

Jura Energy Corporation

Condensed Consolidated Interim Financial Statements
For the Three Months Ended
March 31, 2018
(expressed in US dollars)
(Unaudited)

Notice of no auditor review of Condensed Consolidated Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Corporation as at and for the three months period ended March 31, 2018 have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Jura Energy Corporation

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2018 (Unaudited)

(expressed in US dollars)

	March 31, 2018 \$	December 31, 2017 \$
Assets		
Current assets		
Cash and cash equivalents	841,271	4,524,499
Restricted cash (note 6)	856,871	1,097,351
Accounts and other receivables (note 7)	4,612,767	2,801,776
	<u>6,310,909</u>	<u>8,423,626</u>
Non-current assets		
Property, plant and equipment (note 8)	45,988,970	46,645,784
Exploration and evaluation assets (note 9)	2,555,236	1,981,838
Long term receivables	315,160	315,160
Total assets	<u>55,170,275</u>	<u>57,366,408</u>
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	9,227,704	13,534,116
Borrowings (note 10)	7,173,806	7,036,862
Amounts due to related parties (note 11)	288,850	21,969
	<u>16,690,360</u>	<u>20,592,947</u>
Non-current liabilities		
Borrowings (note 10)	8,147,400	9,244,003
Amounts due to related parties (note 11)	11,307,437	11,379,823
Asset retirement obligation (note 13)	3,452,852	3,391,415
Total liabilities	<u>39,598,049</u>	<u>44,608,188</u>
Shareholders' equity		
Share capital (note 14)	65,203,045	65,203,045
Contributed surplus (note 14)	350,465	345,975
Warrants (note 14)	117,672	117,672
Accumulated deficit	(50,098,956)	(52,908,472)
Total shareholders' equity	<u>15,572,226</u>	<u>12,758,220</u>
Total equity and liabilities	<u>55,170,275</u>	<u>57,366,408</u>

Going concern (note 2)

Contingencies and commitments (note 15)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
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 / (Loss) For the three months ended March 31, 2018 (Unaudited)

(expressed in US dollars)

	March 31, 2018	March 31, 2017
	\$	\$
Net revenue	2,696,741	2,324,990
Cost of production (note 16)	<u>(1,327,031)</u>	<u>(1,337,680)</u>
Gross profit	1,369,710	987,310
Expenses		
General and administrative expenses (note 17)	<u>(404,775)</u>	<u>(669,950)</u>
Operating profit	964,935	317,360
Finance costs – net (note 18)	<u>(118,460)</u>	<u>(594,474)</u>
Profit / (loss) before income tax	846,475	(277,114)
Income tax	-	-
Total comprehensive income / (loss) for the period	846,475	(277,114)
Earnings / (loss) per share (note 19)		
Basic and diluted	0.01	(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 three months ended March 31, 2018 (Unaudited)

(expressed in US dollars)

	March 31, 2018	March 31, 2017
	\$	\$
Cash provided by		
Operating activities		
Net profit / (loss) for the period	846,475	(277,114)
Adjustments for:		
Depletion, depreciation and amortization	718,281	766,102
Accrued finance costs	751,292	664,625
Stock based compensation	4,490	421
Net unrealized exchange (gain) / loss on borrowings and amounts due to related parties	(558,232)	(6,637)
Funds flow	1,762,306	1,147,397
Changes in working capital		
Increase in accounts and other receivables	(1,810,991)	(1,422,193)
Increase in accounts payable and accrued liabilities	79,710	757,764
Decrease / (increase) in restricted cash	240,480	(42,958)
Net cash generated from operating activities	271,505	440,010
Investing activities		
Property, plant and equipment	(2,500,000)	(477,601)
Exploration and evaluation assets	(515,849)	(100,000)
Changes in long term receivables	-	(288)
Net cash used in investing activities	(3,015,849)	(577,889)
Financing activities		
Amounts due to related parties—repayment	-	(825,000)
Borrowings—proceeds	-	1,557,073
Borrowings—repayment	(622,781)	(10,932)
Finance costs paid	(316,103)	(229,166)
Net cash (used in) / generated from financing activities	(938,884)	491,975
Net (decrease) / increase in cash and cash equivalents	(3,683,228)	354,096
Cash and cash equivalents at beginning of period	4,524,499	179,913
Cash and cash equivalents at end of period	841,271	534,009

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 three months ended March 31, 2018 (Unaudited)

(expressed in US Dollars)

	Number of shares	Share capital \$	Accumulated Deficit \$	Contributed surplus \$	Warrants \$	Total \$
Balance at January 1, 2017	69,076,328	65,203,045	(51,583,536)	342,693	117,672	14,079,874
Net loss for the period	-	-	(277,114)	-	-	(277,114)
Stock based compensation (note 14)	-	-	-	421	-	421
Balance at March 31, 2017	<u>69,076,328</u>	<u>65,203,045</u>	<u>(51,860,650)</u>	<u>343,114</u>	<u>117,672</u>	<u>13,803,181</u>
Balance at January 1, 2018	69,076,328	65,203,045	(52,908,472)	345,975	117,672	12,758,220
Change in accounting policy	-	-	1,963,041	-	-	1,963,041
Restated equity at the beginning of the period	<u>69,076,328</u>	<u>65,203,045</u>	<u>(50,945,431)</u>	<u>345,975</u>	<u>117,672</u>	<u>14,721,261</u>
Net profit for the period	-	-	846,475	-	-	846,475
Stock based compensation (note 14)	-	-	-	4,490	-	4,490
Balance at March 31, 2018	<u>69,076,328</u>	<u>65,203,045</u>	<u>(50,098,956)</u>	<u>350,465</u>	<u>117,672</u>	<u>15,572,226</u>

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 (Unaudited)

(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 May 30, 2018.

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 \$10.38 million at March 31, 2018 (December 31, 2017 – \$12.17 million). During the three months ended March 31, 2018, the Company reported a net profit of \$0.85 million (March 31, 2017 – net loss of \$ 0.28 million). As at March 31, 2018, the Company has an accumulated deficit of \$50.10 million (December 31, 2017 – \$52.91 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at March 31, 2018 that amounted to \$4.73 million (December 31, 2017 – \$5.12 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.

During 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 \$9.18 million).

In February 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 \$1.47 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately \$9.18 million) to PKR 1,230 million (approximately \$10.65 million).

In August 2017, 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 \$10.65 million) to PKR 1,530 million (approximately \$13.26 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 January 19, 2016, the date of the first disbursement, except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears commencing October 26, 2018.

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In November 2017, SEPL entered into a term finance facility with JS Bank Limited (the "JS Bank Facility") in the amount of up to PKR 200 million (approximately \$1.73 million). The facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in twelve equal quarterly installments in arrears, commencing fifteen months after November 14, 2017, the date of the first disbursement.

Subsequent to the period end, in April 2018, SEPL, JEC and JS Energy Limited ("JSEL") (*formerly Eastern Petroleum Limited*), the principal shareholder, entered into a short-term loan agreement for an amount of \$2 million. Further, in May 2018, the Company completed the private placement of 3,500 units. Each unit comprised a subordinated debenture in the principal amount of \$1,000 carrying interest at the rate of 11% per annum and 200 warrants exercisable at a price of C\$0.15 per common share of the Company. Interest is payable in arrears in equal semi-annual payments on April 30 and on October 31 each year. The repayment of debentures will fall due on April 30, 2020 or an earlier date at the option of the Company (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 Company as and when required for a minimum period of twelve months from the date of approval of these 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 annual audited financial statements of the Company for the year ended December 31, 2017 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, 2017 except for the change in accounting policies pursuant to the adoption of new and amended standards as set out below:

- IFRS 15 Revenue from Contracts with Customers; and
- IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

Effective January 1, 2018, JEC retrospectively adopted IFRS 15. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Company principally generates revenue from the sale of natural gas and condensate. Revenue associated with the sale of natural gas and condensate is recognized when control is transferred to the buyers. The Company considers the control to be transferred when all the following conditions are satisfied:

- the title and physical possession of natural gas and condensate is transferred to the buyer;
- the significant risks and rewards of ownership of natural gas and condensate is transferred to the buyer; and

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(expressed in US Dollars)

- the Company has a present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. The payment terms under the contracts are 30 to 60 days from the month following delivery. JEC does not have any contracts where the period between the transfer of committed supply of natural gas and condensate and payment by the customer exceeds one year. As a result, JEC does not adjust its revenue transactions for the time value of money.

The standard has been applied using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's condensed consolidated statement of financial position, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated cash flow statements are not restated.

The impacts of the adoption of IFRS 15 as at January 1, 2018 are as follows:

	As reported as at December 31, 2017	Adjustment	Restated Balance as at January 1, 2018
		-----\$-----	
Deferred revenue (note a)	2,632,428	(1,963,041)	669,387
Accumulated deficit	(52,908,472)	1,963,041	(50,945,431)

- a) Accounting for revenue from Guddu block

In the prior periods, revenue from the sale of gas from the Guddu block was recognized on the basis of the gas price determined under the 2009 Petroleum Policy and all the surplus proceeds collected from the buyers was recorded as deferred revenue. In conjunction with the adoption of IFRS 15, the Company completed its assessment pursuant to which the expected revenue from the sale of gas from Guddu block shall not be less than the price determined under the 2012 petroleum policy. Accordingly, upon the adoption of IFRS 15, the cumulative amount of deferred revenue has been transferred to the accumulated deficit on January 1, 2018.

IFRS 9 *Financial Instruments* ("IFRS 9")

Effective January 1, 2018, the Company retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 *Financial Instruments: Disclosures*. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The adoption of IFRS 9 did not result in any adjustments to the amounts recognized in Company's consolidated annual audited financial statements for the year ended December 31, 2017.

Classification and Measurement of Financial Instruments

JEC measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into three categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). JEC does not employ hedge accounting for its risk management contracts currently in place.

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(expressed in US Dollars)

Amortized Cost

JEC classifies its cash and cash equivalents, restricted cash, accounts receivable and accrued liabilities, and long-term debt as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying values of JEC's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values.

FVTOCI and FVTPL

JEC does not have any financial assets or financial liabilities designated as measured at FVTOCI or FVTPL.

The adoption of IFRS 9 has resulted in changes to the classification of some of the Company's financial assets but did not change the classification of the Company's financial liabilities. The classification of cash and cash equivalents and restricted cash were the only instruments with changes in their classification. There is no difference in the measurement of these instruments under IFRS 9 due to the short-term and liquid nature of these financial assets.

The following table summarizes the classification categories for JEC's financial assets and liabilities by financial statement line item under the superseded IAS 39 standard and the newly adopted IFRS 9.

Financial Assets	IAS 39	IFRS 9
Cash and cash equivalents	Held for trading (FVTPL)	Amortized cost
Restricted cash	Held for trading (FVTPL)	Amortized cost
Accounts and other receivables	Loans and receivables (Amortized cost)	Amortized cost
Financial Liabilities	IAS 39	IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities (Amortized cost)	Amortized cost
Amounts due to related parties	Other financial liabilities (Amortized cost)	Amortized cost
Borrowings	Other financial liabilities (Amortized cost)	Amortized cost

Impairment of Financial Assets

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replace the incurred losses impairment model applied under IAS 39. Under this new model, JEC's accounts and other receivables are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") and are measured at the date of initial recognition of the accounts receivable. The cash and cash equivalents and restricted cash consist of cash with reputable financial institutions. ECL allowances have not been recognized for these financial assets due to the virtual certainty associated with their collectability.

Within the accounts and other receivables, the Company assesses the lifetime ECL applicable to its commodity product sales receivables at initial recognition and re-assesses the provision at each reporting date. Lifetime ECLs are a probability-weighted estimate of all possible default events over the expected life of a financial asset and are measured as the difference between the present value of the cash flows due to JEC and the cash flows the Company expects to receive. In making an assessment as to whether JEC's financial assets are credit-impaired, the Company considers bad debts that JEC has incurred historically, evidence of a debtor's present financial condition and whether a debtor has breached certain contracts, the probability that a debtor will enter bankruptcy or other financial reorganization, changes in economic conditions that correlate to increased levels of default, and the term to maturity of the specified receivable. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within G&A expense in the statements of income.

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(expressed in US Dollars)

Based on industry experience, the Company considers financial assets to be in default when the receivable is more than 365 days past due. Once the Company has pursued collection activities and it has been determined that the incremental cost of collection pursuits outweigh the benefits of the collection, the Company derecognizes the gross carrying amount of the asset and the associated allowance from the balance sheet.

There were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9. Additional disclosure related to the financial assets required by IFRS are included in Note 20.

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, 2017.

6 Restricted cash

	March 31, 2018	December 31, 2017
	\$	\$
Term deposit (note 6 a)	-	200,000
Cash reserve fund (note 6 b)	856,871	897,351
	<u>856,871</u>	<u>1,097,351</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 were not available for general corporate purposes. During the period, owing to the expiry of bank guarantee, the term deposit was released by the bank.

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

7 Accounts and other receivables

	March 31, 2018	December 31, 2017
	\$	\$
Trade receivables (note 7 a)	3,534,597	1,641,737
Due from related parties (note 7 b)	830,743	830,743
Prepayments	36,034	27,492
Security deposit	45,865	45,865
Receivable from Government Holdings (Private) Limited (note 7 c)	611,886	611,886
Other receivables	371,860	462,271
	<u>5,430,985</u>	<u>3,619,994</u>
Provision for impairment (note 7 b)	<u>(818,218)</u>	<u>(818,218)</u>
	<u>4,612,767</u>	<u>2,801,776</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 10(a) for further details*).

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(expressed in US Dollars)

- b) This represents \$818,218 and \$12,525 (December 31, 2017 – \$818,218 and \$12,525) receivable from Energy Exploration Limited (“EEL”) and JSEL 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.

- c) This represents the share of exploration costs carried by the Company on behalf of Government Holdings (Private) Limited (“GHPL”) in respect of the Zarghun South lease pursuant to the terms of the Bolan Petroleum Concession Agreement (“Bolan PCA”). Under the terms of the Bolan PCA, the carried exploration costs are recoverable from GHPL in five equal annual installments after the commencement of commercial production. The commercial production from Zarghun South commenced in August 2014. The balance of \$611,886 represents four annual installments due from GHPL.

8 Property, plant and equipment

	Oil and gas properties	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Cost	57,926,687	103,792	24,011	48,949	356,405	58,459,844
Accumulated depletion, depreciation and impairment	(11,498,874)	(93,297)	(18,421)	(42,996)	(160,472)	(11,814,060)
Opening net book value	46,427,813	10,495	5,590	5,953	195,933	46,645,784
Period ended March 31, 2018						
Additions during the period	61,467	-	-	-	-	61,467
Depletion / depreciation for the period	(697,904)	(1,174)	(506)	(2,114)	(16,583)	(718,281)
Carrying amount at March 31, 2018	45,791,376	9,321	5,084	3,839	179,350	45,988,970
Cost	57,988,154	103,792	24,011	48,949	356,405	58,521,311
Accumulated depletion, depreciation and impairment	(12,196,778)	(94,471)	(18,927)	(45,110)	(177,055)	(12,532,341)
Net book value at March 31, 2018	45,791,376	9,321	5,084	3,839	179,350	45,988,970
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
Year ended December 31, 2017						
Additions during the year	648,729	9,013	-	-	9,219	666,961
Transferred from exploration and evaluation assets	3,974,175	-	-	-	-	3,974,175
Depletion / depreciation for the year	(2,827,242)	(4,020)	(2,574)	(7,959)	(71,126)	(2,912,921)
Carrying amount at December 31, 2017	46,427,813	10,495	5,590	5,953	195,933	46,645,784
Cost	57,926,687	103,792	24,011	48,949	356,405	58,459,844
Accumulated depletion, depreciation and impairment	(11,498,874)	(93,297)	(18,421)	(42,996)	(160,472)	(11,814,060)
Net book value at December 31, 2017	46,427,813	10,495	5,590	5,953	195,933	46,645,784
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	

Motor vehicles include the following amounts where the Company is a lessee under a finance lease (refer to note 10 (b) for further details):

	March 31, 2018	December 31, 2017
	\$	\$
Leasehold motor vehicles		
Cost	282,187	282,187
Accumulated depreciation	(102,837)	(88,728)
Carrying amount at end of period	179,350	193,459

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(expressed in US Dollars)

9 Exploration and evaluation assets

	March 31, 2018	December 31, 2017
	\$	\$
Balance at beginning of the period	1,981,838	5,218,406
Additions during the period	531,303	745,989
Transferred to property, plant and equipment	-	(3,974,175)
Additions in the estimate of asset retirement obligation	42,095	-
Exploration and evaluation assets written off (note 9 a)	-	(8,382)
Carrying amount at end of period	<u>2,555,236</u>	<u>1,981,838</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.
- b) Phase I of the initial term of the Badin IV North exploration license expired on December 6, 2017. In terms of the provisions of the Badin IV North Petroleum Concession Agreement ("Badin IV North PCA"), the JV exercised the option to enter Phase II of the initial term of the exploration license and submitted a renewal application to the Directorate General of Petroleum Concessions ("DGPC") for the approval of Phase II on October 16, 2017. The approval of the application filed with DGPC is pending as of the date of approval of these financial statements. The management believes that based on the related provisions of the Badin IV North PCA, the exploration license has been and will remain valid until regularization of the license into Phase II by the DGPC. As a result, thereof, no derecognition or impairment of exploration and evaluation assets related to Badin IV North is required as at March 31, 2018.

10 Borrowings

	March 31, 2018	December 31, 2017
	\$	\$
Current		
Syndicated credit facilities (note 10 a)	2,975,159	2,965,022
Finance lease obligations (note 10 b)	44,396	45,785
Subordinated debentures (note 10 c)	4,154,251	4,026,055
	<u>7,173,806</u>	<u>7,036,862</u>
Non-current		
Syndicated credit facilities (note 10 a)	8,035,305	9,114,618
Finance lease obligations (note 10 b)	112,095	129,385
Subordinated debentures (note 10 c)	-	-
	<u>8,147,400</u>	<u>9,244,003</u>
Total borrowings	<u>15,321,206</u>	<u>16,280,865</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 \$6.50 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 \$6.50 million) to PKR 960 million (approximately \$8.32 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 \$0.87 million) resulting in an increase in the Syndicated Credit Facility from PKR 960 million (approximately \$8.32 million) to PKR 1,060 million (approximately \$9.18 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

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(approximately \$1.47 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately \$9.18 million) to PKR 1,230 million (approximately \$10.65 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 \$10.65 million) to PKR 1,530 million (approximately \$13.26 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 January 19, 2016, the date of the first disbursement, except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears commencing October 26, 2018. The Syndicated Credit Facility is secured by way of the 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 \$5.81 million).

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, 2017, where SEPL was compliant with all the financial covenants.

- 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 \$0.36 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:

	March 31, 2018	December 31, 2017
	\$	\$
Within one year	56,913	59,912
Later than one year but not later than five years	124,127	144,291
Later than five years	-	-
Minimum lease payments	181,040	204,203
Future interest payments	(24,549)	(29,033)
Recognized as liability	156,491	175,170

The present value of finance lease liabilities is as follows:

Within one year	44,396	45,785
Later than one year but not later than five years	112,095	129,385
Later than five years	-	-
Minimum lease payments	156,491	175,170

- 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

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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 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

11 Amounts due to related parties

	March 31, 2018	December 31, 2017
	\$	\$
Current		
JS Bank term finance facility (note 11 b)	288,850	21,969
	<u>288,850</u>	<u>21,969</u>
Non-current		
Shareholder loan (note 11 a)	9,879,799	9,615,376
JS Bank term finance facility (note 11 b)	1,427,638	1,764,447
	<u>11,307,437</u>	<u>11,379,823</u>
Total amounts due to related parties	<u>11,596,287</u>	<u>11,401,792</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 were due for repayment in four quarterly installments commencing January 1, 2018. The shareholder has provided a written undertaking to the Company, pursuant to which the loan shall not be called for repayment on or before April 26, 2019.

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 March 31, 2018, 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 March 31, 2018, was \$nil (December 31, 2017 – \$nil).

- b) On November 14, 2017, SEPL entered into a term finance facility with JS Bank Limited in the amount of up to PKR 200 million (approximately \$1.73 million). The facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in twelve equal quarterly installments in arrears, commencing fifteen months after November 14, 2017, the date of the first disbursement. The facility is secured by way of ranking charge on all present and future fixed assets of SEPL, first charge on all present and future assets of FHL, oral assignment of receivables originating from sale of gas from the Badar, Reti-Mar, Zarghun South, Badin IV North and Badin IV South leases and lien on a cash reserve fund and a corporate guarantee by JEC.

Under the terms of the term finance facility, SEPL must comply at each year-end (i.e. December 31)

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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, 2017, where SEPL was compliant with all the financial covenants.

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 \$
At March 31, 2018				
Amounts due to related parties				
Shareholder loan	9,879,799	-	9,879,799	-
JS Bank term finance facility	1,716,488	288,850	1,427,638	-
Borrowings				
Syndicated credit facilities	11,010,464	2,975,159	8,035,305	-
Finance lease obligations	156,491	44,396	112,095	-
Subordinated debentures	4,154,251	4,154,251	-	-
	26,917,493	7,462,656	19,454,837	-
At December 31, 2017				
Amounts due to related parties				
Shareholder loan	9,615,376	-	9,615,376	-
JS Bank term finance facility	1,786,416	21,969	1,764,447	-
Borrowings				
Syndicated credit facilities	12,079,640	2,965,022	9,114,618	-
Finance lease obligations	175,170	45,785	129,385	-
Subordinated debentures	4,026,055	4,026,055	-	-
	27,682,657	7,058,831	20,623,826	-

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 Asset retirement obligation

	March 31, 2018 \$	December 31, 2017 \$
Balance at beginning of period	3,391,415	3,336,082
Additions during the period	42,095	97,774
Revisions due to change in estimates	-	(118,721)
Accretion on asset retirement obligation	19,342	76,280
Carrying amount at end of period	3,452,852	3,391,415

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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. Preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board. As at March 31, 2018, 69,076,328 (December 31, 2017– 69,076,328) common share of C\$1.00 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.

	Period ended March 31, 2018			Year ended December 31, 2017		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		\$	C\$		\$	C\$
Options outstanding, beginning of year	775,000	0.74	1.00	1,025,000	0.74	1.00
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	(725,000)	0.74	1.00	(250,000)	0.74	1.00
Options outstanding, end of year	50,000	0.73	1.00	775,000	0.80	1.00
Options exercisable, end of year	50,000	0.73	1.00	775,000	0.80	1.00

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
\$	C\$			
0.73	1.00	50,000	2.10	50,000
0.73	1.00	50,000	2.10	50,000

Restricted Share Units

The Company has a restricted share units plan pursuant to which restricted share units (“RSU”) may be granted to independent directors of the Company. The RSU generally vest over a period of up to three years and expire no more than five years from the date of grant.

As at March 31, 2018, 368,086 restricted share units were outstanding.

Stock-based compensation and contributed surplus

During the three months ended March 31, 2018 stock-based compensation of \$4,490 (March 31, 2017– \$421) was charged to the consolidated statement of comprehensive income.

Warrants

As at March 31, 2018, 850,000 (December 31, 2017 – 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 at an exercise 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 10 (c).

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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, 2017.

Commitments

	March 31, 2018	December 31, 2017
	\$	\$
Minimum capital commitments related to exploration licenses	4,487,775	4,487,775
Commitments under approved AFEs	212,752	593,952
Commitment under sale purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under operating leases		
Not later than one year	18,067	20,934
Later than one year and less than five years	8,281	13,365
Later than five years	-	-
	<u>4,727,875</u>	<u>5,117,026</u>

16 Cost of production

	March 31, 2018	March 31, 2017
	\$	\$
Production costs	629,127	596,243
Depletion of oil and gas properties (note 8)	697,904	741,437
	<u>1,327,031</u>	<u>1,337,680</u>

17 General and administrative expenses

	March 31, 2018	March 31, 2017
	\$	\$
Employees' benefits	185,520	379,854
Directors' compensation	21,990	83,179
Amortization and depreciation	20,377	24,664
Legal and professional charges	30,973	40,155
Travelling expenses	38,480	33,813
Consultancy (note 17 a)	62,015	69,353
Office rent and utilities	19,577	13,625
Other expenses	25,843	25,307
	<u>404,775</u>	<u>669,950</u>

a) Consultancy includes an amount of \$24,255 and \$ 24,255 (2017: \$23,438 and \$23,438) charged by JS Investment Consultancy FZE and JS North Asia Investments Limited respectively.

18 Finance costs – net

	March 31, 2018	March 31, 2017
	\$	\$
Interest on amounts due to related parties	309,655	251,449
Interest on borrowings	422,295	394,210
Accretion on assets retirement obligation	19,342	18,966
Currency translation exchange gain – net (note 18 a)	(632,832)	(70,151)
	<u>118,460</u>	<u>594,474</u>

a) The currency translation exchange gain mainly relates to PKR denominated Al Baraka syndicated credit facilities and JS Bank term finance facility. The exchange rate used for the retranslation of PKR denominated monetary assets and liabilities at March 31, 2018 was 1\$ = 115.4 PKR (December 31, 2017 1\$ = 110.5 PKR).

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19 Earnings / (loss) per share

	March 31, 2018	March 31, 2017
	\$	\$
Net profit / (loss) for the period	846,475	(277,114)
Weighted average number of outstanding shares		
- Basic	69,076,328	69,076,328
- Diluted	69,444,414	69,444,414
Basic and diluted loss per share	0.01	(0.00)

For the three months ended March 31, 2018 and 2017, 50,000 employee stock options (2017: 1,025,000), 6,907,632 stock option under shareholder loans (2017: 6,907,632) and 850,000 share purchase warrants (2017: 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, 2017. There has been no change in the risk management policies since December 31, 2017 except for the following:

Credit risk

Credit risk is the risk of financial loss to JEC, if a counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. JEC is exposed to credit risk with respect to its cash and cash equivalents, restricted cash and accounts and other receivables. However, the default risk is considered very low for all of the Company's financial instruments due to the external credit ratings of its counterparties. Majority of the Company's trade receivables relate to the sale of natural gas to Sui Southern Gas Company Limited ("SSGL"), a state-owned gas transmission company. At March 31, 2018, 92% (December 31, 2017: 87%) of the Company's trade receivables were for gas sales to SSGCL. While determining whether amounts that are past due are collectible, the management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. JEC considers all amounts greater than 90 days to be past due, at which point significant increase in credit risk exists. At March 31, 2018, \$0.95 million of accounts receivable are past due. The lifetime ECL allowances related to the Company's accounts and other receivables was nominal as at and for the periods ended March 31, 2018 and 2017.

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).

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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 include its majority shareholder, EPL. 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
- PetExPro Ltd.
- 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
- JS Investment Consultancy FZE
- JS North Asia Investments 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:

	March 31, 2018	December 31, 2017
	\$	\$
Transactions with Majority Shareholder – EPL		
Balance payable at beginning of the period	9,602,851	9,424,843
Loan repaid during the period	-	(825,000)
Interest accrued on loan from shareholder	264,423	1,003,008
Balance payable at end of the period	<u>9,867,274</u>	<u>9,602,851</u>

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	March 31, 2018 \$	December 31, 2017 \$
Transactions with Associated Entity – JS Bank Limited		
Syndicated Credit Facility		
Balance payable at beginning of period	5,211,590	4,769,529
Loan received during the period	-	1,557,579
Mark-up accrued during the period	126,680	573,489
Mark-up paid during the period	(118,449)	(509,199)
Principal repaid during the period	(287,647)	(892,972)
Exchange gain on retranslation of loan	(204,138)	(286,836)
Balance payable at end of the period	<u>4,728,036</u>	<u>5,211,590</u>
Term Finance Facility		
Balance payable at beginning of period	1,786,416	-
Loan received during the period	-	1,848,259
Mark-up accrued during the period	45,232	21,969
Mark-up paid during the period	(38,776)	-
Exchange gain on retranslation of loan	(76,385)	(83,812)
Balance payable at end of the period	<u>1,716,488</u>	<u>1,786,416</u>
Key management personnel compensation		
Management salaries and benefits	63,150	113,898
Director's fees and compensation	21,990	83,179
	<u>85,140</u>	<u>197,077</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 months ended March 31, 2018, the Pakistan segment had two main customers, 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 months ended March 31, 2018 and 2017 and trade receivables at March 31, 2018 and December 31, 2017 are as follows:

	2018 %	2017 %
Net sales		
Engro	11	9
SSGCL	89	91
Trade receivables		
Engro	7	12
SSGCL	92	87
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:

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	For the three months ended March 31, 2018			For the three months ended March 31, 2017		
	Canada	Pakistan	Consolidated	Canada	Pakistan	Consolidated
	-----\$-----					
Net revenue	-	2,696,741	2,696,741	-	2,324,990	2,324,990
Cost of production	-	(1,327,031)	(1,327,031)	-	(1,337,680)	(1,337,680)
Gross profit	-	1,369,710	1,369,710	-	987,310	987,310
General and administrative expenses	(76,716)	(328,059)	(404,775)	(223,670)	(446,280)	(669,950)
Operating profit / (loss)	(76,716)	1,041,651	964,935	(223,670)	541,030	317,360
Finance costs – net	(137,354)	18,894	(118,460)	(122,871)	(471,603)	(594,474)
Net profit / (loss) for the period	(214,070)	1,060,545	846,475	(346,541)	69,427	(277,114)
Additions during the period						
Property, plant and equipment	-	61,467	61,467	-	107,771	107,771
Exploration and evaluation assets	-	531,303	531,303	-	165,266	165,266
	As at March 31, 2018			As at March 31, 2017		
	Canada	Pakistan	Consolidated	Canada	Pakistan	Consolidated
	-----\$-----					
Segment assets	163,363	55,006,912	55,170,275	374,320	54,131,733	54,506,053
Segment liabilities	4,423,656	35,174,393	39,598,049	4,567,048	36,135,824	40,702,872

23 Subsequent events

a) Short term loan agreement

Subsequent to the balance sheet date, SEPL, JEC and JSEL entered into a short-term loan agreement (the "Loan Agreement"), effective April 23, 2018, for an amount of \$2 million. The principal amount under the Loan Agreement carries interest at a rate of 11% per annum compounded quarterly. The principal and accrued interest will be due for repayment on the 181st day following the first drawdown under the Loan Agreement.

b) Private placement of subordinated debentures

In May 2018, JEC completed the private placement of 3,500 units. Each new Unit comprised a subordinated debenture in the principal amount of \$1,000 carrying interest at the rate of 11% per annum and 200 warrants of JEC. As consideration for the successful placement of subscription units, the Company issued 50,000 warrants to ARK Point Advisors FZE who acted as placement agent. Interest is payable on the debenture in arrears in equal semi-annual payments on April 30 and on October 31 each year. The repayment of new Debentures will fall due on April 30, 2020, or an earlier date at the option of the Company.

The warrants are exercisable at a price of C\$0.15 per common share of JEC and shall expire on the earlier of: (a) April 30, 2020, (b) the 90th day following the date of redemption by the Company of all outstanding Debentures issued to the subscribers under the private placement, and (c) the tenth business day following the date on which notice is given by JEC to the subscriber that, during a consecutive 30-day period ending not more than five business days prior to the date of such notice, the closing price of the common shares on the TSX Venture Exchange exceeded C\$0.30 on each trading day in such period. Pursuant to the private placement, Jura issued a total of 750,000 warrants and \$3,500,000 principal amount of debentures.

The disbursement under the Loan Agreement and the proceeds of the private placement of debentures were used to repay the \$4 million aggregate principal amount of 11% non-convertible secured subordinated debentures, with the balance used for general corporate purposes.