Jura Energy Corporation

Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended
September 30, 2019
(expressed in US dollars)
(Unaudited)

Notice of no auditor review of Condensed Consolidated Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Corporation as at and for the three and nine months ended September 30, 2019 have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

Jura Energy Corporation

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2019 (Unaudited)

(expressed in US dollars)

	September 30, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash and cash equivalents	2,040,425	1,388,243
Restricted cash (note 6)	894,371	1,088,573
Accounts and other receivables (note 7)	6,000,606	5,143,593
	8,935,402	**7,620,409**
Non-current assets		
Property, plant and equipment (note 8)	42,059,421	41,558,898
Right-of-use assets (note 9)	66,508	-
Exploration and evaluation assets (note 10)	4,710,347	4,543,971
Long term receivables	212,468	165,468
Total assets	**55,984,146**	**53,888,746**
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	12,652,451	10,471,909
Borrowings (note 11)	6,683,215	3,411,443
Amounts due to related parties (note 12)	484,408	502,699
	19,820,074	**14,386,051**
Non-current liabilities		
Borrowings (note 11)	1,628,132	7,598,376
Amounts due to related parties (note 12)	14,383,279	13,805,006
Deferred tax liability	2,375,070	1,045,086
Asset retirement obligation (note 14)	2,895,709	2,839,544
Total liabilities	**41,102,264**	**39,674,063**
Shareholders' equity		
Share capital (note 15)	65,203,045	65,203,045
Contributed surplus (note 15)	376,620	366,067
Warrants (note 15)	140,265	140,265
Accumulated deficit	(50,838,048)	(51,494,694)
Total shareholders' equity	**14,881,882**	**14,214,683**
Total equity and liabilities	**55,984,146**	**53,888,746**

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"
Nadeem Farooq
CEO and Director

"Signed"
Stephen C. Smith
Director

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

Jura Energy Corporation

Condensed Consolidated Interim Statements of Comprehensive Income / (Loss)

For the three and nine months ended September 30, 2019 (Unaudited)

(expressed in US dollars)

	Three months ended		Nine months ended	
	September 30, 2019 $	**September 30, 2018 $**	**September 30, 2019 $**	**September 30, 2018 $**
Net revenue	2,600,217	2,685,237	8,071,828	8,089,552
Cost of production (note 17)	(1,205,559)	(1,243,133)	(3,460,977)	(3,944,700)
Gross profit	**1,394,658**	**1,442,104**	**4,610,851**	**4,144,852**
Expenses				
General and administrative expenses (note 18)	(408,619)	(395,688)	(1,230,320)	(1,160,283)
Other income	-	-	-	5,445
Operating profit	**986,039**	**1,046,416**	**3,380,531**	**2,990,014**
Exchange (loss) / gain – net	(206,939)	365,885	1,183,960	1,871,247
Finance costs (note 19)	(1,031,740)	(850,027)	(2,577,861)	(2,649,596)
Profit / (loss) before income tax	**(252,640)**	**562,274**	**1,986,630**	**2,211,665**
Future income tax reversal / (charge) (note 20)	74,701	-	(1,329,984)	-
Total comprehensive income / (loss) for the period	**(177,939)**	**562,274**	**656,646**	**2,211,665**
Earnings / (loss) per share (note 21)				
Basic and diluted	(0.00)	0.01	0.01	0.03

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

Jura Energy Corporation

Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended September 30, 2019 (Unaudited)

(expressed in US dollars)

	September 30, 2019 $	September 30, 2018 $
Cash provided by		
Operating activities		
Net profit before tax	1,986,630	2,211,665
Adjustments for:		
Depletion, depreciation and amortization	1,885,602	2,117,897
Accrued finance costs	2,326,039	2,377,991
Stock based compensation	10,553	14,536
Other income	-	(5,445)
Net unrealized exchange gain on borrowings and amounts due to related parties	(817,898)	(1,409,355)
Funds flow	**5,390,926**	**5,307,289**
Changes in working capital		
Increase in accounts and other receivables	(883,083)	(2,004,812)
Increase / (decrease) in accounts payable and accrued liabilities	2,180,542	(2,876,525)
Decrease / (increase) in restricted cash	194,202	(1,393)
Net cash generated from operating activities	**6,882,587**	**424,559**
Investing activities		
Property, plant and equipment	(2,343,474)	(2,414,329)
Proceeds of disposal of property, plant and equipment	-	16,196
Exploration and evaluation assets	(166,376)	(900,000)
Changes in long term receivables	(47,000)	-
Net cash used in investing activities	**(2,556,850)**	**(3,298,133)**
Financing activities		
Amounts due to related parties–proceeds	939,113	2,000,000
Amounts due to related parties–repayment	(1,341,937)	-
Borrowings–proceeds	-	3,400,000
Borrowings–repayment	(2,333,445)	(5,791,505)
Finance costs paid	(937,286)	(1,113,319)
Net cash used in financing activities	**(3,673,555)**	**(1,504,824)**
Net increase / (decrease) in cash and cash equivalents	652,182	(4,378,398)
Cash and cash equivalents at beginning of period	1,388,243	4,524,499
Cash and cash equivalents at end of period	**2,040,425**	**146,101**

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

Jura Energy Corporation

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2019 (Unaudited)

(expressed in US Dollars)

	Number of shares	Share capital $	Contributed surplus $	Warrants $	Accumulated Deficit $	Total $
Balance at January 1, 2018	69,076,328	65,203,045	345,975	117,672	(52,908,472)	12,758,220
Change in accounting policy	-	-	-	-	1,963,041	1,963,041
Restated equity at the beginning of the period	**69,076,328**	**65,203,045**	**345,975**	**117,672**	**(50,945,431)**	**14,721,261**
Net profit for the period	-	-	-	-	2,211,665	2,211,665
Share purchase warrants issued during the period	-	-	-	22,593	-	22,593
Stock based compensation (note 15)	-	-	14,536	-	-	14,536
Balance at September 30, 2018	**69,076,328**	**65,203,045**	**360,511**	**140,265**	**(48,733,766)**	**16,970,055**
Balance at January 1, 2019	69,076,328	65,203,045	366,067	140,265	(51,494,694)	14,214,683
Net profit for the period	-	-	-	-	656,646	656,646
Stock based compensation (note 15)	-	-	10,553	-	-	10,553
Balance at September 30, 2019	**69,076,328**	**65,203,045**	**376,620**	**140,265**	**(50,838,048)**	**14,881,882**

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

1 Company and its operations

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Company’s board of directors on November 27, 2019.

2 Going concern

Management has prepared these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates that assets will be realized and liabilities will be discharged in the normal course of business as they become due. The Company has a working capital deficiency of $10.88 million at September 30, 2019 (December 31, 2018 – $6.76 million). During the nine months ended September 30, 2019, the Company reported a net profit of $0.66 million (September 30, 2018 – $2.21 million). As at September 30, 2019, the Company has an accumulated deficit of $50.84 million (December 31, 2018 – $51.49 million). In addition to its ongoing working capital requirements, the Company also had financial commitments as at September 30, 2019, that amounted to $5.52 million (December 31, 2018 – $6.31 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.

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 condensed consolidated interim financial statements.

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

3 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as applicable to the interim financial reports including IAS 34 - Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2018 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

4 Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's consolidated annual audited financial statements for the year ended December 31, 2018 except as indicated below:

Change in accounting polices

IFRS 16 - Leases

Effective January 1, 2019, the Company adopted IFRS 16 – Leases using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. The modified retrospective method does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings / (deficit).

Under IFRS 16 – Leases, the Company has recognized lease liabilities in relation to leases which were previously classified as "operating leases" under the principles of IAS 17 – Leases. The Company assesses whether a contract is or contains a lease at inception of the contract. For contracts entered into before January 1, 2019, it was determined whether the arrangement was or contained a lease. As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. As lease payments are made there is a reduction to the principal portion of the lease liability as well as an amount allocated to finance costs. The finance cost is expensed within the condensed consolidated statement of comprehensive income / (loss) over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The Company is using the following practical expedients permitted under the new standard:

- Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- Leases of low dollar value will continue to be expensed as incurred; and
- Used hindsight when determining the lease term where the contract contained options to extend or terminate the lease;
- Excluded initial direct costs from the measurement of the right-of-use assets as at January 1, 2019; and
- Relied on the Company's previous assessment of whether leases were onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before initial application as an alternative to performing an impairment review on the right-of-use assets.

Effective January 1, 2019, the Company adopted IFRS 16 – Leases which resulted in the initial recognition of right-of-use assets of $109,159 and related lease liabilities of $83,089 after adjustment of the amount of prepaid lease payments as at January 1, 2019.

Judgements

The Company assesses whether a contract is or contains a lease at inception of the contract. For contracts entered into before January 1, 2019, it was determined whether the arrangement was or contained a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset. Furthermore, the Company assesses and reassess the likelihood of it exercising renewal options.

Estimates

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate, which is estimated at the inception of the lease. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. The Company's incremental borrowing rate is estimated using prevailing interest rates, market precedents and the Company's credit rating.

(expressed in US Dollars)

Impact of Adoption

Lease payments for short-term leases with lease terms of less than twelve months or low value leases are accounted for as expense within the condensed consolidated statement of comprehensive income / (loss).

Assets and liabilities arising from a lease are initially measured on a present value basis. The value of lease liabilities includes the net present value of fixed payments, the value of any options to extend a lease where the Company is reasonably certain to do so, payments of penalties for terminating a lease, less any lease incentives received. The Company uses the cost model whereby right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability adjusted for any lease payments made before the commencement date, any initial direct costs and restoration costs. The cost of the right-of-use assets is adjusted for any re-measurement of the lease liability and is less any accumulated depreciation and accumulated impairment losses, if any.

The impact of adopting IFRS 16 – Leases as at January 1, 2019, is as follows:

Condensed Consolidated Statement of Financial Position Adjustments	As reported at December 31, 2018	Effect of adopting IFRS 16 – Leases	Restated balance at January 1, 2019
	$	$	$
Assets			
Accounts and other receivables	5,143,593	(26,070)	5,117,523
Right-of-use assets	-	109,159	109,159
	5,143,593	**83,089**	**5,226,682**
Liabilities and Shareholders' equity			
Borrowings (current)	3,411,443	54,695	3,466,138
Borrowings (non-current)	7,598,376	28,394	7,626,770
	11,009,819	**83,089**	**11,092,908**

On adoption, the Company has recognized lease liabilities in relation to lease arrangements measured at the present value of the remaining lease payments as at December 31, 2018, and discounted using the Company's estimated incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the prepaid lease payments of $26,070 at January 1, 2019.

5 Critical accounting estimates and judgements

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

Estimates and judgements made by the management in the preparation of these condensed consolidated interim financial statements are the same as those used in the preparation of Company's consolidated annual audited financial statements for the year ended December 31, 2018, except for the following:

- Critical judgments related to leases under IFRS 16

  The Company applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

(expressed in US Dollars)

When a lease contract contains an option to extend or terminate a lease, the Company must use its best estimate to determine the appropriate lease term. Management must consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option. The lease term must be reassessed if a significant event or change in circumstance occurs.

Lease liabilities recognized have been estimated using a discount rate equal to the Company's estimated incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

6 Restricted cash

This represents cash reserve funds of (i) $854,400 (December 31, 2018: $1,033,980) maintained with Al Baraka pursuant to the terms of the Syndicated Credit Facility (*refer to note 11(a) for further details*) and (ii) $39,971 (December 31, 2018: $54,593) maintained with JS Bank Limited, a related party, pursuant to the terms of the JS Bank term finance facilities (*refer to note 12(a) for further details*).

7 Accounts and other receivables

	September 30, 2019 $	**December 31, 2018 $**
Trade receivables (note 7 a)	5,477,706	4,612,540
Due from related parties (note 7 b)	830,743	830,743
Prepayments	32,641	64,010
Security deposit	42,062	48,199
Receivable from Government Holdings (Private) Limited (note 7 c)	199,844	199,844
Other receivables	235,828	206,475
	6,818,824	**5,961,811**
Provision for impairment (note 7 b)	(818,218)	(818,218)
	6,000,606	**5,143,593**

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

b) This represents $818,218 and $12,525 (December 31, 2018 – $818,218 and $12,525) receivable from Energy Exploration Limited ("EEL") and JS Energy Limited ("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 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 the Zarghun South lease pursuant to the terms of the Bolan Petroleum Concession Agreement ("Bolan PCA"). Under the terms of the 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 $199,844 represents the current portion of the amount due from GHPL.

(expressed in US Dollars)

8 Property, plant and equipment

	Oil and gas properties $	Computer equipment $	Furniture and fixtures $	Office equipment $	Motor vehicles $	Total $
Cost	59,407,448	103,792	24,011	48,949	339,879	59,924,079
Accumulated depletion, depreciation and impairment	(17,986,655)	(97,773)	(20,445)	(48,910)	(211,398)	(18,365,181)
Opening net book value	**41,420,793**	**6,019**	**3,566**	**39**	**128,481**	**41,558,898**
Period ended September 30, 2019						
Additions during the period	2,339,990	3,482	-	-	-	2,343,472
Depletion / depreciation for the period	(1,798,868)	(2,680)	(1,519)	(39)	(39,843)	(1,842,949)
Carrying amount at September 30, 2019	**41,961,915**	**6,821**	**2,047**	**-**	**88,638**	**42,059,421**
Cost	61,747,438	107,274	24,011	48,949	339,879	62,267,551
Accumulated depletion, depreciation and impairment	(19,785,523)	(100,453)	(21,964)	(48,949)	(251,241)	(20,208,130)
Net book value at September 30, 2019	**41,961,915**	**6,821**	**2,047**	**-**	**88,638**	**42,059,421**
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)
Opening net book value	**46,427,813**	**10,495**	**5,590**	**5,953**	**195,933**	**46,645,784**
Year ended December 31, 2018						
Additions during the year	2,129,998	-	-	-	-	2,129,998
Revision in asset retirement obligation	(649,237)	-	-	-	-	(649,237)
Disposal during the year						
Cost	-	-	-	-	(16,526)	(16,526)
Accumulated depreciation	-	-	-	-	5,775	5,775
	-	-	-	-	(10,751)	(10,751)
Depletion / depreciation for the year	(2,668,781)	(4,476)	(2,024)	(5,914)	(56,701)	(2,737,896)
Impairment for the year	(3,819,000)	-	-	-	-	(3,819,000)
Carrying amount at December 31, 2018	**41,420,793**	**6,019**	**3,566**	**39**	**128,481**	**41,558,898**
Cost	59,407,448	103,792	24,011	48,949	339,879	59,924,079
Accumulated depletion, depreciation and impairment	(17,986,655)	(97,773)	(20,445)	(48,910)	(211,398)	(18,365,181)
Net book value at December 31, 2018	**41,420,793**	**6,019**	**3,566**	**39**	**128,481**	**41,558,898**
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*):

	September 30, 2019 $	December 31, 2018 $
Leasehold motor vehicles		
Cost	265,661	265,661
Accumulated depreciation	(177,023)	(137,180)
Carrying amount at end of period	**88,638**	**128,481**

9 Right-of-use assets

	September 30, 2019 $	December 31, 2018 $
Cost		
Balance at beginning of period	109,159	-
Additions	-	-
Balance at end of period	**109,159**	**-**
Accumulated depreciation		
Balance at beginning of period	-	-
Depreciation for the period	(42,651)	-
Balance at end of period	**(42,651)**	**-**
Carrying amount at end of period	**66,508**	**-**

(expressed in US Dollars)

10 Exploration and evaluation assets

	September 30, 2019 $	December 31, 2018 $
Balance at beginning of the period	4,543,971	1,981,838
Additions during the period	166,376	2,550,203
Additions in asset retirement obligation	-	42,094
Revision in estimate of asset retirement obligation	-	(22,834)
Exploration and evaluation assets written off (note 10 a)	-	(7,330)
Carrying amount at end of the period	**4,710,347**	**4,543,971**

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 period have been written off.

11 Borrowings

	September 30, 2019 $	December 31, 2018 $
Current		
Syndicated credit facilities (note 11 a)	2,996,947	3,375,836
Lease liabilities (note 11 b)	64,032	35,607
Subordinated debentures (note 11 c)	3,622,236	-
	6,683,215	**3,411,443**
Non-current		
Syndicated credit facilities (note 11 a)	1,540,077	4,059,034
Lease liabilities (note 11 b)	88,055	58,590
Subordinated debentures (note 11 c)	-	3,480,752
	1,628,132	**7,598,376**
Total borrowings	**8,311,347**	**11,009,819**

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 $4.81 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 $4.81 million) to PKR 960 million (approximately $6.15 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 $0.64 million) resulting in an increase in the Syndicated Credit Facility from PKR 960 million (approximately $6.15 million) to PKR 1,060 million (approximately $6.79 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 $1.09 million) resulting in an increase in the Syndicated Credit Facility from PKR 1,060 million (approximately $6.79 million) to PKR 1,230 million (approximately $7.88 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 $7.88 million) to PKR 1,530 million (approximately $9.81 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 ten equal quarterly installments in arrears commencing November 14, 2018. The Syndicated Credit Facility is secured by way of the parri passu 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 $4.29 million).

(expressed in US Dollars)

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.

The most recent compliance was performed at December 31, 2018, where SEPL was compliant 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 $0.27 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 upto five years.

On adoption of IFRS 16 - Leases, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as of January 1, 2019.

The movement of lease liabilities is as follows:

	September 30, 2019	**December 31, 2018**
	$	**$**
Balance at beginning of the period	94,197	175,170
Additions	83,089	-
Lease payments	(30,752)	(67,635)
Interest expense	14,381	11,586
Exchange gain on retranslation	(8,828)	(24,924)
Balance at end of period	**152,087**	**94,197**
Lease liabilities (current portion)	(64,032)	(35,607)
Lease liabilities (non - current portion)	**88,055**	**58,590**

The contractual maturities of lease liabilities, including the value of any options to extend a lease where the Company is reasonably certain to do so, is as follows:

	September 30, 2019	**December 31, 2018**
	$	**$**
Within one year	112,908	42,803
Later than one year but not later than five years	53,451	63,131
Later than five years	-	-
Minimum lease payments	**166,359**	**105,934**
Future interest payments	(14,272)	(11,737)
Recognized as liability	**152,087**	**94,197**

c) On May 18, 2018, the Company completed the private placement of 3,500 subscription units of new subordinated debentures. 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$0.15 per common share of the

(expressed in US Dollars)

Company. As a consideration for 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, 2020, or an earlier date at the option of the Company, accordingly, as at September 30, 2019, the subordinated debentures have been classified as a current liability (December 31, 2018: Non-current liability).

The financing comprises two components: (i) subordinated debentures and (ii) warrants of $22,593 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 18, 2018, the closing date, determined using the Black-Scholes Option Pricing Model. The share purchase warrants will expire on April 30, 2020. The assumptions used in the calculation of fair value of C$0.04 per share purchase warrants are:

Risk-free interest rate (%)	1.99
Expected life (years)	1.95
Estimated volatility of underlying common shares (%)	168.00

12 Amounts due to related parties

	September 30, 2019 $	December 31, 2018 $
Current		
JS Bank term finance facilities (note 12 a)	484,408	502,699
	484,408	**502,699**
Non-current		
JS Bank term finance facilities (note 12 a)	1,459,089	936,226
Shareholder loans (note 12 b)	12,924,190	12,868,780
	14,383,279	**13,805,006**
Total amounts due to related parties	**14,867,687**	**14,307,705**

a) On November 14, 2017, SEPL entered into a term finance facility with JS Bank Limited in the amount of up to PKR 200 million (approximately $1.28 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, subordinated 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.

In July 2019, SEPL entered into a second term finance facility (the "Second Facility") with JS Bank Limited, for an amount of upto PKR 150 million (equivalent $0.96 million). The principal amount under the Second Facility carries interest at a rate of 2.75% plus 3 months KIBOR per annum and is repayable in eight equal quarterly installments after a grace period of twelve months from the date of first disbursement. The interest is payable quarterly in arrears. The Second Facility is secured by way of parri passu charge on all present and future fixed assets of SEPL, first charge on all present and future assets of FHL, subordinated 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 facilities, 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)

The most recent compliance was performed at December 31, 2018, where SEPL was compliant with all the financial covenants.

b) These represent unsecured (i) short term loan of $1,297,955 (December 31, 2018 – $2,151,276) and (ii) bridge loan of $11,626,235 (December 31, 2018 – $10,717,504) from the majority shareholder of the Company, JSEL. The principal and accrued interest outstanding on these loans bear interest at the rate of 11% per annum compounded quarterly. The principal and accrued interest outstanding as at September 30, 2019 are payable on demand, however, the shareholder has provided a written undertaking to the Company, pursuant to which the shareholder loans 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 bridge loan 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 September 30, 2019, the bridge loan comprised two components: (i) the host agreement and (ii) the embedded derivative representing the Conversion Option. 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 September 30, 2019, was $nil (December 31, 2018 – $nil).

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 September 30, 2019				
Borrowings				
Syndicated credit facilities	4,537,024	2,996,947	1,540,077	-
Lease liabilities	152,087	64,032	88,055	-
Subordinated debentures	3,622,236	3,622,236	-	-
Amounts due to related parties				
Shareholder loans	12,924,190	-	12,924,190	-
JS Bank term finance facilities	1,943,497	484,408	1,459,089	-
	23,179,034	**7,167,623**	**16,011,411**	**-**
At December 31, 2018				
Borrowings				
Syndicated credit facilities	7,434,870	3,375,836	4,059,034	-
Lease liabilities	94,197	35,607	58,590	-
Subordinated debentures	3,480,752	-	3,480,752	-
Amounts due to related parties				
Shareholder loans	12,868,780	-	12,868,780	-
JS Bank term finance facility	1,438,925	502,699	936,226	-
	25,317,524	**3,914,142**	**21,403,382**	**-**

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

(expressed in US Dollars)

14 Asset retirement obligation

	September 30, 2019 $	December 31, 2018 $
Balance at beginning of period	2,839,544	3,391,415
Additions during the period	-	42,094
Revisions due to change in estimates	-	(672,071)
Accretion on asset retirement obligation	56,165	78,106
Carrying amount at end of period	**2,895,709**	**2,839,544**

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. Preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board. As at September 30, 2019, 69,076,328 (December 31, 2018 – 69,076,328) common share of C$1.00 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.

	Period ended September 30, 2019			Year ended December 31, 2018		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
		$	C$		$	C$
Options outstanding, beginning of period	50,000	0.73	1.00	775,000	0.80	1.00
Granted	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Expired	-	-	-	(725,000)	0.80	1.00
Options outstanding, end of period	50,000	0.73	1.00	50,000	0.73	1.00
Options exercisable, end of period	50,000	0.73	1.00	50,000	0.73	1.00

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
$	C$			
0.73	1.00	50,000	0.59	50,000
0.73	1.00	50,000	0.59	50,000

Restricted Share Units

The Company has a restricted share unit 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.

As at September 30, 2019, 836,081 restricted share units were outstanding.

(expressed in US Dollars)

Stock-based compensation and contributed surplus

During the three and nine months ended September 30, 2019 stock-based compensation of $2,483 and $10,553 (three and nine months ended September 30, 2018 $5,556 and $14,536) was charged to the consolidated statement of comprehensive income / (loss).

Warrants

As at September 30, 2019, 750,000 (December 31, 2018 – 750,000) 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 $3.5 million during 2018. Each warrant is convertible into one ordinary share of the Company at an exercise price of C$0.15 ($0.11) per share and will expire on April 30, 2020. 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

There has been no material change in contingencies as disclosed in the latest consolidated annual audited financial statements of the Company for the year ended December 31, 2018.

Commitments

	September 30, 2019	December 31, 2018
	$	$
Minimum capital commitments related to exploration licenses	5,489,836	6,124,122
Commitments under approved authority for expenditure	30,154	172,723
Commitment under share purchase agreement for the acquisition of EEL	1,000	1,000
Commitment under short-term leases	-	9,680
	5,520,990	**6,307,525**

17 Cost of production

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Production costs	605,173	571,591	1,662,109	1,881,141
Depletion of oil and gas properties (note 8)	600,386	671,542	1,798,868	2,063,559
	1,205,559	**1,243,133**	**3,460,977**	**3,944,700**

18 General and administrative expenses

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Employees' benefits	193,554	203,688	535,906	555,017
Directors' compensation	19,358	22,681	61,176	66,154
Amortization and depreciation	29,020	16,804	86,732	54,338
Legal and professional charges	12,697	28,399	100,625	100,326
Travelling expenses	47,265	7,746	107,715	50,571
Consultancy (note 18 a)	65,432	69,829	204,484	206,382
Office rent and utilities	33,947	15,967	71,463	47,414
Other expenses	7,346	30,574	62,219	80,081
	408,619	**395,688**	**1,230,320**	**1,160,283**

(expressed in US Dollars)

a) Consultancy includes an amount of $60,000 (September 30, 2018: $71,793) charged by JS North Asia Investments Limited, a related party.

19 Finance costs

	Three months ended		Nine months ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
	$	**$**	**$**	**$**
Interest on amounts due to related parties	435,055	371,200	1,231,905	1,033,200
Interest on borrowings	326,141	459,239	1,037,969	1,286,274
Accretion on asset retirement obligation	18,722	19,588	56,165	58,517
Late payment surcharge on payments	251,822	-	251,822	271,605
	1,031,740	**850,027**	**2,577,861**	**2,649,596**

20 Income tax

	Three months ended		Nine months ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
	$	**$**	**$**	**$**
Current tax (note 20 a)	-	-	-	-
Deferred tax reversal / (charge) (note 20 b)	74,701	-	(1,329,984)	-
	74,701	**-**	**(1,329,984)**	**-**

a) The Company does not owe any current tax for the three and nine months period ended September 30, 2019 and 2018.

b) The deferred tax charge for the nine months period ended September 30, 2019 primarily arises from the significant reduction in Pak Rupee ("PKR") denominated tax losses and allowances, available for deduction against future taxable income, owing to devaluation of the PKR against the United States Dollars ("USD"). This charge partially reversed during the three months period ended September 30, 2019 as the PKR strengthened marginally against the USD.

The exchange rates used to translate PKR denominated tax losses and allowances at September 30, 2019 and December 31, 2018 was USD 1 = PKR 156 and USD 1 = PKR 139.1 respectively.

21 Earnings / (loss) per share

	Three months ended		Nine months ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
	$	**$**	**$**	**$**
Net profit / (loss) for the period	(177,939)	562,274	656,646	2,211,665
Weighted average number of outstanding shares				
- Basic	69,076,328	69,076,328	69,076,328	69,076,328
- Diluted	69,912,409	69,912,409	69,912,409	69,912,409
Basic and diluted earnings / (loss) per share	(0.00)	0.01	0.01	0.03

For the three and nine months ended September 30, 2019 and 2018, 50,000 employee stock options (2018: 50,000), 6,907,632 stock option under shareholder loans (2018: 6,907,632) and 750,000 share purchase warrants (2018: 750,000) were excluded from the calculation of diluted shares as they would be anti-dilutive.

22 Financial risk management

a) Financial risk factors

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosure required in the annual financial statements; they should be read in conjunction with the Company's consolidated annual audited financial statements for the year ended December 31, 2018. There has been no change in the risk management policies since December 31, 2018.

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

23 Transactions with related parties

The Company's related parties include its majority shareholder, JSEL. 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.
– 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 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 Chief

(expressed in US Dollars)

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:

	September 30, 2019 $	December 31, 2018 $
Transactions with Majority Shareholder - JSEL		
Bridge Loan		
Balance payable at beginning of the period	10,704,979	9,602,851
Interest accrued on loan from shareholder	908,731	1,102,128
Balance payable at end of the period	**11,613,710**	**10,704,979**
Short Term Loan		
Balance payable at beginning of the period	2,151,276	-
Loan received during the period	-	2,000,000
Loan repaid during the period	(1,000,000)	-
Interest accrued on loan from shareholder	146,679	151,276
Balance payable at end of the period	**1,297,955**	**2,151,276**
Transactions with Associated Entity – JS Bank Limited		
Syndicated Credit Facilities		
Balance payable at beginning of the period	3,145,626	5,211,590
Mark-up accrued during the period	294,901	452,330
Mark-up paid during the period	(259,608)	(425,930)
Principal repaid during the period	(999,526)	(1,210,897)
Exchange gain on retranslation of loan	(279,321)	(881,467)
Balance payable at end of the period	**1,902,072**	**3,145,626**
Term Finance Facilities		
Balance payable at beginning of the period	1,438,925	1,786,416
Disbursement during the period	939,113	-
Mark-up accrued during the period	176,495	181,267
Mark-up paid during the period	(123,760)	(157,858)
Principal repaid during the period	(341,937)	-
Exchange gain on retranslation of loan	(145,339)	(370,900)
Balance payable at end of the period	**1,943,497**	**1,438,925**

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Key management personnel compensation	$	$	$	$
Management salaries and benefits	68,930	63,150	206,790	189,450
Directors' fees and compensation	19,358	22,681	61,176	66,154
	88,288	**85,831**	**267,966**	**255,604**

24 Operating segment information

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

The Pakistan segment derives its revenue primarily from the sale of petroleum products in Pakistan. During the three and nine months ended September 30, 2019, the Pakistan segment had two main customers, Engro Fertilizers Limited ("EFL") 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 EFL is a large publicly-listed company. Percentage breakup of customer wise sales for the three and nine months ended September 30, 2019 and 2018 and trade receivables at September 30, 2019 and December 31, 2018 are as follows:

(expressed in US Dollars)

	Three months ended		Nine months ended	
Net revenue	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Engro	12%	11%	12%	11%
SSGCL	88%	89%	88%	89%
	100%	100%	100%	100%

Trade receivables	**September 30, 2019**	**December 31, 2018**
Engro	6%	6%
SSGCL	94%	92%
Others	-	2%
	100%	100%

The Canada segment does not have any revenue generating operations.

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

	For the three months ended September 30, 2019			For the nine months ended September 30, 2019		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
			$			
Net revenue	-	2,600,217	2,600,217	-	8,071,828	8,071,828
Cost of production	-	(1,205,559)	(1,205,559)	-	(3,460,977)	(3,460,977)
Gross profit	**-**	**1,394,658**	**1,394,658**	**-**	**4,610,851**	**4,610,851**
General and administrative expenses	(58,751)	(349,868)	(408,619)	(214,809)	(1,015,511)	(1,230,320)
Operating profit / (loss)	**(58,751)**	**1,044,790**	**986,039**	**(214,809)**	**3,595,340**	**3,380,531**
Exchange gain / (loss) - net	(1,684)	(205,255)	(206,939)	(5,513)	1,189,473	1,183,960
Finance costs	(111,749)	(919,991)	(1,031,740)	(333,984)	(2,243,877)	(2,577,861)
Net profit / (loss) for the period	**(172,184)**	**(80,456)**	**(252,640)**	**(554,306)**	**2,540,936**	**1,986,630**
Income tax reversal / (charge)	-	74,701	74,701	-	(1,329,984)	(1,329,984)
	(172,184)	**(5,755)**	**(177,939)**	**(554,306)**	**1,210,952**	**656,646**
Additions / (adjustment) during the period						
Property, plant and equipment	-	256,387	256,387	-	2,343,472	2,343,472
Exploration and evaluation assets	-	(64,707)	(64,707)	-	166,376	166,376

	As at September 30, 2019		
	Canada	**Pakistan**	**Consolidated**
		$	
Segment assets	34,852	55,949,294	55,984,146
Segment liabilities	3,790,950	37,311,314	41,102,264

(expressed in US Dollars)

	For the three months ended September 30, 2018			For the nine months ended September 30, 2018		
	Canada	**Pakistan**	**Consolidated**	**Canada**	**Pakistan**	**Consolidated**
			$			
Net revenue	-	2,685,237	2,685,237	-	8,089,552	8,089,552
Cost of production	-	(1,243,133)	(1,243,133)	-	(3,944,700)	(3,944,700)
Gross profit	**-**	**1,442,104**	**1,442,104**	**-**	**4,144,852**	**4,144,852**
General and administrative expenses	(125,574)	(270,114)	(395,688)	(327,477)	(832,806)	(1,160,283)
Other income	-	-	-	-	5,445	5,445
Operating profit / (loss)	**(125,574)**	**1,171,990**	**1,046,416**	**(327,477)**	**3,317,491**	**2,990,014**
Finance costs	(104,819)	(379,323)	(484,142)	(361,744)	(416,605)	(778,349)
Net profit / (loss) for the period	**(230,393)**	**792,667**	**562,274**	**(689,221)**	**2,900,886**	**2,211,665**
Additions during the period						
Property, plant and equipment	-	536,638	536,638	-	1,500,326	1,500,326
Exploration and evaluation assets	-	637,253	637,253	-	2,008,123	2,008,123

	As at September 30, 2018		
		$	
Segment assets	60,748	56,355,363	56,416,111
Segment liabilities	3,671,653	35,774,403	39,446,056