Jadestone Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the nine months ended December 31, 2017

This management discussion and analysis ("MD&A") of the financial position and results of operations for Jadestone Energy Inc. (formerly Mitra Energy Inc.) (the "Company", or "Jadestone") is prepared as at April 24, 2018, and should be read in conjunction with the Company's audited financial statements (the "Financial Statements") as at and for the nine months ended December 31, 2017.

The Financial Statements for the nine months ended December 31, 2017, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are expressed in United States Dollars ("US$").

FORWARD LOOKING STATEMENTS

Certain statements contained in the following MD&A may constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

CORPORATE OVERVIEW & STRATEGY

The Company is an oil and gas company incorporated in Canada. The Company's common shares are listed on the TSX Ventures Exchange 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 Stag Oilfield, which is in block WA-15-L, is located 60km offshore Western Australia in a water depth of approximately 47 metres. As at December 31, 2017 the field contained total proved plus probable reserves of 17.1 million barrels of oil (100% net to Jadestone).

The Ogan Komering Production Sharing Contract ("PSC") is located onshore South Sumatra, Indonesia. The production rate of the block in the 3-months ended December 31, 2017 averaged 1,413 barrels of oil equivalent ("boe") per day (Jadestone net 50% working interest); approximately sixty five percent oil and thirty five percent gas (3-months ended December 31, 2016: not applicable, Jadestone acquired its interest in Ogan Komering PSC in March 2017). Jadestone will seek an independent reserves evaluation for the Ogan Komering PSC once the Company's participation is confirmed in the new PSC in 2018.

On February 28, 2018 Jadestone, along with Pertamina Hulu Energi, has been appointed to temporarily manage the Ogan Komering working area for up to six months from March 1, 2018 to September 1, 2018, or until the new Gross Split PSC of Ogan Komering working area is signed, whichever occurs first.

The current Southeast Asia ("SEA") exploration and pre-development asset portfolio comprises approximately 6.0 million acres of awarded acreage and consists of two Service Contracts ("SCs") in the Philippines (SC-56 and SC-57) and three PSCs in Vietnam (Block 51, Block 46/07 and Block 127).

Jadestone's Southeast Asian portfolio includes discovered resources in three gas fields in Vietnam and two gas fields in the Philippines, along with a portfolio of exploration assets. The discoveries contain gross 2C contingent resources of 211.6 million barrels of oil equivalent (consisting of 1,148 billion cubic feet ("bscf") of gas and 20.3 million barrels of associated liquids), representing net to Jadestone 2C contingent resources of 135.2 million barrels of oil equivalent (consisting of 717 bscf of gas and 15.6 million barrels of associated liquids).

In addition to the existing Southeast Asian portfolio, the Company announced, on August 9, 2016, that Mitra Energy (Vietnam 05-1) Pte Ltd, a wholly-owned subsidiary of the Company, as buyer, and the Company, as guarantor, have signed a definitive sale and purchase agreement (SPA) with Teikoku Oil (Con Son) Co., Ltd ("Teikoku"), a wholly-owned subsidiary of Inpex Corporation, as seller, for the acquisition of a 30% working interest in the Blocks 05-1b and 05-1c PSC ("Block 05-1 PSC").

On February 22, 2018, Teikoku delivered to Jadestone a purported notice of termination of the SPA, despite Teikoku having just received on February 9, 2018, the waiver of Vietnam Oil and Gas ("PVN"), of its statutory pre-emption rights held under Vietnamese law. The Company has not accepted Inpex's alleged termination and views the obligations of both parties under the SPA as continuing. The Company maintains its rights under the SPA and is assessing its options, including remedies available through legal action.

Jadestone plans to become a significant E&P player in the Asia Pacific region, focusing largely on (i) the strong domestic gas demand in the countries within which it operates and (ii) oil and gas fields where significant technical upside exists within the reservoir. Jadestone's strategy is to deploy its proven operating capability, in select areas in the Asia Pacific region, to create exceptional value through multiple strands of re-investment activity, including enhanced reservoir recovery, safe and efficient development of discovered resources, commercial and license re-negotiations and near-field low risk exploration tie-backs. Jadestone will (i) acquire assets with production or discovered resources in select areas in the Asia Pacific region, (ii) move its existing discoveries towards production into the energy-short markets of the host countries in which it is active, and (iii) collaborate with current and future farm-in partners to deliver carried high impact exploration drilling.

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.

During the nine months ended December 31, 2017, the Company approved a change in its year end from March 31 to December 31. Jadestone's transition period is the nine months ended December 31, 2017. The comparative period is the 12 months ended March 31, 2017. The new financial year will align the Company with its peers.

OPERATIONAL ACTIVITIES

Producing Assets

Australia

Stag Oilfield (Carnarvon Basin)

On July 10, 2017, having fulfilled all the regulatory requirements and completion of the new business management system, the Company secured legal title and operatorship of the Stag production facilities, without any disruption to operational performance during the transition.

Production at the Stag Oilfield, net of floating storage and offloading ("FSO") fuel usage, averaged 2,810 bbls/d for the nine months to December 31, 2017, compared to 2,520 bbls/d for the period to March 31, 2017 (noting that the Stag acquisition closed November 11, 2016).

For the three months ended December 31, 2017, Stag production averaged 3,009 bbls/d, compared to 2,818 bbls/d during the 50 days of Jadestone ownership of Stag during the quarter ended December 31, 2016.

This represents an increase of approximately 12% for the nine month period, due to increased well performance which coincided with the change in operatorship to Jadestone on July 10, 2017.

This increase in performance and uptime, offset downtime associated with a series of marine breakaway coupling ("MBC") events on the FSO vessel. The MBC activated numerous times due, in part, to incorrect installation, as well as to poor maintenance of the device; by the FSO operator. The activated MBC events resulted in the contracted FSO being unable to receive Stag crude, leading to production deferments during the December 2017 quarter totalling 59,137 bbls, or 215 bbls/d for the nine month period. The FSO operator has subsequently developed a more robust solution, following a series of stress tests and modifying the placement of the MBC to reduce future potential stress. The company is in discussion with the operator of the vessel, in relation to the impact of the above events.

Indonesia

Ogan Komering PSC (South Sumatra Basin)

Jadestone's net working interest share of production from the Ogan Komering PSC for the nine months ended December 31, 2017 averaged 942 bbls/day of liquids and 2,985 mmbtu/day of natural gas. This compared to an average 970 bbls/day of liquids and 3,025 mmbtu/day of gas, for the period that Jadestone owned its participating interest in the Ogan Komering PSC, during the prior twelve months ending March 31, 2017.

For the three months ended December 31, 2017, Ogan Komering PSC production averaged 1,397 boe/d, whereas Jadestone generated no Ogan Komering PSC production in the quarter ended December 31, 2016, as the asset was acquired in March 2016.

The Company remains focused on maintaining safe operations and sustaining production levels going forward.

Exploration, appraisal and pre-development assets

Vietnam

Blocks 51, 46/07 and 45

Jadestone holds an operated 100% working interest in three PSC blocks in the Malay-Tho Chu basin offshore Vietnam. The Company has made three gas/condensate discoveries on its acreage, being U Minh and Tho Chu on Block 51, and Nam Du on Block 46/07.

Prior to May 1, 2017, these blocks were held jointly with Petrovietnam Exploration and Production ("PVEP"), on a 70:30 Jadestone/PVEP working interest basis. Effective May 1, 2017, PVEP relinquished its 30% working interests in Block 46/07 and Block 51, to focus on its two large domestic projects, and amidst a resource constrained environment, leaving Jadestone as operator with a 100% working interest in both blocks.

In addition, the potential volume of gas reserves attributed to Block 45 has been assessed to be non-commercial and as such, both Jadestone and PVEP announced their intention to relinquish their interests in Block 45, effective June 26, 2017, being the end of the current exploration phase.

The process for amending Block 51 and Block 46/07 for PVEP's withdrawal, and for the joint relinquishment of Block 45 is continuing.

Jadestone's priority is to develop the U Minh and Nam Du fields, with a view to selling domestic gas in Vietnam. Accordingly, in November 2017, the Company submitted revised Outline Development Plans for approval by PVN and MOIT, proposing a standalone development of these fields. Final approval is currently anticipated in the June 2018 quarter. Concurrently, Jadestone is preparing to begin front end engineering and design, field development plan studies, and negotiation of the pertinent commercial agreements, including a gas sales agreement. The Tho Chu field will be subject to a later development plan.

In addition, the Company plans to drill an additional exploration well on Block 46/07. The well will appraise the Nam Du field, facilitate transition of 3C resource to 2C status, and will be retained for future use as a producer well. Under the current contract (including extensions granted to date) the well is required to be drilled prior to June 29, 2018, however the Company submitted an additional one-year extension on March 26, 2018, so as to align the drilling programme with its plan for development of the field.

Block 51 is currently held in a Suspended Development Area ("SDA") status. The portion of the block containing the U Minh field will be converted to a development/production area upon approval of the field's overall development plan ("ODP"), while the remainder of the block, including the Tho Chu field, will remain in SDA status until June 11, 2019.

Block 127

Jadestone operates Block 127 PSC with a 100% working interest. This predominantly deepwater block covers an area of 9,000 km^2 and is located at the southern end of the Phu Khanh basin, off the east coast of Vietnam. Subsequent to year end, the Company performed a review of its asset base and as a result of that review, the Company decided to relinquish Vietnam PSC MEVPK/127, at the end of its current exploration phase, and having completed all minimum work commitments. Jadestone informed PVN of its relinquishment decision on April 4, 2018, and is proceeding with the relinquishment process, in accordance with all applicable Vietnamese laws.

Block 05-1b&c

On August 9, 2016, the Company announced that a wholly-owned subsidiary of the Company, as buyer, and the Company, as guarantor, have signed a definitive agreement with a wholly-owned subsidiary of Inpex, as seller, to acquire a 30% working interest in the Block 05-1 PSC for a total cash consideration of US$14.3 million subject to normal closing adjustments.

On February 22, 2018, Teikoku delivered to Jadestone a purported notice of termination of the SPA, despite Teikoku having just received on February 9, 2018, the waiver of Vietnam Oil and Gas ("PVN"), of its statutory pre-emption rights held under Vietnamese law. The Company has not accepted Inpex's alleged termination and views the obligations of both parties under the SPA as continuing. The Company maintains its rights under the SPA and is assessing its options, including remedies available through legal action.

Philippines

Service Contract 56

Jadestone holds a 25% interest in SC 56 in partnership with operator Total E&P Philippines B.V. ("Total"). Four wells have previously been drilled on SC 56, resulting in the Dabakan and Palendag discoveries.
In September 2012, Total farmed into SC 56 and assumed a 75% interest, and in August 2014 formally confirmed its intention to drill an exploration well on the Halcon prospect. As a result of the Halcon confirmation, operatorship was transferred to Total effective October 25, 2014. The Company views Halcon as an economically viable prospect with significant resource potential.

Total has subsequently informed Jadestone that it does not intend to drill an exploration well on the Halcon prospect. In the December 2017 quarter, the Company commenced an arbitration action against Total, with the Singapore International Arbitration Centre, claiming failure by Total to drill the well and resultant damages.

The current exploration period on the block runs until September 1, 2020. Total's 2018 work programme for SC56, as operator, includes a two-phase development study. This includes subsurface geological and geophysical work to revisit resources and development assumptions to optimize development schemes and minimize technical costs

Indonesia

Consistent with the Company's strategy to exit longer dated, higher risk, and/or non-carried exploration, Jadestone has been managing and wherever possible accelerating the ongoing relinquishment of the legacy Indonesian exploration portfolio.

Bone PSC (Sengkang Basin)

Jadestone held a 60% operating interest in the Bone PSC Block, offshore Sulawesi with Azimuth Indonesia Limited ("Azimuth"), holding the remaining 40%.

On May 4, 2017, a wholly-owned subsidiary of the Group, Mitra Energy (Indonesia Bone) Ltd, signed a withdrawal agreement with Azimuth, for the transfer of the Company's 60% working interest and operatorship of the Bone PSC, to Azimuth. The transfer is effective from April 15, 2017, but remains subject to final government approval. The Company had fully impaired the Block in the financial year ended March 31, 2017.

North Madura PSC, NE Natuna PSC, Sibaru PSC & Titan PSC

The Company has relinquished its interests in the above four PSCs. The tax file in relation to the Sibaru PSC was closed on December 27, 2017. The respective subsidiary companies holding the remaining three PSCs are currently in the process of closing down their files with the Indonesian tax authorities.

SELECTED FINANCIAL INFORMATION

	Nine months ended December 31, 2017 US$'000	**Twelve months ended March 31, 2017 US$'000 Restated[(1)]**	**Twelve months ended March 31, 2016 US$'000**
Revenues	60,443	35,142	-
Loss for the period / year	14,930	36,497	19.207
Loss per share	0.07	0.26	0.23
Total assets	227,888	220,471	121,842
Total non-current liabilities	108,024	85,304	-

[(1)] The restatement arises from amendments to the provisional purchase price allocation of the Ogan Komering PSC, see further Note 8 of the Financial Statements

Revenue for the nine months ended December 31, 2017 increased by US$25.3 million compared to the twelve months ended March 31, 2017, mainly due to a full nine months of operations at Stag and Ogan Komering, as well as higher per day production rates. For the twelve months ended March 31, 2017, Stag was owned by Jadestone for approximately four and a half months, while Ogan Komering was held for less than one month.

The loss for the nine months period ended December 31, 2017, was reduced by US$21.6 million compared to the twelve months ended March 31, 2017, mainly due to a prior year exploration asset impairment of US$10.2 million, a positive current period tax movement of US$7.3 million, a lower per unit cost of sales, but partially offset by higher finance costs of US$2.3 million.

Total assets for the nine months period ended December 31, 2017, increased by US$7.4 million compared to the twelve months ended March 31, 2017, due to an increase in non-current assets of US$14.9 million, offset by a reduction in current assets of US$7.5 million.

Total non-current liabilities for the nine months ended December 31, 2017 increased by US$22.7 million compared to the twelve months ended March 31, 2017, mainly due to the convertible bond drawdown and associated derivative financial instruments totaling US$15.8 million, the increase in provision for asset restoration obligations of US$7.5 million, offset by a decrease in deferred tax liabilities and other provisions of US$0.6 million.

SUMMARY OF QUARTERLY RESULTS

The following table provides select financial information of the Company, which was derived from, and should be read in conjunction with, the audited Financial Statements for the nine months ended December 31, 2017:

QUARTERLY SUMMARY	Three-months ended							
(US$ thousands, except where indicated)	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016
Production (boe/day)	4,369	4,286	4,059	3,857	2,818	-	-	-
Revenues	20,926	21,383	18,134	17,210	17,932	-	-	-
Net earnings/(loss)	778	(3,930)	(11,823)	(18,050)	(8,586)	(3,086)	(5,339)	(1,681)
—Per share: basic	0.00	(0.02)	(0.05)	(0.05)	(0.05)	(0.03)	(0.06)	(0.02)
—Per share: diluted	0.00	(0.02)	(0.05)	(0.05)	(0.05)	(0.03)	(0.06)	(0.02)
Funds from/(used in) operating activities	571	1,185	(8,415)	(6,518)	5,268	(3,669)	(867)	(1,306)
—Per share: basic	0.00	0.01	(0.04)	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)
—Per share: diluted	0.00	0.01	(0.04)	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)

RESULTS OF OPERATIONS

	3-months ended December 31, 2017 US$000	**3-months ended December 31, 2016 US$000**	**9-months ended December 31, 2017 US$000**	**12-months ended March 31, 2017 US$000 Restated**
Gross revenues	20,926	17,932	60,443	35,142
Royalties	(3,151)	-	(8,429)	(725)
Revenues, net of royalties	17,775	17,932	52,014	34,417
Production cost	(8,960)	(18,256)	(43,520)	(36,267)
Depletion, depreciation and amortization	(4,171)	(1,451)	(9,986)	(3,896)
Staff costs	(2,833)	(3,804)	(9,019)	(10,805)
Other expenses	(2,423)	(3,241)	(6,330)	(6,849)
Impairment of assets	-	-	-	(10,229)
Other income	149	268	753	239
Purchase discount	-	-	-	789
	(463)	(8,552)	(16,088)	(32,601)
Finance costs	(2,293)	(1,987)	(4,304)	(2,029)

LOSS BEFORE TAX	(2,756)	(10,539)	(20,392)	(34,630)
Taxation credit/(expense)	3,534	1,953	5,462	(1,867)
PROFIT/(LOSS) FOR THE PERIOD/YEAR	778	(8,586)	(14,930)	(36,497)
Basic and diluted Profit/(Loss) per ordinary share – US$	0.00	(0.05)	(0.07)	(0.26)

Nine months ended December 31, 2017 versus twelve months ended March 31, 2017

Gross Revenue

Revenue for the nine months ended December 31, 2017 increased by US$25.3 million compared to the twelve months ended March 31, 2017, mainly due to a full nine months' of operations at Stag and Ogan Komering, as well as higher per day production rates and higher realized commodity prices. For the twelve months ended March 31, 2017, Stag was owned by Jadestone for approximately four and a half months, while Ogan Komering was held for less than one month. Please see table below

	9-months ended December 31, 2017	12-months ended March 31, 2017	Change	Change %
Stag				
Oil				
Revenue volume (bbls)	785,467	642,221[1]	143,246	22.3%
Average realised price (US$/bbl)	53.73	51.67	2.06	4.0%
Revenue (US$ million)	42.2	33.1	9.1	27.5%
Ogan Komering				
Liquids				
Revenue volume (bbls)	258,065	30,079	227,986	758.0%
Average realised price (US$/bbl)	49.53	47.07	2.46	5.2%
Gross revenue (US$ million)	12.8	1.4	11.4	814.3%
Gas				
Revenue volume (mmbtu)	821,029	93,782	727,247	775.5%
Average realised price (US$/mmbtu)	6.65	6.30	0.35	5.6%
Gross revenue (US$ million)	5.4	0.6	4.8	800.0%
Revenue total (US$ million)	**60.4**	**35.1**	**25.3**	**72.1%**

[1] Although Stag was owned by the Company for approximately four-and-a-half months during the year ended March 31, 2017, revenue during that financial year benefited from crude oil inventory bought on closing of the acquisition of approximately 381,000 bbls, along with the production during the period that Stag was owned by the Company.

Production costs

Production costs have increased by US$7.3 million in the nine months period ended December 31, 2017, from the 12-months ended March 31, 2017, due to the full nine months of operations of Stag and the Ogan Komering PSC in the current financial period, versus approximately four-and-a-half months of Stag and less than one month for the Ogan Komering PSC during the year ended March 31, 2017. The above increase was offset as a result of lower costs due to the operatorship change on July 10, 2017 to Jadestone, and specifically due to lower prior Operator onshore operational support, lower FSO costs associated with contractual credits, reduced contractor, marine and onshore transport and air support costs.

Depletion, depreciation and amortisation costs

Depletion, depreciation and amortisation costs have increased by US$6.1 million in the nine months period ended December 31, 2017, from the 12-months ended March 31, 2017, due to the longer period of operations in the current period, compared to the prior year.

Staff costs

Staff costs have reduced by US$1.8 million in the nine months period ended December 31, 2017, from the 12-months ended March 31, 2017, due to the shorter reporting period and lower restructuring and termination payments, offset partially by greater staff costs in the current financial period as a result of the additional headcount arising from the acquisitions of the Stag Oilfield and the Ogan Komering PSC in the latter part of the prior financial period and the strategic reset from an exploration oriented business to a balanced portfolio with an emphasis on production and development.

Other expenses

Other expenses have reduced by US$0.5 million in the nine months period ended December 31, 2017, from the 12-months ended March 31, 2017. This was mainly due to a reduction in legacy costs of US$1.7 million from the prior year, lower professional fees and consultancy costs of US$1.0 million, lower travel costs of US$0.1 million, offset by lower time cost recoveries of US$1.8 million and higher office costs US$0.5 million resulting from nine months ownership of Stag and Ogan Komering, versus approximately four-and-a-half months of Stag and less than one month for the Ogan Komering PSC during the year ended March 31, 2017.

Impairment of assets

Impairment of assets fell by US$10.2 million in the nine months period ended December 31, 2017, from the 12-months ended March 31, 2017, due to the absence of any exploration or other impairments in the current nine months reporting period. Two exploration blocks were impaired in the prior financial year, consistent with the strategic reset of the business to a balanced portfolio with an emphasis on production and development.

Other income

Other income increased by US$0.5 million mainly due to gain in the current financial period US$0.4 million arising from the transfer of the Company's 60% working interest and operatorship of the Bone PSC, to Azimuth.

Purchase discount

Purchase discount fell to US$0.8 million in the nine months period ended December 31, 2017, from the 12-months ended March 31, 2017, as there were no discounted purchases in the current financial reporting period. The prior year amount arose from the excess of fair value of net identifiable assets acquired in the Ogan Komering PSC acquisition over the total consideration paid.

Finance Costs
Finance costs for the nine months ended December 31, 2017 increased by US$2.3 million compared to twelve months ended March 31, 2017. The increase was mainly due to higher accretion expense of US$0.9 million, transaction costs of US$0.8 million, fair value loss on derivative liability US$0.7 million and interest on the convertible bond of US$0.6 million, offset by lower finance related professional fees of US$0.7 million and other miscellaneous finance cost of US$0.3 million.

Taxation
Tax credit for the nine months ended December 31, 2017 was US$5.5 million compared to a tax expense of US$1.9 million for the twelve months ended March 31, 2017. The net change in taxation of US$7.4 million is mainly due to additional PRRT tax credits and additional deductions for future Australian asset retirement obligations as a result of changes in assumptions of US$4.2 million, a recognition of deferred Australian corporate tax assets of US$3.5 million, a reversal of Ogan Komering PSC deferred tax liability of US$1.0 million, offset by higher Indonesia corporate income tax of US$1.4 million.

Three-months ended December 31, 2017 versus three-months ended December 31, 2016

Gross revenue
Revenues for the three-months ended December 31, 2017 increased by US$3.0 million to US$20.9 million compared to the three-months ended December 31, 2016. The increase is mainly attributed to the benefit of three months of revenues from Ogan Komering in the three-months ended December 31, 2017, whereas there was no Ogan Komering revenue in the three-months ended December 31, 2016, as the asset was not acquired until March 2017. This increase, was partly offset by lower crude oil lifting at Stag. See table below.

	Three-months ended December 31, 2017	Three-months ended December 31, 2016	Change	Change %
Stag				
Oil				
Revenue volume (bbls)	238,658	380,521(1)	(141,863)	(37.3%)
Average realised price (US$/bbl)	61.84	47.13	14.71	31.2%
Revenue (US$ million)	14.7	17.9	(3.2)	(17.9%)
Ogan Komering				
Oil				
Revenue volume (bbls)	83,964	-	83,964	-
Average realised price (US$/bbl)	56.25	-	56.25	-
Revenue (US$ million)	4.7	-	4.7	-

Gas				
Revenue volume (mmbtu)	247,086	-	247,086	-
Average realised price (US$/mmbtu)	6.35	-	6.35	-
Revenue (US$ million)	1.5	-	1.6	-
Revenue total (US$ million)	**20.9**	**17.9**	**3.0**	**16.8%**

(1) Although Stag was owned by the Company for approximately one-and-a-half months during the quarter ended December 31, 2016, the revenue volume during that financial quarter benefited from crude oil inventory acquired on closing of the acquisition of approximately 381,000 bbls.

Royalties increased by US$3.2 million in the three-month period ended December 31, 2017, from three-months ended December 31, 2016, due to the full three months of ownership of Ogan Komering during the current financial quarter, whereas Ogan Komering is excluded from royalties in the three-months ended December 31, 2016, as the asset was not acquired until March 2017.

Production costs
Production costs have decreased by US$9.3 million in the three-month period ended December 31, 2017, from the three-months ended December 31, 2016. This was a result of the Stag Oilfield being acquired on November 11, 2016, and the cost of sales adjustment in relation to unsold crude oil in storage amounting to US$10.7 million, reduced workover costs of US$2.8 million, and reduced repairs and maintenance of US$0.9 million, offset by the contribution of Ogan Komering PSC production costs of US$1.4 million, Stag higher air/marine/onshore support US$1.5 million, contractor and other costs US$1.6 million and higher FSO costs US$0.6 million.

Depletion, depreciation and amortisation costs
Depletion, depreciation and amortisation costs have increased by US$2.7 million in the three-month period ended December 31, 2017, from the three-months ended December 31, 2016, due to the full three months of ownership and production of Stag and Ogan Komering respectively, versus approximately one-and-a-half months for Stag, and Ogan Komering was acquired on March 9, 2017, as well as higher Stag production rates in the current period.

Staff costs
Staff costs for the three-months ended December 31, 2017 were reduced by US$1.0 million compared to the three-months ended December 31, 2016. The decrease was mainly due to lower termination payments of US$2.3 million, offset by staff costs of US$1.2 million arising from the acquisition of Stag and Ogan Komering and the strategic reset of the Company.

Other expenses
Other expenses were reduced by US$0.8 million in the three-month period ended December 31, 2017, from the three-months ended December 31, 2016, due to lower office costs in the current quarter of US$1.6 million and further reductions in general and administration costs of US$0.7 million, offset by higher professional fees/consultancy costs and lower time cost recovery, totaling US$1.5 million.

Other income
Other income were reduced by US$0.1 million in the three-month period ended December 31, 2017, from the three-months ended December 31, 2016 which was mainly due to lower cost recovery relating to the exploration blocks.

Finance costs
Finance costs for the three-months ended December 31, 2017 increased by US$0.3 million compared to the three-months ended December 31, 2016. The increase is mainly due to fair value loss on derivative liability of US$0.7 million and interest and other costs of the convertible bond of US$0.5 million, offset by lower finance related professional fees of US$0.9 million.

Taxation
Taxation credit for the three-months ended December 31, 2017 was higher by US$1.6 million compared to three-months ended December 31, 2016, mainly due to higher Stag deferred tax benefits of US$1.2 million, a reversal of Ogan Komering PSC deferred tax liability of US$1.0 million, offset by higher Indonesia corporate income tax US$0.5 million.

FINANCIAL POSITION

The following table provides selected financial information of the Company, which was derived from, and should be read in conjunction with the audited Financial Statements for the nine months ended December 31, 2017:

	As at December 31, 2017 US$000	**As at March 31, 2017 US$000 Restated**
Total assets	227,888	220,471
Non-current assets	203,109	188,153
Current assets	24,779	32,318
Current liabilities	11,666	12,475
Non-current liabilities	108,024	85,304
Shareholders' equity	108,198	122,646

Total assets at December 31, 2017 were US$227.9 million, an increase of US$7.4 million from prior fiscal year, December 31, 2017

Non-current assets

Non-current assets comprise long-term assets where the full value will not be realised until one year from the date of the balance sheet. The non-current assets increased by US$15.0 million compared to the prior year. This was mainly due to the cash deposit of US$10.0 million placed by the Company in support of a bank guarantee to a key contractor to support the Company's obligations under a long term contract and an increase in deferred tax assets of US$6.3 million arising primarily from Stag's PRRT credits, increased expenditure on exploration assets US$0.7 million, off-set by reduction US$2.1 million on oil and gas properties.

Current assets

Current assets reduced by US$7.5 million compared to the prior year, due to lower cash and cash equivalents of US$4.0 million, lower receivables and prepayments of US$2.3 million and lower inventory of US$1.2 million.

Current liabilities

Trade & other payables, accruals & provisions
Trade and other payables, accruals and provisions reduced by US$2.4 million compared to the prior year, due to a reduction of payables of US$1.5 million and a reduction in accruals and provisions of US$0.9 million.

Borrowings
The borrowing arrangement is in respect of an insurance premium funding entered into by Jadestone Energy (Australia) Pty Ltd, a subsidiary of the Company. The borrowing has an effective interest rate of 7.08% (5.56% as at March 31, 2017). No security or charges over any assets of the Company are in place for this arrangement.

Non-current liabilities

Provision for asset restoration obligations ("ARO")
The Group's ARO are in respect of future costs of decommissioning of the Stag Oilfield facilities. The balance of the provision increased by US$7.5 million compared to the prior period, due to accretion expenses of US$1.6 million and changes in the discount rate and foreign exchange rates of US$5.9 million.

Other payables
Other provision was in respect of a long-term liability associated with the Stag leased floating storage and offloading vessel. The balance of the provision increased by US$0.3 million compared to prior year, and was due to changes in discount rate and foreign exchange rates.

Deferred tax liabilities
Deferred tax liability of US$1.2 million originated from the acquisition of the Ogan Komering PSC, and arose from timing differences in unrecovered depreciated costs. During the period ended December 31, 2017, the balance of the deferred tax liability was reduced by US$1.0 million in conjunction with the expiry of the PSC license ending February 28, 2018.

Secured convertible bonds and derivative financial instruments
The secured convertible bond US$12.8 million and the associated fair value of the derivative financial instrument US$3.1 million, totaling US$15.8 million were related to the drawdown of US$15.0 million during the nine months ended December 31, 2017 (March 31, 2017: US$Nil).

Shareholders' equity

This comprises the paid-up share capital, share-based payment reserve & accumulated losses. The shareholders' equity at December 31, 2017 was US$108.2 million compared to US$122.7 million in the prior year. This represented a net decrease of US$14.5 million comprising the loss for the period US$14.9 million, offset by share-based payments of US$0.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash at Bank

At December 31, 2017 cash at bank was US$10.5 million compared with US$14.5 million as at March 31, 2017. The following table provides selected cash flow information for the periods indicated:

CASH FLOW	**3-months ended December 31, 2017 US$000**	**3-months ended December 31, 2016 US$000**	**9-months ended December 31, 2017 US$000**	**12-months ended March 31, 2017 US$000**
Cash generated from/(used in) operating activities	571	5,268	(6,659)	(8,383)
Cash used in investing activities	(583)	(19,803)	(2,089)	(25,284)
Cash provided by financing activities	(9,410)	39,547	4,694	39,471
Increase/(decrease) in cash during the period	(9,422)	25,012	(4,054)	5,804
Effect of translation on foreign currency cash and cash equivalents	296	145	26	(443)
Cash at bank beginning of period	19,576	1,086	14,478	9,117
Cash at bank end of period	10,450	26,243	10,450	14,478

Cash used in operating activities for the nine months ended December 31, 2017 reduced by US$1.7 million compared to the 12-months ended March 31, 2017, mainly due to the positive cash contributions of Stag and Ogan Komering, off-set by changes in working capital of US$9.0 million.

Cash used in investing activities for the nine months ended December 31, 2017 reduced by US$23.2 million compared to 12-months ended March 31, 2017, mainly due to the prior year acquisitions of Stag and Ogan Komering, collectively US$20.1 million, lower expenditure for intangible exploration assets of US$3.5 million, lower expenditure for plant and equipment of US$0.5 million, current period proceeds from the disposal of assets of US$0.4 million, higher interest income US$0.1 million off-set by expenditure for oil and gas properties of US$1.5 million.

Cash provided by financing activities for the nine months ended December 31, 2017 reduced by US$34.8 million compared to the 12-months ended March 31, 2017, mainly due to prior year proceeds from the share issuance of US$39.8 million off-set by the current period net proceeds arising from the drawdown of the convertible bonds of US$4.6 million and lower financing costs US$0.5 million.

Working Capital Components

Working capital is the amount by which current assets exceed current liabilities. At December 31, 2017, the Company's working capital was US$10.9 million, compared to US$19.4 million in the prior year. A reconciliation of the Company's working capital is as follows:

	As at December 31, 2017 US$000	As at March 31, 2017 US$000	Change US$000
Inventories	9,610	10,801	(1,191)
Receivables and prepayments	4,719	7,039	(2,320)
Cash and cash equivalents	10,450	14,478	(4,028)
Borrowings	(829)	(435)	(394)
Trade & other payables, accruals and provisions	(10,837)	(12,040)	1,203
Net working capital	13,113	19,843	(6,730)

Secured convertible bond facility

In conjunction with the US$39.8 million 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' approval, and any amounts drawn down will bear interest at the rate of 7.5% per annum payable quarterly and 3.0% issue discount. The Facility will mature after three years, 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. During the nine months period ended December 31, 2017, the Company drew down US$15.0 million from the convertible bond facility, to fund capital expenditures and for related corporate purposes.

Contractual obligations and commitments

As at December 31, 2017	Total US$000	Less than 1 year US$000	1-5 years US$000	After 5 years US$000
Lease operating commitments	1,182	614	568	-
Stag Oilfield operational commitments	118,542	17,714	93,975	6,853
SEA Portfolio PSC operational commitments	10,000	10,000	-	-
Total contractual obligations	129,724	28,328	94,543	6,853

As at December 31, 2017, the Group has entered into commercial leases in respect of the rental of office premises, office equipment and cars, resulting in operating lease commitments as above.

The Stag Oilfield operational commitments relate to a leased floating storage and offloading vessel permanently moored to a catenary anchor leg mooring buoy.

The Southeast Asia portfolio PSC operational commitments as at December 31, 2017 include an amount of US$10.0 million related to the minimum work commitment outstanding in exploration phase two of the Block 46/07 PSC, for the drilling of a further well. Drilling of this well has been delayed as a result of PVEP's ODP deliberations. The Company submitted, on March 26, 2018, an additional one-year extension application on the well commitment, so as to align the drilling programme with the plan for development of the field.

SHARE CAPITAL

As at December 31, 2017, the Company had 221,298,004 issued and outstanding common shares and 927,822 of exercisable stock options, with a weighted average exercise price of C$0.58, and a weighted average remaining contractual life of 9.03 years.

Each stock option entitles the holder thereof to acquire one common share of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial instruments that are not measured at fair value, comprise cash and bank balances, other receivables, other payables and accruals. As at December 31, 2017 and March 31, 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 US$28 million convertible bond facility in June and July 2017. As at December 31, 2017, the carrying value of the convertible bonds was US$12.8 million and the carrying value of the debt component liability amounted to US$3.1 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.

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 historically relatively low levels. Accordingly, a downward interest rate movement would not cause significant exposure to the Group.

The balance of short term borrowings as at December 31, 2017 amounts to US$828,621 (March 31, 2017: US$435,000). The 7.5% coupon on the Company's US$15.0 million convertible bond facility, drawn down as at December 31, 2017, is a fixed rate coupon.

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

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between 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. It is the Group's normal practice to hold the majority of funds 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 United States Dollars, the Group transacts in various currencies, including Canadian Dollars, Singapore Dollars, Australian Dollars, 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 reasonably possible changes to the exchange rate for these foreign currencies.

Commodity Price Risk

The Group's earnings are affected by changes in oil and gas prices. The Group manages this risk by monitoring the oil and gas prices and entering into commodity hedges against fluctuations in oil and bunker price if considered appropriate. As at December 31, 2017 and March 31, 2017, the Group had no outstanding oil and gas price hedging contracts.

Commodity price sensitivity

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.

At the end of reporting period, if the oil and gas price changes by 10% and all other variables were held constant, the Group's loss for the nine months ended December 31, 2017 will change by US$6,044,300 (March 31, 2017: US$$3,514,200).

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 Group's trade and other receivables are primarily with (i) counterparties to oil and gas sales, (ii) governments for recoverable amounts of value added taxes, and with (iii) joint venture partners in the oil and gas industry.

The Company actively manages its exposure to credit risk, granting credit limits consistent with the financial strength of the Group's counterparties and customers, requiring financial assurances as deemed necessary, reducing the amount and duration of credit exposures, and close monitoring of relevant accounts.

The Group trades only with recognised, creditworthy third parties. Where Jadestone operates joint ventures on behalf of partners it seeks to recover the appropriate share of costs from these partners. The majority of the partners in these ventures are well established oil and gas companies. In the event of non-payment, Jadestone has recourse to increase its venture share under the operating agreements.

Stag Oilfield production, our largest credit risk exposure, is currently sold to an investment grade customer in the energy sector, subject to customary industry credit risk.

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 it liquidity risk by optimising the positive free cashflow from its producting 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, merger and acquisition strategies, and bank balance on hand.

The Group has reduced the loss for the nine months ended December 31, 2017 by US$21.6 million to US$14.9 million compared to twelve months ended March 31, 2017. Net cash used in operations for the nine months ended December 2017, was reduced by US$3.3 million to US$5.0 million compared to twelve months ended March 31, 2017. The Group's net current assets remained positive at US$13.1 million (March 31, 2017: net current asset of US$19.8 million).

During the nine months period ended December 31, 2017, the Company drew down US$10 million on June 27, 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. The remaining undrawn amount of the convertible bond facility as at December 31, 2017 is US$13.0 million.

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:

	December 31, 2017	March 31, 2017
	US$000	US$000
Less than 1 year		
Trade & other payables, accruals and provisions	10,837	12,040
Borrowings (Note 26)	829	435
	11,666	12,475
Within 2 years		
Convertible Bond	12,770	-
	12,770	-

The Company's derivative financial instruments comprise the convertible bond amounting to US$3.1 million (March 31, 2017: US$Nil).

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the year, 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 period were as follows:

	December 31, 2017	March 31, 2017
	US$000	US$000
Short-term benefits	2,732	3,024
Other benefits	657	574
Termination payments	-	1,425
Share-based payments	318	94
	3,707	5,117

BUSINESS RISKS AND UNCERTAINTIES

Jadestone, like all companies in the oil and gas industry, operates in an environment subject to inherent risks. Many of these risks are beyond the ability of a company to control, including those associated with exploring for, developing and producing economic quantities of hydrocarbons, volatile commodity prices, governmental regulations, and environmental matters.

Operational

Key risks at an operational level include, but are not limited to: operational and safety considerations, risks from operating in an offshore environment, pipeline transportation and interruptions, reservoir performance and technical challenges, partner risks, competition, technology, our ability to hire and retain necessary skilled personnel, the availability of drilling and related equipment, information systems, seasonality and disruptions from severe weather and met-ocean restrictions, timing and success of integrating the business and operations of acquired assets and companies, phased growth execution, risk of litigation, regulatory issues, increases in government taxes and other fiscal changes, and risk to our reputation resulting from operational activities that may cause personal injury, property damage or environmental damage.

Environmental

Jadestone is currently subject to environmental regulations arising from a variety of federal, regional and/or state legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorisations, civil liability for pollution damage and the imposition of material fines and penalties. Further, environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Jadestone believes that it is and will be in material compliance with current applicable environmental legislation, however no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Jadestone's business, financial, result of operations and prospects.

To mitigate these risks, the Company's HSE policy is reinforced at every stage of each operational contract. As part of all contract tendering, the Company may request, and may subsequently audit, the HSE procedures of the relevant sub-contractors to ensure they are in line with standard industry practice, local regulatory and Company requirements.

In accordance with industry practice, the Company maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks.

The ability of the Company to meet its obligations is dependent upon there being sufficient financial resources. External financing, from the farm-out of equity in assets and potentially through the issuance of common shares may be required to fund future activities. There can be no assurance that the Company will be able to successfully raise funds in the future.

The forgoing list of risks and uncertainties is not exhaustive.

ADDITIONAL INFORMATION

Additional information relating to the Company, including Management Information Circulars, NI 51-101 oil and gas disclosures, material change reports, and other important items of disclosure, and previous interim and annual consolidated financial statements are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.