JURA ENERGY CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 and 2013

JURA ENERGY CORPORATION

MANAGEMENTS' REPORT

The Consolidated Financial Statements of Jura Energy Corporation and related financial information were prepared by, and are the responsibility of Management. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standard Board. The Consolidated Financial Statements and related financial information include amounts which are based on estimates and judgments of Management with appropriate consideration to materiality. The Company has developed and maintains systems of controls, policies and procedures in order to provide reasonable assurance that assets are properly safeguarded, and that the financial records and systems are appropriately designed and maintained, and provide relevant, timely and reliable financial information to Management.

PricewaterhouseCoopers LLP are the external auditors appointed by the shareholders, and they have conducted an independent examination of the corporate and accounting records in order to express an Auditors' Opinion on these Consolidated Financial Statements.

The Board of Directors has established an Audit Committee. The Audit Committee reviews with Management and the external auditors any significant financial reporting issues, the Consolidated Financial Statements, and any other matters of relevance to the parties. The Audit Committee meets quarterly to review and approve the interim financial statements prior to their release, as well as annually to review the Company's annual Consolidated Financial Statements, Management's Discussion and Analysis, and the Annual Information Form, and to recommend their approval to the Board of Directors. The external auditors have unrestricted access to the Company, the Audit Committee and the Board of Directors.

"Signed"	*"Signed"*
Shahid Hameed	Muhammad Nadeem Farooq
Interim Chief Executive Officer	Chief Financial Officer

March 24, 2015

March 20, 2015

Independent Auditor's Report

To the Shareholders of Jura Energy Corporation

We have audited the accompanying consolidated financial statements of Jura Energy Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jura Energy Corporation as at December 31, 2014 and December 31 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Jura Energy Corporation's ability to continue as a going concern.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Jura Energy Corporation
Consolidated Statements of Financial Position
As at December 31, 2014 and 2013

	Note	December 31, 2014 US$	December 31, 2013 US$
ASSETS			
Current assets			
Cash and cash equivalents	3	147,476	429,484
Accounts and other receivables	4	2,188,743	1,562,894
		2,336,219	**1,992,378**
Non-current assets			
Property, plant and equipment	5	45,164,043	36,053,841
Exploration and evaluation assets	6	10,997,779	9,449,865
Intangible assets	7	44,582	59,866
Restricted cash	8	35,024	1,247,261
		56,241,428	**46,810,833**
Total assets		**58,577,647**	**48,803,211**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	6,681,751	574,513
Borrowings	10	13,137,256	7,952,646
		19,819,007	**8,527,159**
Non-current liabilities			
Borrowings	10	4,833,505	3,807,144
Asset retirement obligation	11	2,374,970	1,507,683
		7,208,475	**5,314,827**
Total liabilities		**27,027,482**	**13,841,986**
Shareholders' equity			
Share capital	12	65,203,045	65,203,045
Contributed surplus	12	323,752	283,151
Warrants	12	117,672	117,672
Accumulated deficit		(34,094,304)	(30,642,643)
Total shareholders' equity		**31,550,165**	**34,961,225**
Total equity and liabilities		**58,577,647**	**48,803,211**

Going concern	2 (i)
Contingencies and commitments	13

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
Shahid Hameed
Interim CEO and Director

"Signed"
Stephen C. Smith
Director

Jura Energy Corporation
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2014 and 2013

	Note	December 31, 2014 US$	December 31, 2013 US$
Net revenue	14	2,295,180	447,068
Cost of production	15	(2,393,197)	(252,726)
Gross profit / (loss)		**(98,017)**	**194,342**
Administrative expenses	16	(2,611,164)	(3,762,554)
Exploration and evaluation costs written off	6	(62,170)	(1,208,108)
Other income	17	7,490	479,405
Operating loss		**(2,763,861)**	**(4,296,915)**
Finance income	18	593,369	283,070
Finance costs	19	(1,281,169)	(439,422)
Loss before income tax		**(3,451,661)**	**(4,453,267)**
Income tax expense	20	-	-
Loss and comprehensive loss		**(3,451,661)**	**(4,453,267)**
Loss per share - basic and diluted (US$ per share)	21	(0.05)	(0.06)

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

Jura Energy Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013

	December 31, 2014 US$	December 31, 2013 US$
Cash flow from operating activities		
Loss for the year	(3,451,661)	(4,453,267)
Adjustments for:		
Depletion, depreciation and amortization	1,347,115	85,802
Accrued finance costs	788,195	401,923
Stock based compensation	40,601	283,151
Exploration and evaluation costs written off	62,170	1,208,108
Provision for impairment of receivable from EEL	-	818,218
Net unrealized exchange gain on borrowings	(542,805)	(276,956)
Gain on fair valuation of embedded derivative	(7,490)	(339,273)
Gain on settlement of dispute with JV operator	-	(138,095)
Finance income	-	(2,037)
	(1,763,875)	(2,412,426)
Changes in working capital		
Increase in accounts and other receivables	(1,764,832)	(26,428)
Decrease in note receivable	-	195,088
Increase / (Decrease) in accounts payable and accrued liabilities	1,212,696	(274,122)
Net cash used in operating activities	**(2,316,011)**	**(2,517,888)**
Cash flow from investing activities		
Property plant and equipment	(2,540,851)	(7,225,129)
Exploration and evaluation assets	(2,451,234)	(1,736,595)
Asset retirement obligation paid	(20,865)	(49,596)
Change in restricted cash	1,212,237	1,441,008
Interest received	-	2,037
Net cash used in investing activities	**(3,800,713)**	**(7,568,275)**
Cash flow from financing activities		
Proceeds from borrowings	6,782,222	9,575,742
Repayment of borrowings	(507,506)	-
Finance costs paid	(440,000)	(191,880)
Net cash generated from financing activities	**5,834,716**	**9,383,862**
Net decrease in cash and cash equivalents	(282,008)	(702,301)
Cash and cash equivalents at beginning of year	429,484	1,131,785
Cash and cash equivalents at end of year	**147,476**	**429,484**

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

Jura Energy Corporation
Consolidated Statements of Changes in Equity
For the years ended December 31, 2014 and 2013

	No of shares	Share Capital	Accumulated deficit	Contributed surplus	Warrants	Total
		US$	US$	US$	US$	US$
Balance at January 1, 2013	69,076,328	65,203,045	(26,189,376)	-	-	39,013,669
Net loss for the year	-	-	(4,453,267)	-	-	(4,453,267)
Stock based compensation during the year	-	-	-	283,151	-	283,151
Warrants issued during the year	-	-	-	-	117,672	117,672
Balance at December 31, 2013	**69,076,328**	**65,203,045**	**(30,642,643)**	**283,151**	**117,672**	**34,961,225**
Balance at January 1, 2014	69,076,328	65,203,045	(30,642,643)	283,151	117,672	34,961,225
Net loss for the year	-	-	(3,451,661)	-	-	(3,451,661)
Stock based compensation during the year	-	-	-	40,601	-	40,601
Balance at December 31, 2014	**69,076,328**	**65,203,045**	**(34,094,304)**	**323,752**	**117,672**	**31,550,165**

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

1. Company and its operations

Jura Energy Corporation (“the Company") is listed on the Toronto Stock Exchange and trades under the symbol “JEC”. The registered office of Jura Energy Corporation is located at Suite 5100, 150 – 6th Avenue SW, Calgary, T2P 3Y7, Alberta, Canada. These consolidated financial statements include financial statements of Jura Energy Corporation ("JEC"), and its wholly owned subsidiaries Spud Energy Pty Limited (“SEPL”), Frontier Acquisition Company Limited ("FAC") and Frontier Holdings Limited ("FHL").

These consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 20, 2015.

The principal activities of the Company are exploration, extraction and production of oil and natural gas. Presently the Company has working interests in the following operated and non-operated exploration licenses / leases in Pakistan:

Exploration licenses / leases	**Working interest**	**Operator**
Operated		
Sara and Suri leases	60.00%	Spud Energy Pty Limited
Non-operated		
Badar lease	7.89%	Petroleum Exploration (Private) Limited
Zarghun South lease	40.00%	Mari Petroleum Company Limited
Kandra lease	37.50%	Petroleum Exploration (Private) Limited
Reti, Maru and Maru South leases	10.66%	Oil and Gas Development Company Limited
Ayesha lease	27.50%	Petroleum Exploration (Private) Limited
Kandra exploration license	35.00%	Petroleum Exploration (Private) Limited
Guddu exploration license	13.50%	Oil and Gas Development Company Limited
Zamzama North exploration license	24.00%	Heritage Oil and Gas Limited
Sanjawi exploration license	27.00%	Heritage Oil and Gas Limited
Badin IV South exploration license	27.50%	Petroleum Exploration (Private) Limited
Badin IV North exploration license	27.50%	Petroleum Exploration (Private) Limited

On December 28, 2011, SEPL entered into a share purchase agreement with Jahangir Siddiqui & Sons Limited (“JSSL”), the parent company of Energy Exploration Limited (“EEL”), for the purchase of all the issued, subscribed and paid up share capital of EEL against a consideration of US$ 1,000. The closing of the acquisition is subject to satisfaction of the following conditions:

i) Receipt of Deeds of Assignment duly executed on behalf of the President of Pakistan evidencing the assignment of 11% and 12% Working Interests by Sprint Energy Limited to EEL under the Sanjawi and Zamzama North exploration licenses respectively;
ii) The grant of approval by the State Bank of Pakistan for investment by SEPL in EEL; and
iii) The issuance of the share transfer deed.

These conditions have not been fulfilled as of the date of approval of these consolidated financial statements. Upon closing, EEL will become a wholly owned subsidiary of the SEPL.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

i) Basis of preparation

a) Going concern

Management has prepared these consolidated financial statements in accordance with IFRS applicable to a going concern, which contemplates that assets will be realized and liabilities will be discharged in the normal course of business as they become due. The Company has a working capital deficiency of US$ 17.48 million at December 31, 2014 (December 31, 2013: US$ 6.5 million). The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of US$ 34.1 million (December 31, 2013: US$ 30.6 million). For the year ended December 31, 2014 the Company reported negative cash flows from operations of US$ 2.3 million (December 31, 2013: US$ 2.5 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at December 31, 2014 that amounted to US$ 6.4 million (December 31, 2013: US$ 9.1 million) *(See "Commitments- Note 13.3").* Additional cash resources will be required to exploit the Company's petroleum and natural gas properties. These material uncertainties 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 uncertainty includes 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 the internal cash generation from its producing concession, 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.

On February 20, 2013, SEPL entered into an unsecured bridge loan financing arrangement of C$11 million with its majority shareholder, Eastern Petroleum Limited ("EPL"), *(See "Borrowings- Note 10").* The loan carries interest at the rate of 3 months US$ LIBOR + 4%. Further, EPL also has a right to convert each C$ 1 of outstanding principal and accrued interest thereon into one common share of the Company. As at December 31, 2014, the Company had utilized C$ 9.2 million under this financing arrangement. The loan is due for repayment on demand after February 20, 2015 ("the maturity date"). However, EPL has provided an undertaking to the Company, pursuant to which, EPL shall not demand repayment of the principal amount and accrued interest thereon after the maturity date, unless the Company has sufficient funds to repay, in EPL's reasonable judgment, or the Company closes a qualifying financing.

On November 7, 2014, SEPL entered into two financing facilities totalling PKR 400 million (equivalent US$ 3.9 million) with JS Bank Limited, a related party. These facilities carry interest at the rate of 3 months Karachi Inter Bank Offered Rate ("KIBOR") plus 2% payable quarterly in arrears.

Management is currently evaluating and pursuing other funding alternatives, including debt financing and new equity issuances to fund the Company's ongoing operations. The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful.

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

b) Statements of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note IV.

c) Changes in accounting policies and disclosures

a) New standards, amendments and interpretations adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2014 and may have a material impact on the Company:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers the settlement mechanisms. The amendment did not have a significant effect on the Company financial statements.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Company has applied the amendment and there has been no significant impact on the Company financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company assessed the implication of IFRIC 21 at January 1, 2014 and determined that adoption of IFRIC 21 did not result in any change in the accounting of levies by the Company.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not material to the Company.

b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous

documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

d) Change in accounting estimate

Effective July 1, 2014, the Company changed its estimates of the useful lives of its producing fields determined by reference to the proved and probable reserves and taking into account future development expenditure necessary to bring those reserves into production to better reflect the estimated periods during which these fields will remain in production. Proved and probable reserves and future development costs are estimated on the basis of reserves certification carried out by an independent expert. The estimated useful lives of the producing fields were previously determined by reference to the proved developed producing reserves.

The effect of this change in estimate was a reduction of depletion expense and net loss by US$ 720,472 for the year ended December 31, 2014. As at December 31, 2014 it is impracticable for the Company to determine the impact of this change in accounting estimate on future periods.

e) Reclassifications in the financial statements

i. During the year the Company performed a review of its financial statements and reclassified expenses from nature to function classification within the statement of comprehensive loss on the basis that, the classification by function is considered to be more relevant to users. Comparatives balances have been reclassified to ensure consistency with the current year. The impact of the reclassification by line item is shown in the tables below:

Classification of expenses by nature (as previously reported)	**December 31, 2014 US$**	**December 31, 2013 US$**
Finance income	-	2,037
Production costs	(1,096,703)	(214,073)
Salaries and other benefits	(1,030,145)	(1,026,999)
Directors' fees and compensation	(151,575)	(462,002)
Depletion, depreciation and amortization	(1,347,115)	(85,802)
Exploration and evaluation costs written off	(62,170)	(1,208,108)
Provision for impairment of receivable from EEL	-	(818,218)
Legal and professional charges	(462,846)	(415,872)
Travelling expenses	(138,126)	(249,377)
Finance costs	(1,281,169)	(439,422)
Consultancy charges	(373,320)	(321,643)
Office rent and utilities	(191,943)	(161,440)
Fees and subscriptions	(50,286)	(118,688)
Other expenses	(162,302)	(141,166)
Foreign exchange gain	593,369	283,070
Gain on fair valuation of embedded derivatives	7,490	339,273
Gain on settlement of dispute with JV operator	-	138,095
Total expenses	**(5,746,841)**	**(4,900,335)**

Classification of expenses by function (as restated)		
Cost of production	(2,393,197)	(252,726)
Administrative expenses	(2,611,164)	(3,762,554)
Exploration and evaluation costs written off	(62,170)	(1,208,108)
Other income	7,490	479,405
Finance income	593,369	283,070
Finance costs	(1,281,169)	(439,422)
Total expenses	**(5,746,841)**	**(4,900,335)**

ii. Certain amounts in prior year have been reclassified to conform to the current year's presentation. Other than the items reclassified above, changes in accounts payable and accrued liabilities related to capital expenditure, amounting to US$ 1,982,824, are presented on a net basis within the property plant and equipment expenditure in the Consolidated Statements of Cash Flows rather than such changes being presented as part of changes in working capital. This change in classification does not materially affect previously reported net cash flows used in operating and investing activities in the Consolidated Statements of Cash Flows, and had no effect on the previously reported Consolidated Statement of Financial Position and Consolidated Statement Comprehensive Loss.

ii) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors (the "Board") that makes strategic decisions.

iii) Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency in which the sale price is denominated and expenses are incurred ('the functional currency'). The consolidated financial statements are presented in United States Dollars, which is the Company's functional currency.

b) Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income / (loss), except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

iv) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) *Exploration and evaluation expenditure*

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the statement of comprehensive income / (loss).

b) *Estimated impairment of oil and gas properties*

Oil and gas reserves are an important element in impairment testing for oil and gas properties. Estimates of oil and gas reserves are inherently imprecise and are subject to future revision. These reserves are estimated by an independent expert with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs.

The recoverable amount of a cash generating unit ("CGU") and an individual asset is determined based on the higher of the value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions, including the discount rate. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the field and economically recoverable reserves and may require a material adjustment to the carrying value of oil and gas properties. The Company monitors internal and external indicators of impairment relating to its assets.

c) *Estimated oil and gas reserves used for depletion of oil and gas properties*

Proved and probable reserves, used for recording depletion of oil and gas properties, are estimated by an independent expert with reference to available reservoir and well information. Proved and probable reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Changes to the estimates of proved and probable reserves, affect the amount of depletion recorded in the financial statements for oil and gas properties related to hydrocarbon production activities.

d) *Asset retirement obligation*

Estimates of the amount of provision for asset retirement obligations are recognized based on current legal and constructive requirements, technology and price levels. Provision is recorded based on the estimates received from the operator, where available, or the information provided by the technical department of the Company based on the best estimates. However, the actual outflows can differ from the estimated cash outflows due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future; the carrying amount of provision is reviewed and adjusted to take account of such changes.

e) *Recognition of deferred tax assets*

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Company has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses in Pakistan.

f) Measurement of share-based payments

Share-based payments recorded pursuant to share-based compensation plans are subject to estimated fair values, forfeiture rates, volatility and the future attainment of performance criteria, if any.

Critical judgements in applying the entity's accounting policies

g) Determination of cash generating units for impairment testing

For the purpose of impairment testing, oil and gas properties are aggregated into CGUs, based on separately identifiable and largely independent cashflows. The determination of the Company's CGUs, however, is subject to judgement.

h) Asset retirement obligation

Provision is recognized for the future restoration cost of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change.

i) Fair valuation of embedded derivatives and stock options at grant date

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the grant date and at each reporting date. The Company has used Black-Scholes option pricing model for fair valuation of stock options at grant date and embedded derivatives at reporting date.

v) Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. SEPL, FAC and FHL are the material subsidiaries of the Company. In addition to these the Company has a number of inactive wholly owned subsidiaries.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in statement of comprehensive income / (loss).

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive

income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between Company companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Company's accounting policies.

b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) *Disposal of subsidiaries*

When the Company ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

d) Joint arrangements

The Company has applied IFRS 11 to all joint arrangements as of January 1, 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of the parties to the arrangement. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. The Company has recognized its share of assets, liabilities, income and expenditure jointly held or incurred under the joint operations on the basis of the latest available audited accounts of the joint operations where applicable, or the cost statements received from the operator of the joint arrangement for the intervening period up to the balance sheet date.

vi) Revenue recognition

Revenue from the sale of petroleum products (oil and gas) is recognized when the significant risks and rewards of ownership have been transferred to the buyer. For sales of oil and gas this is usually when legal title passes to the external party which occurs on shipment/transportation of oil/gas to the buyer. Revenue from the sale of petroleum products is recognized based on prices notified by the Government of Pakistan ("GoP").

vii) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income / (loss), except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of

the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

viii) Stock based compensation

The Company issues options to its directors, officers and employees to acquire common shares. Options are accounted for using the fair value method which estimates the value of the options at the date of grant using the Black-Scholes Option Pricing Model. The fair value thus established is recognized as an expense over the vesting period of the options with a corresponding increase to contributed surplus. When the options are exercised, the proceeds received and the applicable amount in contributed surplus will be credited to share capital.

ix) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

x) Trade receivables

Trade receivables are recognized and carried at original invoice amount, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the statement of comprehensive income / (loss).

xi) Exploration, evaluation and development assets

a) Exploration and evaluation costs

Exploration and evaluation costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Exploration and evaluation assets are tested for impairment once the decision is made that it is technically feasible and will be transferred to property, plant and equipment or whenever facts and circumstances indicate impairment.

When an area of interest is abandoned, surrendered/relinquished or management decides and the Board approve that it is not determined commercially viable, any accumulated costs in respect of that area are written off in the financial period in which the decision is made.

b) Oil and gas properties

When an oil or gas field has been approved for development and technical feasibility and commercial viability of extracting resources is determined, the accumulated exploration and evaluation costs are transferred to oil and gas properties.

Assets in development

The costs of oil and gas properties in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings and directly attributable borrowing costs. When commercial operation commences, the accumulated costs are transferred to oil and gas assets in production.

Assets in production

The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and the ongoing costs to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

Depletion

Upon the commencement of commercial production in an area of interest, accumulated development costs, inclusive of exploration and evaluation assets are depleted on a unit of production basis over the estimated useful life of the field determined by reference to the proved and probable reserves.

Borrowing cost capitalization

Borrowing costs relating to assets that take a substantial period of time to construct are capitalized as part of the asset. Capitalization of borrowing costs ceases when the asset is in the location and condition necessary for its intended use, and is suspended when construction of an asset is ceased for extended periods.

xii) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged on the straight line basis to write off the depreciable amount of the property, plant and equipment over their estimated useful lives. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal. The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

xiii) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the Company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The depreciation rates applied are as follows:

Computer equipment	33.33%
Furniture and fixtures	20.00%
Office equipment	33.33%
Vehicles	20.00%

xiv) Intangible assets

These are carried at cost less accumulated amortization, and any identified impairment losses. These mainly represent accounting and technical softwares. Amortization is calculated, using the straight line method, to allocate the cost of intangible assets over their estimated useful lives, at the rates specified in note 7. Costs associated with maintaining intangible assets are recognized as an expense as and when incurred.

Amortization on additions is charged from the month in which the asset is acquired or capitalized, while no amortization is charged for the month in which the asset is disposed of.

xv) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cashflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cashflows are derived from a CGU, the recoverable amount is determined on the basis of the relevant CGU. The decrease in the carrying amount is recognized as an expense in the reporting period in which the recoverable amount write-down occurs.

xvi) Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Exploration and evaluation assets are tested for impairment immediately prior to the costs being transferred to property, plant and equipment or whenever facts and circumstances indicate impairment. If any indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less cost to sell. Fair value less cost to sell is determined based on reserve appraisal studies carried out by an independent reserves valuation Company at each reporting date. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income / (loss).

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased and no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

xvii) Asset retirement obligation

Provision is recognized for the future restoration of oil and gas wells, production and pipelines at the end of their economic lives. The amount recognized is the present value of the estimated cost to abandon a well and remove production facilities. A corresponding asset of an amount equivalent to the provision is also created and is depleted on a unit of production basis over the proved and probable reserves of the field. Provision is recorded based on the estimates received from the operator, where available, or the information provided by the technical department of the Company based on the best estimates. The increase in provision due to accretion on asset retirement obligation is recorded as finance cost.

xviii) Employee benefits

a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognized in payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

b) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognized and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognized as liabilities.

xix) Finance income and expenses

Finance income comprises interest income on bank deposits that is recognized in the statement of comprehensive income / (loss). Interest income is recognized as it accrues in the statement of comprehensive income / (loss) using the effective interest method. Foreign currency exchange gains / (losses) are reported on a net basis.

xx) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income / (loss) over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

xxi) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in statement of comprehensive income / (loss) in the period in which they are incurred.

xxii) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

xxiii) Contingent liability

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation as a result of a past event, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

xxiv) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

xxv) Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are declared.

xxvi) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial assets and in case of the financial liability when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially measured at fair value, which is the cost of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair values, amortized cost or cost based on the classification upon initial recognition.

xxvii) Financial Assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity investments, loans and receivables and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. All financial instruments held by the Company have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements based on the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs; and
- Level 3: unobservable inputs

Management determines the classification of its financial assets at initial recognition. Regular purchase and sales of financial assets are recognized on the trade date; the date on which the Company commits to purchase or sell the asset.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'Cash and cash equivalents', ' Restricted cash', and 'Accounts and other receivables' in the statement of financial position. Loans and receivables are carried at amortized cost using the effective interest method less allowance for any uncollectible amounts.

An allowance for uncollectible amounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than the credit period specified in sales agreements) are considered indicators that the amount is uncollectible. When the amount is uncollectible, it is written off against the allowance.

xxviii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. Cash and cash equivalents

	Note	December 31, 2014	December 31, 2013
		US$	US$
Cash in hand		295	1,686
Cash at bank		147,181	427,798
		147,476	**429,484**

Cash at bank includes US$ 22,511 (2013: US$ 107,318) maintained with banks in foreign currencies.

4. Accounts and other receivables

	Note	December 31, 2014	December 31, 2013
Trade receivables		1,811,542	153,514
Due from concession operators		-	1,138,983
Due from EEL	4.1	818,218	818,218
Prepayments		52,596	93,466
Income tax refundable		113,945	21,227
Other receivables		210,660	155,704
		3,006,961	**2,381,112**
Provision for impairment	4.1	(818,218)	(818,218)
		2,188,743	**1,562,894**

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

5. Property, plant and equipment

	Oil and gas properties	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	US$					
Cost	36,519,183	86,109	13,886	25,074	74,218	36,718,470
Accumulated depletion / depreciation	(566,144)	(59,402)	(8,423)	(18,290)	(12,370)	(664,629)
Opening net book value	**35,953,039**	**26,707**	**5,463**	**6,784**	**61,848**	**36,053,841**
Year ended December 31, 2014						
Additions during the year – **note 5.1**	8,780,577	-	-	-	-	8,780,577
Transfer from exploration and evaluation assets	943,018	-	-	-	-	943,018
Revision in estimate of asset retirement obligation	718,438	-	-	-	-	718,438
Depletion / depreciation for the year	(1,296,494)	(14,276)	(2,291)	(3,927)	(14,843)	(1,331,831)
Carrying amount at December 31, 2014	**45,098,578**	**12,431**	**3,172**	**2,857**	**47,005**	**45,164,043**
Cost	46,961,216	86,109	13,886	25,074	74,218	47,160,503
Accumulated depletion / depreciation	(1,862,638)	(73,678)	(10,714)	(22,217)	(27,213)	(1,996,460)
Net book value at December 31, 2014	**45,098,578**	**12,431**	**3,172**	**2,857**	**47,005**	**45,164,043**
Cost	30,976,178	72,844	13,886	22,317	-	31,085,225
Accumulated depletion / depreciation	(527,491)	(46,936)	(5,661)	(14,023)	-	(594,111)
Opening net book value	**30,448,687**	**25,908**	**8,225**	**8,294**	-	**30,491,114**
Year ended December 31, 2013						
Additions during the year	5,546,641	13,265	-	2,757	74,218	5,636,881
Revision in estimate of asset retirement obligation	(3,636)	-	-	-	-	(3,636)

Depletion / depreciation for the year	(38,653)	(12,466)	(2,762)	(4,267)	(12,370)	(70,518)
Carrying amount at December 31, 2013	**35,953,039**	**26,707**	**5,463**	**6,784**	**61,848**	**36,053,841**
Cost	36,519,183	86,109	13,886	25,074	74,218	36,718,470
Accumulated depletion / depreciation	(566,144)	(59,402)	(8,423)	(18,290)	(12,370)	(664,629)
Net book value at December 31, 2013	**35,953,039**	**26,707**	**5,463**	**6,784**	**61,848**	**36,053,841**
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	

5.1 Additions during the year include borrowing costs amounting to US$ 206,201 (December 31, 2013: US$ 394,577).

6. Exploration and evaluation assets

	Note	December 31, 2014	December 31, 2013
		US$	**US$**
Balance at beginning of the year		9,449,865	9,135,798
Additions during the year		2,451,234	1,736,595
Transferred to property, plant and equipment		(943,018)	-
Revision in estimate of asset retirement obligation		101,868	(214,420)
Exploration and evaluation assets written off during the year	6.1	(62,170)	(1,208,108)
Carrying amount at end of year	6.2	**10,997,779**	**9,449,865**

6.1 Owing to expiry of the term of the Zamzama North exploration license and force majeure declaration by the operator in the Sanjawi exploration license, all the costs incurred during the year have been written off.

6.2 PEL, the operator of certain of the Company's properties, and FHL previously had unresolved matters related to costs charged to various joint ventures in prior periods.

On June 4, 2013, PEL and FHL entered into an agreement to settle the following matters:

i) US$ 1,677,699 charged in respect of Kandra lease;
ii) US$ 1,009,096 charged in respect of Badin IV North exploration license;
iii) US$ 443,266 charged in respect of Badin IV South exploration license;
iv) US$ 245,689 charged in respect of Badin IV South exploration license;
v) US$ 1,224,765 in respect of the Mirpur Mathelo exploration license; and
vi) US$ 194,836 in respect of the Salam exploration license

Under the settlement agreement, against a payment of US$ 1,275,000 representing US$ 870,000 in respect of unresolved matters and US$ 405,000 in respect of liquidated damages pursuant to the assignment of the working interests in Mirpur Mathelo and Salam exploration licenses to PEL, all the above referred matters have been resolved. The agreement was executed by the parties on June 4, 2013 and the payment was made by the Company on June 6, 2013.

The Company had recorded costs of US$ 1,413,095 in its books of accounts out of the total disputed costs of US$ 4,795,351, which in management's view was the likely amount to be due upon eventual resolution of the above referred unresolved matters. Therefore the payment under the settlement agreement resulted in a gain of US$ 138,095 during the year ended December 31, 2013.

7. Intangible assets

	Note	December 31, 2014	December 31, 2013
		US$	**US$**
Cost			
At beginning of the year		76,424	76,424
Additions during the year		-	-
At end of the year		**76,424**	**76,424**
Accumulated amortization			
At beginning of the year		(16,558)	(1,274)
Amortization charge		(15,284)	(15,284)
At end of the year		**(31,842)**	**(16,558)**

	Note		
Net book value		**44,582**	**59,866**
Annual rate of amortization (%)		20%	20%

8. Restricted cash

	Note		
Non-current restricted cash		35,024	1,247,261
	8.1	**35,024**	**1,247,261**

8.1 Restricted cash comprises of amounts held under lien by the banks as security for bank guarantees issued to the GoP in respect of the Company's pro-rata share of exploration expenditure commitments pursuant to the granting of petroleum exploration licenses and deposits retained by banks against corporate credit cards issued to the executives of the Company. These funds are not available for general corporate purposes. During the year restricted cash of US$ 1,181,430 has been released by the bank due to the expiry of bank guarantees.

9. Accounts payable and accrued liabilities

	Note	December 31, 2014 US$	December 31, 2013 US$
Due to concession operators		4,984,646	90,104
Royalty payable		175,554	3,519
Sales tax payable		120,080	7,079
Accrued liabilities		283,665	342,627
Deferred revenue	9.1	830,329	-
Other payables		287,477	131,184
		6,681,751	**574,513**

9.1 This represents excess revenue receipts, from Engro Fertilizers Limited (“the buyer”) on account of gas sale from Reti, Maru and Maru South leases (the “fields”). Pursuant to certain amendment made in 2012 Petroleum Policy, the gas price of the fields is reduced compared with provisional gas price stipulated under the Gas Sale and Purchase Agreement (“GSA”) with the buyer. Pending final gas price notification, the production from the fields is invoiced at provisional price under the GSA.

10. Borrowings

	Note	December 31, 2014 US$	December 31, 2013 US$
Non-current			
Bank borrowings	10.1	980,969	-
Subordinated debentures	10.2	3,852,536	3,807,144
		4,833,505	**3,807,144**
Current			
Bank borrowings	10.1	1,013,367	-
Running finance facility	10.1	1,839,169	-
Shareholder loans	10.3	10,284,720	7,952,646
		13,137,256	**7,952,646**
Total borrowings		**17,970,761**	**11,759,790**

10.1 These represent secured borrowings from JS Bank Limited, a related party, of PKR 400 million (US$ 3.9 million) comprised of: (a) PKR 200 million in term finance at an interest rate equal to 3-month KIBOR plus 2%, maturing in two years and (b) PKR 200 million in renewable running finance at an interest rate equal to 3-month KIBOR plus 2%, maturing in one year. The principal of the term finance facility is repayable in eight equal quarterly installments in arrears, commencing three months after the date of disbursement. The term finance was disbursed in November 2014.

These facilities are secured by way of first charge on the fixed assets, assignment of receivables arising on account of gas sales from Badar, Reti, Maru and Maru South and Zarghun South leases and corporate guarantee of JEC.

10.2 On May 24, 2013 the Company completed the private placement of 4,000 subscription units. Each unit comprised of a debenture of US$ 1,000 carrying interest at the rate of 11% per annum and 200 warrants exercisable at a price of C$ 0.36 per common share of the Company. As a consideration of 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 the earlier date at the option of the Company.

The financing comprises of two components: (i) subordinated debentures and (ii) warrants of US$ 117,672 representing the right of debenture holders to acquire JEC's shares. The subordinated debentures have been accounted for using the amortized cost method and share purchase warrants have been accounted for at fair value on the closing date i.e. May 24, 2013, 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 US$ 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

10.3 Shareholder loans

	Note	December 31, 2014 US$	December 31, 2013 US$
Current account with shareholder	10.4	1,868,013	2,375,519
Bridge loan payable to shareholder	10.5	8,416,707	5,577,127
		10,284,720	**7,952,646**

10.4 This represents unsecured funds received from the majority shareholder, EPL, to finance the business operations of the Company. The balance is payable on demand and does not carry any interest.

10.5 On February 20, 2013, SEPL entered into an unsecured bridge loan financing arrangement of C$11 million with the majority shareholder of the Company, EPL. The balance as at December 31, 2014 represents thirteen tranches of loan received from EPL. The principal and accrued interest outstanding at any time, will bear interest at the rate of 3-months US$ LIBOR plus 4% compounded quarterly. The facility is due for repayment on demand after February 20, 2015 ("the maturity date"). Further, EPL has the option to convert, in whole or in part, the principal and accrued interest under the facility for a subscription of JEC shares, on the basis of one JEC share for each C$1.00 so converted ("the Conversion Option") subject to the restriction that, during any six month period, the aggregate number of JEC shares issuable to EPL under the conversion option may not exceed 10% of the number of JEC shares outstanding, on a non-diluted basis, prior to the date of the first conversion.

At December 31, 2014, the loan comprises of two components: (i) the host agreement and (ii) the embedded derivative representing the written option to EPL to convert the loan amount into JEC shares. The host agreement has been accounted for using the amortized cost method and the embedded derivative has been accounted for at fair value determined using the Black Scholes Option Pricing Model. The fair value of the embedded derivative at December 31, 2014 was Nil (December 31, 2013: Nil).

10.6 The fair value of borrowings approximates their carrying value. The contractual maturities of borrowings are as follows:

At December 31, 2014	**Carrying value US$**	**Not later than one year US$**	**Later than one year and not later than five years US$**	**Later than five years US$**
Bank borrowings	1,994,336	1,013,367	980,969	-
Running finance facility	1,839,169	1,839,169	-	-
Shareholder loans	10,284,720	10,284,720	-	-
Subordinated debentures	3,852,536	-	3,852,536	-
	17,970,761	**13,137,256**	**4,833,505**	**-**

At December 31, 2013	Carrying value US$	Not later than one year US$	Later than one year and not later than five years US$	Later than five years US$
Shareholder loans	7,952,646	7,952,646	-	-
Subordinated debentures	3,807,144	-	3,807,144	-
	11,759,790	**7,952,646**	**3,807,144**	**-**

The carrying amounts of the Company's borrowings are denominated in the following currencies:

Currency	December 31, 2014 US$	December 31, 2013 US$
Canadian Dollars	8,416,707	5,577,127
United States Dollars	5,720,549	6,182,663
Pakistan Rupee	3,833,505	-
	17,970,761	**11,759,790**

11. Asset retirement obligation

Balance at beginning of the year	1,507,683	1,698,886
Additions / revisions due to change in estimates	820,306	(218,056)
Asset retirement obligation incurred during the year	(20,865)	(49,596)
Accretion on asset retirement obligation	67,846	76,449
Carrying amount at end of the year	**2,374,970**	**1,507,683**

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 asset retirement obligation is US$ 2,554,073 which is expected to be incurred between 2017 and 2031.

The risk free rate of interest ranging between 1.1% to 2.38% and inflation at an annual rate of 1.6% were used to calculate the net present value of the asset retirement obligation. If the discount factor applied to compute the asset retirement obligation were to decrease by 1%, the present value of asset retirement obligation would increase by US$ 0.29 million.

12. 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.

Issued share capital	No of shares	US$
Balance as at January 1, 2013	**69,076,328**	**65,203,045**
Shares issued during the year	-	-
Balance as at December 31, 2013	**69,076,328**	**65,203,045**
Shares issued during the year	-	-
Balance as at December 31, 2014	**69,076,328**	**65,203,045**

12.1 Stock options

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

On April 16, 2013, the Company granted 1,765,764 options with an exercise price of C$ 1 for each option to its directors and officers. The weighted average fair value of stock options granted was US$ 0.11 per stock option as at April 16, 2013 using the Black Scholes Option Pricing Model.

The assumptions used in the calculations are:	April 16, 2013
Risk-free interest rate (%)	1.02
Expected life (years)	4.95
Estimated volatility of underlying common shares (%)	70.00
Forfeiture rate (%)	0.00

	Year ended December 31, 2014		Year ended December 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,943,294	C$0.79	1,177,530	C$ 0.48
Granted	-	-	1,765,764	C$ 1.00
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	(575,000)	C$ 0.60	-	-
Options outstanding, end of year	2,368,294	C$ 0.84	2,943,294	C$ 0.79
Options exercisable, end of year	1,813,042	C$ 0.79	1,766,119	C$ 0.65

Price	Number outstanding	Weighted average remaining contractual life (years)	Exercisable
C$ 0.109	1,665,764	3.24	1,110,512
C$ 0.145	487,500	0.97	487,500
C$ 0.232	215,030	0.97	215,030
C$ 0.109 – C$ 0.232	2,368,294	2.57	1,813,042

Stock-based compensation and contributed surplus

During the year ended December 31, 2014 stock-based compensation of US$ 40,601 (December 31, 2013: US$ 283,151) was charged to the consolidated statement of comprehensive loss. Of US$ 40,601 (December 31, 2013: US$ 283,151), US$ 40,601 (December 31, 2013: US$ 132,913) represents stock options issued to the directors and officers of the Company and Nil (December 31, 2013: US$ 150,238) represents shares based compensation of the interim CEO granted by the ultimate shareholder.

12.2 Warrants

During the year the Company issued Nil (December 31, 2013: 800,000 and 50,000) warrants to investors and success fee to the Company's advisor respectively for successful placement of subordinated debentures amounting to US$ 4 million. These warrants will expire on April 30, 2018 and fair value has been determined using Black Scholes Option Pricing Model using the assumptions referred in note 10.2.

13. Contingencies and commitments

13.1 Contingencies	Note	December 31, 2014 US$	December 31, 2013 US$
Guarantees issued by the bank on behalf of the Company to the GoP representing 50% of minimum financial obligations under:			
- exploration license for Guddu block		-	-
- exploration license for Zamzama North block		-	-

	Note		
- exploration license for Sanjawi block		-	-
- exploration license for Badin IV North block		-	192,500
- exploration license for Badin IV South block		-	819,867
- exploration license for Salam block		-	79,688
- exploration license for Mirpur Mathelo block		-	89,375
	13.2	**-**	**1,181,430**

13.2 The guarantees issued to the GoP have been expired. The Company has initiated the process to hypothecate Kandra reserves in lieu of bank guarantees. The hypothecation will result in GoP's lien on Kandra reserves to the extent of 100% of minimum financial obligations.

13.3 Commitments

	Note		
Minimum capital commitments related to exploration licenses	13.4	4,419,050	4,800,500
Commitments under approved AFEs		1,767,285	4,146,219
Commitment under sale purchase agreement for the acquisition of EEL		1,000	1,000
Commitment under operating; leases			
- Not later than one year		103,521	80,781
- Later than one year and less than five years		92,258	89,315
		6,383,114	**9,117,815**

13.4 Breakdown of minimum capital commitments related to exploration licenses:

	2015 US$	2016 US$	2017 US$	Total US$
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	319,800	-	-	319,800
Badin IV North	357,500	-	-	357,500
Total	**2,569,550**	**94,500**	**1,755,000**	**4,419,050**

14. Net revenue

Net revenue represents sale of gaseous hydrocarbons from the Badar, Reti, Maru, Maru South and Zarghun South gas fields net of royalty amounting to US$ 322,205 (December 31, 2013: US$ 48,031).

15. Cost of production

	Note	December 31, 2014 US$	December 31, 2013 US$
Production costs		1,096,703	214,073
Depletion of oil and gas properties	5	1,296,494	38,653
		2,393,197	**252,726**

16. Administrative costs

	Note	December 31, 2014 US$	December 31, 2013 US$
Employees benefits		1,030,145	1,026,999
Directors' compensation		151,575	462,002
Amortization and depreciation		50,621	47,149
Legal and professional charges		462,846	415,872
Travelling expenses		138,126	249,377
Consultancy		373,320	321,643
Other expenses		404,531	421,294
Provision for impairment of receivable from EEL		-	818,218
		2,611,164	**3,762,554**

17. Other income

Gain on fair valuation of embedded derivative		7,490	339,273
Gain on settlement of dispute with JV operator		-	138,095
Interest on bank deposits		-	2,037
		7,490	**479,405**

18. Finance income

Currency translation exchange gain - net		593,369	283,070

19. Finance Costs

Interest on borrowings		720,349	325,473
Accretion on asset retirement obligation		67,846	76,449
Finance costs others		492,974	37,500
		1,281,169	**439,422**

20. Income tax

Current tax

The Company does not owe any tax for the current year.

Future tax

The differences between the income tax provisions calculated using statutory rates and the reported income tax provision are as follows:

	December 31, 2014 US$	December 31, 2013 US$
Current income tax expense (recovery):		
Net loss before income tax and non-controlling interests	(3,451,661)	(4,453,267)
Federal and provincial statutory rates	25.00%	25.00%
Expected income tax recovery	(862,915)	(1,113,316)
Non-deductible payments and provisions	55,383	58,712
Adjustments to prior year balances and rates	-	(42,313)
Asset not recognized	807,532	1,096,917
	-	-

As at December 31, 2014, the Company has consolidated non-capital tax losses of US$ 48 million, expiring between 2014 and 2034, which can be used to reduce income taxes otherwise payable in Canada and Pakistan. Entity-wise breakup of tax losses and their expiry as at December 31, 2014 is as follows:

	US$	Expiry
Jura Energy Corporation	13,252,823	2014 to 2034
Spud Energy Pty Limited - Pakistan branch	18,848,167	2015 to 2020
Frontier Holdings Limited - Pakistan branch	16,248,623	2018 to 2024
	48,349,613	

A deferred tax asset has not been recognized for these tax losses as the Company cannot demonstrate that it is probable that these losses will be realized to reduce or eliminate taxes on taxable income in Canada and Pakistan in future years.

21. Loss per share

	Note	December 31, 2014 US$	December 31, 2013 US$
Net loss for the year		(3,451,661)	(4,453,267)
Weighted average number of outstanding shares	21.1	69,076,328	69,076,328
Loss per share - basic and diluted (US$ per share)		(0.05)	(0.06)

21.1 For the year ended December 31, 2014, employee stock options (2,368,294), 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.

22. Financial risk management

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Board. The Board provides risk management guidance covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Market risk

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions, or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the Pakistan Rupee (PKR), Canadian Dollar (CAD) and Arab Emirates Dirham (AED). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable in foreign currency. The Company's exposure to currency risk is as follows:

	December 31, 2014 US$	December 31, 2013 US$
PKR		
Bank balances	11,618	50,308
Accounts and other receivables	306,237	130,785
Accounts payable and accrued liabilities	(323,273)	(40,945)
Borrowings	(3,833,505)	-
Net exposure	**(3,838,923)**	**140,148**

CAD		
Bank balances	10,893	56,772
Accounts and other receivables	11,177	12,720
Accounts payable and accrued liabilities	(203,475)	(180,361)
Net exposure	**(181,405)**	**(110,869)**
AED		
Bank balances	**-**	**238**

The following significant exchange rates were applied during the year:

	2014	2013
PKR per USD		
Average rate	101.01	100.75
Reporting date rate	101.94	105.14
CAD per USD		
Average rate	1.10	1.02
Reporting date rate	1.16	1.07
AED per USD		
Average rate	3.67	3.67
Reporting date rate	3.67	3.67

If the functional currency, at the reporting date, had fluctuated by 5% against the PKR, CAD and AED with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been US$ 201,016 (2013: US$ 1,475) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instrument exposed to other price risk.

iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the date of the statement of financial position, the interest rate profile of the Company's interest bearing financial instruments is:

	December 31, 2014 US$	**December 31, 2013 US$**
Fixed rate instruments		
- Subordinated debentures	3,852,536	3,807,144
Floating rate instruments		
- Bank borrowings	3,833,505	-
- Shareholder loan	8,416,707	5,577,127

Fair value sensitivity analysis for fixed rate instruments

If the interest rate, at the reporting date, had fluctuated by 1% with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been US$ 122,502 (December 31, 2013 US$ 33,342) respectively lower / higher, mainly as a result of interest on floating rate financial instruments. Interest rate risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

iv) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2014 US$	**December 31, 2013 US$**
Cash at bank	147,181	427,798
Restricted cash	35,024	1,247,261
Accounts and other receivables	2,188,743	1,562,894
	2,370,948	**3,237,953**

The credit risk on liquid funds is limited, because the counter parties are banks with reasonably high credit ratings. In case of trade receivables the Company believes that it is not exposed to major concentrations of credit risk, due to high credit worthiness of corresponding parties. The credit quality of bank balances and restricted cash, that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rate:

	Rating agency	**Credit rating**	**2014 US$**	**2013 US$**
HSBC - Canada	Moody's[1]	A1	66,838	131,659
HSBC - Australia	Moody's	A1	86,821	185,107
HSBC –UAE	Moody's	A2	-	1,199,859
Meezan Bank Limited	JCR-VIS[3]	AA	854	822
Bank Alfalah Limited	PACRA[2]	AA	617	612
Askari Bank Limited	PACRA	AA	1,331	1,315
JS Bank Limited	PACRA	A+	15,216	145,832
Albaraka Bank Pakistan Limited	PACRA	A	10,528	9,853
			182,205	**1,675,059**

[1]Moody's Investors Service
[2]The Pakistan Credit Rating Agency Limited
[3]Japan Credit Rating Agency, Ltd (JCR) and Vital Information Services (Pvt.) Limited (VIS)

Due to the Company's long standing business relationships with these counterparties, and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal. As of December 31, 2014, trade receivables of US$ 1,811,542 (2013: US$ 153,514) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	December 31, 2014 US$	**December 31, 2013 US$**
Upto 3 months	1,675,371	153,514
3 to 6 months	136,171	-
6 to 9 months	-	-
	1,811,542	**153,514**

v) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company follows an effective cash management and planning to ensure availability of funds, and to take appropriate measures for new requirements.

The following are contractual maturities of financial liabilities as at December 31, 2014:

	Carrying amount US$	Less than one year US$	One to five years US$	More than five years US$
Accounts payable and accrued liabilities	6,681,751	6,681,751	-	-
Borrowings	17,970,761	13,137,256	4,833,505	-
	24,652,512	**19,819,007**	**4,833,505**	**-**

The following are contractual maturities of financial liabilities as at December 31, 2013:

	Carrying amount US$	Less than one year US$	One to five years US$	More than five years US$
Accounts payable and accrued liabilities	574,513	574,513	-	-
Borrowings	11,759,790	7,952,646	3,807,144	-
	12,334,303	**8,527,159**	**3,807,144**	**-**

There is a material uncertainty about the Company's ability to continue as going concern, see note 2 (i) for details regarding the going concern assumption.

22.2 Fair value of financial assets and liabilities

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

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

The carrying values of all other financial assets and liabilities approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. Fair value of embedded derivative on Shareholder loan has calculated using Level 2 valuation method.

22.3 Financial instruments by category

Financial assets	**Loans and receivables**	
	December 31, 2014 **US$**	**December 31, 2013** **US$**
Cash and cash equivalents	147,476	429,484
Restricted cash	35,024	1,247,261
Accounts and other receivables	2,188,743	1,562,894
	2,371,243	**3,239,639**

Financial liabilities	Other financial liabilities	
	December 31, 2014 US$	**December 31, 2013 US$**
Accounts payable and accrued liabilities	6,681,751	574,513
Borrowings	17,970,761	11,759,790
	24,652,512	**12,334,303**

22.4 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence, and sustain the future development of the Company's business. The Board monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt obligations.

For working capital and capital expenditure requirements, the Company primarily relies on internal cash generation and financial support of the parent company.

There is a material uncertainty about the Company's ability to continue as going concern, see note 2 (i) for details regarding the going concern assumption.

23. 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
- Frontier Acquisition Company Limited
- Frontier Holdings Limited
- 1428112 Alberta Limited
- 4515226 Canada Inc.
- Onni Wilson Avenue Development Limited Partnership
- Onni Elmbridge Development Limited Partnership
- Onni The Point Development Limited Partnership
- Onni IOCO Road One Development Limited

Associated entity
- JS Bank Limited

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company.

The Company's key management includes its Interim Chief Executive Officer, Chief Financial Officer and its directors.

Transactions with related parties other than those which have been disclosed elsewhere in the financial statements are:

	December 31, 2014 US$	December 31, 2013 US$
Transactions with Majority Shareholder – EPL		
Balance payable at beginning of the year	7,952,646	2,389,777
Loan received during the year net of embedded derivative	3,057,514	5,410,727
Loan repaid during the year	(500,000)	-
Interest accrued on loan from shareholder	390,935	443,356
Exchange gain on retranslation of shareholder loan	(608,869)	(276,956)
Amount paid on behalf of EPL during the year	(7,506)	(14,258)
Balance payable at end of the year	**10,284,720**	**7,952,646**
Transactions with Associated entity– JS Bank Limited		
Balance payable at beginning of the year	-	-
Loan received during the year	3,717,218	-
Interest accrued	50,223	-
Exchange loss on retranslation of loan	66,064	-
Balance payable at end of the year	**3,833,505**	**-**
Key management personnel compensation		
Management salaries and benefits	354,150	652,380
Management stock based compensation	8,669	172,819
Director's fees and compensation	151,575	462,002
	514,394	**1,287,201**

24. Principal subsidiaries

The Company had the following subsidiaries at December 31, 2014:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)
Jura Energy Corporation	Canada	Holding company	N/A
Spud Energy Pty Limited	Australia Pakistan	Oil and gas exploration and production company	100
Frontier Acquisition Company Limited	Bermuda	Intermediate holding company	100
Frontier Holdings Limited	Bermuda Pakistan	Oil and gas exploration and production company	100

25. 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 i.e. 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 year ended December 31, 2014, the Pakistan segment had three customers, Sui Northern Gas Pipelines Limited

("SNGPL"), Engro Fertilizers Limited ("Engro") and Sui Southern Gas Company Limited ("SSGCL"), to whom all the gas from Badar, Reti, Maru and Maru South and Zarghun South are sold. SNGPL and SSGCL are state owned entities and Engro is a large publicly-listed company. Percentage breakup of sales to SNGPL, Engro and SSGCL for the years ended December 31, 2014 and 2013 and trade receivables at December 31, 2014 and 2013 is as follows:

	December 30, 2014	**December 30, 2013**
Net sales		
SNGPL	8%	99%
Engro	19%	1%
SSGCL	73%	-
Trade receivables		
SNGPL	8%	96%
Engro	16%	4%
SSGCL	76%	-

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 year ended December 31, 2014			**For the year ended December 31, 2013**		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
	US$					
Net revenue	-	2,295,180	2,295,180	-	447,068	447,068
Cost of production	-	(2,393,197)	(2,393,197)	-	(252,726)	(252,726)
Gross profit / (loss)	**-**	**(98,017)**	**(98,017)**	**-**	**194,342**	**194,342**
Administrative expenses	(654,434)	(1,956,730)	(2,611,164)	(1,279,452)	(2,483,102)	(3,762,554)
Exploration and evaluation costs written off	-	(62,170)	(62,170)	-	(1,208,108)	(1,208,108)
Other income	-	7,490	7,490	-	479,405	479,405
Operating loss	**(654,434)**	**(2,109,427)**	**(2,763,861)**	**(1,279,452)**	**(3,017,463)**	**(4,296,915)**
Finance income	1,415	591,954	593,369	1,482	281,588	283,070
Finance costs	(485,392)	(795,777)	(1,281,169)	(314,195)	(125,227)	(439,422)
Net loss for the year	**(1,138,411)**	**(2,313,250)**	**(3,451,661)**	**(1,592,165)**	**(2,861,102)**	**(4,453,267)**
Additions to property, plant and equipment	-	9,449,015	9,449,015	3,112	5,630,133	5,633,245
Additions to exploration and evaluation assets	-	2,553,102	2,553,102	-	1,522,175	1,522,175

	As at December 31, 2014			**As at December 31, 2013**		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
	US$					
Segment assets	113,474	58,464,173	58,577,647	215,331	48,587,880	48,803,211
Segment liabilities	4,147,478	22,880,004	27,027,482	3,987,504	9,854,482	13,841,986