JURA ENERGY CORPORATION
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2016 and 2015

Jura Energy Corporation
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2016 and December 31, 2015

	Note	June 30, 2016 US$	December 31, 2015 US$
ASSETS			
Current assets			
Cash and cash equivalents		272,699	1,723,906
Accounts and other receivables	6	2,880,879	6,485,608
Restricted cash	7	431,337	-
		3,584,915	**8,209,514**
Non-current assets			
Property, plant and equipment	8	29,989,999	30,691,415
Exploration and evaluation assets	9	13,461,544	12,127,275
Intangible assets		21,656	29,298
Long term receivables		161,451	161,298
		43,634,650	**43,009,286**
Total assets		**47,219,565**	**51,218,800**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		9,223,400	16,073,899
Amounts due to related parties	10	9,166,737	13,080,730
Borrowings	11	249,380	-
Provision for settlement	23	7,585,568	-
		26,225,085	**29,154,629**
Non-current liabilities			
Borrowings	11	13,882,424	3,902,270
Assets retirement obligation	13	2,592,056	2,564,356
		16,474,480	**6,466,626**
Total liabilities		**42,699,565**	**35,621,255**
Shareholders' equity			
Share capital	14	65,203,045	65,203,045
Contributed surplus	14	341,851	339,886
Warrants	14	117,672	117,672
Accumulated deficit		(61,142,568)	(50,063,058)
Total shareholders' equity		**4,520,000**	**15,597,545**
Total equity and liabilities		**47,219,565**	**51,218,800**
Going concern	2		
Contingencies and commitments	15		

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
Shahid Hameed
Interim CEO and Director

"Signed"
Stephen C. Smith
Director

Jura Energy Corporation
Condensed Consolidated Interim Statements of Comprehensive Income / (loss)
For the three and six months ended June 30, 2016 and 2015

	Note	Three months ended June 30, 2016 US$	Three months ended June 30, 2015 US$	Six months ended June 30, 2016 US$	Six months ended June 30, 2015 US$
Net revenue		1,435,587	2,784,414	3,114,217	4,755,796
Cost of production	16	(1,473,268)	(1,567,807)	(2,877,688)	(2,970,547)
Gross profit / (loss)		**(37,681)**	**1,216,607**	**236,529**	**1,785,249**
Administrative expenses	17	(1,991,689)	(670,111)	(3,020,229)	(1,332,668)
Provision for settlement	23	(7,585,568)	-	(7,585,568)	-
Operating profit / (loss)		**(9,614,938)**	**546,496**	**(10,369,268)**	**452,581**
Finance income / (costs)	18	400,752	(494,772)	(710,242)	(166,064)
Profit / (loss) before income tax		**(9,214,186)**	**51,724**	**(11,079,510)**	**286,517**
Income tax expense		-	-	-	-
Total comprehensive income / (loss) for the period		**(9,214,186)**	**51,724**	**(11,079,510)**	**286,517**
Earnings / (loss) per share - basic and diluted (US$ per share)	19	(0.13)	0.00	(0.16)	0.00

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Jura Energy Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2016 and 2015

	June 30, 2016 US$	June 30, 2015 US$
Cash flow from operating activities		
Net profit / (loss) for the period	(11,079,510)	286,517
Adjustments for:		
Depletion, depreciation and amortization	1,286,262	1,786,590
Accrued finance costs	857,939	646,605
Stock based compensation	1,965	13,608
Provision for settlement	7,585,568	-
Net unrealized exchange loss / (gain) on amounts due to related parties and borrowings	477,316	(597,045)
Cash flow from operating activities before changes in working capital	(870,460)	2,136,275
Changes in working capital		
Decrease / (increase) in accounts and other receivables	3,344,767	(5,531,907)
(Decrease) / increase in accounts payable and accrued liabilities	(2,746,559)	3,426,690
Net cash (used in) / generated from operating activities	**(272,252)**	**31,058**
Cash flow from investing activities		
Property, plant and equipment	(5,645,557)	(185,571)
Exploration and evaluation assets	(369,856)	(323,137)
Changes in restricted cash	(431,337)	(13)
Changes in long term receivables	(153)	-
Net cash used in investing activities	**(6,446,903)**	**(508,721)**
Cash flow from financing activities		
Amounts due to related parties – receipts	-	1,302,689
Amounts due to related parties – repayment	(4,633,583)	(498,197)
Borrowings – proceeds	10,329,668	-
Borrowings – repayment	(4,339)	-
Finance costs paid	(423,798)	(399,830)
Net cash generated from financing activities	**5,267,948**	**404,662**
Net decrease in cash and cash equivalents	(1,451,207)	(73,001)
Cash and cash equivalents at beginning of period	1,723,906	147,476
Cash and cash equivalents at end of period	**272,699**	**74,475**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Jura Energy Corporation
Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended June 30, 2016 and 2015

	No of shares	Share Capital	Contributed surplus	Warrants	Accumulated deficit	Total
		US$	US$	US$	US$	US$
Balance at January 1, 2015	69,076,328	65,203,045	323,752	117,672	(34,094,304)	31,550,165
Net profit for the period	-	-	-	-	286,517	286,517
Stock based compensation for the period	-	-	13,608	-	-	13,608
Balance at June 30, 2015	**69,076,328**	**65,203,045**	**337,360**	**117,672**	**(33,807,787)**	**31,850,290**
Balance at January 1, 2016	69,076,328	65,203,045	339,886	117,672	(50,063,058)	15,597,545
Net loss for the period	-	-	-	-	(11,079,510)	(11,079,510)
Stock based compensation for the period	-	-	1,965	-	-	1,965
Balance at June 30, 2016	**69,076,328**	**65,203,045**	**341,851**	**117,672**	**(61,142,568)**	**4,520,000**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Company and its operations

Jura Energy Corporation ("the Company") is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "JEC". The Company has applied to the TSX to voluntarily delist its common shares and has applied to the TSX Venture Exchange ("TSX-V") to list its common shares on the TSX-V pursuant to the streamlined listing procedure prescribed by TSX-V Policy 2.3 for companies transferring from the TSX.

The registered office of Jura Energy Corporation is located at Suite 5100, 150 – 6th Avenue SW, Calgary, T2P 3Y7, Alberta, Canada. These condensed consolidated interim financial statements include financial statements of Jura Energy Corporation ("JEC"), and its wholly owned subsidiaries Spud Energy Pty Limited ("SEPL"), Frontier Acquisition Company Limited ("FAC") and Frontier Holdings Limited ("FHL").

These condensed consolidated interim financial statements were approved and authorized for issue by the Company's board of directors on August 15, 2016.

2. Going concern

Management has prepared these condensed consolidated interim financial statements in accordance with IFRS applicable to a going concern, which contemplates that assets will be realized and liabilities will be discharged in the normal course of business as they become due. The Company has a working capital deficiency of US$ 22.64 million at June 30, 2016 (December 31, 2015: US$ 20.95 million). The Company has incurred losses in the current period and its prior fiscal years and has a current accumulated deficit of US$ 61.14 million (December 31, 2015: US$ 50.06 million). For the six months ended June 30, 2016 the Company reported negative cash flows from operations of US$ 0.27 million (June 30, 2015: positive cash flows of US$ 0.03 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at June 30, 2016 that amounted to US$ 4.36 million (December 31, 2015: US$ 5.81 million) *(See "Commitments - Note 15.2").* Additional cash resources will be required to exploit the Company's petroleum and natural gas properties. Further, at June 30, 2016, FHL was a party to two arbitration proceedings, one initiated by Petroleum Exploration (Private) Limited ("PEL") in relation to an Area of Mutual Interest provision contained in the Kandra Farm-in Agreement and the other initiated by FHL against PEL in relation to PEL's attempt to forfeit FHL's working interest in the Badin IV South exploration license owing to a purported default by FHL in respect of payment of a cash call for the month of May 2015. Subsequent to the period end, FHL, SEPL and PEL have entered into a Settlement Agreement pursuant to which, both FHL and PEL have withdrawn their respective requests for arbitration with ICC *(See "Subsequent events - Note 23").*

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

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

As at June 30, 2016, the current liabilities of US$ 26.23 million (December 31, 2015: US$ 29.15 million) include an amount of US$ 9.17 million (December 31, 2015: US$ 10.2 million) representing unsecured financing arrangements with the majority shareholder of the Company, Eastern Petroleum Limited ("EPL"), *(See "Amounts due to related parties- Note 10.2").* The balance is due for repayment on demand. However, EPL has provided an undertaking to the Company, pursuant to which, EPL shall not demand repayment of the principal amount and accrued interest thereon, unless the Company has sufficient funds to repay, in EPL's reasonable judgment, or the Company closes a qualifying financing.

During 2016, SEPL entered into two syndicated credit facilities (the "Syndicated Credit Facility") with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), as lead arranger, in the amount of up to PKR 1,060 million (approximately US$ 10.12 million). The Syndicated Credit Facility carries mark-up at the rate of 3 month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of disbursement. During the six months ended June 30, 2016, the Company has fully drawn down the Syndicated Credit Facility to settle other facilities amounting to US$ 2,905,276 *(See "Amounts due to related parties- Note 10.1")* and a portion of accounts payable and accrued liabilities.

Management is in the process of closing the US$-denominated component of the Syndicated Credit Facility amounting to US$ 6 million and pursuing an enhancement of the PKR component from PKR 1,060 million (approximately US$ 10.12 million) to PKR 1,700 million (approximately US$ 16.24 million) to fund the Company's capital commitments. The Company's immediate access to credit or capital could be further restricted until the approval of the Company's application to list its shares on the TSX Venture Exchange. The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful.

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

3. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as applicable to the interim financial reports including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2015 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

4. Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's consolidated annual audited financial statements for the year ended December 31, 2015. The Company has adopted the following new policy during the period:

4.1 Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income / (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income / (loss) on a straight-line basis over the period of the lease.

5. Critical accounting estimates and judgements

The preparation of these condensed consolidated interim financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in the preparation of these condensed consolidated interim financial statements are the same as those used in the preparation of Company's consolidated annual audited financial statements for the year ended December 31, 2015.

6. Accounts and other receivables

	Note	June 30, 2016 US$	December 31, 2015 US$
Trade receivables		2,246,852	5,844,376
Due from Energy Exploration Limited	6.1	818,218	818,218
Prepayments		39,945	74,994
Financing transaction costs	6.2	-	218,037
Security deposit		284,371	75,000
Other receivables		309,711	273,201
		3,699,097	**7,303,826**
Provision for impairment	6.1	(818,218)	(818,218)
		2,880,879	**6,485,608**

6.1 This represents amounts receivable against expenses recharged and payments made on behalf of Energy Exploration Limited ("EEL"), a related party. The balance is receivable on demand and carries no interest. EEL has an 11% and 12% working interest in the Sanjawi and Zamzama North exploration licenses respectively. However, owing to expiry of the term of the Zamzama North exploration license and force majeure declaration by the operator in the Sanjawi exploration license, the Company has fully provided for the balance receivable from EEL.

6.2 As at December 31, 2015 there was $218,037 of deferred financing transaction costs. During the current period, the entire deferred financing transaction costs has been netted off against the proceeds of the Syndicated Credit Facility.

7. Restricted cash

	Note	June 30, 2016 US$	December 31, 2015 US$
Term deposits	7.1	200,000	-
Cash reserve fund	7.2	231,337	-
		431,337	**-**

7.1 This represents amounts held under lien by the banks as security for a bank guarantee issued to the Government of Pakistan in respect of the Company's pro-rata share of exploration expenditure commitments pursuant to the granting of petroleum exploration licenses. These funds are not available for general corporate purposes.

7.2 This represents a cash reserve fund maintained with Al Baraka under the Syndicated Credit Facility.

8. Property, plant and equipment

	Oil and gas properties	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	-----------------	---------	US$	---------	---------	---------
Cost	50,149,606	92,144	24,011	48,949	74,218	50,388,928
Accumulated depletion, depreciation and impairment	(19,531,192)	(84,938)	(12,548)	(26,781)	(42,054)	(19,697,513)
Opening net book value	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Period ended June 30, 2016						
Additions during the period	438,752	1,585	-	-	136,867	577,204
Depletion / depreciation for the period	(1,251,265)	(2,609)	(1,669)	(4,252)	(18,825)	(1,278,620)
Carrying amount at June 30, 2016	**29,805,901**	**6,182**	**9,794**	**17,916**	**150,206**	**29,989,999**
Cost	50,588,358	93,729	24,011	48,949	211,085	50,966,132
Accumulated depletion, depreciation and impairment	(20,782,457)	(87,547)	(14,217)	(31,033)	(60,879)	(20,976,133)
Net book value at June 30, 2016	**29,805,901**	**6,182**	**9,794**	**17,916**	**150,206**	**29,989,999**
Cost	46,961,216	86,109	13,886	25,074	74,218	47,160,503
Accumulated depletion / depreciation	(1,862,638)	(73,678)	(10,714)	(22,217)	(27,213)	(1,996,460)
Opening net book value	**45,098,578**	**12,431**	**3,172**	**2,857**	**47,005**	**45,164,043**
Year ended December 31, 2015						
Additions during the year	2,854,150	6,035	10,125	23,875	-	2,894,185
Transfer from exploration and evaluation assets	385,572	-	-	-	-	385,572
Revision in estimate of assets retirement obligation	(51,332)	-	-	-	-	(51,332)
Depletion / depreciation for the year	(3,586,554)	(11,260)	(1,834)	(4,564)	(14,841)	(3,619,053)
Impairment for the year	(14,082,000)	-	-	-	-	(14,082,000)
Carrying amount at December 31, 2015	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Cost	50,149,606	92,144	24,011	48,949	74,218	50,388,928
Accumulated depletion, depreciation and impairment	(19,531,192)	(84,938)	(12,548)	(26,781)	(42,054)	(19,697,513)
Net book value at December 31, 2015	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	

Motor vehicles includes the following amounts where the Company is a lessee under a finance lease (*refer note 11.2 for further details*):

	June 30, 2016	December 31, 2015
	US$	US$
Leasehold motor vehicles		
Cost	136,867	-
Accumulated depreciation	(11,405)	-
Carrying amount at end of period / year	**125,462**	**-**

9. Exploration and evaluation assets

	Note		
Balance at beginning of the period / year		12,127,275	10,997,779
Additions during the period / year		1,334,269	1,583,931
Transferred to property, plant and equipment		-	(385,572)
Revision in estimate of asset retirement obligation		-	(25,398)
Exploration and evaluation assets written off during the period / year	9.1	-	(43,465)
Carrying amount at end of period / year		**13,461,544**	**12,127,275**

9.1 Owing to expiry of the term of the Zamzama North exploration license and force majeure declaration by the operator in the Sanjawi exploration license, all the costs incurred in respect of these exploration licenses have been written off.

10. Amounts due to related parties

	Note	June 30, 2016 US$	December 31, 2015 US$
Current			
Term finance facility	10.1	-	965,889
Running finance facility	10.1	-	1,939,387
Shareholder loans	10.2	9,166,737	10,175,454
		9,166,737	**13,080,730**

10.1 On January 19, 2016, these financing facilities with JS Bank Limited, a related party, were settled in full from the proceeds of the Syndicated Credit Facility.

10.2 Shareholder loans

	Note	June 30, 2016 US$	December 31, 2015 US$
Current account with shareholder		(12,033)	1,735,000
Bridge loan payable to shareholder	10.3	9,178,770	8,440,454
		9,166,737	**10,175,454**

10.3 On February 20, 2013, SEPL entered into an unsecured bridge loan financing arrangement of C$11 million with the majority shareholder of the Company, EPL. The principal and accrued interest outstanding at any time, will bear interest at the rate of 3-months US$ LIBOR plus 4% compounded quarterly. The facility is due for repayment on demand. Further, EPL has the option to convert, in whole or in part, the principal and accrued interest under the facility for a subscription of JEC shares, on the basis of one JEC share for each C$1.00 so converted ("the Conversion Option") subject to the restriction that, during any six month period, the aggregate number of JEC shares issuable to EPL under the conversion option may not exceed 10% of the number of JEC shares outstanding, on a non-diluted basis, prior to the date of the first conversion.

At June 30, 2016, the loan comprises of two components: (i) the host agreement and (ii) the embedded derivative representing the written option to EPL to convert the loan amount into JEC shares. The host agreement has been accounted for using the amortized cost method and the embedded derivative has been accounted for at fair value determined using the Black-Scholes Option Pricing Model. The fair value of the embedded derivative at June 30, 2016 was Nil (December 31, 2015: Nil).

11. Borrowings

	Note	June 30, 2016 US$	December 31, 2015 US$
Current			
Syndicated credit facilities	11.1	231,117	-
Finance lease obligations	11.2	18,263	-
		249,380	**-**
Non-current			
Syndicated credit facilities	11.1	9,863,279	-
Finance lease obligations	11.2	86,748	
Subordinated debentures	11.3	3,932,397	3,902,270
		13,882,424	**3,902,270**
Total borrowings		**14,131,804**	**3,902,270**

11.1 On December 30, 2015, SEPL entered into a Musharaka Agreement dated effective December 18, 2015 in respect of the Zarghun South lease under the Syndicated Credit Facility with Al Baraka, as lead arranger, in the amount of up to PKR 750 million (approximately US$ 7.2 million). On April 8, 2016, SEPL entered into First Supplemental Musharaka Agreement, pursuant to which the facility amount in respect of the Zarghun South lease was increased from PKR 750 million (approximately US$ 7.2 million) to PKR 960 million (approximately US$ 9.2 million).

On May 11, 2016, SEPL entered into a second Musharaka Agreement in respect of the Sara and Suri leases under the Syndicated Credit Facility, in the amount of up to PKR 100 million (approximately US $ 0.96 million).

The Syndicated Credit Facility carries mark-up at the rate of 3 months Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in sixteen equal quarterly instalments in arrears, commencing fifteen months after the date of first disbursement i.e. January 19, 2016. The Syndicated Credit Facility is secured by way of first charge on all present and future fixed assets of SEPL, an assignment of receivables originating from sale of gas from the Badar, Reti-Maru and Zarghun South leases in favour Al Baraka, acting on behalf of the participants, lien on a cash reserve fund and a corporate guarantee by JEC. As at June 30, 2016, SEPL has fully utilized the Syndicated Credit Facility. The Syndicate includes JS Bank Limited, a related party, with participation of PKR 500 million.

Under the terms of the Syndicated Credit Facility, SEPL must comply with the following financial covenants:

i. Maintain a debt service coverage ratio of at least 1.25 times;
ii. Current ratio of 1:1; and
iii. Debt to equity ratio of not more that 70:30.

As at June 30, 2016, SEPL was in compliance with the financial covenants and all other terms of the Syndicated Credit Facility.

11.2 In February 2016, SEPL entered into a Diminishing Musharaka facility with Al Baraka for the lease of vehicles for the Company's employees, in the amount of up to PKR 42 million. Under the terms of the facility, the Company has the option to acquire the leased vehicles without any consideration upon expiry of the lease term. The lease term is five years. The commitments in relation to the finance lease payable are as follows:

	June 30, 2016 US$	**December 31, 2015 US$**
Within one year	27,275	-
Later than one year but not later than five years	102,280	-
Later than five years	-	-
Minimum lease payments	**129,554**	**-**
Future interest payments	(24,544)	-
Recognized as liability	**105,011**	**-**
The present value of finance lease liabilities is as follows:		
Within one year	18,263	-
Later than one year but not later than five years	86,748	-
Later than five years	-	-
Minimum lease payments	**105,011**	**-**

11.3 On May 24, 2013 the Company completed the private placement of 4,000 subscription units. Each unit comprised a debenture of US$ 1,000 carrying interest at the rate of 11% per annum and 200 warrants exercisable at a price of C$ 0.36 per common share of the Company. As a consideration of the successful placement of subscription units, the Company's advisor was granted 50,000 warrants and paid a cash success fee. Interest is payable in arrears in equal semi-annual payments on April 30 and on October 30 each year. The repayment of debentures will fall due on April 30, 2018 or an earlier date at the option of the Company.

The financing comprises two components: (i) subordinated debentures and (ii) warrants of US$ 117,672 representing the right of debenture holders to acquire JEC's shares. The subordinated debentures have been accounted for using the amortized cost method and share purchase warrants have been accounted for at fair value on the May 24, 2013 closing date, determined using the Black-Scholes Option Pricing Model. The share purchase warrants will expire on April 30, 2018. The assumptions used in the calculation of fair value of C$ 0.14 per share purchase warrants are:

Risk-free interest rate (%)	1.14
Expected life (years)	4.94
Estimated volatility of underlying common shares (%)	70.00

The fair value of subordinated debentures is not materially different to its carrying amount, since the interest payable on the subordinated debentures is close to the current market rate. The fair value of subordinated debentures is based on discounted cash flows using the Company's current borrowing rate.

12. The contractual maturities of borrowings and amounts due to related parties are as follows:

	Carrying value US$	Not later than one year US$	Later than one year and not later than five years US$	Later than five years US$
At June 30, 2016				
Amounts due to related parties				
Shareholder loans	9,166,737	9,166,737	-	-
Borrowings				
Syndicated credit facilities	10,094,396	231,117	9,863,279	-
Finance lease obligations	105,011	18,263	86,748	-
Subordinated debentures	3,932,397	-	3,932,397	-
	23,298,541	**9,416,117**	**13,882,424**	**-**

	Carrying value US$	Not later than one year US$	Later than one year and not later than five years US$	Later than five years US$
At December 31, 2015				
Amounts due to related parties				
Term finance facility	965,889	965,889	-	-
Running finance facility	1,939,387	1,939,387	-	-
Shareholder loans	10,175,454	10,175,454	-	-
Borrowings				
Subordinated debentures	3,902,270	-	3,902,270	-
	16,983,000	**13,080,730**	**3,902,270**	**-**

13. Assets retirement obligation

	June 30, 2016 US$	December 31, 2015 US$
Balance at beginning of the period / year	2,564,356	2,374,970
Additions during the period / year	-	215,351
Revisions due to change in estimates	-	(76,730)
Accretion on assets retirement obligation	27,700	50,765
Carrying amount at end of the period / year	**2,592,056**	**2,564,356**

14. Share capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board. As at June 30, 2016, 69,076,328 (December 31, 2015: 69,076,328) common share of C$ 1 were outstanding.

14.1 Stock options

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

	Six months ended June 30, 2016			Year ended December 31, 2015		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		US$	C$		US$	C$
Options outstanding, beginning of year	1,025,000	0.72	1.00	2,368,294	0.61	0.84
Granted	-	-	-	50,000	0.72	1.00
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	-	-	-	(1,393,294)	0.53	0.73
Options outstanding, end of period	1,025,000	0.77	1.00	1,025,000	0.72	1.00
Options exercisable, end of period	1,008,333	0.77	1.00	991,666	0.72	1.00

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
US$	C$			
0.77	1.00	1,025,000	1.85	1,008,333
0.77	1.00	1,025,000	1.85	1,008,333

14.2 Stock-based compensation and contributed surplus

During the three and six months ended June 30, 2016 stock-based compensation of US$ 702 and US$ 1,965 (three and six months ended June 30, 2015: US$ 6,008 and US$ 13,608) was charged to the condensed consolidated statement of comprehensive income / (loss).

14.3 Warrants

As at June 30, 2016, 850,000 (December 31, 2015: 850,000) share purchase warrants were outstanding. These warrants were issued to the investors and the Company's advisor for successful placement of subordinated debentures amounting to US$ 4 million in 2013. Each warrant is convertible into one ordinary share of the Company and are exercisable at a price of C$ 0.36 (US$ equivalent: US$ 0.26) per share and will expire on April 30, 2018. The fair value was determined using the Black-Scholes Option Pricing Model with the assumptions referred to in note 11.3.

15. Contingencies and commitments

15.1 At June 30, 2016, FHL was a party to two arbitration proceedings, one initiated by PEL in relation to an Area of Mutual Interest provision contained in the Kandra Farm-in Agreement and the other initiated by FHL against PEL in relation to PEL's attempt to forfeit FHL's working interest in the Badin IV South exploration license owing to a purported default by FHL in respect of payment of a cash call for the month of May 2015.

Subsequent to the period end, on August 12, 2016, FHL, SEPL and PEL have entered into a Settlement Agreement, pursuant to which, both FHL and PEL have withdrawn their respective requests for arbitration with ICC *(See "Subsequent events - Note 23").*

15.2 Commitments

	Note	June 30, 2016 US$	December 31, 2015 US$
Minimum capital commitments related to exploration licenses	15.3	4,099,250	4,099,250
Commitments under approved AFEs		145,200	1,561,169
Commitment under sale and purchase agreement for the acquisition of EEL		1,000	1,000
Commitment under operating leases:			
- Not later than one year		51,248	64,071
- Later than one year and less than five years		60,972	86,578
- Later than five years		-	-
		4,357,670	**5,812,068**

15.3 Breakdown of minimum capital commitments related to exploration licenses:

	2016 US$	2017 US$	2018 US$	Total US$
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Badin IV North	357,500	-	-	357,500
Total	**2,249,750**	**94,500**	**1,755,000**	**4,099,250**

	Three months ended		Six months ended	
	June 30, 2016 US$	June 30, 2015 US$	June 30, 2016 US$	June 30, 2015 US$
16. Cost of production				
Production costs	898,979	607,071	1,626,423	1,207,674
Depletion of oil and gas properties	574,289	960,736	1,251,265	1,762,873
	1,473,268	**1,567,807**	**2,877,688**	**2,970,547**
17. Administrative expenses				
Employees' benefits	507,815	317,569	838,073	634,450
Directors' compensation	115,140	30,662	131,788	63,770
Amortization and depreciation	18,597	11,717	34,997	23,717
Legal and professional costs - general	113,031	63,012	208,625	128,419
Legal and professional costs - arbitration	1,119,481	-	1,382,818	-
Travelling expenses	42,778	61,190	81,515	88,479
Consultancy	99,080	118,358	238,564	238,732
Office rent and utilities	36,274	34,622	81,272	63,687
Other expenses	(60,507)	32,981	22,577	91,414
	1,991,689	**670,111**	**3,020,229**	**1,332,668**
18. Finance (income) / costs				
Interest on amounts due to related parties	103,521	197,914	206,733	375,879
Interest on borrowings	333,263	107,897	623,506	230,568
Accretion on assets retirement obligation	13,851	12,692	27,700	25,384
Interest / (adjustment) on late payment of cash calls to operators	(669,542)	-	(584,583)	157,415
Net exchange (gain) / loss	(181,845)	176,269	436,886	(623,182)
	(400,752)	**494,772**	**710,242**	**166,064**

		Note	Three months ended		Six months ended	
			June 30, 2016 US$	June 30, 2015 US$	June 30, 2016 US$	June 30, 2015 US$
19.	**Earnings / (loss) per share**					
	Net profit / (loss) for the period - US$		(9,214,186)	51,724	(11,079,510)	286,517
	Weighted average number of outstanding shares	19.1	69,076,328	69,076,328	69,076,328	69,076,328
	Earnings / (loss) per share - basic and diluted - US$ per share		(0.13)	0.00	(0.16)	0.00

19.1 For the three and six months ended June 30, 2016, 1,025,000 employee stock options (three and six months ended June 30, 2015: 2,418,294), 6,907,632 stock option under shareholder loans (three and six months ended June 30, 2015: 6,907,632) and 850,000 share purchase warrants (three and six months ended June 30, 2015: 850,000) were excluded from the calculation of diluted shares as they would be anti-dilutive.

20. Financial risk management

20.1 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.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual financial statements; they should be read in conjunction with the Company's consolidated annual audited financial statements for the year ended December 31, 2015. There has been no change in the risk management policies since December 31, 2015.

20.2 Fair value of financial assets and liabilities

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

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

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

21. Transactions with related parties

The Company's related parties with significant transactions during the three and six months ended June 30, 2016 include its majority shareholder, EPL, JS Bank Limited, an associated company and key management personnel. Amount due from / (to) related parties have been disclosed under respective receivable and payable balances. Related parties and their relationship with the Company are as follows:

Majority Shareholder
- Eastern Petroleum Limited

Wholly owned subsidiaries
- Spud Energy Pty Limited
- Frontier Acquisition Company Limited

- Frontier Holdings Limited

Associated entity

- JS Bank Limited

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company. The Company's key management includes its Interim Chief Executive Officer, Chief Financial Officer and its directors. Transactions with related parties other than those which have been disclosed elsewhere in the financial statements are:

	June 30, 2016 US$	**December 31, 2015 US$**
Transactions with Majority Shareholder – EPL		
Balance payable at beginning of the period / year	10,175,454	10,284,720
Loan received during the period / year net of embedded derivative	-	1,200,000
Loan repaid during the period / year	(1,741,667)	(133,013)
Interest accrued on loan from shareholder	194,763	353,019
Exchange loss / (gain) on retranslation of shareholder loan	543,553	(1,529,272)
Amount paid on behalf of EPL during the period / year	(5,366)	-
Balance payable at end of the period / year	**9,166,737**	**10,175,454**
Transactions with Associated entity– JS Bank Limited		
Old facilities		
Balance payable at beginning of the period / year	2,905,276	3,833,505
Loan received during the period / year	-	115,501
Interest accrued during the period / year	11,970	332,369
Interest paid during the period / year	(62,363)	(332,447)
Principal repaid during the period / year	(2,886,550)	(985,557)
Exchange (gain) / loss on retranslation of loan	31,667	(58,095)
Balance payable at end of the period / year	**-**	**2,905,276**
Syndicated Credit Facility		
Balance payable at beginning of the period / year	-	-
Loan received during the period / year	4,698,213	-
Mark-up accrued during the period / year	174,537	-
Mark-up paid during the period / year	(65,520)	-
Exchange (gain) / loss on retranslation of loan	(45,723)	-
Balance payable at end of the period / year	**4,761,507**	**-**

	Three months ended		**Six months ended**	
	June 30, 2016 US$	**June 30, 2015 US$**	**June 30, 2016 US$**	**June 30, 2015 US$**
Key management personnel compensation				
Management salaries and benefits	211,575	100,783	314,412	201,566
Management stock based compensation	-	228	-	1,597
Directors' fees and compensation	115,140	30,662	131,788	63,770
	326,715	**131,673**	**446,200**	**266,933**

22. Operating segment information

Management has determined the operating segments based on the information that is presented to the Company's board of directors for allocation of resources and assessment of performance. The Company is organized into two operating segments based on geography, namely oil and gas operations in Pakistan ("Pakistan") and corporate activities in Canada ("Canada").

The Pakistan segment derives its revenue primarily from the sale of petroleum products in Pakistan. During the three and six months ended June 30, 2016, the Pakistan segment had three main customers, Sui Northern Gas Pipelines Limited ("SNGPL"), Engro Fertilizers Limited ("Engro") and Sui Southern Gas Company Limited ("SSGCL"), to whom all the gas from Badar, Reti, Maru and Maru South and Zarghun South is sold. SNGPL and SSGCL are state-owned entities and Engro is a large publicly-listed company.

Percentage breakup of sales to SNGPL, Engro and SSGCL for the three and six months ended June 30, 2016 and 2015 and trade receivables at June 30, 2016 and December 31, 2015 is as follows:

	Three months ended		Six months ended	
	June 30, 2016 US$	June 30, 2015 US$	June 30, 2016 US$	June 30, 2015 US$
Net revenue				
SNGPL	8%	4%	7%	4%
Engro	16%	11%	15%	11%
SSGCL	75%	84%	77%	84%
Others	1%	1%	1%	1%
	100%	100%	100%	100%

Trade receivables	June 30, 2016	December 31, 2015
SNGPL	7%	2%
Engro	9%	6%
SSGCL	83%	91%
Others	1%	1%

The Canada segment does not have any revenue generating operations. The Company's board of directors monitors the results of the above mentioned segments for the purpose of making decisions about the resources to be allocated and for assessing performance based on historical results and the purpose of their existence. The segment information for the reportable segments is as follows:

	For the three months ended June 30, 2016			For the six months ended June 30, 2016		
	Canada	Pakistan	Consolidated	Canada	Pakistan	Consolidated
	-----------------------			US$		-----------------------
Net revenue	-	1,435,587	1,435,587	-	3,114,217	3,114,217
Cost of production	-	(1,473,268)	(1,473,268)	-	(2,877,688)	(2,877,688)
Gross profit	**-**	**(37,681)**	**(37,681)**	**-**	**236,529**	**236,529**
Administrative expenses	(151,332)	(1,840,357)	(1,991,689)	(294,185)	(2,726,044)	(3,020,229)
Provision for settlement	-	(7,585,568)	(7,585,568)	-	(7,585,568)	(7,585,568)
Operating profit / (loss)	**(151,332)**	**(9,463,606)**	**(9,614,938)**	**(294,185)**	**(10,075,083)**	**(10,369,268)**
Finance income / (costs)	(130,970)	531,722	400,752	(264,403)	(445,839)	(710,242)
Net profit / (loss)	**(282,302)**	**(8,931,884)**	**(9,214,186)**	**(558,588)**	**(10,520,922)**	**(11,079,510)**
Additions to property, plant and equipment	-	124,913	124,913	-	577,204	577,204
Additions to exploration and evaluation assets	-	749,457	749,457	-	1,334,269	1,334,269

	As at June 30, 2016		
	-------------US$--------------		
Segment assets	58,907	47,160,658	47,219,565
Segment liabilities	3,932,397	38,767,168	42,699,565

	For the three months ended June 30, 2015			For the six months ended June 30, 2015		
	Canada	Pakistan	Consolidated	Canada	Pakistan	Consolidated
	--------------------------US$---------------------------					
Net revenue	-	2,784,414	2,784,414	-	4,755,796	4,755,796
Cost of production	-	(1,567,807)	(1,567,807)	-	(2,970,547)	(2,970,547)
Gross profit	**-**	**1,216,607**	**1,216,607**	**-**	**1,785,249**	**1,785,249**
Administrative expenses	(112,539)	(557,572)	(670,111)	(237,402)	(1,095,266)	(1,332,668)
Operating profit / (loss)	**(112,539)**	**659,035**	**546,496**	**(237,402)**	**689,983**	**452,581**
Finance income / (costs)	(120,525)	(374,247)	(494,772)	(224,071)	58,007	(166,064)
Net profit / (loss)	**(233,064)**	**284,788**	**51,724**	**(461,473)**	**747,990**	**286,517**
Additions to property, plant and equipment	-	13,631	13,631	-	491,676	491,676
Additions to exploration and evaluation assets	-	740,810	740,810	-	961,088	961,088

	As at June 30, 2015		
	-------------US$--------------		
Segment assets	91,583	63,611,155	63,702,738
Segment liabilities	3,877,878	27,974,570	31,852,448

23. Subsequent events

Subsequent to the period end, on August 12, 2016, FHL, PEL and SEPL entered into a Settlement Agreement (the “Agreement”) providing terms for the settlement of all disputes between FHL and PEL. PEL is the operator of FHL’s Badin IV North, Badin IV South, Ayesha and Kandra working interests and SEPL’s Badar working interest. In connection with the settlement of the disputes, FHL, SEPL and PEL have agreed to the following:

a) the two arbitration matters between FHL and PEL before the International Chamber of Commerce (the “Arbitrations”) have been withdrawn;
b) each party shall bear their own legal and other costs with respect to the Arbitrations and the settlement, and neither party shall claim reimbursement of such costs from the other party;
c) PEL has irrevocably withdrawn the default notice and forfeiture notices served to FHL with respect to the Badin IV South exploration license (“Badin IV South”);
d) PEL has irrevocably withdrawn the application submitted to the Government of Pakistan seeking assignment to PEL of FHL’s working interest in Badin IV South;
e) PEL has agreed to pay certain current and future exploration and development costs attributable to FHL’s working interest share of expenditures under the Kandra Development and Production Lease and the Badin IV North and Badin IV South exploration licenses;
f) PEL has agreed to pay certain development costs attributable to FHL’s working interest share of expenditure in the Ayesha Development and Production Lease and the Aminah and Ayesha North gas discoveries in Badin IV South;

g) PEL has agreed to carry a certain percentage of FHL's working interest in the drilling of an exploration well in the Kandra Development and Production Lease;
h) FHL have agreed to waive their audit rights in relation to certain past costs;
i) SEPL has agreed to sell its working interest in the Badar Mining Lease to PEL for cash consideration payable upon completion of the transfer, which is subject to customary approvals in Pakistan; and
j) FHL has agreed to transfer its entire working interest in the Kandra Development and Production Lease and assign its interest in Kandra Power Company to PEL.

A provision for settlement of US$ 7,585,568 has been recognized in the statement of financial position as at June 30, 2016, which represents the fair value of the assets and liabilities transferred to PEL net of any benefit received, with a corresponding loss on settlement recognized in the statement of comprehensive income / (loss).