

# **Jura Energy Corporation**

Condensed Consolidated Interim Financial Statements  
For the Three and Nine Months Ended  
**September 30, 2017**  
(expressed in US dollars)

# Jura Energy Corporation

## Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2017

(expressed in US dollars)

	September 30, 2017 \$	December 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	325,723	179,913
Restricted cash (note 6)	1,082,998	1,053,561
Accounts and other receivables (note 7)	4,529,133	1,634,647
	<u>5,937,854</u>	<u>2,868,121</u>
<b>Non-current assets</b>		
Property, plant and equipment (note 8)	44,496,135	44,917,569
Exploration and evaluation assets (note 9)	5,264,991	5,218,406
Intangible assets	2,551	14,014
Long-term receivables	162,134	161,473
<b>Total assets</b>	<u>55,863,665</u>	<u>53,179,583</u>
<b>Liabilities and Shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	14,476,994	12,032,735
Amounts due to related parties (note 10)	6,710,394	-
Borrowings (note 11)	6,874,185	2,041,926
	<u>28,061,573</u>	<u>14,074,661</u>
<b>Non-current liabilities</b>		
Amounts due to related parties (note 10)	2,647,636	9,437,368
Borrowings (note 11)	8,788,637	12,251,598
Assets retirement obligation (note 13)	3,490,754	3,336,082
<b>Total liabilities</b>	<u>42,988,600</u>	<u>39,099,709</u>
<b>Shareholders' equity</b>		
Share capital (note 14)	65,203,045	65,203,045
Contributed surplus (note 14)	344,955	342,693
Warrants (note 14)	117,672	117,672
Accumulated deficit	<u>(52,790,607)</u>	<u>(51,583,536)</u>
<b>Total shareholders' equity</b>	<u>12,875,065</u>	<u>14,079,874</u>
<b>Total equity and liabilities</b>	<u>55,863,665</u>	<u>53,179,583</u>
<b>Going concern</b> (note 2)		
<b>Contingencies and commitments</b> (note 15)		

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

*"Signed"*

*Muhammad Nadeem Farooq*  
*Interim CEO and Director*

*"Signed"*

*Stephen C. Smith*  
*Director*

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

# Jura Energy Corporation

## Condensed Consolidated Interim Statements of Comprehensive Income For the three and nine months ended September 30, 2017

(expressed in US dollars)

	Three months ended		Nine months ended	
	September	September	September	September
	30, 2017	30, 2016	30, 2017	30, 2016
	\$	\$	\$	\$
Net revenue	2,379,501	1,306,294	6,910,106	4,420,511
Cost of production (note 16)	(1,676,098)	(1,213,364)	(4,354,508)	(4,091,052)
<b>Gross profit</b>	<u>703,403</u>	<u>92,930</u>	<u>2,555,598</u>	<u>329,459</u>
<b>Expenses</b>				
General and administrative expenses (note 17)	(628,422)	(1,575,012)	(1,927,582)	(4,595,241)
Impairment of non-current assets	-	(7,229,050)	-	(7,229,050)
Reversal of provision for settlement	-	7,585,568	-	-
<b>Operating profit / (loss)</b>	<u>74,981</u>	<u>(1,125,564)</u>	<u>628,016</u>	<u>(11,494,832)</u>
Finance costs (note 18)	(580,285)	(389,105)	(1,835,087)	(1,099,347)
<b>Loss before income tax</b>	<u>(505,304)</u>	<u>(1,514,669)</u>	<u>(1,207,071)</u>	<u>(12,594,179)</u>
Income tax	-	-	-	-
<b>Total comprehensive loss for the period</b>	<u>(505,304)</u>	<u>(1,514,669)</u>	<u>(1,207,071)</u>	<u>(12,594,179)</u>
<b>Loss per share</b> (note 19)				
Basic and diluted	(0.01)	(0.02)	(0.02)	(0.18)

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 nine months ended September 30, 2017

(expressed in US dollars)

	September 30, 2017 \$	September 30, 2016 \$
<b>Cash provided by / (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(1,207,071)	(12,594,179)
Adjustments for:		
Depletion, depreciation and amortization	2,310,444	1,884,393
Accrued finance costs	1,992,779	1,353,052
Stock-based compensation	2,262	2,386
Impairment of non-current assets	-	7,229,050
Net unrealized exchange (gain) / loss on borrowings	(64,388)	399,587
Funds flow	3,034,026	(1,725,711)
Changes in working capital		
(Increase) / decrease in accounts and other receivables	(2,894,486)	4,414,265
Increase / (decrease) in accounts payable and accrued liabilities	2,292,251	(1,298,428)
Increase in restricted cash	(29,437)	(431,337)
Net cash generated from operating activities	2,402,354	958,789
<b>Investing activities</b>		
Property, plant and equipment	(1,300,269)	(5,872,605)
Exploration and evaluation assets	(374,082)	(804,401)
Changes in long-term receivables	(661)	(153)
Net cash used in investing activities	(1,675,012)	(6,677,159)
<b>Financing activities</b>		
Amounts due to related parties—repayment	(825,000)	(4,634,075)
Borrowings—proceeds	2,494,257	10,329,668
Borrowings—repayment	(1,299,319)	(8,752)
Finance costs paid	(951,470)	(647,034)
Net cash (used in) / generated from financing activities	(581,532)	5,039,807
<b>Net increase / (decrease) in cash and cash equivalents</b>	145,810	(678,563)
Cash and cash equivalents at beginning of period	179,913	1,723,906
<b>Cash and cash equivalents at end of period</b>	325,723	1,045,343

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 nine months ended September 30, 2017

(expressed in US dollars)

	Number of shares	Share capital \$	Accumulated deficit \$	Contributed surplus \$	Warrants \$	Total \$
<b>Balance at January 1, 2016</b>	69,076,328	65,203,045	(50,063,058)	339,886	117,672	15,597,545
Net loss for the period	-	-	(12,594,179)	-	-	(12,594,179)
Stock-based compensation (note 14)	-	-	-	2,386	-	2,386
<b>Balance at September 30, 2016</b>	<b>69,076,328</b>	<b>65,203,045</b>	<b>(62,657,237)</b>	<b>342,272</b>	<b>117,672</b>	<b>3,005,752</b>
<b>Balance at January 1, 2017</b>	69,076,328	65,203,045	(51,583,536)	342,693	117,672	14,079,874
Net loss for the period	-	-	(1,207,071)	-	-	(1,207,071)
Stock-based compensation (note 14)	-	-	-	2,262	-	2,262
<b>Balance at September 30, 2017</b>	<b>69,076,328</b>	<b>65,203,045</b>	<b>(52,790,607)</b>	<b>344,955</b>	<b>117,672</b>	<b>12,875,065</b>

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

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2017**

---

(expressed in US dollars)

### 1 Company and its operations

Jura Energy Corporation ("JEC" or the "Company") is listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol "JEC". The registered office of the Company is located at Suite 5100, 150 – 6th Avenue SW, Calgary, T2P 3Y7, Alberta, Canada. These condensed consolidated interim financial statements include the financial statements of JEC, and its wholly-owned subsidiaries Spud Energy Pty Limited ("SEPL"), PetExPro Ltd. (*formerly Frontier Acquisition Company Limited*) ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL").

These condensed consolidated interim financial statements were approved and authorized for issue by the Company's board of directors on November 28, 2017.

### 2 Going concern

Management has prepared these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards ("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 \$22.12 million at September 30, 2017 (December 31, 2016 – \$11.21 million). During the nine months ended September 30, 2017, the Company reported a net loss of \$1.21 million (September 30, 2016 – \$12.59 million). As at September 30, 2017, the Company has an accumulated deficit of \$52.79 million (December 31, 2016 – \$51.58 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at September 30, 2017, that amounted to \$4.30 million (December 31, 2016 – \$4.33 million) (*see "Commitments – note 15"*). Additional cash resources will be required to exploit the Company's petroleum and natural gas properties.

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

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

In 2016, SEPL entered into two Musharaka Agreements with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), pursuant to a syndicated credit facility arrangement (the "Syndicated Credit Facility"), as lead arranger, in the amount of up to PKR 1,060 million (approximately \$10.11 million). During 2017, SEPL entered into a third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility in the amount of PKR 470 million (approximately \$4.47 million), pursuant to which the facility amount has increased from PKR 1,060 million (approximately \$10.11 million) to PKR 1,530 million (approximately \$14.58 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 except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears.

Subsequent to period end, SEPL entered into a term finance facility with JS Bank Limited, a related party, in the amount of PKR 200 million (approximately \$1.90 million) (*see "Subsequent Events - Note 23"*). The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful. The principal shareholder has confirmed its commitment to provide financial support to the

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

**For the three and nine months ended September 30, 2017**

(expressed in US dollars)

Company as and when required for a minimum period of twelve months from the date of approval of these condensed consolidated interim financial statements.

These condensed consolidated interim 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 consolidated annual audited financial statements of the Company for the year ended December 31, 2016 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, 2016. Please refer note 2 of the Company's consolidated annual audited financial statements for the summary of significant accounting policies.

### 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 historical experience including the 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, 2016. Please refer note 2 (iv) of the Company's consolidated annual audited financial statements for critical accounting estimates and judgements used.

### 6 Restricted cash

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
	\$	\$
Term deposits (note 6 a)	200,000	200,000
Cash reserve fund (note 6 b)	882,998	853,561
	<u>1,082,998</u>	<u>1,053,561</u>

a) 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.

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

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

### 7 Accounts and other receivables

	September 30, 2017 \$	December 31, 2016 \$
Trade receivables (note 7 a)	4,060,831	1,171,130
Due from related parties (note 7 b)	830,743	830,743
Prepayments	31,908	46,621
Security deposit	68,379	64,348
Other receivables	355,490	340,023
	<u>5,347,351</u>	<u>2,452,865</u>
Provision for impairment (note 7 b)	(818,218)	(818,218)
	<u>4,529,133</u>	<u>1,634,647</u>

- a) The trade receivables are provided as a security by way of irrevocable assignment into the collection accounts maintained with Al Baraka, the lead arranger, acting on behalf of the participants, pursuant to the terms of the Syndicated Credit Facility (*refer to note 11(a) for further details*).
- b) This represents \$818,218 and \$12,525 (December 31, 2016 –\$818,218 and \$12,525) receivable from Energy Exploration Limited (“EEL”) and JS Energy Limited (“JSEL”) (*formerly Eastern Petroleum Limited*) respectively. The balances are receivable on demand and carry no interest.

Amount due from EEL represents expenses recharged and payments made on behalf of EEL. EEL has an 11% and 12% working interest in the Sanjawi and Zamzama North exploration licenses respectively. However, owing to the 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.

### 8 Property, plant and equipment

	Oil and gas properties \$	Computer equipment \$	Furniture and fixtures \$	Office equipment \$	Motor vehicles \$	Total \$
Cost	53,303,783	94,779	24,011	48,949	347,186	53,818,708
Accumulated depletion, depreciation and impairment	(8,671,632)	(89,277)	(15,847)	(35,037)	(89,346)	(8,901,139)
Opening net book value	44,632,151	5,502	8,164	13,912	257,840	44,917,569
<b>Period ended September 30, 2017</b>						
Additions during the period	1,336,121	6,506	-	-	9,219	1,351,846
Transferred from E&E assets	525,703	-	-	-	-	525,703
Depletion / depreciation for the period	(2,234,964)	(2,683)	(2,061)	(5,969)	(53,306)	(2,298,983)
<b>Carrying amount at September 30, 2017</b>	<u>44,259,011</u>	<u>9,325</u>	<u>6,103</u>	<u>7,943</u>	<u>213,753</u>	<u>44,496,135</u>
Cost	55,165,607	101,285	24,011	48,949	356,405	55,696,257
Accumulated depletion, depreciation and impairment	(10,906,596)	(91,960)	(17,908)	(41,006)	(142,652)	(11,200,122)
<b>Net book value at September 30, 2017</b>	<u>44,259,011</u>	<u>9,325</u>	<u>6,103</u>	<u>7,943</u>	<u>213,753</u>	<u>44,496,135</u>
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
<b>Year ended December 31, 2016</b>						
Additions during the year	2,659,019	2,635	-	-	272,968	2,934,622
Addition in estimate of assets retirement obligation	495,158	-	-	-	-	495,158
Depletion / depreciation for the year	(2,162,602)	(4,339)	(3,299)	(8,256)	(47,292)	(2,225,788)
Net reversal of impairment for the year	13,022,162	-	-	-	-	13,022,162
<b>Carrying amount at December 31, 2016</b>	<u>44,632,151</u>	<u>5,502</u>	<u>8,164</u>	<u>13,912</u>	<u>257,840</u>	<u>44,917,569</u>
Cost	53,303,783	94,779	24,011	48,949	347,186	53,818,708
Accumulated depletion, depreciation and impairment	(8,671,632)	(89,277)	(15,847)	(35,037)	(89,346)	(8,901,139)
<b>Net book value at December 31, 2016</b>	<u>44,632,151</u>	<u>5,502</u>	<u>8,164</u>	<u>13,912</u>	<u>257,840</u>	<u>44,917,569</u>
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	



# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

Motor vehicles include the following amounts where the Company is a lessee under a finance lease (*refer to note 11 (b) for further details*):

	September 30, 2017	December 31, 2016
	\$	\$
<b>Leasehold motor vehicles</b>		
Cost	282,187	272,968
Accumulated depreciation	(74,619)	(32,448)
Carrying amount at end of period	<u>207,568</u>	<u>240,520</u>

### 9 Exploration and evaluation assets

	September 30, 2017	December 31, 2016
	\$	\$
Balance at beginning of the period	5,218,406	12,127,275
Additions / (adjustments) during the period	474,514	(205,178)
Impairment for the period	-	(6,916,212)
Transferred to property, plant and equipment	(525,703)	-
Additions in estimate of assets retirement obligation	97,774	220,927
Exploration and evaluation assets written off (note 9 a)	-	(8,406)
Carrying amount at end of period	<u>5,264,991</u>	<u>5,218,406</u>

- a) Owing to the 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 during the period have been written off.

### 10 Amounts due to related parties

	September 30, 2017	December 31, 2016
	\$	\$
Shareholder loan (note 10 a)	9,358,030	9,437,368
Less: current maturity of shareholder loan	(6,710,394)	-
Shareholder loan – non-current	<u>2,647,636</u>	<u>9,437,368</u>

- a) This represents an unsecured loan from the majority shareholder of the Company, JSEL. The principal and accrued interest outstanding at any time bear interest at the rate of 11% per annum compounded quarterly. The principal and accrued interest is repayable in four quarterly installments commencing January 1, 2018. Further, JSEL 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 JSEL 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 September 30, 2017, the loan comprised two components: (i) the host agreement and (ii) the embedded derivative representing the written option to JSEL 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 September 30, 2017, was \$nil (December 31, 2016 – \$nil).

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

### 11 Borrowings

	September 30, 2017	December 31, 2016
	\$	\$
<b>Current</b>		
Syndicated credit facilities (note 11 a)	2,708,145	1,997,535
Finance lease obligations (note 11 b)	47,387	44,391
Subordinated debentures (note 11 c)	4,118,653	-
	<u>6,874,185</u>	<u>2,041,926</u>
<b>Non-current</b>		
Syndicated credit facilities (note 11 a)	8,641,265	8,113,872
Finance lease obligations (note 11 b)	147,372	176,026
Subordinated debentures (note 11 c)	-	3,961,700
	<u>8,788,637</u>	<u>12,251,598</u>
<b>Total borrowings</b>	<u>15,662,822</u>	<u>14,293,524</u>

- a) 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 \$ 7.15 million). On April 8, 2016, SEPL entered into a First Supplemental Musharaka Agreement, pursuant to which the facility amount in respect of the Zarghun South lease was increased from PKR 750 million (approximately \$7.15 million) to PKR 960 million (approximately \$9.16 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 \$0.95 million) resulting in an increase in the Syndicated Credit Facility from PKR 960 million (approximately \$9.16 million) to PKR 1,060 million (approximately \$10.11 million).

On February 2, 2017, SEPL entered into a third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, in the amount of up to PKR 170 million (approximately \$1.62 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately \$10.11 million) to PKR 1,230 million (approximately \$11.73 million).

Subsequently, SEPL entered into a supplemental third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, resulting in an increase in the Syndicated Credit Facility from PKR 1,230 million (approximately \$11.73 million) to PKR 1,530 million (approximately \$14.58 million).

The Syndicated Credit Facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of the first disbursement i.e. January 19, 2016, except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears commencing May 14, 2018. 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 of Al Baraka, acting on behalf of the participants, lien on a cash reserve fund and a corporate guarantee by JEC. The Syndicate includes JS Bank Limited, a related party, with the participation of PKR 670 million (approximately \$6.39 million).

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

Under the terms of the Syndicated Credit Facility, SEPL must comply at each year-end (i.e. December 31) with the following financial covenants:

- i) 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 than 70:30.

The most recent compliance was performed at December 31, 2016, where SEPL was compliant with all the financial covenants except for the current ratio for which a deferral was granted, up to December 31, 2017, by Al Baraka, acting on behalf of the participants, on December 30, 2016.

- b) 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 (approximately \$0.40 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.
- c) On May 24, 2013, the Company completed the private placement of 4,000 subscription units. Each unit comprised a debenture of \$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 \$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, the 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

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

	Carrying value \$	Not later than one year \$	Later than one year and not later than five years \$	Later than five years \$
<b>At September 30, 2017</b>				
<b>Amounts due to related parties</b>				
Shareholder loan	9,358,030	6,710,394	2,647,636	-
<b>Borrowings</b>				
Syndicated credit facilities	11,349,410	2,708,145	8,641,265	-
Finance lease obligations	194,759	47,387	147,372	-
Subordinated debentures	4,118,653	4,118,653	-	-
	<u>25,020,852</u>	<u>13,584,579</u>	<u>11,436,273</u>	<u>-</u>
<b>At December 31, 2016</b>				
<b>Amounts due to related parties</b>				
Shareholder loan	9,437,368	-	9,437,368	-
<b>Borrowings</b>				
Syndicated credit facilities	10,111,407	1,997,535	8,113,872	-
Finance lease obligations	220,417	44,391	176,026	-
Subordinated debentures	3,961,700	-	3,961,700	-
	<u>23,730,892</u>	<u>2,041,926</u>	<u>21,688,966</u>	<u>-</u>

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

The fair value of amounts due to related parties and borrowings is not materially different to their carrying amount since the interest payable is close to the current market rate. The fair values are determined based on discounted cash flows using the Company's weighted average current cost of borrowing.

### 13 Assets retirement obligation

	September 30, 2017	December 31, 2016
	\$	\$
<b>Balance at beginning of period</b>	3,336,082	2,564,356
Additions during the period	97,774	632,840
Revisions due to change in estimates	-	83,245
Accretion on assets retirement obligation	56,898	55,641
<b>Carrying amount at end of period</b>	<u>3,490,754</u>	<u>3,336,082</u>

The Company's asset retirement obligation arose from its working interest ownership in petroleum and natural gas properties, including tangible well equipment and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle its asset retirement obligation is \$3,575,502 which is expected to be incurred between 2019 and 2031.

A risk-free rate of interest ranging between 1.7% to 2.62% and inflation at an annual rate of 2.1% were used to calculate the net present value of the asset retirement obligation.

### 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 September 30, 2017 69,076,328 (December 31, 2016 – 69,076,328) common share of C\$ 1 were outstanding.

#### 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.

	Nine months ended September 30, 2017			Year ended December 31, 2016		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		\$	C\$		\$	C\$
Options outstanding, beginning of period	1,025,000	0.74	1.00	1,025,000	0.72	1.00
Granted	185,512	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	(200,000)	0.74	1.00	-	-	-
Options outstanding, end of period	1,010,512	0.66	0.82	1,025,000	0.74	1.00
Options exercisable, end of period	825,000	0.81	1.00	1,008,333	0.74	1.00

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$	C\$			
0.66	0.82	1,010,512	1.38	825,000
0.66	0.82	1,010,512	1.38	825,000

### Stock-based compensation and contributed surplus

During the three and nine months ended September 30, 2017, stock-based compensation of \$1,701 and \$2,262 (three and nine months ended September 30, 2016: \$421 and \$2,386) was charged to the consolidated statement of comprehensive income.

### Warrants

As at September 30, 2017, 850,000 (December 31, 2016 – 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 \$4 million in 2013. Each warrant is convertible into one ordinary share of the Company, is exercisable at a price of C\$0.36 (\$0.29) 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(c).

## 15 Contingencies and commitments

There has been no material change in contingencies as disclosed in the latest consolidated annual audited financial statements of the Company for the year ended December 31, 2016.

### Commitments

	September 30, 2017	December 31, 2016
	\$	\$
Minimum capital commitments related to exploration licenses	4,097,000	4,097,000
Commitments under approved AFEs	145,200	145,200
Commitment under sale purchase agreement for the acquisition of EEL	1,000	1,000
Commitments under operating leases		
Not later than one year	29,292	49,498
Later than one year and less than five years	18,948	36,164
Later than five years	-	-
	4,291,440	4,328,862

### Breakdown of minimum capital commitments related to exploration licenses

	2017/18	2018/19	2019/20	Total
	\$	\$	\$	\$
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	355,250	-	-	355,250
	2,247,500	94,500	1,755,000	4,097,000

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

### 16 Cost of production

	Three months ended		Nine months ended	
	September	September	September	September
	30, 2017	30, 2016	30, 2017	30, 2016
	\$	\$	\$	\$
Production costs	918,135	633,462	2,119,544	2,259,885
Depletion of oil and gas properties (note 8)	757,963	579,902	2,234,964	1,831,167
	<u>1,676,098</u>	<u>1,213,364</u>	<u>4,354,508</u>	<u>4,091,052</u>

### 17 General and administrative expenses

	Three months ended		Nine months ended	
	September	September	September	September
	30, 2017	30, 2016	30, 2017	30, 2016
	\$	\$	\$	\$
Employees' benefits	450,614	152,197	1,195,701	990,270
Directors' compensation	20,766	13,341	127,189	145,129
Amortization and depreciation	25,172	18,229	75,480	53,226
Legal and professional charges – general	15,007	42,347	160,130	250,972
Legal and professional charges – arbitration	-	944,168	-	2,326,986
Travelling expenses	10,197	70,776	73,754	152,291
Consultancy	68,494	262,142	162,054	500,706
Office rent and utilities	22,171	17,876	50,364	99,148
Other expenses	16,001	53,936	82,910	76,513
	<u>628,422</u>	<u>1,575,012</u>	<u>1,927,582</u>	<u>4,595,241</u>

### 18 Finance costs

	Three months ended		Nine months ended	
	September	September	September	September
	30, 2017	30, 2016	30, 2017	30, 2016
	\$	\$	\$	\$
Interest on amounts due to related parties	250,458	105,542	745,662	312,275
Interest on borrowings	389,166	377,013	1,190,219	1,000,519
Accretion on assets retirement obligation	18,966	12,559	56,898	40,258
Currency translation exchange (gain) / loss - net	(78,305)	(106,009)	(157,692)	330,878
Adjustment of interest on late payment of cash calls to operators	-	-	-	(584,583)
	<u>580,285</u>	<u>389,105</u>	<u>1,835,087</u>	<u>1,099,347</u>

### 19 Loss per share

	Three months ended		Nine months ended	
	September	September	September	September
	30, 2017	30, 2016	30, 2017	30, 2016
		\$		\$
Net loss for the period	(505,304)	(1,514,669)	(1,207,071)	12,594,179
Weighted average number of outstanding shares				
- Basic	<u>69,076,328</u>	<u>69,076,328</u>	<u>69,076,328</u>	<u>69,076,328</u>
- Diluted	<u>69,261,840</u>	<u>69,261,840</u>	<u>69,261,840</u>	<u>69,261,840</u>
Basic and diluted loss per share	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.02)</u>	<u>(0.18)</u>

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

For the three and nine months ended September 30, 2017 and 2016, employee stock options (825,000), stock option under shareholder loans (6,907,632) and share purchase warrants (850,000) were excluded from the calculation of diluted shares as they would be anti-dilutive.

### 20 Financial risk management

#### a) 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, 2016. There has been no change in the risk management policies since December 31, 2016.

#### b) Fair value of financial assets and liabilities

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

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

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

### 21 Transactions with related parties

The Company's related parties with significant transactions during the three and nine months ended September 30, 2017, and 2016 include its majority shareholder, JSEL, JS Bank Limited 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*

- JS Energy Limited (*formerly Eastern Petroleum Limited*)

#### *Wholly owned subsidiaries*

- Spud Energy Pty Limited
- PetExPro Ltd. (*formerly Frontier Acquisition Company Limited*)
- Frontier Oil and Gas Holdings Limited
- Frontier Holdings Limited
- 4515226 Canada Inc.
- 1428112 Alberta Ltd.
- Onni Wilson Avenue Development Limited Partnership
- Onni Elmbidge Development Limited Partnership
- Onni The Point Development Limited Partnership
- Onni IOCO Road One Development Limited

#### *Associated entity*

- JS Bank Limited

#### *Key management personnel*

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

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:

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
	\$	\$
<b>Transactions with Majority Shareholder - JSEL</b>		
Balance payable at beginning of the period	9,424,843	10,175,454
Loan repaid during the period	(825,000)	(1,741,667)
Interest accrued on loan from shareholder	745,662	300,305
Exchange gain on retranslation of shareholder loan	-	467,544
Extinguishment of shareholder loan	-	(9,208,303)
Recognition of new shareholder loan at fair value	-	9,180,468
Interest for the period	-	256,900
Amount paid on behalf of EPL during the period	-	(5,858)
Balance payable at end of the period	<u>9,345,505</u>	<u>9,424,843</u>
<b>Transactions with Associated Entity – JS Bank Limited</b>		
<b>Old facilities</b>		
Balance payable at beginning of the period	-	2,905,276
Interest accrued	-	11,970
Interest paid during the period	-	(62,363)
Principal repaid during the period	-	(2,886,550)
Exchange loss / (gain) on retranslation of period	-	31,667
Balance payable at end of the period	<u>-</u>	<u>-</u>
<b>Syndicated Credit Facility</b>		
Balance payable at beginning of period	4,769,529	-
Loan received during the period	1,570,458	4,698,213
Mark-up accrued during the period	393,049	397,923
Mark-up paid during the period	(354,115)	(275,609)
Principal repaid during the period	(596,750)	-
Exchange gain on retranslation of loan	(31,515)	(50,998)
Balance payable at end of the period	<u>5,750,656</u>	<u>4,769,529</u>

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
	\$	\$	\$	\$
<b>Key management personnel compensation</b>				
Management salaries and benefits	209,053	111,575	437,505	425,987
Director's fees and compensation	20,766	13,341	127,189	145,129
	<u>229,819</u>	<u>124,916</u>	<u>564,694</u>	<u>571,116</u>

## 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 nine months ended September 30, 2017, the Pakistan segment had two main customers,



# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

Engro Fertilizers Limited ("Engro") and Sui Southern Gas Company Limited ("SSGCL"), to whom all the gas from Reti, Maru and Maru South and Zarghun South is sold. SSGCL is a state-owned entity and Engro is a large publicly-listed company. Percentage breakup of customer wise sales for the three and nine months ended September 30, 2017 and 2016 and trade receivables at September 30, 2017 and December 31, 2016 are as follows:

	Three months ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	%	%	%	%
<b>Net revenue</b>				
SNGPL	-	8%	-	7%
Engro	8%	16%	8%	15%
SSGCL	92%	75%	92%	77%
Others	-	1%	-	1%
	100%	100%	100%	100%

  

	September 30, 2017	December 31, 2016
	%	%
<b>Trade receivables</b>		
SNGPL	1%	3%
Engro	5%	16%
SSGCL	94%	79%
Others	-	2%
	100%	100%

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			For the nine months ended		
	Canada	Pakistan	Consolidated	Canada	Pakistan	Consolidated
	September 30, 2017			September 30, 2017		
	-----\$-----					
Net revenue	-	2,379,501	2,379,501	-	6,910,106	6,910,106
Cost of production	-	(1,676,098)	(1,676,098)	-	(4,354,508)	(4,354,508)
<b>Gross profit</b>	-	<b>703,403</b>	<b>703,403</b>	-	<b>2,555,598</b>	<b>2,555,598</b>
General and administrative expenses	(229,085)	(399,337)	(628,422)	(619,323)	(1,308,259)	(1,927,582)
<b>Operating profit / (loss)</b>	<b>(229,085)</b>	<b>304,066</b>	<b>74,981</b>	<b>(619,323)</b>	<b>1,247,339</b>	<b>628,016</b>
Finance costs	(135,738)	(444,547)	(580,285)	(387,775)	(1,447,312)	(1,835,087)
<b>Net loss for the period</b>	<b>(364,823)</b>	<b>(140,481)</b>	<b>(505,304)</b>	<b>(1,007,098)</b>	<b>(199,973)</b>	<b>(1,207,071)</b>
Additions during the period						
Property, plant and equipment	-	426,632	426,632	-	1,351,846	1,351,846
Exploration and evaluation assets	-	145,514	145,514	-	474,514	474,514

  

	As at September 30, 2017		
	-----\$-----		
Segment assets	271,457	55,592,208	55,863,665
Segment liabilities	4,538,071	38,450,529	42,988,600

# Jura Energy Corporation

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

(expressed in US dollars)

	For the three months ended September 30, 2016			For the nine months ended September 30, 2016		
	Canada	Pakistan	Consolidated	Canada	Pakistan	Consolidated
	-----\$-----					
Net revenue	-	1,306,294	1,306,294	-	4,420,511	4,420,511
Cost of production	-	(1,213,364)	(1,213,364)	-	(4,091,052)	(4,091,052)
<b>Gross profit</b>	-	<b>92,930</b>	<b>92,930</b>	-	<b>329,459</b>	<b>329,459</b>
General and administrative expenses	(500,517)	(1,074,495)	(1,575,012)	(794,702)	(3,800,539)	(4,595,241)
Impairment for the period	-	(7,229,050)	(7,229,050)	-	(7,229,050)	(7,229,050)
Reversal of provision for settlement	-	7,585,568	7,585,568	-	-	-
<b>Operating profit / (loss)</b>	<b>(500,517)</b>	<b>(625,047)</b>	<b>(1,125,564)</b>	<b>(794,702)</b>	<b>(10,700,130)</b>	<b>(11,494,832)</b>
Finance costs	(127,062)	(262,043)	(389,105)	(391,465)	(707,882)	(1,099,347)
<b>Net loss for the period</b>	<b>(627,579)</b>	<b>(887,090)</b>	<b>(1,514,669)</b>	<b>(1,186,167)</b>	<b>(11,408,012)</b>	<b>(12,594,179)</b>
Additions/(adjustments) during the period						
Property, plant and equipment	-	(58,552)	(58,552)	-	518,652	518,652
Exploration and evaluation assets	-	(1,707,807)	(1,707,807)	-	(373,538)	(373,538)

	As at September 30, 2016		
	-----\$-----		
Segment assets	49,870	37,331,845	37,381,715
Segment liabilities	4,342,082	30,033,881	34,375,963

### 23 Subsequent events

Subsequent to period end, SEPL entered into a term finance facility with JS Bank Limited, a related party, in the amount of PKR 200 million (approximately \$1.90 million).