
Jadestone Energy Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at and for the 6-months ended

September 30, 2017

Company Registration No. BC0350583 (Canada)

Jadestone Energy Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION As at September 30, 2017

	Notes	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000 Restated
ASSETS			
Non-current assets:			
Intangible exploration assets	13	105,389	104,929
Oil and gas properties	14	60,744	64,334
Deferred tax assets	15	20,672	17,541
Plant and equipment	16	643	680
Restricted cash	19	687	669
		<u>188,135</u>	<u>188,153</u>
Current assets:			
Inventories	17	8,515	10,803
Receivables and prepayments	18	5,247	7,043
Cash and cash equivalents	19	19,576	14,478
		<u>33,338</u>	<u>32,324</u>
TOTAL ASSETS		<u><u>221,473</u></u>	<u><u>220,477</u></u>
EQUITY AND LIABILITIES			
Equity:			
Share capital	20	364,466	364,466
Share-based payment and warrants	21	21,711	21,419
Accumulated losses		(278,401)	(262,693)
		<u>107,776</u>	<u>123,192</u>
Non-current liabilities:			
Provision for asset restoration obligations	22	78,918	77,186
Other provisions	23	6,946	6,918
Deferred tax liabilities		699	699
Convertible bonds	26	12,495	-
Derivative financial instruments	26	2,390	-
		<u>101,448</u>	<u>84,803</u>
Current liabilities:			
Borrowings	24	-	435
Trade & other payables, accruals and provisions	25	12,249	12,047
		<u>12,249</u>	<u>12,482</u>
TOTAL EQUITY AND LIABILITIES		<u><u>221,473</u></u>	<u><u>220,477</u></u>

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

Jadestone Energy Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the 6-months ended September 30, 2017

	<i>Notes</i>	3-Months Ended September 30,		6-Months Ended September 30,	
		2017	2016	2017	2016
		US\$000	US\$000	US\$000	US\$000
Revenue	6	21,383	-	39,517	-
Cost of sales	7	(18,485)	-	(45,549)	-
GROSS PROFIT/(LOSS)		2,898	-	(6,032)	-
Staff costs	8	(2,784)	(1,701)	(5,894)	(4,005)
Share-based compensation	21	(143)	(17)	(292)	(23)
Other operating expenses	9	(2,155)	(1,128)	(3,907)	(1,507)
Depreciation	16	(74)	(10)	(106)	(21)
Write back of material and spare parts	17	-	-	29	-
Exploration (expenses)/credit		36	(210)	22	(278)
Impairment of intangible exploration asset	13	-	-	-	(2,562)
Write back of exploration asset		-	-	400	-
Back cost recovered/(expensed)		(81)	-	153	-
Foreign exchange loss		(137)	(21)	(63)	(31)
OPERATING LOSS BEFORE INTEREST AND TAXATION		(2,440)	(3,087)	(15,690)	(8,427)
Interest income		25	1	26	1
Finance costs	10	(1,228)	-	(1,972)	-
LOSS BEFORE TAX		(3,643)	(3,086)	(17,636)	(8,426)
Taxation credit/(expense)	11	(287)	-	1,928	-
LOSS FOR THE PERIOD, REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(3,930)	(3,086)	(15,708)	(8,426)
Loss per ordinary share: Basic and diluted – US\$	12	<u>(0.02)</u>	<u>(0.03)</u>	<u>(0.07)</u>	<u>(0.09)</u>

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

Jadestone Energy Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the 6-months ended September 30, 2017

	Share capital US\$000	Share-based payment reserves US\$000	Accumulated losses US\$000 Restated	Total US\$000 Restated
At April 1, 2017				
- As previously reported	364,466	21,419	(261,768)	124,117
- Revision arising from Purchase Price Allocation review (note 5)	-	-	(925)	(925)
- As restated	364,466	21,419	(262,693)	123,192
Total comprehensive loss for the period				
Loss for the period	-	-	(15,708)	(15,708)
Transactions with owners, recognized directly in equity				
Recognition of share-based compensation	-	292	-	292
Total transactions with owners	-	292	-	292
At September 30, 2017	364,466	21,711	(278,401)	107,776
At April 1, 2016	324,748	21,316	(226,696)	119,368
Total comprehensive loss for the period				
Loss for the period	-	-	(8,426)	(8,426)
Transactions with owners, recognized directly in equity				
Share capital issued (private placement)	263	-	-	263
Recognition of share-based compensation	-	23	-	23
Total transactions with owners	263	23	-	286
At September 30, 2016	325,011	21,339	(235,122)	111,228

Jadestone Energy Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the 6-months ended September 30, 2017

	<i>Notes</i>	3-Months Ended September 30,		6-Months Ended September 30,	
		2017	2016	2017	2016
		US\$000	US\$000	US\$000	US\$000
OPERATING ACTIVITIES					
Loss before tax		(3,643)	(3,086)	(17,636)	(8,426)
Adjustments for:					
Depreciation	16	74	10	106	21
Share-based compensation	8,21	143	17	292	23
Impairment of intangible exploration asset	13	-	-	-	2,562
Write-back of material and spare parts		-	-	(29)	-
Depletion and amortisation	7,14	3,266	-	5,709	-
Write back of impairment of exploration asset		-	-	(400)	-
Unrealized foreign exchange loss		138	21	64	31
Interest income		(25)	(1)	(26)	(1)
Finance costs	10	1,228	-	1,972	-
Cash generated from/(used in) operations		<u>1,181</u>	<u>(3,039)</u>	<u>(9,948)</u>	<u>(5,790)</u>
Changes in working capital:					
Decrease/(increase) in inventories		1,572	-	2,318	(15)
(Increase)/decrease in other receivables and prepayments		5,599	(2)	1,994	(224)
Increase/(decrease) in other payables and accruals		<u>(6,458)</u>	<u>(433)</u>	<u>(599)</u>	<u>(1,104)</u>
NET CASH GENERATED/(USED) IN OPERATING ACTIVITIES		1,894	(3,474)	(6,235)	(7,133)
INVESTING ACTIVITIES					
Oil and gas properties	14	(826)	-	(1,417)	-
Payment for intangible exploration assets	13	(399)	(242)	(446)	(1,109)
Payment for plant and equipment	16	(12)	(22)	(69)	(22)
Proceeds from disposal of intangible exploration asset		-	-	400	-
Interest received		25	1	26	1
Taxation paid	11	(709)	-	(995)	-
NET CASH USED IN INVESTING ACTIVITIES		(1,921)	(263)	(2,501)	(1,130)
FINANCING ACTIVITIES					
Proceeds from share issuance		-	-	-	263
Payment of borrowings	24	(223)	-	(446)	-
Net drawdown from convertible bonds		4,850	-	14,550	-
NET CASH FROM FINANCING ACTIVITIES		4,627	-	14,104	263
Effect of translation on foreign currency cash and cash equivalents		(137)	(21)	(270)	(31)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		4,463	(3,758)	5,098	(8,031)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		15,113	4,844	14,478	9,117
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	<u>19,576</u>	<u>1,086</u>	<u>19,576</u>	<u>1,086</u>

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

1. CORPORATE INFORMATION

Jadestone Energy Inc. (the “Company” or “Jadestone” or “JEI”) is an oil and gas company incorporated in Canada. The Company’s common shares are listed on the TSX Ventures Exchange (“TSX-V”) under the symbol JSE.

The Company and its subsidiaries (the “Group”) are engaged in production, development, and exploration and appraisal activities in Australia, Indonesia, Vietnam and the Philippines. The Company’s current two producing assets are in the Carnarvon Basin, offshore Western Australia and onshore Sumatra, Indonesia.

The Company’s head office is located at Keppel Towers, #15-05/06, 10 Hoe Chiang Road, Singapore 089315. The registered office of the Company is 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1 Canada.

2. GOING CONCERN ASSUMPTION

The Group recorded a loss before tax of US\$17.6 million for the 6-months ended September 30, 2017 (6-months ended September 30, 2016: US\$8.4 million). As at September 30, 2017, the Group’s current assets exceeded its current liabilities by US\$21.1 million (March 31, 2017: net current asset of US\$19.8 million). The ability of the Company and the Group to continue as going concerns remains dependent on operating its current production on a profitable basis, developing future profitable operations, and/or raising adequate capital to support operations.

In conjunction with the private placement, on November 8, 2016, Jadestone also entered into a US\$28.0 million convertible bond facility (the “Facility”) with Tyrus Capital Event S.à.r.l. (“Tyrus”). Under the terms of the Facility, Jadestone has the ability to drawdown tranches of US\$5 million, subject to Tyrus’s approval, and any amounts drawn down incur a 3.0% original issue discount and will bear interest at the rate of 7.5% per annum payable quarterly. The Facility will mature after three years, at which time Tyrus has the option to convert the full amount of any principal owing under the Facility into common shares of the Company at a conversion price of C\$0.50. Tyrus also has the option to convert any principal owing under the Facility at any time prior to maturity and the option to require the Company to draw down all undrawn amounts at any time prior to 15 days from maturity. The Company drew down US\$10 million during the 3 months ended June 30, 2017, and a further US\$5 million on July 13, 2017 totaling US\$15 million from the convertible bond facility, to fund capital expenditures and for related corporate purposes.

In sum, the Company has sufficient working capital to meet its financial obligations for the next 12 months. As such, the accompanying financial statements are presented on a going concern basis.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

3. BASIS OF PREPARATION

Statement of Compliance

These unaudited condensed interim financial statements (the “Financial Statements”) are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting, on a going concern basis under the historical cost convention. They do not contain all disclosures required by International Financial Reporting Standards for annual financial statements and accordingly, should be read in conjunction with JEI’s audited consolidated financial statements for the year ended March 31, 2017.

These Financial Statements were approved for issuance by the Company’s Board of Directors on November 28, 2017, on the recommendation of the Audit Committee.

Functional and Presentation Currency

These Financial Statements are presented in United States Dollars, which is the functional and reporting currency of the Company and its subsidiaries, based on the predominant currency of these group’s transactions and cash flows.

Basis of Consolidation

The Financial Statements incorporate the financial statements of the Company and enterprises controlled by the Company (its “subsidiaries”) (the “Group”) as at and up to September 30, 2017. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company’s using consistent accounting policies.

Basis of Measurement

These Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value, which are stated at their fair values. In addition, these financials have been prepared using the accrual basis of accounting.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Financial Statements have been prepared in accordance with the accounting policies as disclosed in the audited consolidated financial statements of JEI. Accordingly, the Financial Statements should be read in conjunction with the audited consolidated financial statements of JEI for the year ended March 31, 2017.

The Company has made a restatement, pursuant to IFRS 3, of the initial estimated purchase price allocation of the Ogan Komering PSC, acquired during the year ended March 31, 2017 (Note 5).

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

5. ACQUISITION OF OGAN KOMERING PRODUCTION SHARING CONTRACT (“OK PSC”)

On March 9, 2017, Jadestone Energy International Holdings Inc. (“JEIH”), a wholly-owned subsidiary of the Company, closed the acquisition of a fifty percent (50%) interest in the Ogan Komering Production Sharing Contract, Sumatra, Indonesia (“OK PSC”). For the financial year ended March 31, 2017, the initial purchase price allocation for the OK PSC acquisition was estimated based on the information known at that time and a purchase discount of US\$2.2 million was recognised on a provisional basis in the audited financial statement for the year ended March 31, 2017.

Subsequently, the Group reviewed the purchase price allocation and adjusted the provisional amounts recognised at the acquisition date of the fair value of certain identifiable assets and liabilities, pursuant to IFRS 3, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjusted fair values of the identifiable assets and liabilities, as at the date of acquisition are presented in the following table:

	Provisional fair value March 9, 2017 US\$000	Fair value adjustments US\$000	Adjusted provisional amount US\$000
Assets			
Current Assets			
Inventory - materials	154	(2)	152
Other receivables and prepayments	4,507	(1,908)	2,599
	<u>4,661</u>	<u>(1,910)</u>	<u>2,751</u>
Non-Current Assets			
Oil and gas properties	3,705	-	3,705
Restricted cash	669	-	669
	<u>4,374</u>	<u>-</u>	<u>4,374</u>
Total Assets	<u>9,035</u>	<u>(1,910)</u>	<u>7,125</u>
Liabilities			
Current Liabilities			
Deferred tax liabilities	(1,200)	501	(699)
Other payables and accruals	(3,979)	484	(3,495)
Total Liabilities	<u>(5,179)</u>	<u>985</u>	<u>(4,194)</u>
Net identifiable assets acquired	3,856	(925)	2,931
Total consideration	1,641		1,641
Consideration transferred:			
Base purchase consideration	5,800	-	5,800
Working capital adjustments	(1,944)	(925)	(2,869)
Purchase discount	(2,215)	925	(1,290)
Total consideration	1,641	-	1,641

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

6. REVENUE

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
Liquids revenue				
- Stag Oilfield	15,492	-	27,445	-
- Ogan Komerling	4,032	-	8,058	-
Gas revenue				
- Ogan Komerling	1,859	-	4,014	-
Total revenue	<u>21,383</u>	<u>-</u>	<u>39,517</u>	<u>-</u>
Average realised price:				
Crude oil – Stag (US\$/bbl)	56.47	-	54.69	-
Crude oil and condensate – Ogan Komerling (US\$/bbl)	47.31	-	46.29	-
Gas – Ogan Komerling US\$/mmbtu)	6.79	-	7.26	-
Average production:				
Crude oil – Stag (bpod)	2,847	-	2,709	-
Crude oil and condensate – Ogan Komerling (bpod)	938	-	952	-
Gas – Ogan Komerling (mmbtu/day)	3,008	-	3,023	-

7. COST OF SALES

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
Cost of operations - Stag	10,734	-	30,429	-
Depletion and amortization (Note 14)	2,282	-	4,289	-
	<u>13,016</u>	<u>-</u>	<u>34,718</u>	<u>-</u>
Cost of operations – Ogan Komerling	4,482	-	9,411	-
Depletion and amortization (Note 14)	987	-	1,420	-
	<u>5,469</u>	<u>-</u>	<u>10,831</u>	<u>-</u>
Total cost of sales	<u>18,485</u>	<u>-</u>	<u>45,549</u>	<u>-</u>

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

8. STAFF COSTS

The aggregate remuneration comprised the following:

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
Wages, salaries and fees	2,275	1,701	4,529	3,140
Staff benefit-in-kind and other accruals	509	-	1,054	-
Termination payments	-	-	311	865
	<u>2,784</u>	<u>1,701</u>	<u>5,894</u>	<u>4,005</u>
Share-based compensation (Note 21)	143	17	292	23
	<u>2,927</u>	<u>1,718</u>	<u>6,186</u>	<u>4,028</u>

The Group has capitalized US\$78,000 (6-months ended September 30, 2016: US\$806,460) in respect of staff costs as part of intangible exploration assets as these relate to time costs that are directly attributable to active exploration blocks for the 6-months ended September 30, 2017.

Share-based payment expense (related to share options) in respect of the directors for the 6-months ended September 30, 2017 amounted to US\$108,206 (6-months ended September 30, 2016: US\$23,000).

9. OTHER OPERATING EXPENSES

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
Office costs	750	729	1,555	1,262
Professional fees / consultancies	1,411	1,157	2,305	1,594
Travel & subsistence	73	136	245	229
Time costs – recovery	(94)	(537)	(254)	(1,288)
VAT refund	-	(416)	-	(416)
Others	15	59	56	126
	<u>2,155</u>	<u>1,128</u>	<u>3,907</u>	<u>1,507</u>

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

10. FINANCE COSTS

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
Accretion expense (Note 22, 23 & 26)	708	-	1,321	-
Standby fees (Note 26)	34	-	103	-
Transaction costs	26	-	73	-
Interest on convertible bonds	271	-	279	-
Professional fee	153	-	153	-
Interest on premium funding	5	-	11	-
Amortisation of facility expenses	31	-	32	-
	<u>1,228</u>	<u>-</u>	<u>1,972</u>	<u>-</u>

11. TAXATION

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
PRRT tax – deferred (Note 15)	(422)	-	(2,923)	-
Indonesian income tax – current	709	-	995	-
	<u>287</u>	<u>-</u>	<u>(1,928)</u>	<u>-</u>

The Company is resident in the Province of British Columbia and pays no Canadian corporate tax.

The Australian petroleum resource rent tax is applied at 40%. The Indonesian corporate income tax rate is applied at 35%, branch profit tax is applied at 20%.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

12. LOSS PER ORDINARY SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	3-Months Ended September 30,		6-Months Ended September 30,	
	2017 US\$000	2016 US\$000	2017 US\$000	2016 US\$000
Loss, for the purpose of basic and diluted per share, being the net loss for the period attributable to equity holders of the parent	(3,930)	(3,086)	(15,708)	(8,426)
Number of shares	No.	No.	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	221,298,004	88,798,004	221,298,004	88,798,004

Diluted loss per share is calculated based on the weighted average number of ordinary shares outstanding during the period plus the weighted number of shares that would be issued on the conversion of all potentially dilutive shares to ordinary shares. Where the impact of converted shares would be anti-dilutive, these are excluded from the calculation.

Since the conversion of potential ordinary shares to ordinary shares from share options (Note 21) would decrease the loss per share, they are not dilutive. Accordingly, diluted loss per share is the same as basic loss per share.

13. INTANGIBLE EXPLORATION ASSETS

	Total US\$000
Cost:	
At April 1, 2017	198,500
Additions	460
At September 30, 2017	198,960
Impairment:	
At March 31, 2017 and September 30, 2017	93,571
Net book value:	
At September 30, 2017	105,389
At March 31, 2017	104,929

For the purpose of statement of cash flows, intangible exploration assets of US\$341,625 remained unpaid as at September 30, 2017 (as at March 31, 2017: US\$327,862).

During the financial period, the Group performed reviews of its exploration assets and no impairment was required (as of September 30, 2016: US\$2,561,611).

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

14. OIL AND GAS PROPERTIES

	Total US\$000
Cost:	
At April 1, 2017	70,873
Additions	1,417
At September 30, 2017	<u>72,290</u>
Accumulated depletion and amortisation:	
At April 1, 2017	(3,838)
Depletion and amortisation for the period (Note 7)	(5,709)
At September 30, 2017	<u>(9,547)</u>
Accumulated provision for asset restoration obligations (Note 22):	
At April 1, 2017	(2,701)
Capitalised during the period	702
At September 30, 2017	<u>(1,999)</u>
Net book value:	
At September 30, 2017	<u>60,744</u>
At March 31, 2017	<u>64,334</u>

15. DEFERRED TAX ASSETS

	Total US\$000
<i>PRRT Tax:</i>	
At April 1, 2017	17,541
Increase in PRRT credits (Note 11)	2,120
Increase in accounting base (Note 11)	803
Translation difference	208
At September 30, 2017	<u>20,672</u>

The increase in PRRT credits is due to the additional operating expenditures, partially offset against revenue.

The increase in accounting base represents an overall increase in the accounting carrying value of the ARO liability and capitalised asset for the period.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

16. PLANT AND EQUIPMENT

	Computer equipment US\$000	Fixtures and equipment US\$000	Motor vehicles US\$000	Total US\$000
Cost:				
At April 1, 2017	1,106	931	56	2,093
Additions	34	35	-	69
At September 30, 2017	1,140	966	56	2,162
Accumulated depreciation:				
At April 1, 2017	492	865	56	1,413
Charge for the period	88	18	-	106
At September 30, 2017	580	883	56	1,519
Net book value:				
At September 30, 2017	560	83	-	643
At March 31, 2017	614	66	-	680

17. INVENTORIES

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000 Restated
Materials and spare parts: Southeast Asia ("SEA") portfolio	-	204
Materials and spare parts: Stag	4,312	5,402
Crude oil on hand: Stag	4,203	5,197
	8,515	10,803

A write-back of impairment of US\$29,360 (6-months ended September 30, 2016: US\$Nil) was recognised during the period against materials and spare parts: SEA portfolio, due to a higher net realised value.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

18. RECEIVABLES AND PREPAYMENTS

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000 Restated
Due within one year:		
Amount due from Partners ⁽¹⁾	-	742
Trade receivables	2,865	1,191
Accrued cash call receivables	-	2,403
Prepaid facility expenses (Note 26)	528	560
Other prepayments	582	943
GST/value added tax receivables	900	737
Other receivables	99	85
Other deposits	273	382
	<u>5,247</u>	<u>7,043</u>

⁽¹⁾ “Partners” is a party to a contractual agreement under a Production Sharing Contract (“PSC”) in Vietnam and Indonesia.

19. CASH AND CASH EQUIVALENTS

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Cash at bank	9,570	14,478
Cash against guarantee	10,006	-
Restricted cash:		
- Decommissioning sinking funds	687	669
Total	<u>20,263</u>	<u>15,147</u>
Less: Restricted cash	<u>(687)</u>	<u>(669)</u>
	<u>19,576</u>	<u>14,478</u>

The restricted cash as at September 30, 2017 was in respect of Ogan Komering’s operation.

A portion of cash at bank earns interest at floating rates based on daily bank deposit rates.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

20. SHARE CAPITAL

Authorised ordinary shares:

Unlimited number of common voting shares with no par value.

Allotted and outstanding:

	No. Shares	US\$000
At April 1, 2017 and September 30, 2017	221,298,004	364,466

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. Fully paid ordinary shares carry one vote per share without restriction and carry a right to dividends as and when declared by the Company.

21. SHARE-BASED PAYMENT AND WARRANTS

The total expense arising from share-based payment recognized for the 6-months ended September 30, 2017 was US\$291,714 (6-months ended September 30, 2016: US\$23,211).

On August 19, 2015, the Company adopted, as approved by shareholders, a stock incentive plan (the "Plan") which establishes a rolling number of shares issuable under the plan in the amount of 10% of the Company's issued shares at the date of grant. Under the terms of the Plan, the exercise price of each option granted cannot be less than the market price as of the date of grant, or such other price as may be required by TSX-V. Options under the plan can have a term of up to 10 years with vesting provisions determined by the directors in accordance with TSX-V policies for Tier 2 Issuers.

The Black-Scholes option-pricing model, with the following assumptions, was used to estimate the fair value of the options at the date of grant:

	Options granted on March 28, 2017	Options granted on June 8, 2016	Options granted on April 21, 2015
Risk-free interest rate	1.11% to 1.21%	0.70% to 0.83%	0.89%
Expected life	5.5 to 6.5 years	5.5 to 6.5 years	5 years
Expected volatility	41.6% to 42.8%	42.1% to 42.7%	37.7%
Share price	C\$0.45	C\$0.49	C\$1.25
Exercise price	C\$0.47	C\$0.49	C\$1.82
Expected dividends	Nil	Nil	Nil

The following table summarizes the share options outstanding and exercisable as at September 30, 2017:

	Share options			
	Number of options	Weighted average exercise price C\$	Weighted average remaining contract life	Number of options exercisable
As at April 1, 2017	10,427,821	0.88	7.62	3,177,821
Cancelled during the period	(2,500,000)	1.82	-	(2,249,999)
As at September 30, 2017	7,927,821	0.59	9.26	927,822

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

The following table summarizes the share warrants outstanding and exercisable as at September 30, 2017:

	Number of warrants	Share warrants Weighted average exercise price C\$	Weighted average remaining contract life	Number of warrants exercisable
As at April 1, 2017	234,641	3.24	0.08	234,641
Expired during the period	(234,641)	3.24	-	(234,641)
As at September 30, 2017	-	-	-	-

22. PROVISION FOR ASSET RESTORATION OBLIGATIONS

	Total US\$000
Non-Current:	
At April 1, 2017	77,186
Accretion expenses (Note 10)	1,030
Additions (Note 14)	702
At September 30, 2017	<u>78,918</u>

The Group's Asset Restoration Obligations ("ARO") result from the future costs of decommissioning the Stag Oilfield facilities which are expected to be incurred up to 2033. The balance of the provision is the discounted present value of the estimated future cost, which has been assessed by an independent third party at the time of the acquisition. The present value of the Australian ARO has been calculated based on the estimated Australian risk free rate of 2.84% and a United States to Australian dollar exchange rate of 0.7839 as at September 30, 2017 (March 31, 2017 - Australian risk free rate was 2.70% and the foreign exchange rate was 0.7692).

23. OTHER PROVISIONS

	Total US\$000
Non-Current:	
At April 1, 2017	6,918
Accretion expenses (Note 10)	28
At September 30, 2017	<u>6,946</u>

This provision relates to long-term liabilities associated with the Stag leased floating storage and offloading ("FSO") vessel. The present value of the provisions has been calculated based on the estimated Australian risk free rate of 2.84% and a United States to Australian dollar exchange rate of 0.7839 as at September 30, 2017 (March 31, 2017 - Australian risk free rate was 2.70% and the foreign exchange rate was 0.7692).

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

24. BORROWINGS

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Current:		
Insurance premium funding	-	435

The insurance premium funding arrangement had an effective interest rate of 5.56%. There was no security or charge over property with respect to the borrowings.

25. TRADE & OTHER PAYABLES, ACCRUALS AND PROVISIONS

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000 Restated
Current:		
Trade payables	812	2,142
Other payables	187	704
Accruals – others	9,688	7,165
Accruals – finance costs	-	893
Provision for long service leave	754	815
Other provisions	808	328
	<u>12,249</u>	<u>12,047</u>

These amounts are non-interest bearing and repayable on demand. Payables are normally settled on 30 days terms.

26. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Non-Current:		
Convertible bonds	12,232	-
Accretion expense (Note 10)	263	-
	<u>12,495</u>	<u>-</u>

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

(a) Liability component of convertible bonds

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Proceeds from issue of convertible bonds, gross	15,000	-
Derivative financial instruments at inception	(2,390)	-
	<hr/>	<hr/>
Liability component to be recognized at inception	12,610	-
Less: convertible bonds issuance costs	(378)	-
	<hr/>	<hr/>
Liability recognized at inception, net of costs	12,232	-
Cumulative accretion expense	263	-
	<hr/>	<hr/>
Liability component of convertible bonds	12,495	-

(b) Derivative financial liabilities

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Derivative component of convertible bonds	2,390	-

Pursuant to the establishment of the convertible debt Facility with Tyrus, Jadestone paid a structuring fee equal to 2% of the total amount of the Facility. Jadestone is also required to pay a standby fee equal to 1% per annum on all undrawn amounts until maturity. The Facility will mature on October 31, 2019, at which time Tyrus will have the option to convert the full amount of any principal owing under the Facility into common shares of the Company at a conversion price of C\$0.50. Tyrus also has the option to convert any principal owing under the Facility at any time prior to maturity and the option to require the Company to draw down all undrawn amounts at any time prior to 15 days from maturity.

As at September 30, 2017, the Company had drawn down US\$15 million from the Facility, to fund capital expenditures and for related corporate purposes. The interest on the convertible bonds for the quarter ended September 30, 2017 amounted to US\$271,233 (3-months ended June 30, 2016: Nil) (Note 10). In addition to this, the Company has capitalized bond accretion expenses of US\$262,817 (Note 10). The structuring fee of US\$560,000 was initially capitalized in the financial statements as a prepaid expense in the prior period (Note 18). Following the drawdown, the Company has commenced amortization of the structuring fee over the remaining period of the bond.

The standby fees accrued by the Company amounting to US\$103,123 (6-months ended September 30, 2016: Nil) for the 6-months ended September 30, 2017, have been included in Finance Costs (Note 10).

The 3% issue discount on the issuance of the convertible bonds amounted to US\$450,000 (6-months ended September 30, 2016: Nil). The portion of the discount fee attributable to the bond of US\$378,302 has been included in the carrying value of convertible bonds, and the remaining attributable to the options embedded in the bonds of US\$71,698 has been charged to the profit and loss during the 6-months ended September 30, 2017 (Note 10).

The fair value of the options embedded in the bonds is recognized as a derivative financial instrument in the consolidated interim statement of financial position as a liability. The balance is recognized as convertible bonds in the consolidated interim statement of financial position as a liability.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

The Black-Scholes option-pricing model, with the following assumptions, was used to estimate the fair value of the options embedded in the bonds on the date drawn down:

	Bond drawn down on June 27, 2017 USD10 million	Bond drawn down on July 13, 2017 USD5 million
Amount		
Risk-free interest rate	1.00%	1.00%
Expected life	2.3 years	2.3 years
Expected volatility	54.4%	54.7%
Share price	C\$0.36	C\$0.36
Exercise price	C\$0.50	C\$0.50
Expected dividends	Nil	Nil

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

Categories of financial instruments

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Financial assets		
Receivables (including cash and cash equivalents)	24,823	21,521
	<hr/>	<hr/>
	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Financial liabilities		
At amortised cost:		
Borrowings, provisions and payables	98,113	96,586
At fair value:		
Convertible bonds & derivative financial instruments	14,885	-
	<hr/>	<hr/>
	112,998	96,586
	<hr/>	<hr/>

Financial Instruments

The Group's financial instruments that are not measured at fair value comprise cash and bank balances, receivables and prepayments, trade & other payables, accruals and current provisions. As at September 30, 2017, management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair value.

The Group drew down US\$15 million from the \$28 million convertible bond facility in June and July 2017. As at September 30, 2017, the carrying value of the convertible bonds was US\$12.5 million and the carrying value of the embedded derivative financial liability amounted to US\$2.4 million.

Fair values are based on management's best estimates after consideration of current market conditions. The estimates are subjective and involve judgment and as such are not necessarily indicative of the amount that the Group may incur in actual market transactions.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

Commodity Price Risk

The Group has exposure to commodity price risk in its exploration and production of oil and gas business. Jadestone does not currently have in place any hedging arrangement, however the Group may consider the use of derivative financial instruments to hedge the exposure to oil and/or gas price fluctuations at any time in the future.

The results of operations and cash flows of oil and gas production can vary significantly with fluctuations in the market prices of oil and/or natural gas. These are affected by factors outside the Group's control, including the market forces of supply and demand, regulatory and political actions of governments, and attempts of international cartels to control or influence prices, among a range of other factors.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the United States Dollars (US Dollar) and foreign currencies will affect the fair value or future cash flows of the Company's financial assets or liabilities.

Cash and bank balances are generally held in the currency of likely future expenditures to minimize the impact of currency fluctuations. The majority of funds are held in US Dollars in order to match the Group's revenue and expenditures. The Company's US\$28.0 million convertible debt facility is a US Dollar denominated instrument.

In addition to US Dollar, the Group transacts in various currencies, including Canadian Dollar, Australian Dollar, Singapore Dollar, Indonesian Rupiah, Vietnamese Dong and Malaysian Ringgit. No sensitivity analysis has been prepared for carrying amounts of monetary assets and liabilities denominated in these foreign currencies as the Group does not expect any material effect arising from the effects of reasonably possible changes to the exchange rate for these foreign currencies.

Interest Rate Risk

The Group's interest rate exposure arises from some of its cash and bank balances and short-term borrowings. The Group's other financial instruments are non-interest bearing or fixed rate, and are therefore not subject to interest rate risk.

Jadestone holds some of its cash in interest bearing accounts and short-term deposits. Interest rates currently received are at historical lows. Accordingly, a downward interest rate movement would not cause significant exposure to the Group.

The balance of short term borrowings as at September 30, 2017 amounts to US\$Nil (March 31, 2017: US\$435,000). The 7.5% coupon on the Company's US\$28 million convertible bond facility is a fixed rate coupon (Note 25).

Any interest rate movement would not cause significant exposure to the Group.

Credit Risk

Credit risk represents the financial loss that the Company would suffer if a counterparty in a transaction fails to meet its obligations in accordance with the agreed terms. The Company actively manages its exposure to credit risk granting credit limits consistent with the financial strength of its counterparties and customers, requiring financial assurances as deemed necessary, reducing the amount and duration of credit exposures, and the close monitoring of relevant accounts.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

The Group's trade receivables pertain to proceeds from oil and gas sales and share of joint-venture receivables. The Group trades only with recognised, creditworthy third parties and joint operating partners respectively. The Group's other trade and other receivables are primarily with governments for recoverable amounts of value added taxes, prepayments and deposits.

The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all of its financial obligations as they become due. This includes the risk that the Company cannot generate sufficient cash flow from producing assets or is unable to raise further capital in order to meet its obligations. The Company manages its liquidity risk by optimising the positive free cash flow from its producing assets (with full legal ownership of Stag effective from July 10, 2017), on-going cost reduction initiatives, drawing down on the convertible bond facility to meet necessary capital expenditure needs, mergers and acquisition strategies, and bank balance at hand. The Company believes it has sufficient liquidity to meet all reasonable scenarios of operating and financial performance for the next 12 months.

The table below analyses the Group's financial liabilities into relevant maturity groupings at the reporting date based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The maturity profile is:

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
<i>Less than 1 year</i>		
Trade & other payables, accruals and provisions (Note 24)	12,249	12,047
Borrowings (Note 23)	-	435
	<hr/> 12,249	<hr/> 12,482

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. Given the nature of the Company's activities, the Board of Directors does not establish quantitative return on capital criteria for management, but rather works with management to ensure that capital is managed effectively and the business has a sustainable future.

To carry-out planned assets acquisition, exploration and development, and to pay for administrative costs, the Company will spend its existing working capital and will work to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the financial period ended September 30, 2017. The Company is not subject to externally imposed capital requirements.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

Fair Value Measurements

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

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

The Group only measures its derivative financial instruments at fair value and that has been classified as Level 3. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The financial instruments that are recorded in the Level 3 category comprise of unquoted equity investments/ liabilities. The fair values of these financial instruments are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions. Instead, they are based on “unobservable” inputs reflecting management’s “own assumptions” about the way assets would be priced.

28. SEGMENT INFORMATION

For management purposes, the Group operates in two business segments, namely exploration and production of oil and gas. The geographic focus of the business is on SEA and Australia.

Revenue and non-current assets information based on the geographical location of assets respectively are as follows:

	Revenue		Non-current assets	
	6-months ended September 30, 2017 US\$000	6-months ended September 30, 2016 US\$000	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
<u>Producing Assets</u>				
Australia	27,445	-	79,666	78,769
SEA - Indonesia	12,072	-	2,972	4,374
<u>Exploration and Evaluation Assets</u>				
SEA – Vietnam	-	-	54,965	54,560
SEA - Philippines	-	-	50,424	50,369
Others	-	-	108	81
	<u>39,517</u>	<u>-</u>	<u>188,135</u>	<u>188,153</u>

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

for the 6-months ended September 30, 2017

	-----6-months ended September 30, 2017 -----				-----6-months-ended September 30, 2016 -----		
	Production	Exploration	Corporate	Total	Exploration	Corporate	Total
	Assets	Assets			Assets		
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Revenue	39,517	-	-	39,517	-	-	-
Cost of sales	(39,840)	-	-	(39,840)	-	-	-
Depletion and amortisation	(5,709)	-	-	(5,709)	-	-	-
GROSS LOSS	(6,032)	-	-	(6,032)	-	-	-
Staff costs	(952)	(647)	(4,295)	(5,894)	(855)	(3,150)	(4,005)
Other operating expenses	(964)	(308)	(2,600)	(3,872)	700	(2,338)	(1,638)
Share-based payments	-	-	(292)	(292)	-	(23)	(23)
Depreciation	(74)	-	(32)	(106)	-	(21)	(21)
Expensed exploration costs	-	22	-	22	(279)	-	(279)
Joint operator overhead charge recovered	-	(35)	-	(35)	131	-	131
Impairment of Asset	-	-	-	-	(2,562)	-	(2,562)
Write back of impairment of materials and spare parts	-	29	-	29	-	-	-
Write back of impairment of intangible exploration asset	-	400	-	400	-	-	-
Back costs recovered	-	153	-	153	-	-	-
Foreign exchange gain/(loss)	(23)	-	(40)	(63)	-	(31)	(31)
Interest income	25	-	1	26	-	1	1
Finance costs	(1,830)	-	(142)	(1,972)	-	-	-
LOSS BEFORE TAX	(9,850)	(386)	(7,400)	(17,636)	(2,865)	(5,562)	(8,427)

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

29. FINANCIAL COMMITMENTS

COMMITMENTS UNDER OPERATING LEASES AND EXPENSES FOR THE PERIOD

The Group has recognized the following expense during the period related to operating leases:

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Operating lease rental:		
- Land and buildings	548	644
- Other	77	55
	<u>625</u>	<u>699</u>

The Group has entered into commercial leases as a lessee in respect of the rental of office premises, office equipment and cars. Future minimum rentals payable under non-cancellable operating leases as at September 30 are as follows:

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Amount to be paid:		
Not later than one year	751	886
After one year but not more than five years	654	699
	<u>1,405</u>	<u>1,585</u>

SEA PORTFOLIO PSC OPERATIONAL COMMITMENTS

Certain PSCs and Service Concessions have firm capital commitments where we are required to participate in minimum exploration activities. The Group has the following outstanding minimum exploration commitment:

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Not later than one year	10,000	10,000
After one year but not more than five years	-	-
	<u>10,000</u>	<u>10,000</u>

The Southeast Asia portfolio PSC operational commitment as at September 30, 2017 amounting to US\$10,000,000 relates to the minimum work commitment outstanding in Exploration Phase Two of Block 46/07 PSC for the drilling of a further well.

Drilling of this well has been delayed as a result of Petrovietnam Exploration Production Corporation's outline development plan deliberations. The Group intends to seek a further extension to Exploration Phase Two of the Block 46/07 PSC in order to maintain the alignment of appraisal and development drilling.

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

Stag Oilfield Operational Commitments

The treated oil from the Stag Oilfield is pumped 2 kilometres to a leased vessel permanently moored to a catenary anchor leg mooring buoy. The following commitments relate to the FSO facility service agreement:

	As at September 30, 2017 US\$000	As at March 31, 2017 US\$000
Not later than one year	17,533	17,424
After one year but not more than five years	92,692	91,843
After five years	11,671	21,328
	<hr/> 121,896	<hr/> 130,595

30. CONTINGENT LIABILITIES

Stag Oilfield Contingent Liabilities

The Group may be responsible for certain contingent payments after 2017 of up to US\$15 million which are linked to future expansion of the oilfield and oil price appreciation above agreed price levels. At this stage, the Group's management does not consider it probable that the conditions necessary to trigger the contingent payments will occur. Accordingly, as at September 30, 2017, no provision has been recognised in the financial statements.

31. RELATED PARTY TRANSACTIONS

During the period, the Group entities did not enter into any transactions with related parties other than the following:

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the quarter was as follows:

	6-months ended September 30, 2017 US\$000	6-months ended September 30, 2016 US\$000
Short-term benefits	1,768	1,280
Other benefits	405	-
Termination payments	-	865
Share-based payments	213	23
	<hr/> 2,386	<hr/> 2,168

Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED) for the 6-months ended September 30, 2017

32. COMPARATIVES

The Ogan Komering PSC purchase price allocation reported in the financial year ended March 31, 2017 has been revised from US\$2.2 million to US\$1.3 million arising from new information obtained with respect to fair values of certain identifiable assets and liabilities as at the time of the acquisition (Note 5). The restatement of each of the affected financial line items for the previous financial year ended March 31, 2017 are as follows:

	March 31, 2017	
	As restated	As previously reported
	US\$000	US\$000
<u>Statements of financial position</u>		
Inventories	10,803	10,802
Receivables and prepayments	7,043	8,951
Trade & other payables, accruals and provisions	(12,047)	(12,531)
Deferred tax liabilities	(699)	(1,200)
	=====	=====

33. EVENTS AFTER THE REPORTING PERIOD

Service Contract 56

A subsidiary of the Company, Mitra Energy (Philippines SC-56) Ltd ("Jadestone-56") has commenced an arbitration action against Total E&P Philippines BV ("Total Philippines"), a subsidiary of Total SA in response to a breach of the farm out agreement dated August 23, 2012, between Jadestone-56 and Total Philippines in respect of Service Contract 56, Philippines. In the notice of arbitration, Jadestone-56 claims that, among other things, Total Philippines failed to drill an exploration well on the Halcon prospect located within the block covered by Service Contract 56 and is seeking damages as a result of this failure to drill.