JURA ENERGY CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 and 2014

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"
Shahid Hameed
Interim Chief Executive Officer

"Signed"
Muhammad Nadeem Farooq
Chief Financial Officer

March 30, 2016

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March 29, 2016

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, 2015 and December 31, 2014 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 audits. We conducted our audits 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, 2015 and December 31, 2014 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

Chartered Professional Accountants

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Jura Energy Corporation
Consolidated Statements of Financial Position
As at December 31, 2015 and 2014

	Note	December 31, 2015 US$	December 31, 2014 US$
ASSETS			
Current assets			
Cash and cash equivalents		1,723,906	147,476
Accounts and other receivables	3	6,485,608	2,074,798
		8,209,514	**2,222,274**
Non-current assets			
Property, plant and equipment	4	30,691,415	45,164,043
Exploration and evaluation assets	5	12,127,275	10,997,779
Intangible assets	6	29,298	44,582
Long term receivables	7	161,298	148,969
		43,009,286	**56,355,373**
Total assets		**51,218,800**	**58,577,647**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	16,073,899	6,681,751
Amounts due to related parties	9	13,080,730	13,137,256
		29,154,629	**19,819,007**
Non-current liabilities			
Amounts due to related parties	9	-	980,969
Subordinated debentures	10	3,902,270	3,852,536
Asset retirement obligation	11	2,564,356	2,374,970
		6,466,626	**7,208,475**
Total liabilities		**35,621,255**	**27,027,482**
Shareholders' equity			
Share capital	12	65,203,045	65,203,045
Contributed surplus	12	339,886	323,752
Warrants	12	117,672	117,672
Accumulated deficit		(50,063,058)	(34,094,304)
Total shareholders' equity		**15,597,545**	**31,550,165**
Total equity and liabilities		**51,218,800**	**58,577,647**
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, 2015 and 2014

	Note	December 31, 2015 US$	December 31, 2014 US$
Net revenue	14	8,626,569	2,295,180
Cost of production	15	(6,282,291)	(2,393,197)
Gross profit / (loss)		**2,344,278**	**(98,017)**
General and administrative expenses	16	(3,491,446)	(2,611,164)
Impairment of oil and gas properties	4	(14,082,000)	-
Exploration and evaluation costs written off	5	(43,465)	(62,170)
Other income		-	7,490
Operating loss		**(15,272,633)**	**(2,763,861)**
Finance income	17	1,724,591	593,369
Finance costs	18	(2,420,712)	(1,281,169)
Loss before income tax		**(15,968,754)**	**(3,451,661)**
Income tax expense	19	-	-
Loss and comprehensive loss		**(15,968,754)**	**(3,451,661)**
Loss per share - basic and diluted (US$ per share)	20	(0.23)	(0.05)

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, 2015 and 2014

	December 31, 2015 US$	December 31, 2014 US$
Cash flow from operating activities		
Loss for the year	(15,968,754)	(3,451,661)
Adjustments for:		
Depletion, depreciation and amortization	3,634,337	1,347,115
Impairment of oil and gas properties	14,082,000	-
Accrued finance costs	1,225,887	788,195
Stock based compensation	16,134	40,601
Exploration and evaluation costs written off	43,465	62,170
Provision for impairment of receivable from EEL	-	-
Net unrealized exchange gain on borrowings	(1,587,367)	(542,805)
Gain on fair valuation of embedded derivative	-	(7,490)
	1,445,702	(1,763,875)
Changes in working capital		
Increase in accounts and other receivables	(4,410,810)	(1,764,832)
Increase in accounts payable and accrued liabilities	6,442,090	1,212,696
Net cash generated from / (used in) operating activities	**3,476,982**	**(2,316,011)**
Cash flow from investing activities		
Property plant and equipment	(763,399)	(2,540,851)
Exploration and evaluation assets	(549,308)	(2,451,234)
Asset retirement obligation paid	-	(20,865)
Change in long term receivables	(12,329)	1,212,237
Net cash used in investing activities	**(1,325,036)**	**(3,800,713)**
Cash flow from financing activities		
Amounts due to related parties - receipts	1,315,501	6,782,222
Amounts due to related parties - repayment	(1,118,570)	(507,506)
Finance costs paid	(772,447)	(440,000)
Net cash (used in) / generated from financing activities	**(575,516)**	**5,834,716**
Net increase / (decrease) in cash and cash equivalents	1,576,430	(282,008)
Cash and cash equivalents at beginning of year	147,476	429,484
Cash and cash equivalents at end of year	**1,723,906**	**147,476**

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, 2015 and 2014

	No of shares	Share Capital	Accumulated deficit	Contributed surplus	Warrants	Total
		US$	US$	US$	US$	US$
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**
Balance at January 1, 2015	69,076,328	65,203,045	(34,094,304)	323,752	117,672	31,550,165
Net loss for the year	-	-	(15,968,754)	-	-	(15,968,754)
Stock based compensation during the year	-	-	-	16,134	-	16,134
Balance at December 31, 2015	**69,076,328**	**65,203,045**	**(50,063,058)**	**339,886**	**117,672**	**15,597,545**

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 24, 2016.

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$ 20.95 million at December 31, 2015 (December 31, 2014: US$ 17.60 million). The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of US$ 50.06 million (December 31, 2014: US$ 34.10 million). For the year ended December 31, 2015 the Company reported positive cash flows from operations of US$ 3.48 million (December 31, 2014: negative cash flows US$ 2.32 million) mainly due to significant increase in accounts payable and accrued liabilities. During the year, the Company has recorded an impairment of US$ 14.1 million (December 31, 2014: US$ nil) against its oil and gas properties. In addition to its ongoing working capital requirements, the Company also has financial commitments as at December 31, 2015 that amounted to US$ 5.8 million (December 31, 2014: US$ 6.4 million) *(See "Commitments - Note 13.4").* Additional cash resources will be required to exploit the Company's petroleum and natural gas properties. Further, FHL is a party to certain disputes with Petroleum Exploration (Private) Limited ("PEL") *(See "Contingencies - Note 13.2").*

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

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

On February 20, 2013, SEPL entered into an unsecured bridge loan financing arrangement of C$11 million with its majority shareholder, Eastern Petroleum Limited ("EPL"), *(See "Amounts due to related parties- Note 9.2").* The loan carries interest at the rate of 3 months US$ 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, 2015, the Company had completely utilized 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 December 30, 2015, SEPL entered into a syndicated credit facility dated December 18, 2015 (the "Syndicated Credit Facility") with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), as lead arranger, in the amount of up to PKR 750 million (approximately US$ 7.2 million). The Syndicated Credit Facility carries mark-up at the rate of 3 month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of disbursement. Subsequent to the year end, the Company has drawn down PKR 750 million under the Syndicate Credit Facility to settle other facilities amounting to US$ 2,905,276 *(See "Amounts due to related parties- Note 9.1")* and a portion of Accounts payable and accrued liabilities. As at December 31, 2015, the Company was non-compliant with one of the financial covenants of the Syndicated Credit Facility for which a waiver has been granted by Al Baraka, acting on behalf of the participants *(See "Amounts due to related parties- Note 9.1").*

Management is currently evaluating and pursuing other funding alternatives, including expansion of the Syndicated Credit Facility from PKR 750 million (approximately US$ 7.2 million) to PKR 1,100 million (approximately US$ 10.5 million), for which shareholders' approval has been granted *(See "Subsequent events- Note 25")*, and closing of a US$-denominated additional component of the Syndicated Credit Facility amounting to US$ 6 million to fund the Company's ongoing operations. Subsequent to the year end, the Syndicated Credit Facility of PKR 750 million (approximately US$ 7.2 million) was disbursed to SEPL and has been used to terminate the JS Bank financing facilities and settle a portion of Company's accounts payable and accrued liabilities. 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 comply with IFRS as issued by International Accounting Standards Board ("IASB").

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 not yet adopted

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. The following table outlines the new accounting pronouncements issued by the IASB that are applicable to, or may have a future impact on, the Company. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

Accounting for Acquisitions of Interests in Joint Operations

In May 2014, the IASB issued amendments to IFRS 11 *Joint Arrangements* to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3 *Business Combinations*. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amendment could impact the Company in the event it increases or decreases its ownership share in an existing joint operation or invests in a new joint operation.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB issued amendments to address an inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and those in International Accounting Standard ("IAS") 28 *Investments in Associates and Joint Ventures* regarding the sale or contribution of assets between an investor and its associate or joint venture. The amendment clarified that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amendment could impact the Company in the event that it has transactions with Associates or Joint Ventures.

Disclosure Initiative

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify existing requirements related to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2016, with earlier application permitted. The adoption of this amended standard is not expected to have a material impact on the Company's disclosure.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* It replaces existing revenue recognition guidance and provides a single, principles-based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

Financial Instruments: Recognition and Measurement

In July 2014, IFRS 9 *Financial Instruments* was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted. The company is currently assessing the impact of this standard.

Leases

In January 2016, the IASB issued IFRS 16 *Leases* which replaces the existing leasing standard (IAS 17 *Leases*) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same, which provides the choice of classifying a lease as either a finance or operating lease. IFRS 16 is effective January 1, 2019, with earlier application permitted. The company is currently assessing the impact of this standard.

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").

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.

<u>Critical accounting estimates and assumptions</u>

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 of disposal. 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.

<u>Critical judgements in applying the entity's accounting policies</u>

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 cash flows. 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 the Black-Scholes option pricing model for fair valuation of stock options at grant date and embedded derivatives at reporting date.

j) *Determination of functional currency*

The determination of the functional currency of the Company is critical and requires significant judgment, since recording of transactions and exchange differences arising there from are dependent on the functional currency selected.

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 group 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

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.

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 uncollectable 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 approves 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 software. 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 6. 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 cash flows 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 cash flows 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, as defined below, is the greater of its value in use and its fair value less costs of disposal. Fair value less costs of disposal 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. The Company's financial assets as at December 31, 2015 has been categorized as follows:

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.

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. Accounts and other receivables	**Note**	**December 31, 2015 US$**	**December 31, 2014 US$**
Trade receivables		5,844,376	1,811,542
Due from EEL	3.1	818,218	818,218
Prepayments		74,994	52,596
Financing transaction costs	3.2	218,037	-
Security deposit		75,000	-
Other receivables		273,201	210,660
		7,303,826	**2,893,016**
Provision for impairment	3.1	(818,218)	(818,218)
		6,485,608	**2,074,798**

3.1 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 an 11% and 12% working interest in the Sanjawi and Zamzama North exploration licenses respectively. However, owing to expiry of the term of the Zamzama North exploration license and force majeure declaration by the operator in the Sanjawi exploration license, the Company has fully provided for the balance receivable from EEL.

3.2 As at December 31, 2015 there is $218,037 of deferred financing transaction costs. The deferred financing transaction costs will be netted off against the proceeds of borrowings in the year of disbursement.

4. Property, plant and equipment	**Oil and gas properties**	**Computer equipment**	**Furniture and fixtures**	**Office equipment**	**Motor vehicles**	**Total**
	-----------	-----------	-----US$-----	-----------	-----------	-----------
Cost	46,961,216	86,109	13,886	25,074	74,218	47,160,503
Accumulated depletion / depreciation	(1,862,638)	(73,678)	(10,714)	(22,217)	(27,213)	(1,996,460)
Opening net book value	**45,098,578**	**12,431**	**3,172**	**2,857**	**47,005**	**45,164,043**
Year ended December 31, 2015						
Additions during the year – **note 4.1**	2,854,150	6,035	10,125	23,875	-	2,894,185
Transfer from exploration and evaluation assets	385,572	-	-	-	-	385,572
Revision in estimate of asset retirement obligation	(51,332)	-	-	-	-	(51,332)
Depletion / depreciation for the year	(3,586,554)	(11,260)	(1,834)	(4,564)	(14,841)	(3,619,053)
Impairment for the year – **note 4.2**	(14,082,000)	-	-	-	-	(14,082,000)
Carrying amount at December 31, 2015	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Cost	50,149,606	92,144	24,011	48,949	74,218	50,388,928
Accumulated depletion, depreciation and impairment	(19,531,192)	(84,938)	(12,548)	(26,781)	(42,054)	(19,697,513)
Net book value at December 31, 2015	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
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 4.1**	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**
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	

4.1 Additions include borrowing costs amounting to nil (2014: US$ 206,201).

4.2 As a result of decline in the international crude oil prices and the carrying value of net assets of the Company being more than its market capitalization, the management carried out an impairment test for the two CGUs of the Company, as of December 31, 2015. The Company's CGUs are comprised of development and production properties in Pakistan falling in Zone II (CGU-I) and Zone III (CGU-II) respectively, in accordance with the accounting policy stated in note 2(xvi). The tests were performed using a fair value less cost of disposal (FVLCD) methodology using a discounted cash flow model. The fair value of each CGU was categorized as Level 3 fair value based on the unobservable inputs used. The present value of future cash flows was computed by applying forecasted prices of gas reserves to estimated future production of proved and probable gas reserves, less estimated future expenditures to be incurred in developing and producing the proved and probable reserves. The present value of estimated future net cash flows is computed using an after-tax discount rate of 15%. The discount rate used reflects the specific risks relating to the underlying CGUs. As a result of the impairment tests, an impairment charge of US$ 14.1 million for CGU-I was recorded. At December 31, 2015, the recoverable amount of CGU-1 was US$ 19.78 million. No impairment is required to be recognized for CGU-II. The crude oil forecast prices used in impairment tests are US$40/bbl in 2016, US$50/bbl in 2017 and 2018 and US$65/bbl in 2019 and onwards.

The FVLCD calculation assumes weighted average gas prices in US$/Mcf as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	-----------------US$/Mcf-----------------									
CGU-I	4.07	4.56	4.74	5.44	5.44	5.44	5.44	5.44	5.44	5.44
CGU-II	2.52	3.20	3.25	4.42	4.04	3.01	2.65	2.67	2.77	2.85

Estimates of the recoverable amounts of the CGUs are sensitive to discount rate and crude oil prices.

A 1% increase / (decrease) in the discount rate would have resulted in (decrease) / increase in the recoverable amounts for CGU-I and CGU-II by (US$ 0.78 million) / US$ 0.83 million and (US$ 0.44 million) / US$ 0.47 million respectively.

A 5% increase / (decrease) in the crude oil price would have resulted in an increase / (decrease) in the recoverable amounts for CGU-I and CGU-II by US$ 0.68 million / (US$ 0.78 million) and US$ 0.51 million / (US$ 0.82 million) respectively.

5. Exploration and evaluation assets	**Note**	**December 31, 2015**	**December 31, 2014**
		US$	**US$**
Balance at beginning of the year		10,997,779	9,449,865
Additions during the year		1,583,931	2,451,234
Transferred to property, plant and equipment		(385,572)	(943,018)
Revision in estimate of asset retirement obligation		(25,398)	101,868
Exploration and evaluation assets written off during the year	5.1	(43,465)	(62,170)
Carrying amount at end of year		**12,127,275**	**10,997,779**

5.1 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. Intangible assets

	Note	December 31, 2015 US$	December 31, 2014 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		(31,842)	(16,558)
Amortization charge		(15,284)	(15,284)
At end of the year		**(47,126)**	**(31,842)**
Net book value		**29,298**	**44,582**
Annual rate of amortization (%)		20%	20%

7. Long term receivables

Advance tax	161,298	113,945
Restricted cash	-	35,024
	161,298	**148,969**

8. Accounts payable and accrued liabilities

Trade payables		472,273	305,715
Due to concession operators		10,175,701	4,984,646
Royalty payable		1,352,942	175,554
Sales tax payable		1,596,405	120,080
Accrued liabilities		398,518	91,466
Deferred revenue	8.1	1,324,610	830,329
Other payables		753,450	173,961
		16,073,899	**6,681,751**

8.1 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 amendments 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.

9. Amounts due to related parties

	Note	December 31, 2015 US$	December 31, 2014 US$
Non-current			
Term finance facility	9.1	-	980,969
		-	**980,969**
Current			
Term finance facility	9.1	965,889	1,013,367
Running finance facility	9.1	1,939,387	1,839,169
Shareholder loans	9.2	10,175,454	10,284,720
		13,080,730	**13,137,256**
		13,080,730	**14,118,225**

9.1 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 a corporate guarantee of the Company. On January 19, 2016, JS Bank financing facilities were settled in full from the proceeds of the Al Baraka Syndicated Credit Facility.

On December 30, 2015, SEPL entered into a syndicated credit facility dated effective December 18, 2015 (the “Syndicated Credit Facility”) with Al Baraka Bank (Pakistan) Limited (“Al Baraka”), as lead arranger, in the amount of up to PKR 750 million (approximately USD$ 7.2 million). The Syndicated Credit Facility carries mark-up at the rate of 3 month Karachi Interbank Offered Rate (“KIBOR”) plus 2.75%. The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of disbursement.

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

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

As at December 31, 2015, SEPL was in compliance with the financial covenants and all other terms of the Syndicate Credit Facility except the current ratio referred in point (ii) above for which a waiver has been granted by Al Baraka, acting as Investment Agent on behalf of the participants.

9.2 Shareholder loans

	Note	December 31, 2015 US$	December 31, 2014 US$
Current account with shareholder	9.3	1,735,000	1,868,013
Bridge loan payable to shareholder	9.4	8,440,454	8,416,707
		10,175,454	**10,284,720**

9.3 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.

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

At December 31, 2015, 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, 2015 was Nil (December 31, 2014: Nil).

9.5 The contractual maturities of amounts due to related parties are as follows:

At December 31, 2015	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$
Term finance facility	965,889	965,889	-	-
Running finance facility	1,939,387	1,939,387	-	-
Shareholder loans	10,175,454	10,175,454	-	-
	13,080,730	**13,080,730**	**-**	**-**
At December 31, 2014				
Term finance facility	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	-	-
	14,118,225	**13,137,256**	**980,969**	**-**

The carrying amounts due to related parties are denominated in the following currencies:

Currency	December 31, 2015 US$	December 31, 2014 US$
Canadian Dollars	8,440,454	8,416,707
United States Dollars	1,735,000	1,868,013
Pakistan Rupee	2,905,276	3,833,505
	13,080,730	**14,118,225**

10. Subordinated debentures

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

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

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

11. Asset retirement obligation

	December 31, 2015	December 31, 2014
	US$	US$
Balance at beginning of the year	2,374,970	1,507,683
Additions during the year	215,351	213,854
Revisions due to change in estimates	(76,730)	606,452
Asset retirement obligation incurred during the year	-	(20,865)
Accretion on asset retirement obligation	50,765	67,846
Carrying amount at end of the year	**2,564,356**	**2,374,970**

The Company's asset retirement obligation arose from its working interest ownership in petroleum and natural gas properties, including tangible well equipment and processing facilities. The Company's estimate of the total undiscounted cash flows required to settle its asset retirement obligation is US$ 2,809,445 which is expected to be incurred between 2019 and 2031.

A risk free rate of interest ranging between 1.53% to 2.51% and inflation at an annual rate of 1.4% 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$ 0.27 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. As at December 31, 2015, 69,076,328 (December 31, 2014: 69,076,328) common share of C$ 1 were outstanding.

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 May 4, 2015, the Company granted 50,000 options with an exercise price of C$1 to one of its directors. The weighted average fair value of stock options granted was US$ 0.20 per stock option as at May 4, 2015 using the Black Scholes Pricing Model.

The assumptions used in the calculations are:	May 04, 2015
Risk-free interest rate (%)	0.88
Expected life (years)	5.00
Estimated volatility of underlying common shares (%)	85.00
Forfeiture rate (%)	0.00

	Year ended December 31, 2015			Year ended December 31, 2014		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		US$	C$		US$	C$
Options outstanding, beginning of year	2,368,294	0.61	0.84	2,943,294	0.68	0.79
Granted	50,000	0.72	1.00	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	(1,393,294)	0.53	0.73	(575,000)	0.52	0.60
Options outstanding, end of year	1,025,000	0.72	1.00	2,368,294	0.72	0.84
Options exercisable, end of year	991,666	0.72	1.00	1,813,042	0.68	0.79

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
US$	C$			
0.72	1.00	1,025,000	2.34	991,666
0.72	1.00	1,025,000	2.34	991,666

12.2 Stock-based compensation and contributed surplus

During the year ended December 31, 2015 stock-based compensation of US$ 16,134 (December 31, 2014: US$ 40,601) was charged to the consolidated statement of comprehensive loss.

12.3 Warrants

As at December 31, 2015, 850,000 (December 31, 2014: 850,000) share purchase warrants were outstanding. These warrants were issued to the investors and the Company's advisor for successful placement of subordinated debentures amounting to US$ 4 million in 2013. Each warrant is convertible into one ordinary share of the Company and are exercisable at a price of C$ 0.36 (US$ equivalent: US$ 0.26) per share and will expire on April 30, 2018. The fair value was determined using the Black-Scholes Option Pricing Model with the assumptions referred to in note 10.

13. Contingencies and commitments

13.1 Bank guarantees issued to the Government of Pakistan

The bank guarantees issued to the Government of Pakistan, representing 50% of the minimum outstanding financial obligations under various petroleum concession agreements, have expired. The Company has initiated the process to hypothecate Kandra reserves in lieu of bank guarantees. The hypothecation will result in the Government of Pakistan having a lien on Kandra reserves to the extent of 100% of minimum financial obligations.

13.2 Disputes with PEL

From time to time, the Company may become involved in legal or administrative proceedings in the normal conduct of business. In May 2015, FHL, a wholly owned subsidiary of JEC, became a party to arbitration proceedings brought by PEL under the International Chamber of Commerce Rules for Arbitration and governed by English law. Under English law, arbitration proceedings are by their nature confidential and therefore the parties are restricted as to what public disclosures they can make about the proceedings. However, FHL is able to confirm that the proceedings relate to the scope of an Area of Mutual Interest ("AMI") provision contained in the Kandra Farm-In Agreement made between PEL and FHL in April of 2006. PEL asserts that it is entitled to participate (up to a 50% share) in working interests held by SEPL at the time of the completion of a reverse takeover on July 11, 2012 pursuant to the acquisition agreement, as amended, between the Company and Eastern Petroleum Limited entered into and announced by the news release on November 23, 2011, and any other working interests acquired by FHL and its affiliates after that date. PEL submitted its statement of claim on November 23, 2015. FHL submitted its statement of defence and a counterclaim on December 23, 2015. The exchange of document production requests took place on February 9, 2016. Given the preliminary stage of the arbitration proceedings, management is of the view that determining the probability of any particular outcome resulting from the AMI arbitration described above cannot be undertaken at this time with any sufficient degree of reliability.

In addition, FHL and PEL are in dispute with regard to, among other things, a past cash call for the Badin IV South block under the Joint Operating Agreement entered into by the parties in connection with that block (the "JOA") pursuant to which PEL has commenced proceedings with the Government of Pakistan to attempt the forfeiture of FHL's working interest in the Badin IV South block. FHL and the other non-operated working interest owner challenged the validity of the cash call, which was in any event paid, and FHL disputes the claim by PEL that FHL is in default under the Badin IV South JOA and that FHL's working interest in the block is validly subject to forfeiture. FHL believes that it is highly unlikely that the forfeiture will be approved by the Government of Pakistan. Jura is presently evaluating its options in connection with its ongoing disputes in connection with the JOA.

13.3 Taxation

The Company is involved in claims and actions arising in the course of the Company's operations and is subject to various legal actions and exposures, including tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

13.4 Commitments

	Note	December 31, 2015 US$	December 31, 2014 US$
Minimum capital commitments related to exploration licenses	13.5	4,099,250	4,419,050
Commitments under approved AFEs		1,561,169	1,767,285
Commitment under sale purchase agreement for the acquisition of EEL		1,000	1,000
Commitment under operating leases:			
- Not later than one year		64,071	103,521
- Later than one year and less than five years		86,578	92,258
- Later than five years		-	-
		5,812,068	**6,383,114**

13.5 Breakdown of minimum capital commitments related to exploration licenses:

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

14. Net revenue

Net revenue represents sale of gaseous hydrocarbons from the Badar, Reti, Maru, Maru South, Maru East and Zarghun South gas fields net of royalty amounting to US$ 1,211,539 (December 31, 2014: US$ 322,205).

15. Cost of production

	Note	December 31, 2015 US$	December 31, 2014 US$
Production costs		2,695,737	1,096,703
Depletion of oil and gas properties	4	3,586,554	1,296,494
		6,282,291	**2,393,197**

16. General and administrative expenses

	December 31, 2015	December 31, 2014
	US$	US$
Employees benefits	1,254,906	1,030,145
Directors' compensation	117,286	151,575
Amortization and depreciation	47,783	50,621
Legal and professional charges	978,064	462,846
Travelling expenses	200,367	138,126
Consultancy	435,569	373,320
Office rent and utilities	157,531	191,943
Other expenses	299,940	212,588
	3,491,446	**2,611,164**

17. Finance income

Currency translation exchange gain - net	1,724,591	593,369

18. Finance costs

Interest on amount due to related parties	685,388	234,957
Interest on subordinated debentures	489,734	485,392
Accretion on asset retirement obligation	50,765	67,846
Interest on late payment of cash calls to operators	1,194,825	492,974
	2,420,712	**1,281,169**

19. Income tax

19.1 Current tax

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

19.2 Future tax

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

	Note	December 31, 2015 US$	December 31, 2014 US$
Current income tax expense (recovery):			
Net loss before income tax		(15,968,754)	(3,451,661)
Federal and provincial statutory rates	**19.3**	26.01%	25.00%
Expected income tax recovery		(4,153,473)	(862,915)
Foreign tax rate differential		(2,083,730)	(346,988)
Non-deductible payments and provisions		52,842	55,383
Asset not recognized	**19.4**	6,184,361	1,154,520
		-	-

19.3 The increase in the statutory rate was due to higher provincial income tax rates in Canada in the current year.

19.4 As at December 31, 2015, the Company has consolidated non-capital tax losses of US$ 46 million, expiring between 2016 and 2035, 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, 2015 is as follows:

	US$	Expiry
Jura Energy Corporation	14,023,579	2016 to 2035
Spud Energy Pty Limited - Pakistan branch	15,675,972	2016 to 2020
Frontier Holdings Limited - Pakistan branch	15,891,487	2018 to 2024
	45,591,038	

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.

20. Loss per share

	Note	December 31, 2015 US$	December 31, 2014 US$
Net loss for the year		(15,968,754)	(3,451,661)
Weighted average number of outstanding shares	20.1	69,076,328	69,076,328
Loss per share - basic and diluted (US$ per share)		(0.23)	(0.05)

20.1 For the year ended December 31, 2015, employee stock options (1,025,000), stock option under shareholder loans (6,907,632) and share purchase warrants (850,000) were excluded from the calculation of diluted shares as they would be anti-dilutive.

21. Financial risk management

21.1 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) and Canadian Dollar (CAD). 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, 2015 US$	December 31, 2014 US$
PKR		
Bank balances	17,647	11,618
Accounts and other receivables	1,072,968	306,237
Accounts payable and accrued liabilities	(3,470,953)	(323,273)
Amounts due to related parties	(2,905,276)	(3,833,505)
Net exposure	**(5,285,614)**	**(3,838,923)**
CAD		
Bank balances	3,689	10,893
Accounts and other receivables	13,556	11,177
Accounts payable and accrued liabilities	(294,472)	(203,475)
Amounts due to related parties	(8,440,454)	(8,416,707)
Net exposure	**(8,717,681)**	**(8,598,112)**

The following significant exchange rates were applied during the year:

PKR per USD		
Average rate	101.94	101.01
Reporting date rate	104.80	101.94
CAD per USD		
Average rate	1.28	1.10
Reporting date rate	1.38	1.16

If the functional currency, at the reporting date, had fluctuated by 5% against the PKR and CAD with all other variables held constant, the impact on comprehensive income / (loss) for the year would have been US$ 700,165 (2014: US$ 621,852) 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, 2015 US$	**December 31, 2014 US$**
Fixed rate instruments		
- Subordinated debentures	3,902,270	3,852,536
Floating rate instruments		
- Amounts due to related parties	11,345,730	12,250,212

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$ 113,457 (December 31, 2014 US$ 122,502) 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, 2015 US$	**December 31, 2014 US$**
Cash at bank	1,723,170	147,181
Restricted cash	-	35,024
Accounts and other receivables	6,485,608	2,074,798
	8,208,778	**2,257,003**

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**	**2015 US$**	**2014 US$**
HSBC – Canada	Moody's[1]	A1	-	66,838
RBC – Canada	Moody's	Aa3	26,318	-
HSBC – Australia	Moody's	A1	15,970	86,821
Meezan Bank Limited	JCR-VIS[3]	A-1+	847	854
Bank Alfalah Limited	PACRA[2]	A1+	618	617
Askari Bank Limited	JCR-VIS[3]	A-1+	1,331	1,331
JS Bank Limited	PACRA	A1+	1,523	15,216
Al Baraka Bank Pakistan Limited	PACRA	A1	1,676,563	10,528
			1,723,170	**182,205**

[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, 2015, trade receivables of US$ 3,479,063 (2014: US$ 1,811,542) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	December 31, 2015 US$	**December 31, 2014 US$**
Up to 3 months	2,202,009	1,675,371
3 to 6 months	1,277,054	136,171
Above 6 months	-	-
	3,479,063	**1,811,542**

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, 2015:

	Less than 6 months	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Accounts payable and accrued liabilities	16,073,899	-	-	-	-	16,073,899	16,073,899
Amounts due to related parties	13,092,700	-	-	-	-	13,092,700	13,080,730
Subordinated debentures	220,000	220,000	440,000	4,220,000	-	5,100,000	3,902,270
	29,386,599	**220,000**	**440,000**	**4,220,000**	**-**	**34,266,599**	**33,056,899**

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

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	US$	US$	US$	US$	US$	US$	US$
Accounts payable and accrued liabilities	6,681,751	-	-	-	-	6,681,751	6,681,751
Amounts due to related parties	11,012,051	669,576	3,061,112	-	-	14,742,739	14,118,225
Subordinated debentures	220,000	220,000	440,000	4,660,000	-	5,540,000	3,852,536
	17,913,802	**889,576**	**3,501,112**	**4,660,000**	**-**	**26,964,490**	**24,652,512**

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.

21.2 Fair value of financial assets and liabilities

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

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

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

21.3 Financial instruments by category

Financial assets	**Loans and receivables**	
	December 31, 2015	**December 31, 2014**
	US$	**US$**
Cash and cash equivalents	1,723,906	147,476
Restricted cash	-	35,024
Accounts and other receivables	6,485,608	2,074,798
	8,209,514	**2,257,298**

Financial liabilities	**Other financial liabilities**	
	December 31, 2015	**December 31, 2014**
	US$	**US$**
Accounts payable and accrued liabilities	16,073,899	6,681,751
Amounts due to related parties	13,080,730	14,118,225
Subordinated debentures	3,902,270	3,852,536
	33,056,899	**24,652,512**

21.4 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.

22. 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

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, 2015 US$	**December 31, 2014 US$**
Transactions with Majority Shareholder – EPL		
Balance payable at beginning of the year	10,284,720	7,952,646
Loan received during the year net of embedded derivative	1,200,000	3,057,514
Loan repaid during the year	(133,013)	(500,000)
Interest accrued on loan from shareholder	353,019	390,935
Exchange gain on retranslation of shareholder loan	(1,529,272)	(608,869)
Amount paid on behalf of EPL during the year	-	(7,506)
Balance payable at end of the year	**10,175,454**	**10,284,720**

	December 31, 2015 US$	December 31, 2014 US$
Transactions with Associated entity– JS Bank Limited		
Balance payable at beginning of the year	3,833,505	-
Loan received during the year	115,501	3,717,218
Interest accrued	332,369	50,223
Interest paid during the year	(332,447)	-
Principal repaid during the year	(985,557)	-
Exchange (gain) / loss on retranslation of loan	(58,095)	66,064
Balance payable at end of the year	**2,905,276**	**3,833,505**
Key management personnel compensation		
Management salaries and benefits	395,034	354,150
Management stock based compensation	1,597	8,669
Director's fees and compensation	117,286	151,575
	513,917	**514,394**

23. Principal subsidiaries

The Company had the following subsidiaries at December 31, 2015:

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

24. Operating segment information

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

The Pakistan segment derives its revenue primarily from the sale of petroleum products in Pakistan. During the year ended December 31, 2015, the Pakistan segment had three main customers, Sui Northern Gas Pipelines Limited ("SNGPL"), Engro Fertilizers Limited ("Engro") and Sui Southern Gas Company Limited ("SSGCL"), to whom all the gas from Badar, Reti, Maru and Maru South and Zarghun South is sold. SNGPL and SSGCL are state-owned entities and Engro is a large publicly-listed company. Percentage breakup of sales to SNGPL, Engro and SSGCL for the years ended December 31, 2015 and 2014 and trade receivables at December 31, 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Net sales		
SNGPL	4%	8%
Engro	13%	19%
SSGCL	72%	73%
Others	1%	-
Trade receivables		
SNGPL	2%	8%
Engro	6%	16%

SSGCL	91%	76%
Others	1%	-

The Canada segment does not have any revenue generating operations.

The Company's board of directors monitors the results of the above mentioned segments for the purpose of making decisions about the resources to be allocated and for assessing performance based on historical results and the purpose of their existence. The segment information for the reportable segments is as follows:

	For the year ended December 31, 2015			For the year ended December 31, 2014		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
	--------------------------US$---------------------------					
Net revenue	-	8,626,569	8,626,569	-	2,295,180	2,295,180
Cost of production	-	(6,282,291)	(6,282,291)	-	(2,393,197)	(2,393,197)
Gross profit / (loss)	**-**	**2,344,278**	**2,344,278**	**-**	**(98,017)**	**(98,017)**
Administrative expenses	(610,948)	(2,880,498)	(3,491,446)	(654,434)	(1,956,730)	(2,611,164)
Impairment of oil and gas properties	-	(14,082,000)	(14,082,000)	-	-	-
Exploration and evaluation costs written off	-	(43,465)	(43,465)	-	(62,170)	(62,170)
Other income	-	-	-	-	7,490	7,490
Operating loss	**(610,948)**	**(14,661,685)**	**(15,272,633)**	**(654,434)**	**(2,109,427)**	**(2,763,861)**
Finance income	26,354	1,698,237	1,724,591	1,415	591,954	593,369
Finance costs	(489,734)	(1,930,978)	(2,420,712)	(485,392)	(795,777)	(1,281,169)
Net loss for the year	**(1,074,328)**	**(14,894,426)**	**(15,968,754)**	**(1,138,411)**	**(2,313,250)**	**(3,451,661)**
Additions during the year						
Property, plant and equipment	-	2,894,185	2,894,185	-	9,449,015	9,449,015
Exploration and evaluation assets	-	1,583,931	1,583,931	-	2,553,102	2,553,102

	As at December 31, 2015			As at December 31, 2014		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
	--------------------------US$---------------------------					
Segment assets	59,250	51,159,550	51,218,800	113,474	58,464,173	58,577,647
Segment liabilities	3,902,270	31,718,985	35,621,255	4,147,478	22,880,004	27,027,482

24. Subsequent Event

On March 21, 2016, the unrelated shareholders of the Company approved JS Bank Limited participation for the expansion of Syndicate Credit Facility from PKR 750 million (approximately US$ 7.2 million) to PKR 1,100 million (approximately US$ 10.5 million).