JURA ENERGY CORPORATION
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2016 and 2015

Jura Energy Corporation
Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2016

	Note	March 31, 2016 US$	December 31, 2015 US$
ASSETS			
Current assets			
Cash and cash equivalents		3,021,201	1,723,906
Accounts and other receivables	6	3,767,333	6,485,608
Restricted cash		363,526	-
		7,152,060	**8,209,514**
Non-current assets			
Property, plant and equipment	7	30,454,151	30,691,415
Exploration and evaluation assets	8	12,712,087	12,127,275
Intangible assets		25,477	29,298
Long term receivables		161,408	161,298
		43,353,123	**43,009,286**
Total assets		**50,505,183**	**51,218,800**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		13,888,919	16,073,899
Amounts due to related parties	9	9,090,489	13,080,730
Borrowings	10	182,331	-
		23,161,739	**29,154,629**
Non-current liabilities			
Borrowings	10	11,031,755	3,902,270
Asset retirement obligation	12	2,578,205	2,564,356
		13,609,960	**6,466,626**
Total liabilities		**36,771,699**	**35,621,255**
Shareholders' equity			
Share capital	13	65,203,045	65,203,045
Contributed surplus	13	341,149	339,886
Warrants	13	117,672	117,672
Accumulated deficit		(51,928,382)	(50,063,058)
Total shareholders' equity		**13,733,484**	**15,597,545**
Total equity and liabilities		**50,505,183**	**51,218,800**
Going concern	2		
Contingencies and commitments	14		

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
Shahid Hameed
Interim CEO and Director

"Signed"
Stephen C. Smith
Director

Jura Energy Corporation
Condensed Consolidated Interim Statements of Comprehensive Loss
For the three months ended March 31, 2016 and 2015

	Note	March 31, 2016 US$	March 31, 2015 US$
Net revenue		1,678,630	1,971,382
Cost of production	15	(1,404,420)	(1,402,740)
Gross profit		**274,210**	**568,642**
General and administrative expenses	16	(1,028,540)	(662,557)
Operating loss		**(754,330)**	**(93,915)**
Finance income	17	-	799,451
Finance costs	18	(1,110,994)	(470,743)
Profit / (loss) before income tax		**(1,865,324)**	**234,793**
Income tax expense		-	-
Total comprehensive income / (loss) for the period		**(1,865,324)**	**234,793**
Earnings / (loss) per share - basic and diluted (US$ per share)	19	(0.03)	0.00

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

Jura Energy Corporation
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2016 and 2015

	March 31, 2016 US$	March 31, 2015 US$
Cash flow from operating activities		
Net profit / (loss) for the period	(1,865,324)	234,793
Adjustments for:		
Depletion, depreciation and amortization	693,376	814,137
Accrued finance costs	407,304	313,328
Stock based compensation	1,263	7,600
Net unrealized exchange loss / (gain) on borrowings	525,458	(779,227)
Cash flow from operating activities before changes in working capital	(237,923)	590,631
Changes in working capital		
Decrease / (increase) in accounts and other receivables	2,475,907	(2,156,105)
Increase in accounts payable and accrued liabilities	1,735,463	1,725,491
Net cash generated from operating activities	**3,973,447**	**160,017**
Cash flow from investing activities		
Property plant and equipment	(4,587,690)	(44,627)
Exploration and evaluation assets	(369,856)	(14,761)
Change in restricted cash	(363,526)	(13)
Change in long term receivables	(110)	-
Net cash used in investing activities	**(5,321,182)**	**(59,401)**
Cash flow from financing activities		
Amounts due to related parties – receipts	-	203,516
Amounts due to related parties – repayment	(4,633,583)	(248,425)
Proceeds from borrowings	7,340,976	-
Finance costs paid	(62,363)	(61,387)
Net cash generated from / (used in) financing activities	**2,645,030**	**(106,296)**
Net increase / (decrease) in cash and cash equivalents	1,297,295	(5,680)
Cash and cash equivalents at beginning of period	1,723,906	147,476
Cash and cash equivalents at end of period	**3,021,201**	**141,796**

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

Jura Energy Corporation
Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended March 31, 2016 and 2015

	No of shares	Share Capital	Accumulated deficit	Contributed surplus	Warrants	Total
		US$	US$	US$	US$	US$
Balance at January 1, 2015	69,076,328	65,203,045	(34,094,304)	323,752	117,672	31,550,165
Net profit for the period	-	-	234,793	-	-	234,793
Stock based compensation for the period	-	-	-	7,600	-	7,600
Balance at March 31, 2015	**69,076,328**	**65,203,045**	**(33,859,511)**	**331,352**	**117,672**	**31,792,558**
Balance at January 1, 2016	69,076,328	65,203,045	(50,063,058)	339,886	117,672	15,597,545
Net loss for the period	-	-	(1,865,324)	-	-	(1,865,324)
Stock based compensation for the period	-	-	-	1,263	-	1,263
Balance at March 31, 2016	**69,076,328**	**65,203,045**	**(51,928,382)**	**341,149**	**117,672**	**13,733,484**

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

1. Company and its operations

Jura Energy Corporation (“the Company") is listed on the Toronto Stock Exchange 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 condensed consolidated interim financial statements include financial statements of Jura Energy Corporation ("JEC"), and its wholly owned subsidiaries Spud Energy Pty Limited (“SEPL”), Frontier Acquisition Company Limited ("FAC") and Frontier Holdings Limited ("FHL").

These condensed consolidated interim financial statements were approved and authorized for issue by the Company’s board of directors on May 11, 2016.

2. Going concern

Management has prepared these condensed consolidated interim financial statements in accordance with IFRS applicable to a going concern, which contemplates that assets will be realized and liabilities will be discharged in the normal course of business as they become due. The Company has a working capital deficiency of US$ 16 million at March 31, 2016 (December 31, 2015: US$ 20.95 million). The Company has incurred losses in its current and prior fiscal years and has a current accumulated deficit of US$ 51.93 million (December 31, 2015: US$ 50.06 million). For the three months ended March 31, 2016 the Company reported positive cash flows from operations of US$ 3.97 million (March 31, 2015: US$ 0.2 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at March 31, 2016 that amounted to US$ 4.96 million (December 31, 2015: US$ 5.81 million) *(See “Commitments - Note 14.2”).* Additional cash resources will be required to exploit the Company’s petroleum and natural gas properties. Further, FHL is a party to two arbitration proceedings, one initiated by Petroleum Exploration (Private) Limited (“PEL”) in relation to an Area of Mutual interest provisions contained in the Kandra Farm-in Agreement and the other initiated by FHL against PEL in relation to PEL’s attempt to forfeit FHL’s working interest in the Badin IV South exploration license owing to a purported default by FHL in respect of payment of a cash call for the month of May 2015. The probable outcome of both arbitrations cannot be ascertained at this time with sufficient degree of reliability.

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, 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 March 31, 2016, the Company had completely utilized this financing arrangement. The loan is due for repayment on demand. However, EPL has provided an undertaking to the Company, pursuant to which, EPL shall not demand repayment of the principal amount and accrued interest thereon, unless the Company has sufficient funds to repay, in EPL’s reasonable judgment, or the Company closes a qualifying financing.

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. During the three months ended March 31, 2016, the Company has drawn down PKR 750 million under the Syndicated 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 March 31, 2016, the Company was non-compliant with one of the financial covenants of the Syndicated Credit Facility for which a waiver has been obtained from Al Baraka, acting on behalf of the participants, *(See "Borrowings- Note 10.1")* prior to March 31, 2016. Subsequent to March 31, 2016, SEPL entered into supplemental Syndicated Credit Facility with Al Baraka, acting on behalf of the participants, pursuant to which the facility amount has been enhanced from PKR 750 million (approximately US$ 7.2 million) to PKR 960 million (approximately US$ 9.2 million).

Management is in process of closing the US$-denominated component of the Syndicated Credit Facility amounting to US$ 6 million to fund the Company's capital commitments. The Company's access to credit or capital could be further restricted by the potential delisting of its shares from the Toronto Stock Exchange ("TSX") pursuant to an ongoing delisting review by TSX. The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful.

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

3. Basis of preparation

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

4. Significant accounting policies

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

4.1 Leases

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

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

5. Critical accounting estimates and judgements

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

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

6. Accounts and other receivables	Note	March 31, 2016 US$	December 31, 2015 US$
Trade receivables		3,269,615	5,844,376
Due from EEL	6.1	818,218	818,218
Prepayments		66,036	74,994
Financing transaction costs	6.2	-	218,037
Security deposit		80,410	75,000
Other receivables		351,272	273,201
		4,585,551	**7,303,826**
Provision for impairment	6.1	(818,218)	(818,218)
		3,767,333	**6,485,608**

6.1 This represents amounts receivable against expenses recharged and payments made on behalf of Energy Exploration Limited ("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.

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

7. Property, plant and equipment	Oil and gas properties	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Total
	-----US$-----					
Cost	50,149,606	92,144	24,011	48,949	74,218	50,388,928
Accumulated depletion, depreciation and impairment	(19,531,192)	(84,938)	(12,548)	(26,781)	(42,054)	(19,697,513)
Opening net book value	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Period ended March 31, 2016						
Additions during the period	315,424	-	-	-	136,867	452,291
Depletion / depreciation for the period	(676,976)	(1,333)	(838)	(2,136)	(8,272)	(689,555)
Carrying amount at March 31, 2016	**30,256,862**	**5,873**	**10,625**	**20,032**	**160,759**	**30,454,151**
Cost	50,465,030	92,144	24,011	48,949	211,085	50,841,219
Accumulated depletion, depreciation and impairment	(20,208,168)	(86,271)	(13,386)	(28,917)	(50,326)	(20,387,068)
Net book value at March 31, 2016	**30,256,862**	**5,873**	**10,625**	**20,032**	**160,759**	**30,454,151**
Cost	46,961,216	86,109	13,886	25,074	74,218	47,160,503
Accumulated depletion / depreciation	(1,862,638)	(73,678)	(10,714)	(22,217)	(27,213)	(1,996,460)
Opening net book value	**45,098,578**	**12,431**	**3,172**	**2,857**	**47,005**	**45,164,043**
Year ended December 31, 2015						
Additions during the year	2,854,150	6,035	10,125	23,875	-	2,894,185

Transfer from exploration and evaluation assets	385,572	-	-	-	-	385,572
Revision in estimate of 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	(14,082,000)	-	-	-	-	(14,082,000)
Carrying amount at December 31, 2015	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Cost	50,149,606	92,144	24,011	48,949	74,218	50,388,928
Accumulated depletion, depreciation and impairment	(19,531,192)	(84,938)	(12,548)	(26,781)	(42,054)	(19,697,513)
Net book value at December 31, 2015	**30,618,414**	**7,206**	**11,463**	**22,168**	**32,164**	**30,691,415**
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	

Motor vehicles includes the following amounts where the Company is a lessee under a finance lease (*refer note 10.2 for further details*):

	March 31, 2016	**December 31, 2015**
	US$	**US$**
Leasehold motor vehicles		
Cost	136,847	-
Accumulated depreciation	(4,562)	-
Carrying amount at end of period / year	**132,285**	**-**

8. Exploration and evaluation assets

	Note		
Balance at beginning of the period / year		12,127,275	10,997,779
Additions during the period / year		584,812	1,583,931
Transferred to property, plant and equipment		-	(385,572)
Revision in estimate of asset retirement obligation		-	(25,398)
Exploration and evaluation assets written off during the period / year	8.1	-	(43,465)
Carrying amount at end of period / year		**12,712,087**	**12,127,275**

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

9. Amounts due to related parties

	Note	**March 31, 2016 US$**	**December 31, 2015 US$**
Current			
Term finance facility	9.1	-	965,889
Running finance facility	9.1	-	1,939,387
Shareholder loans	9.2	9,090,489	10,175,454
		9,090,489	**13,080,730**

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

9.2 Shareholder loans

	Note	**March 31, 2016 US$**	**December 31, 2015 US$**
Current account with shareholder		(12,033)	1,735,000
Bridge loan payable to shareholder	9.3	9,102,522	8,440,454
		9,090,489	**10,175,454**

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

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

10. Borrowings

	Note	March 31, 2016 US$	December 31, 2015 US$
Current			
Syndicated credit facility	10.1	161,167	-
Finance lease obligations	10.2	21,164	-
		182,331	**-**
Non-current			
Syndicated credit facility	10.1	6,914,926	-
Finance lease obligations	10.2	88,924	
Subordinated debentures	10.3	4,027,905	3,902,270
		11,031,755	**3,902,270**
Total borrowings		**11,214,086**	**3,902,270**

10.1 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. The Syndicated Credit Facility carries mark-up at the rate of 3 months KIBOR plus 2.75%. The principal is repayable in sixteen equal quarterly installments in arrears, commencing fifteen months after the date of disbursement. As at March 31, 2016, the Company has fully drawn down the Syndicated Credit Facility. The Syndicate includes JS Bank Limited, a related party, with participation of PKR 250 million.

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

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

As at March 31, 2016, SEPL was in compliance with the financial covenants and all other terms of the Syndicated 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 on March 22, 2016.

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

	March 31, 2016 US$	December 31, 2015 US$
Within one year	27,249	-
Later than one year but not later than five years	109,115	-
Later than five years	-	-
Minimum lease payments	**136,364**	**-**
Future interest payments	(26,276)	-
Recognized as liability	**110,088**	**-**
The present value of finance lease liabilities is as follows:		
Within one year	21,164	-
Later than one year but not later than five years	88,924	-
Later than five years	-	-
Minimum lease payments	**110,088**	**-**

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

	Carrying value US$	Not later than one year US$	Later than one year and not later than five years US$	Later than five years US$
At March 31, 2016				
Amounts due to related parties				
Shareholder loans	9,090,489	9,090,489	-	-
Borrowings				
Syndicated credit facility	7,076,093	161,167	6,914,926	-
Finance lease obligations	110,088	21,164	88,924	-
Subordinated debentures	4,027,905	-	4,027,905	-
	20,304,575	**9,272,820**	**11,031,755**	**-**

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

12. Asset retirement obligation

	March 31, 2016	December 31, 2015
	US$	US$
Balance at beginning of the period / year	2,564,356	2,374,970
Additions during the period / year	-	215,351
Revisions due to change in estimates	-	(76,730)
Accretion on asset retirement obligation	13,849	50,765
Carrying amount at end of the period / year	**2,578,205**	**2,564,356**

13. 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 March 31, 2016, 69,076,328 (December 31, 2015: 69,076,328) common share of C$ 1 were outstanding.

13.1 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.

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

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
US$	C$			
0.72	1.00	1,025,000	2.09	991,666
0.72	1.00	1,025,000	2.09	991,666

13.2 Stock-based compensation and contributed surplus

During the three months ended March 31, 2016 stock-based compensation of US$ 1,263 (March 31, 2015: US$ 7,600) was charged to the condensed consolidated statement of comprehensive loss.

13.3 Warrants

As at March 31, 2016, 850,000 (December 31, 2015: 850,000) share purchase warrants were outstanding. These warrants were issued to the investors and the Company's advisor for successful placement of subordinated debentures amounting to US$ 4 million in 2013. Each warrant is convertible into one ordinary share of the Company and are exercisable at a price of C$ 0.36 (US$ equivalent: US$ 0.26) per share and will expire on April 30, 2018. The fair value was determined using the Black-Scholes Option Pricing Model with the assumptions referred to in note 10.3.

14. Contingencies and commitments

14.1 There has been no material change in contingencies as disclosed in the latest consolidated annual audited financial statements of the Company for the year ended December 31, 2015.

14.2 Commitments

	Note	March 31, 2016 US$	December 31, 2015 US$
Minimum capital commitments related to exploration licenses	14.3	4,099,250	4,099,250
Commitments under approved AFEs		735,925	1,561,169
Commitment under sale purchase agreement for the acquisition of EEL		1,000	1,000
Commitment under operating leases:			
- Not later than one year		55,487	64,071
- Later than one year and less than five years		73,288	86,578
- Later than five years		-	-
		4,964,950	**5,812,068**

14.3 Breakdown of minimum capital commitments related to exploration licenses:

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

15. Cost of production

	Note	March 31, 2016 US$	March 31, 2015 US$
Production costs		727,444	600,603
Depletion of oil and gas properties	7	676,976	802,137
		1,404,420	**1,402,740**

16. General and administrative expenses

	Note	March 31, 2016 US$	March 31, 2015 US$
Employees benefits		330,258	316,881
Directors' compensation		16,648	33,108
Amortization and depreciation		16,400	12,000
Legal and professional charges		358,931	65,407
Travelling expenses		38,737	27,289
Consultancy charges		139,484	120,374
Office rent and utilities		44,998	29,065
Other expenses		83,084	58,433
		1,028,540	**662,557**

17. Finance income

Currency translation exchange gain - net		-	799,451

18. Finance costs

Interest on amount due to related parties		103,212	177,965
Interest on borrowings		290,243	122,671
Accretion on asset retirement obligation		13,849	12,692
Interest on late payment of cash calls to operators		84,954	157,415
Currency translation exchange loss – net		618,736	-
		1,110,994	**470,743**

19. Earnings / (loss) per share

Net profit / (loss) for the year		(1,865,324)	234,793
Weighted average number of outstanding shares	19.1	69,076,328	69,076,328
Earnings (loss) per share - basic and diluted (US$ per share)		(0.03)	0.00

19.1 For the three months ended March 31, 2016 and 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.

20. Financial risk management

20.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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

20.2 Fair value of financial assets and liabilities

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).

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

21. Transactions with related parties

The Company's related parties with significant transactions during the three months ended March 31, 2016 include its majority shareholder, EPL, JS Bank Limited, an associated company and key management personnel. Amount due from / (to) related parties have been disclosed under respective receivable and payable balances. Related parties and their relationship with the Company are as follows:

Majority Shareholder
- Eastern Petroleum Limited

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

Associated entity
- JS Bank Limited

Key management personnel

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

	March 31, 2016 US$	**December 31, 2015 US$**
Transactions with Majority Shareholder – EPL		
Balance payable at beginning of the period / year	10,175,454	10,284,720
Loan received during the period / year net of embedded derivative	-	1,200,000
Loan repaid during the period / year	(1,741,667)	(133,013)
Interest accrued on loan from shareholder	91,242	353,019
Exchange loss / (gain) on retranslation of shareholder loan	570,826	(1,529,272)
Amount paid on behalf of EPL during the period / year	(5,366)	-
Balance payable at end of the period / year	**9,090,489**	**10,175,454**
Transactions with Associated entity– JS Bank Limited		
Balance payable at beginning of the period / year	2,905,276	3,833,505
Loan received during the period / year	-	115,501
Interest accrued during the period / year	11,970	332,369
Interest paid during the period / year	(62,363)	(332,447)
Principal repaid during the period / year	(2,886,550)	(985,557)
Exchange (gain) / loss on retranslation of loan	31,667	(58,095)
Balance payable at end of the period / year	**-**	**2,905,276**

	March 31, 2016 US$	March 31, 2015 US$
Key management personnel compensation		
Management salaries and benefits	102,837	100,783
Management stock based compensation	-	1,369
Director's fees and compensation	16,648	33,108
	119,485	**135,260**

22. Operating segment information

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

The Pakistan segment derives its revenue primarily from the sale of petroleum products in Pakistan. During the three months ended March 31, 2016, the Pakistan segment had three main customers, Sui Northern Gas Pipelines Limited ("SNGPL"), Engro Fertilizers Limited ("Engro") and Sui Southern Gas Company Limited ("SSGCL"), to whom all the gas from Badar, Reti, Maru and Maru South and Zarghun South is sold. SNGPL and SSGCL are state-owned entities and Engro is a large publicly-listed company. Percentage breakup of sales to SNGPL, Engro and SSGCL for the three months ended March 31, 2016 and 2015 and trade receivables at March 31, 2016 and December 31, 2015 is as follows:

	March 31, 2016	March 31, 2015
Net sales		
SNGPL	6%	5%
Engro	15%	12%
SSGCL	79%	83%

	March 31, 2016	December 31, 2015
Trade receivables		
SNGPL	4%	2%
Engro	7%	6%
SSGCL	88%	91%
Others	1%	1%

The Canada segment does not have any revenue generating operations.

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

	For the three months ended March 31, 2016			For the three months ended March 31, 2015		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
	-------------------------US$---------------------------					
Net revenue	-	1,678,630	1,678,630	-	1,971,382	1,971,382
Cost of production	-	(1,404,420)	(1,404,420)	-	(1,402,740)	(1,402,740)
Gross profit	**-**	**274,210**	**274,210**	**-**	**568,642**	**568,642**
Administrative expenses	(142,853)	(885,687)	(1,028,540)	(124,863)	(537,694)	(662,557)
Operating profit / (loss)	**(142,853)**	**(611,477)**	**(754,330)**	**(124,863)**	**30,948**	**(93,915)**
Finance income	-	-	-	19,125	780,326	799,451
Finance costs	(133,433)	(977,561)	(1,110,994)	(122,671)	(348,072)	(470,743)
Net profit / (loss) for the period	**(276,286)**	**(1,589,038)**	**(1,865,324)**	**(228,409)**	**463,202**	**234,793**
Additions during the period						

Property, plant and equipment	-	452,291	452,291	-	478,045	478,045
Exploration and evaluation assets	-	584,812	584,812	-	220,278	220,278

	As at March 31, 2016			As at March 31, 2015		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
			-------------------------US$----------------------------			
Segment assets	523,746	49,981,437	50,505,183	98,666	60,513,605	60,612,271
Segment liabilities	4,027,905	32,743,794	36,771,699	3,975,207	24,844,506	28,819,713