Junex announced that its subsidiary was involved in an oil discovery at its first well drilled in the United States. This well, known as the Thornburg 27 #6 well, is the first of a multi-well program targeting lower-risk, multi-zone, conventional oil and gas-bearing reservoirs in the Permian. The Thornburg 27 #6 well, drilled to a total depth of 4,507 feet (1,374 metres) has successfully confirmed an extension of the Upper Pennsylvanian-aged McKavitt (Canyon) Sandstone oil reservoirs in the Camar Field onto the company's acreage.

Several studies and analyses of various wells have been conducted by the operator in 2013 to establish the commercial production potential of the Thornburg 27 #6. No other wells were drilled during that period.

In early 2014, Telesis sold its interests in this project to Boaz Energy LLC of Midland Texas. Junex is waiting for a new exploration program to be presented by Boaz Energy before deciding whether to participate in future investments required for this project..

Junex's investment in its various projects other than Galt and Anticosti has reached $137,211 for the first Quarter of 2014.

Exploration and evaluation assets

Exploration and evaluation assets of Junex amounted to $38,386,108 as of June 30, 2014, compared to $37,592,595 as of December 31, 2013, which represents an increase of $793,513. These exploration expenses represent the net investments of the Company on its different projects in oil and gas exploration. Thus, they are deducted from the write-off which can occur during the year due to the abandonment of wells and/or projects, also net of tax credits that the Company receives from Québec, and from partners' contributions that are paying a share of exploration expenses for some projects.

Details of exploration and evaluation assets as at June 30, 2014 and as at December 31, 2013 are detailed as follow:

Breakdown of exploration and evaluation assets as at June 30, 2014

	Exploration fees	Exploration rights (properties)	Total
Chaleurs Bay	2,774,565	558,571	3,333,136
Taconic Belt & Anticosti	4,141,347	389,497	4,530,844
Galt	6,570,322	1 181,459	7,751,781
North Shore	5,276,662	567,249	5,843,911
Becancour-Nicolet	10,511,625	228,520	10,740,145
Appalachians & Lyster	4,531,289	502,838	5,034,127
Texas	178,734	199,056	377,790
Northern Quebec	16,572	52,432	69,004
Richelieu	413,972	291,398	705,370
	34,415,088	3,971,020	38,386,108

Breakdown of exploration and evaluation assets as at December 31, 2013

	Exploration fees	Exploration rights (properties)	Total
Chaleurs Bay	2,752,784	518,603	3,271,387
Taconic Belt & Anticosti	4,034,917	364,681	4,399,598
Galt	6,311,052	1,180,785	7,491,837
North Shore	5,220,922	537,458	5,758,380
Becancour-Nicolet	10,378,530	228,185	10,606,715
Appalachians & Lyster	4,505,538	446,231	4,951,769
Texas	178,734	199,056	377,790
Northern Quebec	16,572	52,432	69,004
Richelieu	395,000	271,115	666,115
	33,794,049	3,798,546	37,592,595

1.3 Selected Financial Information

FOR THE QUARTERS ENDED JUNE 30, 2014 AND 2013

(Thousands of dollars, except per share amounts)

	Three-month period ended June 30		Six-month period ended June 30	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
OPERATIONS				
Sales by segment				
Oil and natural gas	**27**	21	**50**	55
Natural brine		27		36
Drilling services	**19**	508	**100**	645
Others				
Total sales	**46**	**556**	**150**	**736**
Gross margin	**(211)**	(31)	**(382)**	(135)
Net earnings (net loss)	**(500)**	(331)	**(912)**	(670)
Basic and diluted net earnings (net loss) per share	**(0.008)**	(0.005)	**(0.014)**	(0.010)
BALANCE SHEET	**06-30-2014**	**06-30-2013**	**06-30-2014**	**06-30-2013**
Working capital	**11,643**	14,177	**11 643**	14 177
Total assets	**53,030**	55,306	**53,030**	55 306
Deferred income taxes		296		296
Total liabilities	**444**	1,073	**444**	1 073
Shareholders' equity	**52,587**	54,233	**52,587**	54 233
CASH FLOWS				
Cash flows from (used in) operating activities	**(441)**	(326)	**(1,058)**	(833)

1.4 Annual Results of Operations

Sales and Profit Margin

The Company's sales for the second quarter of 2014 totalled $45,963 that represents a decrease compared to sales of $555,964 recorded for the second quarter of 2013. The Company's sales for the quarter of 2014 are composed of $27,372 from oil sales and $18,591 from drilling service sales.

Junex didn't record any brine sales for the second quarter of 2014 compared to sales of $26,635 in the corresponding quarter of 2013. The main goal of brine production has been to better understand and evaluate the geological properties of the reservoir and its ability to be converted into a natural gas storage facility. Sales were considered as a complementary low-profitability activity for the company. Junex intends to reduce its brine production activity over the quarters to come in order to reduce the loss encountered on sales.

As for oil and gas sales, these generated $27,372 in the second quarter of 2014, compared to sales of $21,361 in the second quarter of 2013. The Oil sales increased due to a discontinuous production of the well located in Texas. This well is still currently in production testing.

As for the drilling division, it recorded sales of $18,591 in the second quarter of 2014, compared to sales of $507,968 in the same quarter of 2013. The lower revenues incurred by the drilling work is related to the ending of a drilling contract in the Maritimes in the first quarter of 2014. The rig has been demobilized and is now available for Junex's next well to be drilled on the Galt project. As the Maritimes contract is now completed and the drilling of at least one well in Galt scheduled for this fall, it is difficult to determine if the drilling division will be able to obtain new third-party contracts in the course of year 2014. It should be noted that Junex uses its drilling division primarily for its own exploration requirements and those of its partners. This allows the Company to better control exploration-related costs on its oil and gas properties. However, only revenues from third parties are included in the sales figures.

The gross margin for the second quarter of 2014 is negative by a factor of 459%, compared to a negative gross margin of 5,6 % in the second quarter of 2013. The decreased in the margin was due primarily to lower revenues from drilling which failed to cover the fixed operation costs.

Net Loss and Cash Flows

The Company posted a net loss of $499,864 for the second quarter of 2014, compared to a net loss of $331,059 registered in the second quarter of 2013. The Company's operating activities used cash flows of $441,410 in the second quarter of 2014, compared to $326,207 used in the same quarter of 2013.

Moreover, no financing activities have been realized in the second quarter of 2014. During the second quarter of 2013, financing activities required liquidities of $164,937 due to the buy-back of 295,000 shares of the company for a total amount of $164,937.

Administrative expenses decreased by $91,190 or 20.7% in the second quarter of 2014. In the context of low exploration activity in Quebec, the company has implemented a strict management of costs that have led to a 49.9% decrease of professional fees charges. The comparison in administrative expenses is detailed below.

Detail of administrative expenses for the quarters ended June 30, 2014 and 2013

		3 months		6 months
	06-30-2014	**06-30-2013**	**06-30-2014**	**06-30-2013**
Salaries and benefits	**147,510**	144,546	**292,052**	317,660
Professional fees	**89,765**	179,092	**174,616**	303,458
Insurance	**28,301**	30,829	**56,103**	60,591
Office and equipment rental	**11,942**	11,606	**23,047**	23,631
Marketing and promotion	**11,322**	10,225	**20,478**	18,729
Taxes and permits	**11,132**	7,939	**20,899**	17,332
Travel and business development	**29,349**	19,993	**53,416**	45,453
Office fees	**11,423**	30,713	**21,305**	42,348
Amortization of property, plant and equipment	**7,767**	4,758	**13,937**	9,106
	348,511	439,701	**675,853**	838,308

1.5 Summary of Quarterly Results

The Company's quarterly results may fluctuate substantially from one quarter to the next due to non-recurring events. The quarterly net loss generally ranges from $300,000 to $500,000. The unusual $765,559 loss in the last quarter of 2013 was mainly caused by the impairment of $449,172 on property, plant and equipment used in its brine operations. The unusual $750,749 loss in the last quarter of 2012 was mainly caused by the write-off of $784,591 on exploration and evaluation assets.

Financial Data for the Last Eight Quarters

	June 30 2014 $	March 31 2014 $	Dec. 31 2013 $	Sept 30 2013 $	June 30 2013 $	March 31 2013 $	Dec. 31 2012 $	Sept 30 2012 $
Total sales	45,963	103,999	568,859	651,046	555,964	180,218	659,421	48,294
Net income (loss)	(499,864)	(412,304)	(765,559)	(176,475)	(331,059)	(338,753)	(750,749)	(182,241)
Basic net income (loss) per share	(0.008)	(0.006)	(0.011)	(0.003)	(0.005)	(0.005)	(0.012)	(0.003)

1.6 Liquidity and Capital Resources

As of June 30, 2014, the Company's working capital amounted to $11,642,901 a decrease of $1,572,813 compared to the working capital of $13,215,714, as at December 31, 2013. The decrease in working capital was primarily due to exploration expenditures during the quarter.

The Company had financial resources of $11,464,669 as at June 30, 2014, which is sufficient to undertake its near-term development program and meet the commitments mentioned in Note 15 to its annual financial statements. The Company is not exposed to any liquidity risk arising from financial instruments.

1.7 Sources of Financing

The Company did not complete any financing during the last quarter.

1.8 Off-Balance-Sheet Arrangements

The Company has no significant off-balance-sheet arrangement other than the consolidated financial commitments specified in Note 15 to the annual consolidated financial statements.

1.9 Related Party Transactions

Related party transactions amounted $8,657 in the second quarter of 2014. These transactions consisted of the rental of a warehouse and were concluded with a company having significant influence. Related-party transactions with a company controlled by a shareholder having significant influence were entered into in the normal course of business and were measured at the exchange amount, being the amount established and accepted by the parties. The commercial goal of the transaction is the rental of warehouses that allow optimized drilling service activities.

1.10 Anticipated Transactions

No transactions that would have a significant impact on the Company's financial position, operating results or cash flows are anticipated.

1.11 Critical Accounting Estimates

Preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles or IFRS requires management to make estimates and assumptions that affect amounts in the financial statements and notes thereto. These estimates are based on the management's best knowledge of current events and actions that the Company may take in the future. Actual results could differ from such estimates. The Company did not make any accounting estimates that could have a material impact on the Company's financial position.

1.12 Changes in Accounting Policies

Changes in accounting policies are described in the notes to the consolidated financial statements, available on SEDAR (www.sedar.com). The only accounting changes were those that arose from the adoption of new accounting policies.

1.13 Supplemental Information Required by Emerging Issuers Without Significant Operating Income

The Company's primary business is oil and gas exploration. A summary of work carried out by the Company is presented in Section 1.2 of this MD&A.

National Instrument 51-102

Deferred exploration expenses for the six-month period ended June 30, 2014

	Geology	Geophysics	Wells	Evaluation	Professional and General fees	Total
Chaleurs Bay	21,310		604		8,708	30,622
Taconic Belt & Anticosti	93,434	12,000	1,289	357	42,549	149,629
Galt	19,855	13,977	211,999	15,025	103,654	364,510
North Shore	32,496		23,584		22,284	78,364
Becancour-Nicolet	62,501		71,169	233	52,866	186,769
Appalachians & Lyster	11,187		14,714		9,807	35,708
Texas						
Northern Quebec						
Richelieu	1,123		17,856		446	19,425
	241,906	25,977	341,215	15,615	240,314	**865,027**

Deferred exploration expenses for the six-month period ended June 30, 2013

	Geology	Geophysics	Wells	Evaluation	Professional and General fees	Total
Chaleurs Bay	17,682		254		10,199	28,135
Taconic Belt & Anticosti	108,363	6,962	-		76,440	210,859
Galt	82,927	5,873	117,020	19,094	166,406	459,029
North Shore	37,071		20,107	86,803	32,516	89,694
Becancour-Nicolet	66,277		67,053		75,210	208,540
Appalachians & Lyster	22,184	2,549	11,550		19,742	56,025
Texas			1,035			1,035
Northern Quebec	226				128	354
Richelieu	2,355		28,088		5,430	35,873
	337,085	15,384	245,107	105,897	386,071	**1,089,544**

1.14 Other Information

Common Shares
As at June 30, 2014, there were 66,194,928 common shares outstanding.

Warrants
The following warrants were issued as at June 30, 2014:
3,571,428 warrants exercisable at a price of $0.875 per share until June 28, 2015

Outstanding Stock Options

Volume	Exercise Price	Expiry date
20,000	0.80 $	09-30-2014
80,000	0.90 $	10-18-2014
65,000	1.28 $	05-04-2016
21,666	1.18 $	08-31-2016
75,000	0.97 $	08-31-2017
200,000	0.75 $	01-24-2018
600,000	1.68 $	04-07-2018
125,000	2.84 $	09-05-2018
1,430,000	0.88 $	03-20-2019
1,209,000	0.71 $	11-15-2022
3,825,666	**1.02$**	

Risks and Uncertainties

The future success of the Company will depend upon its ability to find or acquire additional oil and gas reserves that are economically recoverable. Except to the extent that the Company conducts successful exploration or development activities or acquires properties containing proven reserves, or both, the reserves of the Company will generally decline as reserves are produced. There is no guarantee that any of the development projects and production activities implemented in the future will result in significant additional reserves or that the Company will succeed in drilling productive wells at low exploration costs. If prevailing oil and gas prices were to increase significantly, the Company's exploration costs to add reserves could be expected to increase. The drilling of oil and gas wells involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide economic return of the capital expended to drill the well.

BAPE Report and Strategic Environmental Evaluation

In February 2013, the Quebec government retained the services of the Bureau d'audiences publiques sur l'environnement (BAPE) to hold a broader consultation based on studies commissioned in the context of the environmental strategic evaluation (ESE) on shale gas as well as its intention to table a Bill to introduce a moratorium on exploration and the exploitation of shale gas. In January 2014, following this study the Quebec government has retained the BAPE to hold public consultations on the issues raised by exploration and the exploitation of shale gas in the Utica shale in the St. Lawrence Lowlands and report its findings and analysis performed to enlighten the government, in sustainable development terms in while it considers this energy source.

Submitting the BAPE report is scheduled for November 2014. However, it is unknown when the government will make known its decision on this issue. Consequently, the Company's management is not able to determine when it will be able to resume its shale gas exploration activities, as applicable. Given the history of drilling, fracturing and bringing into production of numerous wells in North America, the Company's management is confident that the BAPE's evaluation report will favour a return to the exploration and processing of shale gas. The slowdown in government approvals for hydraulic fracturing to extract natural gas does not concern "conventional" exploration and exploitation or activities pertaining to the exploration and exploitation of oil.

Among the Company's exploration and evaluation assets, about $7,552,820 are related to the exploration and processing of shale gas extracted by hydraulic fracturing.

Uncertainty of crude oil, natural gas reserve and resource evaluations

The process of estimating oil, gas and natural brine reserves and/or resources is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. Actual data concerning future production, oil, gas and natural brine prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil, gas and natural brine reserves may vary substantially from those estimated in the respective reserve reports. Any significant variances in these assumptions could materially affect the estimated quantities and the present value of reserves as set forth in this annual information form. In addition, such reserves may be subject to downward or upward revisions based upon production history, results of future exploration and development, prevailing oil, gas and natural brine prices and other factors, many of which are beyond the control of the Company. Actual production, revenues, taxes, development expenditures and operating expenses with respect to reserves will likely vary from the estimate used, and such variances may be material.

Risks associated with oil and gas operations

Oil and natural gas operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosions, blowouts, formation damage and oil spills, any of which could result in substantial damage to oil and gas wells, producing facilities and other property of the Company and to the environment, or in personal injury. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company has maintained liability insurance in amounts that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which case significant costs could be incurred which could have a materially adverse effect upon the financial condition of the Company. Government regulations relating to environmental matters could also increase the cost of carrying on business or require the Company to change its activities or to cease operating in certain areas.

Government regulation
The petroleum and natural gas industry is subject to controls and regulations established by the various levels of government with respect to prices, royalties, land tenure, production quotas, exports and imports of petroleum and gas and environmental protection. It is impossible to predict with any certainty what impact these controls and regulations will have on the business of the Company or if any amendments will be made to such controls and regulations.

The oil, natural gas and natural brine industries are actually subject to environmental regulations pursuant to a variety of provincial and federal legislation. This legislation provides restrictions and prohibitions on the emissions or releases of various substances produced or used in association with certain extraction activities within the oil and gas industries and which affect the costs and location of wells and installations and the extent to which exploration and development activities are authorized. In addition, the legislation requires that land, wells and facility sites that are abandoned temporarily or definitely be reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties, the suspension or revocation of necessary licenses and authorizations to operate a business and the enforcement of civil liabilities for pollution damages. In Quebec, since September, 1972, environmental issues are governed mainly by the *Environment Quality Act* (Quebec). That law impose obligations with respect to the environment, disclosure and monitoring. In addition, the law provides procedures, in certain circumstances, to assess environment impact and broader public consultation procedures with respect to environmental assessment and the application of the law.

Permits, licenses and approvals
In Quebec, anyone exploring for oil, natural gas or natural brine must have an exploration permit delivered in accordance with the *Mining Act* (Quebec). The permit is issued, with respect to a given territory, to anyone who complies with the conditions and pays the annual fees prescribed by the regulation. The term of a permit is five years. A permit may be renewed for an additional period of one year, up to five times, in respect of all or a portion of the territory contemplated by the permit, provided that certain conditions set forth in the *Mining Act* (Quebec) are met.

The holder of an oil and natural gas exploration permit must perform, on an annual basis, certain work, the nature and the minimum cost of which are specified by regulation, including geological and geophysical studies or drilling on the territory contemplated by his permit. The minimum cost to be incurred varies according to the age of the permit. Accordingly, during the first year of a permit, the fees are equal to $0.50 per hectare or $3,000, whichever is greater, and for the fifth year of the permit, they are equal to $2.50 per hectare or $15,000, whichever is greater.

Pursuant to an *Act Amending the Mining Act* and an *Act Respecting the Lands in the Public Domain*, adopted on June 12, 1998, which is still not in effect as of the date hereof, the Quebec legislator has provided for the introduction of a single permit authorizing the exploration for oil, natural gas, natural brine and underground reservoirs. In addition, the legislator has provided that within the areas of a marine environment, as defined by departmental order, exploration permits are to be granted by way of open tenders and that, with respect to such areas, the Natural Resources Minister may prescribe such conditions and obligations as may be different from those provided for in the *Mining Act* (Quebec) with respect to mining rights, oil, natural gas, natural brine or an underground reservoir. *The Act Amending the Mining Act* and an *Act Respecting the Lands in the Public Domain* also provides for the extension of the exploration permit when serious indicators of the presence of oil, natural gas, natural brine or an underground reservoir with commercial possibilities are identified.

Title to property
While the Company has taken reasonable actions to ensure that it has good and valid title over its properties, there is no certainty that the titles of any of its properties will not be disputed or challenged. Third parties may have valid claims with respect to underlying portions of the Company's interests.

Future financing requirements

The Company will need additional financing in the future in order to continue its business and, in particular, in order to complete its exploration and development program. There can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing treasury shares, control of the Company may change and shareholders may suffer additional dilution. To the extent financing is not available, lease expiry dates, work commitments, rental payments and option payments may not be satisfied and this could in turn result in the inability of the Company to pursue, in whole or in part, its exploration and development program, the loss of ownership rights or earning opportunities for the Company.

Dependence on key personnel

The success of the Company will be largely dependent upon the quality of its management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could materially adversely affect the Company's business operations and prospects. The Company has not, as yet, purchased "key man" insurance on any of its directors, officers or key employees, and has no current plans to do so.

Market conditions

The Company operates in a competitive environment, where the commodity price is affected by a number of factors beyond the control of the Company. The production results as well as the financial considerations of the company are related to prices paid for oil and natural gas produced from reserves in which the company holds direct participation. Oil and natural gas prices have fluctuated wildly in the past. Oil prices are subject to international supply and demand, and political developments, particularly in the Middle East, can have a major influence on world oil supplies and prices. Any decline in oil or natural gas prices could have a material adverse effect on the Company's operations, financial condition and the level of expenditures for the acquisition of additional oil and gas reserve. In addition, the marketability of the Company's production will depend upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial regulation and general economic conditions. All of these factors are beyond the Company's control.

In Canada, oil producers negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance.

The price of natural gas sold in interprovincial, intraprovincial and international trade is determined by negotiation between buyers and sellers. The price received by a natural gas producer depends in part on the prices of other competing fuels, the type of natural gas produced, the access to upstream transportation facilities, the duration of the contract, the weather conditions and the supply/demand balance.

Natural brine (water with a high saline content) is a transparent odourless liquid product consisting of a high concentration of dissolved salts. The chemical properties of natural brine are such that it is an effective de icing product and dust suppressant. The price received by a producer and distributor of natural brine varies according to the prices of other competing products, such as sodium chloride and magnesium chloride. Total volumes used with respect to this product are also directly related to weather conditions.

Litigation

The Company may be held liable for pollution or for other risks for which it cannot be insured or for risks it may choose not to insure given the high premium costs or for other reasons. Payments in this respect may result in the loss of assets of the Company.

Land claims
Some of the properties in which the Company holds an interest are currently subject to land claims by native peoples. However, no assurance can be provided as to with the validity of those claims nor with agreements that might or might not arise.

Availability of drilling equipment and access
Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities, if any.

Management of growth
The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Company's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employees. The Company's inability to deal with this growth could have a material adverse impact on its business, operations and prospects.

Volatility of share prices
Share prices are subject to changes because of numerous factors beyond the Company's control, including reports of new information, changes in the Company's financial situation, the sale of the Company's shares in the market, failure to achieve financial results in line with the expectations of analysts, announcements by the Company or the oil price. There is no guarantee that the market price of the shares will be protected from any such fluctuations in the future.

Supplemental Information

Complete consolidated financial statements of the Company are available on SEDAR at www.sedar.com. Additional information regarding the Company's activities are also available on its website at www.junex.ca.