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Jura Energy Corporation

Consolidated Financial Statements
For the Years Ended
December 31, 2017 and 2016
(expressed in US dollars)

JURA ENERGY CORPORATION

MANAGEMENTS' REPORT

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

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

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

"Signed"	*"Signed"*
Muhammad Nadeem Farooq	Muhammad Arif Siddiq
Interim Chief Executive Officer	Interim Chief Financial Officer

April 30, 2018

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April 27, 2018

Independent Auditor's Report

To the Shareholders of Jura Energy Corporation

We have audited the accompanying consolidated financial statements of Jura Energy Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 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 and its subsidiaries as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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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

Jura Energy Corporation
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

(expressed in US dollars)

	December 31, 2017 $	December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents	4,524,499	179,913
Restricted cash (note 3)	1,097,351	1,053,561
Accounts and other receivables (note 4)	2,801,776	1,634,647
	8,423,626	2,868,121
Non-current assets		
Property, plant and equipment (note 5)	46,645,784	44,917,569
Exploration and evaluation assets (note 6)	1,981,838	5,218,406
Intangible assets (note 8)	-	14,014
Long-term receivables (note 9)	315,160	161,473
Total assets	57,366,408	53,179,583
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	13,534,116	12,032,735
Borrowings (note 11)	7,036,862	2,041,926
Amounts due to related parties (note 12)	21,969	-
	20,592,947	14,074,661
Non-current liabilities		
Borrowings (note 11)	9,244,003	12,251,598
Amounts due to related parties (note 12)	11,379,823	9,437,368
Asset retirement obligation (note 14)	3,391,415	3,336,082
Total liabilities	44,608,188	39,099,709
Shareholders' equity		
Share capital (note 15)	65,203,045	65,203,045
Contributed surplus (note 15)	345,975	342,693
Warrants (note 15)	117,672	117,672
Accumulated deficit	(52,908,472)	(51,583,536)
Total shareholders' equity	12,758,220	14,079,874
Total equity and liabilities	57,366,408	53,179,583

Going concern (note 2)
Contingencies and commitments (note 16)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
Muhammad Nadeem Farooq
Interim CEO and Director

"Signed"
Stephen C. Smith
Director

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

Jura Energy Corporation

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2017 and 2016

(expressed in US dollars)

	December 31, 2017 $	December 31, 2016 $
Net revenue (note 17)	9,255,214	5,461,477
Cost of production (note 18)	(5,445,886)	(5,340,117)
Gross profit	3,809,328	121,360
Expenses		
General and administrative expenses (note 19)	(2,826,639)	(6,068,289)
Net reversal of impairment of property, plant and equipment (note 5)	-	13,022,162
Impairment of exploration and evaluation assets (note 7)	-	(6,916,212)
Exploration and evaluation costs written off (note 6)	(8,382)	(8,406)
Gain on extinguishment of the shareholder loan	-	27,835
Operating profit	974,307	178,450
Finance costs – net (note 20)	(2,299,243)	(1,698,928)
Loss before income tax	(1,324,936)	(1,520,478)
Income tax (note 21)	-	-
Total comprehensive loss for the year	(1,324,936)	(1,520,478)
Loss per share (note 22)		
Basic and diluted	(0.02)	(0.02)
Going concern (note 2)		

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, 2017 and 2016

(expressed in US dollars)

	December 31, 2017 $	December 31, 2016 $
Cash provided by / (used in)		
Operating activities		
Net loss for the year	(1,324,936)	(1,520,478)
Adjustments for:		
Depletion, depreciation and amortization	2,926,935	2,241,072
Net reversal of impairment of property, plant and equipment	-	(13,022,162)
Impairment of exploration and evaluation assets	-	6,916,212
Accrued finance costs	2,741,049	1,977,945
Gain on settlement of shareholder loan	-	(27,835)
Stock-based compensation	3,282	2,807
Exploration and evaluation costs written off	8,382	8,406
Net unrealized exchange (gain) / loss on borrowings and amounts due to related parties	(735,559)	389,669
Funds flow	3,619,153	(3,034,364)
Changes in working capital		
(Increase) / decrease in accounts and other receivables	(555,243)	4,603,524
Increase in accounts payable and accrued liabilities	4,293,956	1,574,893
Increase in restricted cash	(43,790)	(1,053,561)
Net cash generated from operating activities	7,314,076	2,090,492
Investing activities		
Property, plant and equipment	(4,143,530)	(7,372,738)
Exploration and evaluation assets	(847,800)	(972,763)
Changes in long-term receivables	(715)	(175)
Net cash used in investing activities	(4,992,045)	(8,345,676)
Financing activities		
Amounts due to related parties–proceeds	1,848,259	-
Amounts due to related parties–repayment	(825,000)	(4,634,075)
Borrowings–proceeds	4,365,545	10,458,946
Borrowings–repayment	(1,938,929)	(22,447)
Finance costs paid	(1,427,320)	(1,091,233)
Net cash generated from financing activities	2,022,555	4,711,191
Net increase / (decrease) in cash and cash equivalents	4,344,586	(1,543,993)
Cash and cash equivalents at beginning of the year	179,913	1,723,906
Cash and cash equivalents at end of the year	4,524,499	179,913

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, 2017 and 2016

(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 year	-	-	(1,520,478)	-	-	(1,520,478)
Stock-based compensation (note 15)	-	-	-	2,807	-	2,807
Balance at December 31, 2016	69,076,328	65,203,045	(51,583,536)	342,693	117,672	14,079,874
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 year	-	-	(1,324,936)	-	-	(1,324,936)
Stock-based compensation (note 15)	-	-	-	3,282	-	3,282
Balance at December 31, 2017	69,076,328	65,203,045	(52,908,472)	345,975	117,672	12,758,220

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

(expressed in US dollars)

1 Company and its operations

Jura Energy Corporation ("JEC" or the "Company") is listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol "JEC". The registered office of 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"), PetExPro Ltd. (*formerly Frontier Acquisition Company Limited*) ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL").

On December 2, 2016, the name of Frontier Acquisition Company Limited was changed to PetExPro Ltd. FOGHL was incorporated as an investment holding company under the *Companies Act 2001* of Mauritius on December 30, 2016. FOGHL is owned 100% by JEC.

These consolidated financial statements were approved and authorized for issue by the Company's board of directors on April 26, 2018.

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 lease	60.00%	Spud Energy Pty Limited
Suri lease	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 lease	10.66%	Oil & Gas Development Company Limited
Maru lease	10.66%	Oil & Gas Development Company Limited
Maru South lease	10.66%	Oil & Gas Development Company Limited
Ayesha lease	27.50%	Petroleum Exploration (Private) Limited
Aminah lease	27.50%	Petroleum Exploration (Private) Limited
Ayesha North lease	27.50%	Petroleum Exploration (Private) Limited
Kandra exploration license	35.00%	Petroleum Exploration (Private) Limited
Guddu exploration license	13.50%	Oil & 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 August 12, 2016, FHL, Petroleum Exploration (Private) Limited ("PEL") and SEPL entered into a Settlement Agreement (the "Agreement") pursuant to which FHL and SEPL have agreed to transfer their working interest in the Kandra lease and Badar lease respectively to PEL.

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 $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 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 $12.17 million at December 31, 2017 (2016 – $11.21 million). During the year, the Company reported a net loss of $1.32 million (2016 – $1.52 million). As at December 31, 2017, the Company has an accumulated deficit of $52.91 million (2016 – $51.58 million). In addition to its ongoing working capital requirements, the Company also has financial commitments as at December 31, 2017, that amounted to $5.12 million (2016 – $4.33 million) *(see "Commitments – note 16").* Additional cash resources will be required to exploit the Company's petroleum and natural gas properties.

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

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

During 2016, SEPL entered into two Musharaka Agreements with Al Baraka Bank (Pakistan) Limited ("Al Baraka"), pursuant to a syndicated credit facility arrangement (the "Syndicated Credit Facility"), as lead arranger, in the amount of up to PKR 1,060 million (approximately $9.59 million).

In February 2017, SEPL entered into a third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, in the amount of up to PKR 170 million (approximately $1.54 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately $9.59 million) to PKR 1,230 million (approximately $11.13 million).

In August 2017, SEPL entered into a supplemental third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, resulting in an increase in the Syndicated Credit Facility from PKR 1,230 million (approximately $11.13 million) to PKR 1,530 million (approximately $13.85 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 the first disbursement i.e. January 19, 2016, except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears commencing October 26, 2018.

In November 2017, SEPL entered into a term finance facility with JS Bank Limited (the "JS Bank Facility") in the amount of up to PKR 200 million (approximately $1.81 million). The facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in twelve equal quarterly installments in arrears, commencing fifteen months after the date of the first disbursement i.e. November 14, 2017. Subsequent to the year end, in April 2018, SEPL, JEC and JS Energy Limited ("JSEL") (*formerly Eastern Petroleum Limited*), the principal shareholder entered into a short-term loan agreement for an amount of $2 million *(see "Subsequent Events – note 27 (b)")*.

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 consolidated financial statements.

These consolidated 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) Statement 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

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.

Revenue from Contracts with Customers

In May 2014, The IASB has issued a new standard IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**"). This new standard replaces IAS 18 – Revenue and IAS 11 – Construction Contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS 15 is effective for financial years commencing on or after January 1, 2018. Jura will adopt IFRS 15 in its consolidated financial statements for the year ending December 31, 2018, using the cumulative effect method whereby Jura will apply the new standard as of the date of initial application with no restatement of comparative periods. The cumulative effect method adjusts the effects on revenue and expenses to the opening balance of retained earnings as at January 1, 2018. Jura expects that the implementation of the new standard will result in a material change in revenue related to Guddu block.

Jura is in the process of performing an assessment of IFRS 15 and evaluating the effect of adopting the new standard on its consolidated financial statements. Jura has identified revenue streams and is assessing the appropriate method of revenue recognition under the new standard. This involves the assessment of the expected amount of consideration. Prior to fiscal 2018, Jura recognized revenue on account of gas sales from Guddu block on the basis of the gas price determined under the 2009 Petroleum Policy, however, under the revised standard the Company will be able to recognize revenue from Guddu block based on the expected amount of consideration. The net impact to the consolidated financial statements will be $1.96 million.

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, with additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. The company will adopt this standard on the effective date of January 1, 2018. IFRS 9 will replace the multiple classification and measurement models for financial assets that currently exist under IAS 39 Financial Instruments, and the basis on which financial assets are measured will determine their classification as either, at amortized cost, fair value through profit and loss, or fair value through other comprehensive income. The Company is currently assessing and evaluating the impacts of the new standard on the consolidated financial statements.

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 the performance of the operating segments, has been identified as the board of directors (the “Board”).

iii) Foreign currency transactions

a) Functional and Presentation Currency

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

b) Foreign currency transactions and translations

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

iv) Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 the 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 the available reservoir and well information. Proved and probable reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Changes to the estimates of proved and probable reserves, affect the amount of depletion recorded in the financial statements for oil and gas properties related to hydrocarbon production activities.

d) Asset retirement obligation

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

e) Recognition of deferred tax assets

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

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

f) Measurement of share-based payments

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

Critical judgements in applying the entity's accounting policies

g) Determination of cash generating units for impairment testing

For the purpose of impairment testing, oil and gas properties are aggregated into CGUs, based on separately identifiable and largely independent 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 the reporting date.

j) Determination of functional currency

The determination of the functional currency of the Company is critical and requires significant judgment, since the recording of transactions and exchange differences arising therefrom 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 de-consolidated from the date that control ceases. SEPL, PEPL, FOGHL 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 the 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 to Government of Pakistan or its nominated buyers is recognized based on prices notified by the Government of Pakistan. Revenue from the sale of petroleum products to a third party is recognized based on price contracted with that third party.

vii) Income tax

The tax expense for the period comprises a 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%
Motor 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 8. 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 a 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 the 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) 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 income / (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 income / (loss) on a straight-line basis over the period of the lease.

xxv) 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.

xxvi) Dividends

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

xxvii) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a 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.

(expressed in US dollars)

xxviii) 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, 2017 has been categorized as follows:

a) 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.

xxix) 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 Restricted cash

	December 31, 2017 $	December 31, 2016 $
Term deposits (note 3 a)	200,000	200,000
Cash reserve fund (note 3 b)	897,351	853,561
	1,097,351	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 grant of petroleum exploration license. These funds are not available for general corporate purposes.

b) This represents cash reserve funds of (i) $871,518 (2016: $853,561) maintained with Al Baraka pursuant to the terms of the Syndicated Credit Facility (*refer to note 11(a) for further details*) and (ii) $25,833 (2016: $nil) maintained with JS Bank Limited, a related party, pursuant to the terms of JS Bank term finance facility (*refer to note 12(b) for further details*).

(expressed in US dollars)

4 Accounts and other receivables

	December 31, 2017	December 31, 2016
	$	$
Trade receivables (note 4 a)	1,641,737	1,171,130
Due from related parties (note 4 b)	830,743	830,743
Prepayments	27,492	46,621
Security deposit	45,865	64,348
Receivable from Government Holdings (Private) Limited (note 4 c)	611,886	-
Other receivables	462,271	340,023
	3,619,994	2,452,865
Provision for impairment (note 4 b)	(818,218)	(818,218)
	2,801,776	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 (2016 – $818,218 and $12,525) receivable from Energy Exploration Limited ("EEL") and JSEL respectively. The balances are receivable on demand and carry no interest.

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

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

5 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
Year ended December 31, 2017						
Additions during the year	648,729	9,013	-	-	9,219	666,961
Transferred from exploration and evaluation assets	3,974,175	-	-	-	-	3,974,175
Depletion / depreciation for the year	(2,827,242)	(4,020)	(2,574)	(7,959)	(71,126)	(2,912,921)
Carrying amount at December 31, 2017	46,427,813	10,495	5,590	5,953	195,933	46,645,784
Cost	57,926,687	103,792	24,011	48,949	356,405	58,459,844
Accumulated depletion, depreciation and impairment	(11,498,874)	(93,297)	(18,421)	(42,996)	(160,472)	(11,814,060)
Net book value at December 31, 2017	46,427,813	10,495	5,590	5,953	195,933	46,645,784
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						

(expressed in US dollars)

Additions during the year	2,659,019	2,635	-	-	272,968	2,934,622
Addition in estimate of asset 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%	

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

	December 31, 2017	December 31, 2016
	$	$
Leasehold motor vehicles		
Cost	282,187	272,968
Accumulated depreciation	(88,728)	(32,448)
Carrying amount at end of year	193,459	240,520

a) Impairment of property, plant and equipment

At the reporting date, the market capitalization fell below the carrying value of net assets of the Company. Resultantly, the management carried out an impairment test for the two cash-generating units ("CGUs"), comprising the Company's development and production properties in Pakistan falling in Zone II and Zone III respectively, in accordance with the accounting policy stated in note 2(xvi). The recoverable amount of the CGUs has been determined based on fair value less estimated cost to sell calculations. These calculations require the use of estimates. The present value of future cash flows was computed by applying forecast prices of gas reserves to the estimated future production of proved and probable oil and gas reserves, less estimated future expenditures to be incurred in developing and producing the proved and probable reserves. Based on this calculation, no impairment is required to be recognized in respect of said CGUs.

6 Exploration and evaluation assets

	December 31, 2017	December 31, 2016
	$	$
Balance at beginning of the year	5,218,406	12,127,275
Additions / (adjustments) during the year	745,989	(205,178)
Impairment for the year	-	(6,916,212)
Transferred to property, plant and equipment	(3,974,175)	-
Additions in estimate of asset retirement obligation	-	220,927
Exploration and evaluation assets written off (note 6 a)	(8,382)	(8,406)
Carrying amount at end of the year	1,981,838	5,218,406

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

b) In 2016, the Directorate General of Petroleum Concessions ("DGPC") issued a notice to M/s Heritage Oil & Gas Limited, the operator of Sanjawi and Zamzama North exploration licenses (the "Operator"), to remedy the breach of failing to discharge the minimum work commitments and financial obligations in the Zamzama North Exploration License as stipulated in the Petroleum Concession Agreement ("PCA") and applicable Pakistan Petroleum (Exploration and Production) Rules 2001 (Rules). Thereafter, DGPC issued a show cause notice to the Operator to explain as to why the Zamzama North Exploration License / PCA may not be revoked. The Operator responded to DGPC that the Joint Venture ("JV") partners do not intend to challenge the proposed revocation of the License and PCA, however, the JV partners will not under any circumstance accept that they have or should incur any further liability towards the Government or DGPC in relation to or arising from the license, PCA or under the Rules because the reasons which prevented the Operator from discharging its obligations under the License and PCA were outside the control of the Operator and the JV partners.

Further, DGPC issued a notice of termination to the Operator in respect of the Sanjawi Exploration License and required the Operator to, among other conditions, settle payment of all outstanding work obligations and other financial obligations, as stipulated in the PCA, arising prior to the date of declaration of *force majeure*. The Operator responded that the obligations have either already been fully discharged or are otherwise not applicable, given the historical facts leading up to the formal declaration of the *force majeure*. Therefore, the obligations set out in the notice of termination do not apply.

The management, along with the JV partners, is pursuing the matter with DGPC and is confident that there will be no financial and other obligation in respect of the above notices because the reasons resulting in the breaches were not in the control of the JV partners. Further, the management, based on legal advice, is of the view that the Company is not liable to pay liquidated damages in respect of the undischarged work commitments until completion of assignment of the working interests in Zamzama North and Sanjawi exploration licenses to the Company, which is currently pending. Accordingly, the Company has no exposure to any obligation resulting from the notices given by DGPC.

c) The Phase I of the initial term of the Badin IV North exploration license expired on December 6, 2017. In terms the provisions of Badin IV North PCA, the JV exercised the option to enter Phase II of the initial term of the exploration license and submitted a renewal application to DGPC for the approval of Phase-II on October 16, 2017. The approval of the application filed with DGPC is pending as of the date of approval of these financial statements. The management believes that based on the related provisions of Badin IV North PCA, the exploration license has been and will remain valid until regularization of license into Phase II by the DGPC. As a result, thereof, no derecognition or impairment of exploration and evaluation assets related to Badin IV North is required as at December 31, 2017.

7 Settlement with Petroleum Exploration (Private) Limited

On August 12, 2016, FHL, PEL and SEPL entered into a Settlement Agreement (the "Agreement") providing terms for the settlement of all disputes between FHL and PEL. PEL is the operator of FHL's Badin IV North, Badin IV South, Ayesha and Kandra working interests and SEPL's Badar working interest. In connection with the settlement of the disputes, FHL, SEPL and PEL have agreed to the following:

a) the two arbitration matters between FHL and PEL before the International Chamber of Commerce (the "Arbitrations") have been withdrawn;
b) each party shall bear their own legal and other costs with respect to the Arbitrations and the settlement, and neither party shall claim reimbursement of such costs from the other party;
c) PEL has irrevocably withdrawn the default notice and forfeiture notices served to FHL with respect to the Badin IV South exploration license ("Badin IV South");
d) PEL has irrevocably withdrawn the application submitted to the Government of Pakistan seeking assignment to PEL of FHL's working interest in Badin IV South;
e) PEL has agreed to pay certain current and future exploration and development costs attributable to FHL's working interest share of expenditures under the Kandra Development and Production Lease and the Badin IV North and Badin IV South exploration licenses;
f) PEL has agreed to pay certain development costs attributable to FHL's working interest share of expenditure in the Ayesha Development and Production Lease and the Aminah and Ayesha North gas discoveries in Badin IV South;
g) PEL has agreed to carry a certain percentage of FHL's working interest in the drilling of an exploration well in the Kandra Development and Production Lease;
h) FHL has agreed to waive their audit rights in relation to certain past costs;

(expressed in US dollars)

i) SEPL has agreed to sell its working interest in the Badar Mining Lease to PEL for cash consideration payable upon completion of the transfer, which is subject to customary approvals in Pakistan; and
j) FHL has agreed to transfer its entire working interest in the Kandra Development and Production Lease and assign its interest in Kandra Power Company to PEL.

As a result of the settlement, an impairment of $7,229,050 ($312,838 in respect of property, plant and equipment and $6,916,212 in respect of exploration and evaluation assets) has been recognized in the statement of comprehensive income / (loss).

8 Intangible assets

	December 31, 2017 $	December 31, 2016 $
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	(62,410)	(47,126)
Amortization for the year	(14,014)	(15,284)
At end of the year	**(76,424)**	**(62,410)**
Net book value	**-**	**14,014**
Annual rate of amortization (%)	20%	20%

9 Long-term receivables

	December 31, 2017 $	December 31, 2016 $
Advance tax	162,188	161,473
Receivable from Government Holdings (Private) Limited (note 4 c)	152,972	-
	315,160	161,473

10 Accounts payable and accrued liabilities

	December 31, 2017 $	December 31, 2016 $
Trade payables	762,115	1,553,297
Due to concession operators	4,245,186	4,746,602
Royalty payable	3,179,922	2,142,055
Sales tax payable	422,041	117,226
Accrued liabilities	820,620	438,745
Deferred revenue (note 10 a)	2,632,428	1,704,954
Other payables	1,471,804	1,329,856
	13,534,116	12,032,735

a) Deferred revenue represents (i) $669,387 (2016 - $60,612) collected on behalf of PEL in respect of gas sales attributable to the Company's 7.89% working interest in Badar, net of royalty, which is to be transferred to PEL pursuant to the terms of Settlement Agreement dated August 12, 2016 and (ii) $1,963,041 (2016 - $1,644,342) representing excess revenue receipts, from Engro Fertilizers Limited ("the buyer") on account of gas sale from the Reti, Maru and Maru South leases (the "fields"). Pursuant to certain amendments made in the 2012 Petroleum Policy, the eventual gas price of the fields may be lower than the provisional gas price stipulated under the Gas Sale and Purchase Agreement ("GSA") agreed with the buyer. Pending final gas price notification, the production from the fields is invoiced at the provisional price under the GSA.

(expressed in US dollars)

11 Borrowings

	December 31, 2017 $	December 31, 2016 $
Current		
Syndicated credit facilities (note 11 a)	2,965,022	1,997,535
Finance lease obligations (note 11 b)	45,785	44,391
Subordinated debentures (note 11 c)	4,026,055	-
	7,036,862	2,041,926
Non-current		
Syndicated credit facilities (note 11 a)	9,114,618	8,113,872
Finance lease obligations (note 11 b)	129,385	176,026
Subordinated debentures (note 11 c)	-	3,961,700
	9,244,003	12,251,598
Total borrowings	16,280,865	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 $ 6.79 million). On April 8, 2016, SEPL entered into a First Supplemental Musharaka Agreement, pursuant to which the facility amount in respect of the Zarghun South lease was increased from PKR 750 million (approximately $6.79 million) to PKR 960 million (approximately $8.69 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 $0.90 million) resulting in an increase in the Syndicated Credit Facility from PKR 960 million (approximately $8.69 million) to PKR 1,060 million (approximately $9.59 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 $1.54 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately $9.59 million) to PKR 1,230 million (approximately $11.13 million).

Subsequently, SEPL entered into a supplemental third Musharaka Agreement in respect of the Zarghun South-3 development well under the Syndicated Credit Facility, resulting in an increase in the Syndicated Credit Facility from PKR 1,230 million (approximately $11.13 million) to PKR 1,530 million (approximately $13.85 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 the first disbursement i.e. January 19, 2016, except for the third Musharaka Agreement, the principal of which is repayable in twelve equal quarterly installments in arrears commencing October 26, 2018. The Syndicated Credit Facility is secured by way of the first charge on all present and future fixed assets of SEPL, an assignment of receivables originating from sale of gas from the Badar, Reti-Maru and Zarghun South leases in favour of Al Baraka, acting on behalf of the participants, lien on a cash reserve fund and a corporate guarantee by JEC. The Syndicate includes JS Bank Limited, a related party, with the participation of PKR 670 million (approximately $6.06 million).

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

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

(expressed in US dollars)

As at December 31, 2017, SEPL was in compliance with all the financial covenants.

b) In February 2016, SEPL entered into a Diminishing Musharaka facility with Al Baraka for the lease of vehicles for the Company's employees, in the amount of up to PKR 42 million (approximately $0.38 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:

	December 31, 2017 $	December 31, 2016 $
Within one year	59,912	62,779
Later than one year but not later than five years	144,291	205,215
Later than five years	-	-
Minimum lease payments	**204,203**	**267,994**
Future interest payments	(29,033)	(47,577)
Recognized as liability	**175,170**	**220,417**

The present value of finance lease liabilities is as follows:

Within one year	45,785	44,391
Later than one year but not later than five years	129,385	176,026
Later than five years	-	-
Minimum lease payments	**175,170**	**220,417**

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 May 24, 2013, the closing date, determined using the Black-Scholes Option Pricing Model. The share purchase warrants will expire on April 30, 2018. The assumptions used in the calculation of fair value of C$0.14 per share purchase warrants are:

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

12 Amounts due to related parties

	December 31, 2017 $	December 31, 2016 $
Current		
JS Bank term finance facility (note 12 b)	21,969	-
	21,969	-
Non-current		
Shareholder loan (note 12 a)	9,615,376	9,437,368
JS Bank term finance facility (note 12 b)	1,764,447	-
	11,379,823	9,437,368
Total amounts due to related parties	11,401,792	9,437,368

(expressed in US dollars)

a) This represents an unsecured loan from the majority shareholder of the Company, JSEL. The principal and accrued interest outstanding at any time bear interest at the rate of 11% per annum compounded quarterly. The principal and accrued interest were due for repayment in four quarterly installments commencing January 1, 2018. The shareholder has provided a written undertaking to the Company, pursuant to which the loan shall not be called for repayment for a minimum period of twelve months from the date of approval of these financial statements.

Further, JSEL has the option to convert, in whole or in part, the principal and accrued interest under the facility for a subscription of JEC shares, on the basis of one JEC share for each C$1.00 so converted ("the Conversion Option") subject to the restriction that, during any six month period, the aggregate number of JEC shares issuable to JSEL under the conversion option may not exceed 10% of the number of JEC shares outstanding, on a non-diluted basis, prior to the date of the first conversion.

At December 31, 2017, the loan comprised two components: (i) the host agreement and (ii) the embedded derivative representing the written option to JSEL to convert the loan amount into JEC shares. The host agreement has been accounted for using the amortized cost method and the embedded derivative has been accounted for at fair value determined using the Black-Scholes Option Pricing Model. The fair value of the embedded derivative at December 31, 2017, was $nil (December 31, 2016 – $nil).

b) On November 14, 2017, SEPL entered into term finance facility with JS Bank Limited in the amount of up to PKR 200 million (approximately $1.81 million). The facility carries mark-up at the rate of 3-month Karachi Interbank Offered Rate ("KIBOR") plus 2.75%. The principal is repayable in twelve equal quarterly installments in arrears, commencing fifteen months after the date of the first disbursement i.e. November 14, 2017. The facility is secured by way of ranking charge on all present and future fixed assets of SEPL, first charge on all present and future assets of FHL, oral assignment of receivables originating from sale of gas from the Badar, Reti-Maru, Zarghun South, Badin IV North and Badin IV South leases and lien on a cash reserve fund and a corporate guarantee by JEC.

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

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

As at December 31, 2017, SEPL was in compliance with all the financial covenants.

13 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 December 31, 2017				
Amounts due to related parties				
Shareholder loan	9,615,376	-	9,615,376	-
JS Bank term finance facility	1,786,416	21,969	1,764,447	
Borrowings				
Syndicated credit facilities	12,079,640	2,965,022	9,114,618	-
Finance lease obligations	175,170	45,785	129,385	-
Subordinated debentures	4,026,055	4,026,055	-	-
	27,682,657	7,058,831	20,623,826	-

(expressed in US dollars)

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.

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

Currency	**December 31, 2017**	**December 31, 2016**
	$	**$**
United States Dollars	13,641,431	13,399,068
Pakistan Rupee	14,041,226	10,331,824
	27,682,657	**23,730,892**

14 Asset retirement obligation

	December 31, 2017	**December 31, 2016**
	$	**$**
Balance at beginning of the year	3,336,082	2,564,356
Additions during the year	97,774	632,840
Revisions due to change in estimates	(118,721)	83,245
Accretion on asset retirement obligation	76,280	55,641
Carrying amount at end of the year	3,391,415	3,336,082

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 $3,444,349 which is expected to be incurred between 2020 and 2029.

A risk-free rate of interest ranging between 1.98% to 2.44% and inflation at an annual rate of 2.1% 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 $0.25 million.

15 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, 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.

(expressed in US dollars)

	Year ended December 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 year	1,025,000	0.74	1.00	1,025,000	0.72	1.00
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	(250,000)	0.74	1.00	-	-	-
Options outstanding, end of year	775,000	0.80	1.00	1,025,000	0.74	1.00
Options exercisable, end of year	775,000	0.80	1.00	1,008,333	0.74	1.00

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
$	C$			
0.80	1.00	775,000	0.63	775,000
0.80	1.00	775,000	0.63	775,000

Restricted Share Units

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

During the year, the Company granted 368,086 restricted share units to its directors.

Stock-based compensation and contributed surplus

During the year ended December 31, 2017, stock-based compensation of $3,282 (December 31, 2016: $2,807) was charged to the consolidated statement of comprehensive income.

Warrants

As at December 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 at an exercise price of C$0.36 ($0.29) per share and will expire on April 30, 2018. The fair value was determined using the Black-Scholes Option Pricing Model with the assumptions referred to in note 11(c).

16 Contingencies and commitments

Bank guarantees issued to the Government of Pakistan

A bank guarantee of PKR 19 million (2016: PKR 19 million), equivalent $0.17 million, has been issued to the Directorate General Petroleum Concessions in respect of minimum work commitments under the Badin IV South exploration license.

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

(expressed in US dollars)

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.

Commitments

	December 31, 2017 $	December 31, 2016 $
Minimum capital commitments related to exploration licenses	4,487,775	4,097,000
Commitments under approved AFEs	593,952	145,200
Commitment under sale purchase agreement for the acquisition of EEL	1,000	1,000
Commitments under operating leases		
Not later than one year	20,934	49,498
Later than one year and less than five years	13,365	36,164
Later than five years	-	-
	5,117,026	4,328,862

Breakdown of minimum capital commitments related to exploration licenses

	2018 $	2019 $	2020 $	Total $
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	746,025	-	-	746,025
	2,638,275	94,500	1,755,000	4,487,775

17 Net revenue

Net revenue represents the sale of gaseous hydrocarbons from the Reti, Maru, Maru South, Maru East, Khamiso and Zarghun South gas fields net of royalty amounting to $1,326,947 (December 31, 2016: $768,884).

18 Cost of production

	December 31, 2017 $	December 31, 2016 $
Production costs	2,618,644	3,177,515
Depletion of oil and gas properties (note 5)	2,827,242	2,162,602
	5,445,886	5,340,117

19 General and administrative expenses

	December 31, 2017 $	December 31, 2016 $
Employees benefits	1,399,066	1,162,516
Directors' compensation	144,811	162,570
Amortization and depreciation	99,693	78,470
Legal and professional charges	337,231	2,850,516
Travelling expenses	93,108	200,294
Consultancy (note 19 a)	274,306	761,942
Office rent and utilities	73,287	121,384
Other expenses	405,137	730,597
	2,826,639	6,068,289

a) Consultancy includes an amount of $100,073 and $ 100,074 (2016: $97,618 and $97,619) charged by JS Investment Consultancy FZE and JS North Asia Investment Limited respectively.

(expressed in US dollars)

20 Finance costs - net

	December 31, 2017 $	December 31, 2016 $
Interest on the amounts due to related parties	1,024,977	569,175
Interest on borrowings	1,639,792	1,353,129
Accretion on asset retirement obligation (note 14)	76,280	55,641
Currency translation exchange (gain) / loss	(959,910)	305,566
Interest / (adjustment) on late payment of cash calls to operators	518,104	(584,583)
	2,299,243	1,698,928

21 Income tax

Current tax

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

Future tax

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

	December 31, 2017 $	December 31, 2016 $
Current income tax expense (recovery):		
Net profit / (loss) before income tax	(1,324,936)	(1,520,478)
Federal and provincial statutory rates	27.00%	27.00%
Expected income tax recovery	(357,733)	(410,530)
Foreign tax rate differential	11,995	11,342
Non-deductible payments and provisions	18,443	151,206
Tax losses		
Asset not recognized (note 21 a)	327,295	247,982
	-	-

a) As at December 31, 2017, the Company has consolidated non-capital tax losses of $38.95 million, expiring between 2017 and 2037, which can be used to reduce income taxes otherwise payable in Canada and Pakistan. The entity-wise breakup of tax losses and their expiry as at December 31, 2017 is as follows:

	$	Expiry
Jura Energy Corporation	14,212,604	2027 to 2037
Spud Energy Pty Limited - Pakistan branch	9,595,694	2018 to 2022
Frontier Holdings Limited - Pakistan branch	15,138,560	2019 to 2024
	38,946,858	

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.

(expressed in US dollars)

22 Loss per share

	December 31, 2017 $	December 31, 2016 $
Net loss for the year	(1,324,936)	(1,520,478)
Weighted average number of outstanding shares		
- Basic	69,076,328	69,076,328
- Diluted	69,444,414	69,444,414
Basic and diluted loss per share	(0.02)	(0.02)

For the years ended December 31, 2017 and 2016, 775,000 employee stock options (2016: 1,025,000), 6,907,632 stock option under shareholder loans (2016: 6,907,632) and 850,000 share purchase warrants (2016: 850,000) were excluded from the calculation of diluted shares as they would be anti-dilutive.

23 Financial risk management

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, 2017 $	December 31, 2016 $
PKR		
Bank balances	324,307	18,870
Restricted cash	-	853,561
Accounts and other receivables	480,215	456,482
Accounts payable and accrued liabilities	(4,884,968)	(3,220,391)
Amounts due to related parties	(1,786,416)	-
Borrowings	(12,254,810)	(10,331,824)
Net exposure	**(18,121,672)**	**(12,223,302)**
CAD		
Bank balances	980	6,056
Accounts and other receivables	2,130	30,674
Accounts payable and accrued liabilities	(381,343)	(415,017)
Net exposure	**(378,233)**	**(378,287)**

(expressed in US dollars)

The following significant exchange rates were applied during the year:

PKR per USD		
Average rate	105.50	104.30
Reporting date rate	110.50	104.80
CAD per USD		
Average rate	1.30	1.36
Reporting date rate	1.24	1.35

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 $924,995 (2016: $630,079) 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, 2017	**December 31, 2016**
	$	**$**
Fixed rate instruments		
- Borrowings	4,026,055	3,961,700
- Amounts due to related parties	9,615,376	9,437,368
Floating rate instruments		
- Borrowings	12,254,809	10,331,824
- Amounts due to related parties	1,786,416	-

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 $140,412 (2016: $103,318) 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, 2017	**December 31, 2016**
	$	**$**
Cash at bank	4,523,811	179,389
Restricted cash	1,097,351	1,053,561
Accounts and other receivables	2,954,748	1,634,647
	8,575,910	**2,867,597**

(expressed in US dollars)

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 the 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	2017 $	2016 $
RBC – Canada	Moody's[1]	A1	5,891	63,673
Meezan Bank Limited	JCR-VIS[2]	AA-	842	842
Bank Alfalah Limited	PACRA[3]	AA+	613	614
Askari Bank Limited	PACRA	AA+	1,321	1,321
JS Bank Limited	PACRA	AA-	213,186	6,538
Silk Bank Limited	JCR-VIS	A-	13,764	-
Al Baraka Bank Pakistan Limited	PACRA	A	5,385,545	1,159,962
			5,621,162	**1,232,950**

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

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, 2017, trade receivables of $1,641,737 (2016: $1,171,130) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	December 31, 2017 $	December 31, 2016 $
Up to 3 months	1,641,737	1,171,130
3 to 6 months	-	-
Above 6 months	-	-
	1,641,737	**1,171,130**

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, 2017 and 2016:

	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
December 31, 2017	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	13,534,116	-	-	-	-	13,534,116	13,534,116
Amounts due to related parties	78,027	81,205	11,417,280	1,327,929	-	12,904,441	11,401,792
Borrowings	5,973,756	2,059,474	4,614,840	6,059,232	-	18,707,302	16,280,865
	19,585,899	**2,140,679**	**16,032,120**	**7,387,161**	**-**	**45,145,859**	**41,216,773**

(expressed in US dollars)

	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
December 31, 2016	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	12,032,735	-	-	-	-	12,032,735	12,032,735
Amounts due to related parties	-	-	10,970,389	-	-	10,970,389	9,437,368
Borrowings	1,326,597	1,918,886	7,447,585	6,458,860	-	17,151,928	14,293,524
	13,359,332	**1,918,886**	**18,417,974**	**6,458,860**	**-**	**40,155,052**	**35,763,627**

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.

Fair value of financial assets and liabilities

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

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

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.

Financial instruments by category

Financial assets	**Loans and receivables**	
	December 31, 2017	**December 31, 2016**
	$	**$**
Cash and cash equivalents	4,524,499	179,913
Restricted cash	1,097,351	1,053,561
Accounts and other receivables	2,954,748	1,634,647
	8,576,598	**2,868,121**

Financial liabilities	**Other financial liabilities**	
	December 31, 2017	**December 31, 2016**
	$	**$**
Accounts payable and accrued liabilities	13,534,116	12,032,735
Amounts due to related parties	11,401,792	9,437,368
Borrowings	16,280,865	14,293,524
	41,216,773	**35,763,627**

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

(expressed in US dollars)

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.

24 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
- JS Energy Limited

Wholly owned subsidiaries
- Spud Energy Pty Limited
- PetExPro Ltd. (*formerly Frontier Acquisition Company Limited*)
- Frontier Oil and Gas Holdings Limited
- Frontier Holdings Limited
- 4515226 Canada Inc.
- 1428112 Alberta Ltd.
- Onni Wilson Avenue Development Limited Partnership
- Onni Elmbridge Development Limited Partnership
- Onni The Point Development Limited Partnership
- Onni IOCO Road One Development Limited

Associated entity
- JS Bank Limited
- JS Investment Consultancy FZE
- JS North Asia Investments Limited

Key management personnel

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

	December 31, 2017 $	December 31, 2016 $
Transactions with Majority Shareholder - JSEL		
Balance payable at beginning of the year	9,424,843	10,175,454
Loan repaid during the year	(825,000)	(1,741,667)
Interest accrued on loan from shareholder	1,003,008	300,305
Exchange gain on retranslation of shareholder loan	-	467,544
Extinguishment of the shareholder loan	-	(9,208,303)
Recognition of new shareholder loan at fair value	-	9,180,468
Interest for the year	-	256,900
Amount paid on behalf of EPL during the year	-	(5,858)
Balance payable at end of the year	9,602,851	9,424,843

(expressed in US dollars)

	December 31, 2017 $	December 31, 2016 $
Transactions with Associated Entity – JS Bank Limited		
Old facilities		
Balance payable at beginning of the year	-	2,905,276
Interest accrued during the year	-	11,970
Interest paid during the year	-	(62,363)
Principal repaid during the year	-	(2,886,550)
Exchange loss / (gain) on retranslation of year	-	31,667
Balance payable at end of the year	-	-
Syndicated Credit Facility		
Balance payable at beginning of the year	4,769,529	-
Loan received during the year	1,557,579	4,698,213
Mark-up accrued during the year	573,489	397,923
Mark-up paid during the year	(509,199)	(275,609)
Principal repaid during the year	(892,972)	-
Exchange gain on retranslation of loan	(286,836)	(50,998)
Balance payable at end of the year	5,211,590	4,769,529
Term Finance Facility		
Balance payable at beginning of the year	-	-
Loan received during the year	1,848,259	-
Mark-up accrued during the year	21,969	-
Exchange gain on retranslation of loan	(83,812)	-
Balance payable at end of the year	1,786,416	-
Key Management Compensation		
Management salaries and benefits	506,298	520,606
Directors' fees and compensation	144,811	165,377
	651,109	685,983

25 Principal subsidiaries

The Company had the following subsidiaries at December 31, 2017:

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 Oil and Gas Holdings Limited	Mauritius	Investment holding company	100
PetExPro Ltd.	Bermuda	Intermediate holding company	100
Frontier Holdings Limited	Bermuda Pakistan	Oil and gas exploration and production company	100

26 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, 2017, the Pakistan segment had two main customers, Engro Fertilizers

(expressed in US dollars)

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 years ended December 31, 2017 and 2016 and trade receivables at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Net sales		
SNGPL	-	5%
Engro	7%	15%
SSGCL	92%	79%
Others	1%	1%
Trade receivables		
SNGPL	-	3%
Engro	12%	16%
SSGCL	87%	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 year ended December 31, 2017			For the year ended December 31, 2016		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
			-------------------------$---------------------------			
Net revenue	-	9,255,214	9,255,214	-	5,461,477	5,461,477
Cost of production	-	(5,445,886)	(5,445,886)	-	(5,340,117)	(5,340,117)
Gross profit	**-**	**3,809,328**	**3,809,328**	**-**	**121,360**	**121,360**
General and administrative expenses	(896,770)	(1,929,869)	(2,826,639)	(1,092,726)	(4,975,563)	(6,068,289)
Net reversal / (impairment) of property, plant and equipment	-	-	-	-	13,022,162	13,022,162
Impairment of exploration and evaluation assets	-	-	-	-	(6,916,212)	(6,916,212)
Exploration and evaluation costs written off	-	(8,382)	(8,382)	-	(8,406)	(8,406)
Gain on extinguishment of shareholder loan	-	-	-	-	27,835	27,835
Operating profit / (loss)	**(896,770)**	**1,871,077**	**974,307**	**(1,092,726)**	**1,271,176**	**178,450**
Finance costs	(520,435)	(1,778,808)	(2,299,243)	(514,997)	(1,183,931)	(1,698,928)
Net profit / (loss) for the year	**(1,417,205)**	**92,269**	**(1,324,936)**	**(1,607,723)**	**87,245**	**(1,520,478)**
Additions during the year						
Property, plant and equipment	-	666,961	666,961	-	2,934,622	2,934,622
Exploration and evaluation assets	-	745,989	745,989	-	(205,178)	(205,178)

	As at December 31, 2017			As at December 31, 2016		
		------------$-------------			------------$-------------	
Segment assets	115,609	57,250,799	57,366,408	201,896	52,977,687	53,179,583
Segment liabilities	4,456,375	40,151,813	44,608,188	4,376,716	34,722,993	39,099,709

27 Subsequent events

a) Private placement of debentures

The Company is at an advanced stage of closing a private placement of 3,000 units of new Debentures. Each new Debenture Unit shall comprise a debenture of $1,000 carrying interest at the rate of 11% per annum and 200 warrants of JEC. As consideration for the successful placement of subscription units, the Company shall also issue 50,000 warrants to ARK Point Advisors FZE who acted as placement agent. Interest is payable on the debenture in arrears in equal semi-annual payments on October 30 and on April

30 each year. The repayment of new Debentures will fall due on April 30, 2020, or an earlier date at the option of the Company.

The warrants will be exercisable at a price of C$0.15 per common share of JEC and shall expire on the earlier of: (a) April 30, 2020, (b) the 90th day following the date of redemption by the Company of all outstanding Debentures issued to the subscribers, and (c) the tenth business day following the date on which notice is given by JEC to the subscriber that, during a consecutive 30-day period ending not more than five business days prior to the date of such notice, the closing price of the common shares on the TSX Venture Exchange exceeded C$0.30 on each trading day in such period. As a result of the new Debenture units subscriptions, Jura shall issue a total of 650,000 warrants. The closing of the private placement is planned on April 30, 2018.

b) Short term loan agreement

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

The disbursement under the Loan Agreement and the proceeds of the private placement of debentures will be used to repay the $4 million aggregate principal amount of 11% non-convertible secured subordinated debentures maturing April 30, 2018.