`

Jura Energy Corporation

Consolidated Financial Statements
For the Years Ended
December 31, 2019 and 2018
(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
Chief Executive Officer	Chief Financial Officer

June 2, 2020

Independent auditor's report

To the Shareholders of Jura Energy Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Jura Energy Corporation and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive income/(loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jason Grodziski.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
June 2, 2020

Jura Energy Corporation
Consolidated Statements of Financial Position
As at December 31, 2019 and 2018

(expressed in US dollars)

	December 31, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash and cash equivalents	581,686	1,388,243
Restricted cash (note 3)	952,314	1,088,573
Accounts and other receivables (note 4)	5,959,732	5,143,593
	7,493,732	**7,620,409**
Non-current assets		
Property, plant and equipment (note 5)	43,252,888	41,558,898
Exploration and evaluation assets (note 6)	4,626,053	4,543,971
Long-term receivables (note 7)	239,911	165,468
Total assets	**55,612,584**	**53,888,746**
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	13,923,729	10,471,909
Borrowings (note 9)	6,560,417	3,411,443
Amounts due to related parties (note 10)	604,488	502,699
	21,088,634	**14,386,051**
Non-current liabilities		
Borrowings (note 9)	806,601	7,598,376
Amounts due to related parties (note 10)	14,016,590	13,805,006
Deferred tax liability – net (note 19)	2,471,872	1,045,086
Asset retirement obligation (note 12)	3,206,559	2,839,544
Total liabilities	**41,590,256**	**39,674,063**
Shareholders' equity		
Share capital (note 13)	65,203,045	65,203,045
Contributed surplus (note 13)	390,107	366,067
Warrants (note 13)	140,265	140,265
Accumulated deficit	(51,711,089)	(51,494,694)
Total shareholders' equity	**14,022,328**	**14,214,683**
Total equity and liabilities	**55,612,584**	**53,888,746**

Going concern (note 2)
Contingencies and commitments (note 14)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"Signed"	*"Signed"*
Muhammad Nadeem Farooq	*Stephen C. Smith*
CEO and Director	*Director*

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

Jura Energy Corporation

Consolidated Statements of Comprehensive Income / (Loss)

For the years ended December 31, 2019 and 2018

(expressed in US dollars)

	December 31, 2019 $	December 31, 2018 $
Net revenue (note 15)	10,654,406	11,902,697
Cost of production (note 16)	(4,654,804)	(5,015,686)
Gross profit	**5,999,602**	**6,887,011**
Expenses		
General and administrative expenses (note 17)	(2,079,174)	(2,177,514)
Impairment of oil and gas properties (note 5)	-	(3,819,000)
Exploration and evaluation costs written off (note 6)	(7,113)	(7,330)
Other income	-	5,445
Operating profit	**3,913,315**	**888,612**
Exchange gain – net	1,064,041	3,467,684
Finance costs (note 18)	(3,766,965)	(3,615,092)
Profit before income tax	**1,210,391**	**741,204**
Income tax (note 19)	(1,426,786)	(731,731)
Total comprehensive income / (loss) for the year	**(216,395)**	**9,473**
Earnings / (loss) per share (note 20)		
Basic and diluted	(0.00)	0.00
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, 2019 and 2018

(expressed in US dollars)

	December 31, 2019 $	December 31, 2018 $
Cash provided by / (used in)		
Operating activities		
Profit before tax for the year	1,210,391	741,204
Adjustments for:		
Impairment of oil and gas properties (note 5)	-	3,819,000
Depletion of oil and gas properties (note 16)	2,365,282	2,668,781
Depreciation of other operating assets (note 17)	59,364	69,115
Accrued finance costs on:		
- Amounts due to related parties (note 18)	1,651,227	1,434,671
- Borrowings (note 18)	1,247,942	1,553,204
- Accretion on asset retirement obligation (note 18)	74,890	78,106
Stock-based compensation (note 13)	24,040	20,092
Exploration and evaluation costs written off (note 6)	7,113	7,330
Other income	-	(5,445)
Net unrealized exchange gain on borrowings and amounts due to related parties	(764,319)	(2,467,965)
Funds flow	**5,875,930**	**7,918,093**
Changes in working capital		
Increase in accounts and other receivables	(816,139)	(2,341,817)
Increase / (decrease) in accounts payable and accrued liabilities	3,451,820	(1,344,547)
Decrease in restricted cash	136,259	8,778
Net cash generated from operating activities	**8,647,870**	**4,240,507**
Investing activities		
Property, plant and equipment	(3,456,979)	(2,129,998)
Proceeds from disposal of property, plant and equipment	-	16,196
Exploration and evaluation assets	(458,727)	(2,550,203)
Changes in long-term receivables	(74,443)	149,692
Net cash used in investing activities	**(3,990,149)**	**(4,514,313)**
Financing activities		
Amounts due to related parties – proceeds	939,113	2,000,000
Amounts due to related parties – repayment	(1,627,377)	-
Borrowings – proceeds	-	3,400,000
Borrowings – repayment	(3,053,990)	(6,693,401)
Finance costs paid	(1,722,024)	(1,569,049)
Net cash used in financing activities	**(5,464,278)**	**(2,862,450)**
Net decrease in cash and cash equivalents	**(806,557)**	**(3,136,256)**
Cash and cash equivalents at beginning of the year	1,388,243	4,524,499
Cash and cash equivalents at end of the year	**581,686**	**1,388,243**

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, 2019 and 2018

(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	-	-	-	-	1,404,305	1,404,305
Restated equity at January 1, 2018	**69,076,328**	**65,203,045**	**345,975**	**117,672**	**(51,504,167)**	**14,162,525**
Net profit for the year	-	-	-	-	9,473	9,473
Share purchase warrants issued during the year (note 9)	-	-	-	22,593	-	22,593
Stock-based compensation (note 13)	-	-	20,092	-	-	20,092
Balance at December 31, 2018	**69,076,328**	**65,203,045**	**366,067**	**140,265**	**(51,494,694)**	**14,214,683**
Balance at January 1, 2019	**69,076,328**	**65,203,045**	**366,067**	**140,265**	**(51,494,694)**	**14,214,683**
Net loss for the year	-	-	-	-	(216,395)	(216,395)
Stock-based compensation (note 13)	-	-	24,040	-	-	24,040
Balance at December 31, 2019	**69,076,328**	**65,203,045**	**390,107**	**140,265**	**(51,711,089)**	**14,022,328**

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. ("PEPL"), Frontier Oil and Gas Holdings Limited ("FOGHL") and Frontier Holdings Limited ("FHL").

These consolidated financial statements were approved and authorized for issue by the Company's board of directors on June 1, 2020.

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		
Zarghun South lease	40.00%	Mari Petroleum Company Limited
Reti lease	10.66%	Oil and Gas Development Company Limited
Maru lease	10.66%	Oil and Gas Development Company Limited
Maru South lease	10.66%	Oil and 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
Badar lease*	7.89%	Petroleum Exploration (Private) Limited
Kandra lease*	37.50%	Petroleum Exploration (Private) Limited
Guddu exploration license	13.50%	Oil and Gas Development Company Limited
Badin IV South exploration license	27.50%	Petroleum Exploration (Private) Limited
Badin IV North exploration license	27.50%	Petroleum Exploration (Private) Limited
Kandra exploration rights	35.00%	Petroleum Exploration (Private) Limited
Zamzama North exploration license	24.00%	Heritage Oil and Gas Limited
Sanjawi exploration license	27.00%	Heritage Oil and Gas 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 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 $13.60 million at December 31, 2019 (2018: $6.76 million). During the year, the Company reported a net loss of $0.22 million (2018: net profit of $0.01 million). As at December 31, 2019, the Company has an accumulated deficit of $51.71 million (2018: $51.49 million). In addition to its ongoing working capital requirements, the Company also had financial commitments as at December 31, 2019, that amounted to $8.65 million (2018: $6.31 million) *(see "Commitments – note 14")*. 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, the current economic and political conditions in Pakistan and the full extent of the impact of COVID-19 on the Company's operations and future financial performance.

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.

Subsequent to the year end, on January 31, 2020, SEPL entered into a syndicated term finance facility of PKR 2,000 million (approx. $12.87 million) with Askari Bank Limited ("AKBL"), the lead arranger acting on behalf of the participants. The proceeds of the facility were utilised to (i) fully settle the outstanding balance of Al Baraka syndicated term finance facilities and JS Bank bilateral term finance facilities and (ii) fund the capital expenditure of SEPL *(see "Subsequent Events – note 25 (a)")*. Further, on April 30, 2020, the Company entered into a second supplemental debentures indenture, pursuant to which, the maturity date of Company's $3.5 million debentures has been extended from April 30, 2020 to October 31, 2020 *(see "Subsequent Events – note 25 (c)")*. Furthermore, the principal shareholder has confirmed its commitment to provide continued financial support to the Company as and when required for a foreseeable future which is at least twelve (12) months from the balance sheet date and twelve (12) 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 interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the 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) measured at fair value.

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 2 (iv).

c) Changes in accounting policies and disclosures

New standards, amendments and interpretations adopted during the year

IFRS 16 – Leases

The IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17 Leases, and is effective for annual periods beginning on or after January 1, 2019. IFRS 16, a single recognition and measurement model applicable to lessees, requires recognition of lease assets and lease liabilities on the balance sheet. The standard eliminates the classification of leases as either operating leases or finance leases for lessees, essentially treating all leases as finance leases. Short-term leases and leases for low-value assets are exempt from recognition and will continue to be treated as operating leases. The accounting requirements for lessors is substantially unchanged and a lessor will continue to classify leases as either finance leases or operating leases.

The Company adopted IFRS 16 Leases, effective January 1, 2019, using the modified retrospective approach. 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). Based on management assessment, there were no material adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 16.

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.

g) Leases

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. The Company's incremental borrowing rate is estimated using prevailing interest rates, market precedents and the Company's credit rating.

h) Expected renewal of exploration licenses

The expiry of the term of an exploration license is an important element in impairment testing for exploration and evaluation assets. While assessing the expected renewals of expired exploration licenses, the management consider the related provisions of relevant petroleum concession agreements, history of previous renewals granted by the regulatory authorities and industry precedents.

Critical judgements in applying the entity’s accounting policies

i) Determination of CGUs 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.

j) 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.

k) 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.

l) 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.

m) 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. 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 reassesses the likelihood of it exercising renewal options.

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 the 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 the 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 the 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 and/or restricted share units to its directors, officers and employees to acquire common shares. These options and/or restricted share units are accounted for using the fair value method which estimates the value of the options and/or restricted share units 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 and/or restricted share units with a corresponding increase to contributed surplus. When the options and/or restricted share units 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.

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) 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.

xv) 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.

xvi) Impairment

a) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

Loss allowances are measured at an amount equal to the lifetime expected credit losses on the asset. Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls for financial assets that are not credit-impaired at the reporting date and as the difference between the gross carrying amount and the present value of estimated future cash flows for financial assets that are credit-impaired at the reporting date. Loss allowances for expected credit losses for financial assets measured at amortized cost are presented in the statement of financial position as a deduction from the gross carrying amount of the asset.

b) Non-financial assets

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 valuer 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 (a "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) 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.

xviii) 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.

xix) 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.

xx) 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.

xxi) 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.

xxii) 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.

xxiii) Leases

Policy applicable before January 1, 2019

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.

Policy applicable from January 1, 2019

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding Right of Use ("ROU") asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding ROU assets are measured at the amount equal to the lease liability.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses.

Lease payments are allocated between the lease liability and finance costs.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of comprehensive income / (loss) on a straight-line basis over the lease term.

xxiv) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

xxv) Dividends

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

xxvi) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or liability is measured initially at fair value plus, for an item not measured at fair value through profit and loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issuance.

Derivative financial instruments are recognized at fair value. Transaction costs are expensed in the consolidated statement of comprehensive income / (loss). Gains and losses arising from changes in fair value are recognized in the consolidated statement of comprehensive income / (loss) in the period in which they arise.

Financial assets and liabilities at FVTPL are classified as current except where an unconditional right to defer payment beyond twelve (12) months exists. Derivative financial instruments are included on the balance sheet as either an asset or liability and are classified as current or non-current based on the contractual terms specific to the instrument.

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

- *Financial assets*

At initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL or fair value through other comprehensive income (“FVTOCI”) depending on the business model and contractual cash flows of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A substantial modification to the terms of an existing financial asset results in the derecognition of the financial asset and the recognition of a new financial asset at fair value. In the event that the modification to the terms of an existing financial asset do not result in a substantial difference in the contractual cash flows the gross carrying amount of the financial asset is recalculated and the difference resulting from the adjustment in the gross carrying amount is recognized in the consolidated statement of comprehensive income / (loss).

(expressed in US dollars)

- *Financial liabilities*

Financial liabilities are measured at amortized cost or FVTPL. Financial liabilities at amortized cost include accounts payable and accrued liabilities, amounts due to related parties and borrowings. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid less any required discount to reduce the payables to fair value. Amounts due to related parties and borrowings are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are derecognized when the liability is extinguished. A substantial modification of the terms of an existing financial liability is recorded as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in the consolidated statement of comprehensive income / (loss). Where a financial liability is modified in a way that does not constitute an extinguishment (generally when there is a change of less than 10% in the present value of cash flows discounted at the original effective interest rate), the modified cash flows are discounted at the liability's original effective interest rate. Transaction costs paid to third parties in a modification are amortized over the remaining term of the modified debt.

xxvii) 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

This represents cash reserve funds of (i) $878,241 (2018: $1,033,980) maintained with Al Baraka pursuant to the terms of the Syndicated Credit Facility (*refer to note 9 (a) for further details*) and (ii) $74,073 (2018: $54,593) maintained with JS Bank Limited, a related party, pursuant to the terms of JS Bank term finance facility (*refer to note 10 (a) for further details*).

4 Accounts and other receivables

	December 31, 2019	December 31, 2018
	$	$
Trade receivables (note 4 a)	5,534,608	4,612,540
Due from related parties (note 4 b)	830,743	830,743
Prepayments	58,735	64,010
Security deposit	42,061	48,199
Receivable from Government Holdings (Private) Limited	-	199,844
Other receivables	311,803	206,475
	6,777,950	**5,961,811**
Provision for impairment (note 4 b)	(818,218)	(818,218)
	5,959,732	**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 9 (a) for further details*).

(expressed in US dollars)

b) This represents $818,218 and $12,525 (2018: $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 in the Sanjawi exploration license, the Company has fully provided for the balance receivable from EEL.

5 Property, plant and equipment

		Other operating assets				
	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**
Year ended December 31, 2019						
Additions during the year	3,451,623	5,356	-	-	-	3,456,979
Addition in asset retirement obligation	80,410	-	-	-	-	80,410
Revision in asset retirement obligation	201,546	-	-	-	-	201,546
Transferred from exploration and evaluation assets (note 6)	379,701	-	-	-	-	379,701
Depletion and depreciation for the year	(2,365,282)	(4,215)	(1,978)	(39)	(53,132)	(2,424,646)
Carrying amount at December 31, 2019	**43,168,791**	**7,160**	**1,588**	**-**	**75,349**	**43,252,888**
Cost	63,520,728	109,148	24,011	48,949	339,879	64,042,715
Accumulated depletion, depreciation and impairment	(20,351,937)	(101,988)	(22,423)	(48,949)	(264,530)	(20,789,827)
Carrying amount at December 31, 2019	**43,168,791**	**7,160**	**1,588**	**-**	**75,349**	**43,252,888**
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 and 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)
Carrying amount 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 9 (b) for further details*):

	December 31, 2019 $	**December 31, 2018 $**
Leasehold motor vehicles		
Cost	265,661	265,661
Accumulated depreciation	(190,312)	(137,180)
Carrying amount at end of year	**75,349**	**128,481**

(expressed in US dollars)

a) Impairment of property, plant and equipment

At the reporting date, the market capitalization of the Company fell below the carrying value of net assets of the Company, as a result of which the management carried out an impairment test for its CGUs in accordance with the accounting policy stated in note 2(xvi-b). The tests were performed using a fair value less cost of disposal methodology using a discounted cash flow model. The fair value of each CGU was categorized as Level 3 fair value based on the unobservable inputs used. The present value of future cash flows was computed by applying forecasted prices of gas reserves to estimated future production of proved and probable gas reserves, less estimated future expenditures to be incurred in developing and producing the proved and probable reserves. The present value of estimated future net cash flows is computed using an after-tax discount rate of 15%. The discount rate used reflects the specific risks relating to the underlying CGUs. As a result of the impairment test, no impairment is required to be recognized in respect of said CGUs.

The crude oil forecast prices used to determine the recoverable amount are provided by the Company's independent reserves valuer and are $67/bbl in 2020, $67.83/bbl in 2021, $69.19/bbl in 2022, $70.57/bbl in 2023 and an annual escalation of approximately 2% after 2023.

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

The impact of 1% (increase) / decrease in the discount rate and 5% increase / (decrease) in the crude oil price on the recoverable amount of each CGU is as follow:

	Discount rate		**Crude oil price**	
	1% increase	**1% decrease**	**5% increase**	**5% decrease**
	$	**$**	**$**	**$**
CGU-I	(1,869,309)	2,013,209	788,372	(941,672)
CGU-II	(157,840)	167,831	85,398	(98,038)
CGU-III	(351,026)	365,280	456,176	(521,109)

6 Exploration and evaluation assets

	December 31, 2019	**December 31, 2018**
	$	**$**
Balance at beginning of the year	4,543,971	1,981,838
Additions during the year	458,727	2,550,203
Transferred to property, plant and equipment (note 5)	(379,701)	-
Additions in asset retirement obligation	-	42,094
Revision in estimate of asset retirement obligation	10,169	(22,834)
Exploration and evaluation assets written off (note 6 d)	(7,113)	(7,330)
Carrying amount at end of the year	**4,626,053**	**4,543,971**

a) The initial term of Phase II of the Badin IV North exploration license expired on December 6, 2019. In accordance with the provisions of the Petroleum Concession Agreement ("PCA"), the operator on behalf of the JV partners submitted a renewal application to the Directorate General of Petroleum Concessions ("DGPC") for approval on December 4, 2019. The approval of the application filed with the DGPC is pending as of the date of approval of these financial statements. The management believes that, based on the related provisions of the Badin IV North PCA, the exploration license has been and will remain valid until approval is granted by the DGPC. As a result, no derecognition or impairment of exploration and evaluation assets amounting to $2,146,103 (2018: $1,923,526) related to the Badin IV North exploration license is required as at December 31, 2019.

b) The initial term of Phase II of the Badin IV South exploration license expired on July 4, 2018. In accordance with the provisions of the Badin IV South PCA, the operator on behalf of the JV partners submitted a renewal application to the DGPC for approval on July 2, 2018. On February 10, 2020, the DGPC granted approval of extension in the license term subject to the submission of bank guarantees by the JV partners. On February 13, 2020, Jura submitted its application to the DGPC for hypothecation of reserves in lieu of bank guarantee. The approval of the Company's application is pending as of the date of approval of these financial statements. The management believes that the possibility of rejection of Jura's application by the DGPC is remote, since a similar approval has been granted in respect of the Guddu exploration license. As a result, no derecognition or impairment of exploration and evaluation assets amounting to $127,966 (2018: 292,232) related to the Badin IV South exploration license is required as at December 31, 2019.

(expressed in US dollars)

c) Subsequent to the year end, the third year of the initial term of the Guddu exploration license expired on May 24, 2020. In accordance with the provisions of the Guddu PCA, the operator on behalf of the JV partners submitted a renewal application to the DGPC on March 16, 2020. The approval of the application filed with the DGPC is pending as of the date of approval of these financial statements. The management believes that, based on the related provisions of the Guddu PCA, the exploration license has been and will remain valid until approval is granted by the DGPC. As a result, no derecognition or impairment of exploration and evaluation assets amounting to $2,029,148 (2018: $2,333,909) related to the Guddu exploration license is required as at December 31, 2019.

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

e) In 2016, the DGPC issued a notice to Heritage Oil & Gas Limited, the operator of the Sanjawi and Zamzama North exploration licenses, 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 PCA and applicable Pakistan Petroleum (Exploration and Production) Rules 2001 ("Rules"). Thereafter, the DGPC issued a show cause notice to the Operator to explain why the Zamzama North Exploration License / PCA should not be revoked. The Operator responded to the DGPC that the Joint Venture ("JV") partners do not intend to challenge the proposed revocation of the License and PCA, however, the JV partners do not accept that they have or should incur any further liability towards the Government or DGPC in relation to 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 the DGPC and is confident that there will be no financial or 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 DGPC notices.

7 Long-term receivables

	December 31, 2019	**December 31, 2018**
	$	**$**
Advance tax	239,911	165,468
	239,911	**165,468**

(expressed in US dollars)

8 Accounts payable and accrued liabilities

	December 31, 2019 $	December 31, 2018 $
Trade payables	144,931	127,130
Due to concession operators	7,357,647	5,415,969
Royalty payable	2,403,933	1,538,712
Sales tax payable	788,904	417,316
Accrued liabilities	1,288,140	963,495
Deferred revenue (note 8 a)	669,387	669,387
Provision for workers' profit participation fund	838,777	691,136
Other payables (note 8 b)	432,010	648,764
	13,923,729	**10,471,909**

a) Deferred revenue represents amount collected on behalf of PEL representing the consideration for the transfer of Company's 7.89% working interest in Badar, which is to be transferred to PEL pursuant to the terms of the Settlement Agreement dated August 12, 2016.

b) Other payables include an amount of $100,000 (2018: $nil) received from Konnect Gas (Private) Limited, an associated entity, as security deposit pursuant to the terms of the Sara Suri Gas Sales and Purchase Agreement.

9 Borrowings

	December 31, 2019 $	December 31, 2018 $
Current		
Syndicated credit facilities (note 9 a)	2,984,732	3,375,836
Finance lease obligations (note 9 b)	33,528	35,607
Subordinated debentures (note 9 c)	3,542,157	-
	6,560,417	**3,411,443**
Non-current		
Syndicated credit facilities (note 9 a)	787,795	4,059,034
Finance lease obligations (note 9 b)	18,806	58,590
Subordinated debentures (note 9 c)	-	3,480,752
	806,601	**7,598,376**
Total borrowings	**7,367,018**	**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 $4.83 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 $4.83 million) to PKR 960 million (approximately $6.18 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 $6.18 million) to PKR 1,060 million (approximately $6.82 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 $6.82 million) to PKR 1,230 million (approximately $7.91 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 $7.91 million) to PKR 1,530 million (approximately $9.85 million).

(expressed in US dollars)

The Syndicated Credit Facility carries interest 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 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 $4.31 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.

As at December 31, 2019, SEPL was in compliance with all the financial covenants.

Subsequent to the year end, on January 31, 2020, the outstanding amount of Al Baraka Syndicated Credit Facilities was fully settled from the proceeds of Askari Bank Syndicated Term Finance Facilities *(see "Subsequent Events – note 25 (a)")*.

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 five years. The commitments in relation to the finance lease payable are as follows:

	December 31, 2019	**December 31, 2018**
	$	**$**
Within one year	36,964	42,803
Later than one year but not later than five years	19,563	63,131
Later than five years	-	-
Minimum lease payments	**56,527**	**105,934**
Future interest payments	(4,193)	(11,737)
Recognized as liability	**52,334**	**94,197**

The present value of finance lease liabilities is as follows:

Within one year	33,528	35,607
Later than one year but not later than five years	18,806	58,590
Later than five years	-	-
Minimum lease payments	**52,334**	**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 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 was due on April 30, 2020, accordingly, as at December 31, 2019, the subordinated debentures have been classified as a current liability (December 31, 2018: Non-current liability).

(expressed in US dollars)

Subsequent to year end, on April 30, 2020, the Company entered into a second supplemental debentures indenture pursuant to which the maturity date of debentures was extended from April 30, 2020 to October 31, 2020 or an earlier date at the option of the Company *(see "Subsequent Events – note 25 (c)")*.

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

10 Amounts due to related parties

	December 31, 2019 $	December 31, 2018 $
Current		
JS Bank term finance facilities (note 10 a)	604,488	502,699
	604,488	**502,699**
Non-current		
JS Bank term finance facilities (note 10 a)	1,247,895	936,226
Shareholder loans (note 10 b)	12,768,695	12,868,780
	14,016,590	**13,805,006**
Total amounts due to related parties	**14,621,078**	**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 $1.29 million). The facility carries interest at the rate of 3-month 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, lien on a cash reserve fund and a corporate guarantee by JEC.

On July 11, 2019, SEPL entered into a second term finance facility (the "Second Facility") with JS Bank Limited, for an amount of up to PKR 150 million (approximately $0.97 million). The principal amount under the Second Facility carries interest at a rate of 3 months KIBOR plus 2.75% 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.

As at December 31, 2019, SEPL was in compliance with all the financial covenants.

(expressed in US dollars)

Subsequent to the year end, on January 31, 2020, the outstanding amount of JS Bank term finance facilities was fully settled from the proceeds of Askari Bank Syndicated Term Finance Facilities *(see "Subsequent Events – note 25 (a)")*.

b) These represent unsecured (i) short term loan of $822,739 (2018: $2,151,276) and (ii) bridge loan of $11,945,956 (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 December 31, 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 December 31, 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 December 31, 2019, was $nil (December 31, 2018: $nil).

11 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, 2019				
Amounts due to related parties				
Shareholder loans	12,768,695	-	12,768,695	-
JS Bank term finance facilities	1,852,383	604,488	1,247,895	-
Borrowings				
Syndicated credit facilities	3,772,527	2,984,732	787,795	-
Finance lease obligations	52,334	33,528	18,806	-
Subordinated debentures	3,542,157	3,542,157	-	-
	21,988,096	**7,164,905**	**14,823,191**	**-**
At December 31, 2018				
Amounts due to related parties				
Shareholder loan	12,868,780	-	12,868,780	-
JS Bank term finance facility	1,438,925	502,699	936,226	-
Borrowings				
Syndicated credit facilities	7,434,870	3,375,836	4,059,034	-
Finance lease obligations	94,197	35,607	58,590	-
Subordinated debentures	3,480,752	-	3,480,752	-
	25,317,524	**3,914,142**	**21,403,382**	**-**

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:

(expressed in US dollars)

Currency	December 31, 2019	December 31, 2018
	$	$
United States Dollars	16,310,852	16,349,532
Pakistan Rupee	5,677,244	8,967,992
	21,988,096	**25,317,524**

12 Asset retirement obligation

	December 31, 2019	December 31, 2018
	$	$
Balance at beginning of the year	2,839,544	3,391,415
Additions during the year	80,410	42,094
Revisions due to change in estimates	211,715	(672,071)
Accretion on asset retirement obligation	74,890	78,106
Carrying amount at end of the year	**3,206,559**	**2,839,544**

The Company's asset retirement obligation arises 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 $3,316,926 which is expected to be incurred between 2026 and 2033.

A risk-free rate of interest ranging between 2.05% to 2.25% and inflation at an annual rate of 1.8% 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 $0.31 million.

13 Share capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, with rights and privileges for each series as determined by the Board. As at December 31, 2019 69,076,328 (2018: 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.

	Year ended December 31, 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 year	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 year	50,000	0.77	1.00	50,000	0.73	1.00
Options exercisable, end of year	50,000	0.77	1.00	50,000	0.73	1.00

(expressed in US dollars)

Price		Number outstanding	Weighted average remaining contractual life (years)	Exercisable
$	C$			
0.77	1.00	50,000	0.34	50,000
0.77	1.00	50,000	0.34	50,000

Restricted Share Units

The Company has a restricted share unit plan pursuant to which restricted share units ("RSU") may be granted to directors and officers 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 281,529 (2018: 186,466) restricted share units to its directors.

Stock-based compensation and contributed surplus

During the year ended December 31, 2019, stock-based compensation of $24,040 (2018: $20,092) was charged to the consolidated statement of comprehensive income / (loss).

Warrants

As at December 31, 2019, 750,000 (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 the current period. Each warrant is convertible into one ordinary share of the Company at an exercise price of C$0.15 ($0.12) per share and will expire on October 31, 2020. The fair value was determined using the Black-Scholes Option Pricing Model with the assumptions referred to in note 9 (c).

14 Contingencies and commitments

Taxation

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

Commitments

	December 31, 2019	December 31, 2018
	$	$
Minimum capital commitments related to exploration licenses	5,489,836	6,124,122
Commitments under approved AFEs	3,160,467	172,723
Commitment under share purchase agreement for the acquisition of EEL	1,000	1,000
Commitments under operating leases		
Not later than one year	-	9,680
	8,651,303	**6,307,525**

(expressed in US dollars)

Breakdown of minimum capital commitments related to exploration licenses.

	2020	2021	2022	Total
	$	$	$	$
Sanjawi	668,250	94,500	1,755,000	2,517,750
Zamzama North	1,224,000	-	-	1,224,000
Guddu	426,300	-	-	426,300
Badin IV North	978,036	-	-	978,036
Badin IV South	343,750	-	-	343,750
	3,640,336	**94,500**	**1,755,000**	**5,489,836**

15 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 $1,232,108 (2018: $439,327).

16 Cost of production

	December 31, 2019	December 31, 2018
	$	$
Production costs	2,289,522	2,346,905
Depletion of oil and gas properties (note 5)	2,365,282	2,668,781
	4,654,804	**5,015,686**

17 General and administrative expenses

	December 31, 2019	December 31, 2018
	$	$
Employees' benefits	759,584	791,552
Directors' compensation	91,853	88,676
Depreciation of other operating assets	59,364	69,115
Legal and professional charges	261,320	356,416
Travelling expenses	150,714	65,465
Consultancy (note 17 a)	281,787	284,290
Office rent and utilities	36,981	53,426
Provision for workers' profit participation fund	229,367	200,395
Other expenses	208,204	268,179
	2,079,174	**2,177,514**

a) Consultancy includes an amount of $80,000 (2018: $80,000) charged by JS North Asia Investment Limited, a related party.

18 Finance costs

	December 31, 2019	December 31, 2018
	$	$
Interest on the amounts due to related parties	1,651,227	1,434,671
Interest on borrowings	1,247,942	1,553,204
Accretion on asset retirement obligation (note 12)	74,890	78,106
Late payment surcharge on payment of cash calls to operators	792,906	549,111
	3,766,965	**3,615,092**

19 Income tax

	December 31, 2019	December 31, 2018
	$	$
Current tax (note 19 a)	-	-
Deferred tax	1,426,786	731,731
	1,426,786	**731,731**

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

(expressed in US dollars)

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

	December 31, 2019 $	**December 31, 2018 $**
Net profit before income tax	1,210,391	741,204
Federal and provincial statutory rates	26.50%	27.00%
Expected income tax expense	320,754	200,125
Foreign tax rate differential	290,747	246,098
Non-deductible payments and provisions	26,941	23,216
Change in tax rate	645,750	-
Adjustment in respect of prior years	1,336	-
Depletion allowance	(380,042)	(720,651)
Change in asset not recognised	521,300	982,943
	1,426,786	**731,731**

c) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2019 $	**December 31, 2018 $**
Deferred tax asset:		
Deferred tax asset to be settled after more than 12 months	282,102	851,109
Deferred tax asset to be settled within 12 months	649,399	345,758
	931,501	**1,196,867**
Deferred tax liability:		
Deferred tax liability to be settled after more than 12 months	3,092,376	1,928,598
Deferred tax liability to be settled within 12 months	310,997	313,355
	3,403,373	**2,241,953**
Deferred tax liability - net	**2,471,872**	**1,045,086**

d) The net movement on the deferred tax liability is as follows:

	December 31, 2019 $	**December 31, 2018 $**
Balance at beginning of the year	1,045,086	-
Recognised in earnings	1,426,786	731,731
Recognized in equity	-	313,355
Balance at end of the year	**2,471,872**	**1,045,086**

e) The balance of deferred tax liability is in respect of the following temporary difference:

	December 31, 2019 $	**December 31, 2018 $**
Taxable temporary differences		
Property, plant and equipment	3,096,600	1,960,876
Exploration and evaluation assets	306,773	281,077
Taxable temporary differences	**3,403,373**	**2,241,953**
Deferred tax asset on carried forward tax losses	(931,501)	(1,196,867)
Net deferred tax liability	**2,471,872**	**1,045,086**

f) As at December 31, 2019, the Company has consolidated non-capital tax losses of $25.51 million, expiring between 2020 and 2039, 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, 2019 is as follows:

(expressed in US dollars)

	$	Expiry
Jura Energy Corporation	16,102,586	2029 to 2039
Spud Energy Pty Limited - Pakistan branch	3,763,644	2020 to 2021
Frontier Holdings Limited - Pakistan branch	5,642,272	2030
	25,508,502	

A deferred tax asset has not been recognized for the tax losses of Jura Energy Corporation and Frontier Holdings Limited – Pakistan branch as the Company cannot demonstrate that it is probable that these losses will be realized to reduce or eliminate taxes on taxable income in Canada and Pakistan in future years.

20 Earnings / (loss) per share

	December 31, 2019 $	December 31, 2018 $
Net profit / (loss) for the year	(216,395)	9,473
Weighted average number of outstanding shares		
- Basic	69,076,328	69,076,328
- Diluted	70,298,081	70,298,081
Basic and diluted earnings / (loss) per share	(0.00)	0.00

For the years ended December 31, 2019 and 2018, 50,000 employee stock options, 6,907,632 stock options under shareholder loans and 750,000 share purchase warrants were excluded from the calculation of diluted shares as they would be anti-dilutive.

21 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/payable in foreign currency. The Company's exposure to currency risk is as follows:

PKR	December 31, 2019 $	December 31, 2018 $
Bank balances	134,556	223,544
Accounts and other receivables	1,013,848	587,622
Accounts payable and accrued liabilities	(4,444,369)	(3,010,676)
Amounts due to related parties	(1,852,383)	(1,438,925)

(expressed in US dollars)

Borrowings	(3,824,861)	(7,529,067)
Net exposure	**(8,973,209)**	**(11,167,502)**
CAD		
Bank balances	389	2,955
Accounts and other receivables	4,803	3,458
Accounts payable and accrued liabilities	(303,802)	(278,481)
Net exposure	**(298,610)**	**(272,068)**

The following significant exchange rates were applied during the year:

PKR per USD		
Average rate	148.95	119.06
Reporting date rate	155.35	139.10
CAD per USD		
Average rate	1.33	1.30
Reporting date rate	1.29	1.36

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 $463,590 (2018: $571,979) 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, 2019 $	December 31, 2018 $
Fixed rate instruments		
- Borrowings	3,542,157	3,480,752
- Amounts due to related parties	12,768,695	12,868,780
Floating rate instruments		
- Borrowings	3,824,861	7,529,067
- Amounts due to related parties	1,852,383	1,438,925

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 $56,772 (2018: $89,680) 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.

(expressed in US dollars)

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, 2019 $	**December 31, 2018 $**
Cash at bank	581,686	1,388,243
Restricted cash	952,314	1,088,573
Accounts and other receivables	5,959,732	5,143,593
	7,493,732	**7,620,409**

The credit risk on liquid funds is limited, because the counterparties 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**	**2019 $**	**2018 $**
Royal Bank of Canada	Moody's[1]	Aa2	16,997	48,989
Meezan Bank Limited	JCR-VIS[2]	A-1+	555	619
Bank Alfalah Limited	PACRA[3]	A1+	575	585
Askari Bank Limited	PACRA	A1+	1,213	1,239
JS Bank Limited	PACRA	A1+	82,537	70,697
Silk Bank Limited	JCR-VIS	A-2	34,848	29
Al Baraka Bank (Pakistan) Limited	PACRA	A1	1,397,275	2,354,658
			1,534,000	**2,476,816**

[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 counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

The majority of the Company’s trade receivables relate to the sale of natural gas to Sui Southern Gas Company Limited (“SSGCL”), a Pakistan state-owned gas transmission company. At December 31, 2019 94.21% (2018: 92%) of the Company’s trade receivables were for gas sales to SSGCL. While determining whether amounts that are past due are collectible, the management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. JEC considers all amounts greater than 90 days to be past due, at which point significant increase in credit risk exists. The lifetime expected credit loss allowances related to the Company’s accounts and other receivables was nominal as at and for the years ended December 31, 2019 and 2018. As of December 31, 2019, trade receivables of $745,264 (2018: $1,724,682) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	December 31, 2019 $	**December 31, 2018 $**
Up to 3 months	2,465,113	2,887,858
3 to 6 months	745,264	1,724,682
Above 6 months	-	-
	3,210,377	**4,612,540**

(expressed in US dollars)

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 process 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, 2019 and 2018:

	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, 2019	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	13,923,729	-	-	-	-	13,923,729	13,923,729
Amounts due to related parties	359,074	462,335	15,021,553	391,759	-	16,234,721	14,621,078
Borrowings	5,435,792	1,624,872	779,841	-	-	7,840,505	7,367,018
	19,718,595	**2,087,207**	**15,801,394**	**391,759**	**-**	**37,998,955**	**35,911,825**
December 31, 2018							
Accounts payable and accrued liabilities	10,471,909	-	-	-	-	10,471,909	10,471,909
Amounts due to related parties	323,206	308,672	14,858,088	515,606	-	16,005,572	14,307,705
Borrowings	2,253,353	2,156,452	7,329,704	861,523	-	12,601,032	11,009,819
	13,048,468	**2,465,124**	**22,187,792**	**1,377,129**	**-**	**39,078,513**	**35,789,433**

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

	Amortized cost	
	December 31, 2019	December 31, 2018
Financial assets	$	$
Cash and cash equivalents	581,686	1,388,243
Restricted cash	952,314	1,088,573
Accounts and other receivables	5,959,732	5,143,593
	7,493,732	**7,620,409**
Financial liabilities		
Accounts payable and accrued liabilities	13,923,729	10,471,909
Amounts due to related parties	14,621,078	14,307,705
Borrowings	7,367,018	11,009,819
	35,911,825	**35,789,433**

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 Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt obligations.

For working capital and capital expenditure requirements, the Company primarily relies on internal cash generation, financial support of its lenders and the parent company. There is a material uncertainty about the Company's ability to continue as going concern, see note 2 (i) for details regarding the going concern assumption.

22 Transactions with related parties

The Company's related parties include its majority shareholder, JSEL. Amounts 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 Investment Consultancy FZE
- JS North Asia Investments Limited
- Konnect Gas (Private) 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 Executive Officer, Chief Financial Officer and its directors.

Transactions with related parties other than those which have been disclosed elsewhere in the financial statements are:

(expressed in US dollars)

	December 31, 2019 $	December 31, 2018 $
Transactions with Majority Shareholder - JSEL		
Bridge Loan		
Balance payable at beginning of the year	10,704,979	9,602,851
Interest accrued on loan from shareholder	1,228,452	1,102,128
Balance payable at end of the year	11,933,431	10,704,979
Short Term Loan		
Balance payable at beginning of the year	2,151,276	-
Loan received during the year	-	2,000,000
Interest accrued on loan from shareholder	170,939	151,276
Principal repaid during the year	(1,178,944)	-
Interest paid during the year	(320,532)	-
Balance payable at end of the year	822,739	2,151,276
Transactions with Associated Entity – JS Bank Limited		
Syndicated Credit Facility		
Balance payable at beginning of the year	3,145,626	5,211,590
Interest accrued during the year	341,624	452,330
Principal repaid during the year	(1,307,591)	(1,210,897)
Interest paid during the year	(337,091)	(425,930)
Exchange gain on retranslation of loan	(263,709)	(881,467)
Balance payable at end of the year	1,578,859	3,145,626
Term Finance Facility		
Balance payable at beginning of the year	1,438,925	1,786,416
Loan received during the year	939,113	-
Interest accrued during the year	251,836	181,267
Principal repaid during the year	(448,433)	-
Interest paid during the year	(199,781)	(157,858)
Exchange gain on retranslation of loan	(129,277)	(370,900)
Balance payable at end of the year	1,852,383	1,438,925
Key Management Compensation		
Management salaries and benefits	300,596	275,422
Directors' fees and compensation	91,853	88,676
Balance payable at end of the year	392,449	364,098

23 Principal subsidiaries

The Company had the following subsidiaries at December 31, 2019:

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

(expressed in US dollars)

24 Operating segment information

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

The Pakistan segment derives its revenue primarily from the sale of petroleum products in Pakistan. During the year ended December 31, 2019, the Pakistan segment had two main customers, Engro Fertilizers Limited ("EFL") and 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 years ended December 31, 2019 and 2018 and trade receivables at December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Net sales		
EFL	12%	7%
SSGCL	88%	92%
Others	0%	1%
Trade receivables		
EFL	5%	6%
SSGCL	94%	92%
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, 2019		
	Canada	**Pakistan**	**Consolidated**
	-------------------------$---------------------------		
Net revenue	-	10,654,406	10,654,406
Cost of production	-	(4,654,804)	(4,654,804)
Gross profit	**-**	**5,999,602**	**5,999,602**
General and administrative expenses	(493,840)	(1,585,334)	(2,079,174)
Exploration and evaluation costs written off	-	(7,113)	(7,113)
Operating profit / (loss)	**(493,840)**	**4,407,155**	**3,913,315**
Exchange gain / (loss) - net	(3,047)	1,067,088	1,064,041
Finance costs	(446,405)	(3,320,560)	(3,766,965)
Net profit / (loss) for the year before tax	**(943,292)**	**2,153,683**	**1,210,391**
Income tax	-	(1,426,786)	(1,426,786)
Net profit / (loss) for the year after tax	**(943,292)**	**726,897**	**(216,395)**
Capital expenditure incurred during the year			
Property, plant and equipment	-	3,456,979	3,456,979
Exploration and evaluation assets	-	458,727	458,727
Segment assets	33,735	55,578,849	55,612,584
Segment liabilities	3,893,239	37,697,017	41,590,256

(expressed in US dollars)

	For the year ended December 31, 2018		
	Canada	**Pakistan**	**Consolidated**
		$	
Net revenue	-	11,902,697	11,902,697
Cost of production	-	(5,015,686)	(5,015,686)
Gross profit	**-**	**6,887,011**	**6,887,011**
General and administrative expenses	(655,635)	(1,521,879)	(2,177,514)
Impairment of oil and gas properties	-	(3,819,000)	(3,819,000)
Exploration and evaluation costs written off	-	(7,330)	(7,330)
Other income	-	5,445	5,445
Operating profit / (loss)	**(655,635)**	**1,544,247**	**888,612**
Exchange gain / (loss) - net	(8,720)	3,476,404	3,467,684
Finance costs	(487,500)	(3,127,592)	(3,615,092)
Net profit / (loss) for the year before tax	**(1,151,855)**	**1,893,059**	**741,204**
Income tax	-	(731,731)	(731,731)
Net profit / (loss) for the year after tax	**(1,151,855)**	**1,161,328**	**9,473**
Capital expenditure incurred during the year			
Property, plant and equipment	-	2,129,998	2,129,998
Exploration and evaluation assets	-	2,550,203	2,550,203
Segment assets	66,023	53,822,723	53,888,746
Segment liabilities	3,809,215	35,864,848	39,674,063

25 Subsequent events

a) Closing of Askari Bank Syndicated Term Finance Facility

Subsequent to the year-end, on January 31, 2020, SEPL entered into a secured long-term syndicated term finance facility of PKR 2,000 million (approximately $12.87 million) with Askari Bank Limited (“AKBL”), the lead arranger acting on behalf of the participants.

The syndicate is comprised of AKBL (the lead arranger), JSBL and ABPL with participation of PKR 1,000 million, PKR 550 million and PKR 450 million respectively. AKBL and JSBL are participants in the Conventional Component, while ABPL is the sole participant in the Islamic Component. The AKBL Facility carries interest at the rate of 3-month KIBOR plus 2.50%. The interest is payable quarterly in arrears whereas the principal is repayable in sixteen equal quarterly instalments commencing after a grace period of one year from the date of first disbursement.

The AKBL Facility is secured by (i) a corporate guarantee from Jura; (ii) a corporate guarantee from FHL; (iii) an initial ranking charge on the moveable fixed assets of SEPL with a 25% margin, to be upgraded to a first charge within 90 days of the first disbursement of funds; (iv) a ranking assignment of present and future receivables of SEPL and FHL with a 25% margin, to be upgraded to a first charge within 90 days of the first disbursement of funds; (v) a lien on SEPL's debt service reserve account, debt payment account and collection accounts maintained with AKBL; and (vi) a lien on FHL's collection accounts to be maintained with AKBL.

The proceeds of the Facility were utilized to fully settle the outstanding amount of Al Baraka and JS Bank financing facilities and to fund the capital expenditure commitments of SEPL.

b) Decline in crude oil prices

Subsequent to year-end significant declines in the spot price for oil and gas and significant declines in the stock market have occurred for various reasons linked to the COVID-19 pandemic and other conditions impacting worldwide oil prices.

Jura's impairment tests for its oil and gas properties are generally based on fair value less costs of disposal. Accordingly, as required by IFRS we have not reflected these subsequent conditions in the measurement of our oil and gas assets at December 31, 2019. For example, pricing assumptions used in our impairment indicators/testing were based on forward price expectations at the end of 2019.

Impairment indicators for our oil and gas properties could exist at subsequent reporting dates, if current conditions persist. We will continue to work on revisions to our company's forecasts and development plans in light of the current conditions and will use these updated assumptions/forecasts in our impairment indicator analysis and for impairment tests, if such tests are required.

c) Extension in maturity date of subordinated debentures

Subsequent to year-end, on April 30, 2020, the Company entered into a second supplemental debentures indenture, pursuant to which the maturity date of Company's $3.5 million subordinated debentures has been extended from April 30, 2020 to October 31, 2020.