Jura Energy Corporation

Condensed Consolidated Interim Financial Statements
For the Three Months Ended
March 31, 2017
(expressed in US dollars)

Jura Energy Corporation

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2017

(expressed in US dollars)

	March 31, 2017 $	December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	534,009	179,913
Restricted cash (note 6)	1,096,519	1,053,561
Accounts and other receivables (note 7)	3,056,840	1,634,647
	4,687,368	2,868,121
Non-current assets		
Property, plant and equipment (note 8)	44,263,059	44,917,569
Exploration and evaluation assets (note 9)	5,383,672	5,218,406
Intangible assets	10,193	14,014
Long term receivables	161,761	161,473
Total assets	54,506,053	53,179,583
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	12,485,935	12,032,735
Amounts due to related parties (note 10)	1,730,304	-
Borrowings (note 11)	2,783,070	2,041,926
	16,999,309	14,074,661
Non-current liabilities		
Amounts due to related parties (note 10)	7,133,513	9,437,368
Borrowings (note 11)	13,215,002	12,251,598
Assets retirement obligation (note 13)	3,355,048	3,336,082
Total liabilities	40,702,872	39,099,709
Shareholders' equity		
Share capital (note 14)	65,203,045	65,203,045
Contributed surplus (note 14)	343,114	342,693
Warrants (note 14)	117,672	117,672
Accumulated deficit	(51,860,650)	(51,583,536)
Total shareholders' equity	13,803,181	14,079,874
Total equity and liabilities	54,506,053	53,179,583

Going concern (note 2)
Contingencies and commitments (note 15)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
Shahid Hameed
Interim CEO and Director

"Signed"
Stephen C. Smith
Director

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

Jura Energy Corporation

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended March 31, 2017

(expressed in US dollars)

	March 31, 2017 $	**March 31, 2016 $**
Net revenue	2,324,990	1,678,630
Cost of production (note 16)	(1,337,680)	(1,404,420)
Gross profit	987,310	274,210
Expenses		
General and administrative expenses (note 17)	(669,950)	(1,028,540)
Operating profit / (loss)	317,360	(754,330)
Finance costs (note 18)	(594,474)	(1,110,994)
Profit / (loss) before income tax	(277,114)	(1,865,324)
Income tax	-	-
Total comprehensive loss for the period	(277,114)	(1,865,324)
Loss per share (note 19)		
Basic and diluted	(0.00)	(0.03)

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, 2017

(expressed in US dollars)

	March 31, 2017 $	March 31, 2016 $
Cash provided by		
Operating activities		
Net loss for the period	(277,114)	(1,865,324)
Adjustments for:		
Depletion, depreciation and amortization	766,102	693,376
Accrued finance costs	664,625	407,304
Stock based compensation	421	1,263
Net unrealized exchange (gain) / loss on borrowings	(6,637)	525,458
Funds flow	1,147,397	(237,923)
Changes in working capital		
(Increase) / decrease in accounts and other receivables	(1,422,193)	2,475,907
Increase in accounts payable and accrued liabilities	757,764	1,735,463
Increase in restricted cash	(42,958)	(363,526)
Net cash generated from operating activities	440,010	3,609,921
Investing activities		
Property, plant and equipment	(477,601)	(4,587,690)
Exploration and evaluation assets	(100,000)	(369,856)
Changes in long term receivables	(288)	(110)
Net cash used in investing activities	(577,889)	(4,957,656)
Financing activities		
Amounts due to related parties–repayment	(825,000)	(4,633,583)
Borrowings–proceeds	1,557,073	7,340,976
Borrowings–repayment	(10,932)	-
Finance costs paid	(229,166)	(62,363)
Net cash generated from financing activities	491,975	2,645,030
Net increase in cash and cash equivalents	354,096	1,297,295
Cash and cash equivalents at beginning of period	179,913	1,723,906
Cash and cash equivalents at end of period	534,009	3,021,201

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, 2017

(expressed in US dollars)

	Number of shares	Share capital $	Accumulated Deficit $	Contributed surplus $	Warrants $	Total $
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 (note 15)	-	-	-	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
Balance at January 1, 2017	69,076,328	65,203,045	(51,583,536)	342,693	117,672	14,079,874
Net loss for the period	-	-	(277,114)	-	-	(277,114)
Stock based compensation (note 15)	-	-	-	421	-	421
Balance at March 31, 2017	69,076,328	65,203,045	(51,860,650)	343,114	117,672	13,803,181

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

1 Company and its operations

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Company's board of directors on May 29, 2017.

2 Going concern

Management has prepared these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates that assets will be realized and liabilities will be discharged in the normal course of business as they become due. The Company has a working capital deficiency of $12.31 million at March 31, 2017 (December 31, 2016 – $11.21 million). During the three months ended March 31, 2017, the Company reported a net loss of $0.28 million (March 31, 2016 – $1.86 million). As at March 31, 2017, the Company has an accumulated deficit of $51.86 million (December 31, 2016 – $51.58 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at March 31, 2017 that amounted to $4.32 million (December 31, 2016 – $4.33 million) *(see "Commitments – note 15").* Additional cash resources will be required to exploit the Company's petroleum and natural gas properties.

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

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

In 2016, SEPL entered into two Musharaka Agreements with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), pursuant to a syndicated credit facility arrangement (the "Syndicated Credit Facility"), as lead arranger, in the amount of up to PKR 1,060 million (approximately $10.11 million). 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 2017, SEPL entered into a third Musharaka Agreement with Al Baraka under the Syndicated Credit Facility in the amount of PKR 170 million (approximately $1.62 million). The management is in the advanced stage of closing a further enhancement of the Syndicated Credit Facility, pursuant to which the facility amount will increase from PKR 1,230 million (approximately $11.73 million) to PKR 1,530 million (approximately $14.59 million). The Company's access to sufficient capital will impact its ability to complete its planned exploration and development activities. However, there can be no assurance that the steps management is taking will be successful. The principal shareholder has confirmed its commitment to provide financial support to the Company as and when required for a minimum period of twelve months from the date of approval of these financial statements.

(expressed in US dollars)

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, 2016 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

4 Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's consolidated annual audited financial statements for the year ended December 31, 2016.

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, 2016.

6 Restricted cash

	March 31, 2017 $	December 31, 2016 $
Term deposits (note 6 a)	200,000	200,000
Cash reserve fund (note 6 b)	896,519	853,561
	1,096,519	1,053,561

a) This represents amounts held under lien by the banks as security for a bank guarantee issued to the Government of Pakistan in respect of the Company's pro-rata share of exploration expenditure commitments pursuant to the granting of petroleum exploration licenses. These funds are not available for general corporate purposes.

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

(expressed in US dollars)

7 Accounts and other receivables

	March 31, 2017 $	December 31, 2016 $
Trade receivables (note 7 a)	2,608,218	1,171,130
Due from related parties (note 7 b)	830,743	830,743
Prepayments	51,723	46,621
Security deposit	66,102	64,348
Other receivables	318,272	340,023
	3,875,058	2,452,865
Provision for impairment (note 7 b)	(818,218)	(818,218)
	3,056,840	1,634,647

a) The trade receivables are provided as a security by way of irrevocable assignment into the collection accounts maintained with Al Baraka, the lead arranger, acting on behalf of the participants pursuant to the terms of the Syndicated Credit Facility (*refer to note 11 (a) for further details*).

b) This represents $818,218 and $12,525 (December 31, 2016 – $818,218 and $12,525) receivable from Energy Exploration Limited ("EEL") and Eastern Petroleum Limited ("EPL") respectively. The balances are receivable on demand and carry no interest.

Amount due from EEL represents expenses recharged and payments made on behalf of EEL. EEL has an 11% and 12% working interest in the Sanjawi and Zamzama North exploration licenses respectively. However, owing to expiry of the term of the Zamzama North exploration license and force majeure declaration by the operator in the Sanjawi exploration license, the Company has fully provided for the balance receivable from EEL.

8 Property, plant and equipment

	Oil and gas properties $	Computer equipment $	Furniture and fixtures $	Office equipment $	Motor vehicles $	Total $
Cost	53,303,783	94,779	24,011	48,949	347,186	53,818,708
Accumulated depletion, depreciation and impairment	(8,671,632)	(89,277)	(15,847)	(35,037)	(89,346)	(8,901,139)
Opening net book value	44,632,151	5,502	8,164	13,912	257,840	44,917,569
Period ended March 31, 2017						
Additions during the period	106,091	1,680	-	-	-	107,771
Depletion / depreciation for the period	(741,437)	(681)	(814)	(1,990)	(17,359)	(762,281)
Carrying amount at March 31, 2017	43,996,805	6,501	7,350	11,922	240,481	44,263,059
Cost	53,409,874	96,459	24,011	48,949	347,186	53,926,479
Accumulated depletion, depreciation and impairment	(9,413,069)	(89,958)	(16,661)	(37,027)	(106,705)	(9,663,420)
Net book value at March 31, 2017	43,996,805	6,501	7,350	11,922	240,481	44,263,059
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
Year ended December 31, 2016						
Additions during the year	2,659,019	2,635	-	-	272,968	2,934,622
Addition in estimate of assets retirement obligation	495,158	-	-	-	-	495,158
Depletion / depreciation for the year	(2,162,602)	(4,339)	(3,299)	(8,256)	(47,292)	(2,225,788)
Net reversal of impairment for the year	13,022,162	-	-	-	-	13,022,162
Carrying amount at December 31, 2016	44,632,151	5,502	8,164	13,912	257,840	44,917,569
Cost	53,303,783	94,779	24,011	48,949	347,186	53,818,708
Accumulated depletion, depreciation and impairment	(8,671,632)	(89,277)	(15,847)	(35,037)	(89,346)	(8,901,139)
Net book value at December 31, 2016	44,632,151	5,502	8,164	13,912	257,840	44,917,569
Annual rate of depreciation (%)		33.33%	20.00%	33.33%	20.00%	

(expressed in US dollars)

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

	March 31, 2017 $	December 31, 2016 $
Leasehold motor vehicles		
Cost	272,968	272,968
Accumulated depreciation	(46,096)	(32,448)
Carrying amount at end of period	226,872	240,520

9 Exploration and evaluation assets

	March 31, 2017 $	December 31, 2016 $
Balance at beginning of the period	5,218,406	12,127,275
(Adjustments) / additions during the period	165,266	(205,178)
Impairment for the period	-	(6,916,212)
Additions in estimate of assets retirement obligation	-	220,927
Exploration and evaluation assets written off (note 9 a)	-	(8,406)
Carrying amount at end of period	5,383,672	5,218,406

a) 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 period have been written off.

10 Amounts due to related parties

	March 31, 2017 $	December 31, 2016 $
Shareholder loan (note 10 a)	8,863,817	9,437,368
Less: current maturity of shareholder loan	(1,730,304)	-
Shareholder loan – non-current	7,133,513	9,437,368

a) This represents an unsecured loan from the majority shareholder of the Company, EPL. The principal and accrued interest outstanding at any time bear interest at the rate of 11% per annum compounded quarterly. The principal and accrued interest is repayable in four quarterly instalments commencing January 1, 2018. 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, 2017, the loan comprised 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, 2017 was $nil (December 31, 2016 – $nil).

(expressed in US dollars)

11 Borrowings

	March 31, 2017 $	December 31, 2016 $
Current		
Syndicated credit facilities (note 11 a)	2,738,185	1,997,535
Finance lease obligations (note 11 b)	44,885	44,391
	2,783,070	2,041,926
Non-current		
Syndicated credit facilities (note 11 a)	8,965,306	8,113,872
Finance lease obligations (note 11 b)	164,472	176,026
Subordinated debentures (note 11 c)	4,085,224	3,961,700
	13,215,002	12,251,598
Total borrowings	15,998,072	14,293,524

a) On December 30, 2015, SEPL entered into a Musharaka Agreement dated effective December 18, 2015 in respect of the Zarghun South lease under the Syndicated Credit Facility with Al Baraka, as lead arranger, in the amount of up to PKR 750 million (approximately $7.15 million). On April 8, 2016, SEPL entered into a First Supplemental Musharaka Agreement, pursuant to which the facility amount in respect of the Zarghun South lease was increased from PKR 750 million (approximately $7.15 million) to PKR 960 million (approximately $9.16 million).

On May 11, 2016, SEPL entered into a second Musharaka Agreement in respect of the Sara and Suri leases under the Syndicated Credit Facility, in the amount of up to PKR 100 million (approximately $0.95 million) resulting in an increase in the Syndicated Credit Facility from PKR 960 million (approximately $9.16 million) to PKR 1,060 million (approximately $10.11 million).

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

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 instalments in arrears, commencing fifteen months after the date of first disbursement i.e. January 19, 2016 except for the third Musharaka Agreement, the principal of which is repayable in twelve quarterly instalments in arrears commencing May 14, 2018. The Syndicated Credit Facility is secured by way of first charge on all present and future fixed assets of SEPL, an assignment of receivables originating from sale of gas from the Badar, Reti-Maru and Zarghun South leases in favour of Al Baraka, acting on behalf of the participants, lien on a cash reserve fund and a corporate guarantee by JEC. As at March 31, 2017, SEPL has fully utilized the Syndicated Credit Facility. The Syndicate includes JS Bank Limited, a related party, with participation of PKR 670 million (approximately $6.39 million).

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

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

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

(expressed in US dollars)

b) In February 2016, SEPL entered into a Diminishing Musharaka facility with Al Baraka for the lease of vehicles for the Company's employees, in the amount of up to PKR 42 million (approximately $0.40 million). Under the terms of the facility, the Company has the option to acquire the leased vehicles without any consideration upon expiry of the lease term. The lease term is five years.

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

The financing comprises two components: (i) subordinated debentures and (ii) warrants of $117,672 representing the right of debenture holders to acquire JEC's shares. The subordinated debentures have been accounted for using the amortized cost method and share purchase warrants have been accounted for at fair value on the May 24, 2013 closing date, determined using the Black-Scholes Option Pricing Model. The share purchase warrants will expire on April 30, 2018. The assumptions used in the calculation of fair value of C$0.14 per share purchase warrants are:

Risk-free interest rate (%)	1.14
Expected life (years)	4.94
Estimated volatility of underlying common shares (%)	70.00

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

	Carrying value $	Not later than one year $	Later than one year and not later than five years $	Later than five years $
At March 31, 2017				
Amounts due to related parties				
Shareholder loan	8,863,817	1,730,304	7,133,513	-
Borrowings				
Syndicated credit facilities	11,703,491	2,738,185	8,965,306	-
Finance lease obligations	209,357	44,885	164,472	-
Subordinated debentures	4,085,224	-	4,085,224	-
	24,861,889	4,513,374	20,348,515	-
At December 31, 2016				
Amounts due to related parties				
Shareholder loan	9,437,368	-	9,437,368	-
Borrowings				
Syndicated credit facilities	10,111,407	1,997,535	8,113,872	-
Finance lease obligations	220,417	44,391	176,026	-
Subordinated debentures	3,961,700	-	3,961,700	-
	23,730,892	2,041,926	21,688,966	-

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

(expressed in US dollars)

13 Assets retirement obligation

	March 31, 2017 $	December 31, 2016 $
Balance at beginning of period	3,336,082	2,564,356
Additions during the period	-	632,840
Revisions due to change in estimates	-	83,245
Accretion on assets retirement obligation	18,966	55,641
Carrying amount at end of period	**3,355,048**	3,336,082

14 Share capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board. As at March 31, 2017, 69,076,328 (December 31, 2016 – 69,076,328) common share of C$ 1 were outstanding.

Stock options

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

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 $0.20 per stock option as at May 4, 2015 using the Black-Scholes Option Pricing Model. The assumptions used in the calculations are as follows:

	May 4, 2015
Risk-free interest rate (%)	0.88
Expected life (years)	5
Estimated volatility of underlying common shares (%)	85.00
Forfeiture rate (%)	-

	Three months ended March 31, 2017			Year ended December 31, 2016		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		$	C$		$	C$
Options outstanding, beginning of period	1,025,000	0.74	1.00	1,025,000	0.72	1.00
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	-	-	-	-	-	-
Options outstanding, end of period	1,025,000	0.75	1.00	1,025,000	0.74	1.00
Options exercisable, end of period	1,008,333	0.75	1.00	1,008,333	0.74	1.00

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
$	C$			
0.75	1.00	1,025,000	1.09	1,008,333
0.75	1.00	1,025,000	1.09	1,008,333

(expressed in US dollars)

Stock based compensation and contributed surplus

During the three months ended March 31, 2017 stock-based compensation of $421 (March 31, 2016 – $1,263) was charged to the consolidated statement of comprehensive income.

Warrants

As at March 31, 2017, 850,000 (December 31, 2016 – 850,000) share purchase warrants were outstanding. These warrants were issued to the investors and the Company's advisor for successful placement of subordinated debentures amounting to $4 million in 2013. Each warrant is convertible into one ordinary share of the Company, is exercisable at a price of C$0.36 ($0.27) per share and will expire on April 30, 2018. The fair value was determined using the Black-Scholes Option Pricing Model with the assumptions referred to in note 11 (c).

15 Contingencies and commitments

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

Commitments

	March 31, 2017 $	December 31, 2016 $
Minimum capital commitments related to exploration licenses	4,097,000	4,097,000
Commitments under approved AFEs	145,200	145,200
Commitment under sale purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under operating leases		
Not later than one year	49,475	49,498
Later than one year and less than five years	28,999	36,164
Later than five years	-	-
	4,321,674	4,328,862

Breakdown of minimum capital commitments related to exploration licenses

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

16 Cost of production

	March 31, 2017 $	March 31, 2016 $
Production costs	596,243	727,444
Depletion of oil and gas properties (note 8)	741,437	676,976
	1,337,680	1,404,420

(expressed in US dollars)

17 General and administrative expenses

	March 31, 2017 $	March 31, 2016 $
Employees' benefits	379,854	330,258
Directors' compensation	83,179	16,648
Amortization and depreciation	24,664	16,400
Legal and professional charges	40,155	358,931
Travelling expenses	33,813	38,737
Consultancy	69,353	139,484
Office rent and utilities	13,625	44,998
Other expenses	25,307	83,084
	669,950	1,028,540

18 Finance costs

	March 31, 2017 $	March 31, 2016 $
Interest on amounts due to related parties	251,449	103,212
Interest on borrowings	394,210	290,243
Accretion on assets retirement obligation	18,966	13,849
Currency translation exchange (gain) / loss - net	(70,151)	618,736
Interest on late payment of cash calls to operators	-	84,954
	594,474	1,110,994

19 Loss per share

	March 31, 2017 $	March 31, 2016 $
Net loss for the period	(277,114)	(1,865,324)
Weighted average number of outstanding shares	69,076,328	69,076,328
Loss per share	(0.00)	(0.03)

For the three months ended March 31, 2017 and 2016, 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

a) Financial risk factors

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual financial statements; they should be read in conjunction with the Company’s consolidated annual audited financial statements for the year ended December 31, 2016. There has been no change in the risk management policies since December 31, 2016.

b) Fair value of financial assets and liabilities

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

21 Transactions with related parties

The Company's related parties include its majority shareholder, EPL. Amount due from / (to) related parties have been disclosed under respective receivable and payable balances. Related parties and their relationship with the Company are as follows:

Majority Shareholder
- Eastern Petroleum Limited

Wholly owned subsidiaries
- Spud Energy Pty Limited
- PetExPro Ltd.
- Frontier Oil and gas Holdings Limited
- Frontier Holdings Limited

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:

(expressed in US dollars)

	March 31, 2017 $	December 31, 2016 $
Transactions with Majority Shareholder - EPL		
Balance payable at beginning of the period	9,424,843	10,175,454
Loan repaid during the period	(825,000)	(1,741,667)
Interest accrued on loan from shareholder	251,449	300,305
Exchange gain on retranslation of shareholder loan	-	467,544
Extinguishment of shareholder loan	-	(9,208,303)
Recognition of new shareholder loan at fair value	-	9,180,468
Interest for the period	-	256,900
Amount paid on behalf of EPL during the period	-	(5,858)
Balance payable at end of the period	8,851,292	9,424,843
Transactions with Associated Entity – JS Bank Limited		
Old facilities		
Balance payable at beginning of the period	-	2,905,276
Loan received during the period	-	-
Interest accrued	-	11,970
Interest paid during the period	-	(62,363)
Principal repaid during the period	-	(2,886,550)
Exchange loss / (gain) on retranslation of period	-	31,667
Balance payable at end of the period	-	-
Syndicated Credit Facility		
Balance payable at beginning of period	4,769,529	-
Loan received during the period	1,557,073	4,698,213
Mark-up accrued during the period	136,441	397,923
Mark-up paid during the period	(105,766)	(275,609)
Exchange gain on retranslation of loan	(4,702)	(50,998)
Balance payable at end of the period	6,352,575	4,769,529

	March 31, 2017 $	March 31, 2016 $
Key management personnel compensation		
Management salaries and benefits	113,898	102,837
Director's fees and compensation	83,179	16,648
	197,077	119,485

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

(expressed in US dollars)

	2017 %	2016 %
Net sales		
SNGPL	-	6
Engro	9	15
SSGCL	91	79
Trade receivables		
SNGPL	1	3
Engro	7	16
SSGCL	91	79
Others	1	2

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, 2017			For the three months ended March 31, 2016		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
			--------------------------$----------------------------			
Net revenue	-	2,324,990	2,324,990	-	1,678,630	1,678,630
Cost of production	-	(1,337,680)	(1,337,680)	-	(1,404,420)	(1,404,420)
Gross profit	**-**	**987,310**	**987,310**	**-**	**274,210**	**274,210**
General and administrative expenses	(223,670)	(446,280)	(669,950)	(142,853)	(885,687)	(1,028,540)
Operating profit / (loss)	**(223,670)**	**541,030**	**317,360**	**(142,853)**	**(611,477)**	**(754,330)**
Finance costs	(122,871)	(471,603)	(594,474)	(133,433)	(977,561)	(1,110,994)
Net profit / (loss) for the period	**(346,541)**	**69,427**	**(277,114)**	**(276,286)**	**(1,589,038)**	**(1,865,324)**
Additions during the period						
Property, plant and equipment	-	107,771	107,771	-	452,291	452,291
Exploration and evaluation assets	-	165,266	165,266	-	584,812	584,812

	As at March 31, 2017			As at March 31, 2016		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
			--------------------------$----------------------------			
Segment assets	374,320	54,131,733	54,506,053	523,746	49,981,437	50,505,183
Segment liabilities	4,567,048	36,135,824	40,702,872	4,027,905	32,743,794	36,771,699