

---

# Jadestone Energy Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

As at and for the three months ended

March 31, 2018

Company Registration No. BC0350583 (Canada)

# Jadestone Energy Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

---

	Notes	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>ASSETS</b>			
Non-current assets:			
Intangible exploration assets	13	93,875	105,673
Oil and gas properties	14	56,897	62,238
Deferred tax assets	15	23,737	23,821
Plant and equipment	16	1,554	648
Restricted cash	19	10,729	10,729
		<u>186,792</u>	<u>203,109</u>
Current assets:			
Inventories	17	11,329	9,610
Receivables and prepayments	18	3,582	4,719
Cash and cash equivalents	20	9,662	10,450
		<u>24,573</u>	<u>24,779</u>
<b>TOTAL ASSETS</b>		<u><u>211,365</u></u>	<u><u>227,888</u></u>
<b>EQUITY AND LIABILITIES</b>			
Equity:			
Share capital	20	364,466	364,466
Share-based payment and warrants	21	22,001	21,855
Accumulated losses		<u>(295,404)</u>	<u>(278,123)</u>
		91,063	108,198
Non-current liabilities:			
Provision for asset restoration obligations	22	83,405	84,728
Other payables	23	6,915	7,259
Deferred tax liabilities		-	200
Secured convertible bonds	27	13,046	12,770
Derivative financial instruments	27	3,378	3,067
		<u>106,744</u>	<u>108,024</u>
Current liabilities:			
Borrowings	24	460	829
Trade & other payables, accruals and provisions	25	11,256	10,837
Other financial liabilities	26	1,842	-
		<u>13,558</u>	<u>11,666</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>211,365</u></u>	<u><u>227,888</u></u>

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

# Jadestone Energy Inc.

## CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME for the three months ended March 31, 2018

---

	Notes	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Gross revenue	3	20,999	17,210
Royalties		(2,712)	(725)
Cash flow hedges		(235)	-
Net revenue		<u>18,052</u>	<u>16,485</u>
Production costs	4	(12,809)	(18,011)
Depletion, depreciation and amortization	5	(2,800)	(2,424)
Staff costs	7	(3,025)	(2,973)
Other expenses	8	(2,445)	(1,970)
Impairment of assets	9	(11,902)	(7,667)
Other income		12	118
Purchase discount	6	-	789
		<u>(14,917)</u>	<u>(15,653)</u>
Finance costs	10	<u>(980)</u>	<u>(12)</u>
LOSS BEFORE TAX		(15,897)	(15,665)
Taxation expense	11	<u>(696)</u>	<u>(3,820)</u>
LOSS FOR THE PERIOD		<u>(16,593)</u>	<u>(19,485)</u>
Loss per ordinary share: Basic and diluted (US\$)	12	<u>(0.07)</u>	<u>(0.09)</u>
<b>Loss for the period</b>		(16,593)	(19,485)
<b>Other comprehensive income, net of tax:</b>			
Items to be reclassified to profit or loss in subsequent periods			
Loss on derivatives designated as cash flow hedges		(983)	-
Tax effect		<u>295</u>	<u>-</u>
Total comprehensive loss attributable to owners of the Company		<u>(688)</u>	<u>-</u>
		<u>(17,281)</u>	<u>(19,485)</u>

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

# Jadestone Energy Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF EQUITY for the three months ended March 31, 2018

	Share capital US\$000	Share-based payment reserves US\$000	Cash flow hedging reserve US\$000	Accumulated losses US\$000	Total US\$000
At January 1, 2017	364,466	21,357	-	(243,708)	142,115
Loss for the period	-	-	-	(19,485)	(19,485)
<b>Transactions with owners, recognized directly in equity</b>					
Recognition of share-based compensation	-	62	-	-	62
Total transactions with owners	-	62	-	-	62
At March 31, 2017	<u>364,466</u>	<u>21,419</u>	<u>-</u>	<u>(263,193)</u>	<u>122,692</u>
At January 1, 2018	364,466	21,855	-	(278,123)	108,198
Loss for the period	-	-	-	(16,593)	(16,593)
Other comprehensive loss for the period	-	-	(688)	-	(688)
<b>Transactions with owners, recognized directly in equity</b>					
Recognition of share-based compensation	-	146	-	-	146
Total transactions with owners	-	146	-	-	146
At March 31, 2018	<u>364,466</u>	<u>22,001</u>	<u>(688)</u>	<u>(294,716)</u>	<u>91,063</u>

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

# Jadestone Energy Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the three months ended March 31, 2018

---

		<b>Three months ended March 31, 2018 US\$000</b>	<b>Three months ended March 31, 2017 US\$000</b>
	<b>Notes</b>		
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(15,897)	(15,665)
Adjustments for:			
Depletion, depreciation and amortization	5	2,800	2,424
Finance costs	10	795	442
Share-based payment	21	146	62
Unrealized foreign exchange loss/(gain)	10	(100)	(428)
Impairment of assets	9	11,902	7,667
Interest income	10	(34)	(2)
Purchase discount		-	(789)
Cash flow hedges		860	-
Inventories written down		-	(763)
		<u>472</u>	<u>(7,052)</u>
Operating cash flows before movements in working capital		472	(7,052)
Changes in working capital:			
(Increase)/decrease in inventories		(1,719)	3,994
Decrease in receivables and prepayments		1,137	457
Increase/(decrease) in trade & other payables, accruals and provisions		<u>705</u>	<u>(3,917)</u>
Cash generated from/(used) in operations		595	(6,518)
Taxation paid		<u>(518)</u>	<u>-</u>
<b>NET CASH GENERATED FROM/(USED) IN OPERATING ACTIVITIES</b>		<u><u>77</u></u>	<u><u>(6,518)</u></u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of Ogan Komering, net of cash acquired	6	-	(1,641)
Payment for oil and gas properties	14	(207)	(288)
Payment for intangible exploration assets	13	(289)	(2,000)
Payment for plant and equipment	16	(2)	(424)
Interest received		<u>34</u>	<u>2</u>
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>		<u><u>(464)</u></u>	<u><u>(4,351)</u></u>

---

# Jadestone Energy Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the three months ended March 31, 2018

---

### FINANCING ACTIVITIES

Payments for borrowings		(369)	(224)
Payments for bond facility standby fees	27	<u>(32)</u>	<u>(115)</u>
NET CASH (USED) FINANCING ACTIVITIES		<u>(401)</u>	<u>(339)</u>
Effect of translation on foreign currency cash and cash equivalents		-	(557)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(788)	(11,765)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>10,450</u>	<u>26,243</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>9,662</u>	<u>14,478</u>

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

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

---

### 1. CORPORATE INFORMATION

Jadestone Energy Inc. (the “Company” or “Jadestone”) 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 financial statements are expressed in United States Dollars (“US\$”).

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. 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 period ended December 31, 2017.

These Financial Statements were approved for issuance by the Company’s Board of Directors on May 30, 2018 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 the 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”) as at, and up to, March 31, 2018. 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, using consistent accounting policies.

#### Basis of Measurement

These Financial Statements have been prepared on an 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.

The Company uses derivative financial instruments, such as commodity swaps, to hedge commodity price risks. Such derivative financial instruments are initially recognised at fair value, on the date on which a derivative contract is entered into, and are subsequently remeasured at fair value. The method of recognising any measurement gain or loss depends on the nature of the hedge.

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

---

### **Hedge accounting**

For the purposes of hedge accounting, hedges are classified as either:

- Fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- Cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, along with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. To achieve hedge accounting, the relationships must be expected to be highly effective and are assessed on an ongoing basis, to determine that they continue to meet the risk management objective.

Hedge accounting is discontinued when the hedge instrument expires, is sold, terminates, is exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in Other Comprehensive Income (OCI) remains in hedge reserve until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

### **Cash flow hedges**

The effective portion of the gain or loss on hedging instruments that are classified as cash flow hedges, is recognised in OCI, while any ineffective portion is recognised immediately in the statement of profit or loss. The ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.



# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 3. GROSS REVENUE

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
<b>Liquids revenue:</b>		
Stag Oilfield	14,085	15,203
Ogan Komerling	5,154	1,416
<b>Gas revenue</b>		
Ogan Komerling	1,760	591
Total revenue	<u>20,999</u>	<u>17,210</u>
<b>Average realised price:</b>		
Crude oil – Stag Oilfield (US\$/bbl)	69.47	58.27
Liquids – Ogan Komerling (US\$/bbl)	61.30	47.07
Gas – Ogan Komerling (US\$/mmbtu)	<u>6.35</u>	<u>6.30</u>
<b>Average production:</b>		
Crude oil – Stag Oilfield (bbl/d) <sup>(1)</sup>	2,654	2,382
Liquids – Ogan Komerling (bbl/d)	934	970
Gas – Ogan Komerling (mmbtu/day)	<u>3,079</u>	<u>3,025</u>

<sup>(1)</sup> Production relates to crude oil produced and stored into the floating storage and offloading (“FSO”) vessel. Revenue derives from the sale to a third party of the produced and stored oil. This results in timing differences between produced oil at Stag, and sales of oil from the FSO.

### 4. PRODUCTION COST

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
<b>Stag Oilfield:</b>		
FSO vessel expenses	3,964	7,060
Workovers	3,430	2,919
Repairs & maintenance	765	1,274
Air, marine and onshore support	1,255	(56)
Other operating expenses	<u>1,636</u>	<u>6,118</u>
	11,050	17,315
<b>Ogan Komerling:</b>		
Operating expenses	<u>1,759</u>	<u>696</u>
	<u>12,809</u>	<u>18,011</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 5. DEPLETION, DEPRECIATION AND AMORTISATION

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
<b>Depletion and amortisation (Note 14):</b>		
Stag Oilfield	2,044	2,399
Ogan Komerling	657	-
	<u>2,701</u>	<u>2,399</u>
Depreciation for plant and equipment (Note 16)	99	25
	<u>2,800</u>	<u>2,424</u>

### 6. ACQUISITION OF OGAN KOMERING PRODUCTION SHARING CONTRACT

On March 9, 2017, Jadestone Energy International Holdings Inc., a wholly-owned subsidiary of the Company, closed the acquisition of a fifty percent (50%) interest in the Ogan Komerling 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 statements 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
<b>Assets</b>			
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>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

---

Liabilities			
Current Liabilities			
Deferred tax liabilities	(1,200)	-	(1,200)
Other payables and accruals	(3,979)	484	(3,495)
Total Liabilities	<u>(5,179)</u>	<u>484</u>	<u>(4,695)</u>
Net identifiable assets acquired	3,856	(1,426)	2,430
<b>Total consideration</b>	<b>1,641</b>		<b>1,641</b>
<b>Consideration transferred:</b>			
Base purchase consideration	5,800	-	5,800
Working capital/adjustments	(1,944)	(1,426)	(3,370)
Purchase discount	(2,215)	1,426	(789)
<b>Total consideration</b>	<b>1,641</b>	<b>-</b>	<b>1,641</b>

Accordingly, the purchase discount of US\$2,215,000 (previously reported for the year ended March 31, 2017) was adjusted to US\$789,000.

### 7. STAFF COSTS

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Wages, salaries and fees	2,550	2,069
Staff benefits-in-kind	329	842
Share-based compensation	146	62
	<u>3,025</u>	<u>2,973</u>

The Group has capitalized US\$60,000 (March 31, 2017: US\$420,000) in respect of staff costs as part of intangible exploration assets as these relate to time costs that are directly attributable to the active exploration blocks.

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 8. OTHER EXPENSES

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Professional fees/consultancies	898	722
Office costs	613	821
Cash flow hedges	625	-
Travel & subsistence	316	127
Time costs – recovery	(47)	(499)
Operator G&A	40	176
Other overhead	-	234
Others	-	56
Participating interest tax and branch profit tax	-	333
	<u>2,445</u>	<u>1,970</u>

### 9. IMPAIRMENT OF ASSETS

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Impairment of intangible exploration assets	11,902	5,950
Impairment of material and spare parts	-	1,717
	<u>11,902</u>	<u>7,667</u>

### 10. FINANCE COSTS

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Accretion expense (Note 22, 23, 27)	455	366
Fair value loss on derivative liability	311	-
Interest on convertible bonds (Note 27)	278	-
Foreign exchange gain	(100)	(428)
Interest income	(34)	(2)
Others	70	76
	<u>980</u>	<u>12</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 11. TAXATION EXPENSE

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Deferred tax income relating to PRRT (Note 15)	272	3,092
Corporate income tax	882	728
Deferred tax on cash flow hedges	(258)	-
Deferred tax liabilities	(200)	-
Tax expense	<u>696</u>	<u>3,820</u>

The Australian corporate income tax rate is applied at 30%. Australian PRRT is applied at 40% of sales revenue less certain permitted deductions and is tax deductible for Australian corporate income tax purposes. The above movement in deferred tax balances relates to temporary differences between the tax base of an asset or liability, and its carrying amount in the statement of financial position.

The Indonesian corporate income tax rate is applied at 35%. Branch profit tax is applied at 20%.

The Company is resident in the Province of British Columbia and pays no Canadian tax on account of its tax losses. Subsidiary companies are resident for tax purposes in the territories in which they operate. No tax arises in the current period or in the previous year from any of the subsidiaries' operations in view of the tax losses incurred.

### 12. LOSS PER ORDINARY SHARE

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

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Loss for the purpose of basic and diluted per share, being the net loss for the quarter attributable to equity holders of the parent	<u>16,593</u>	<u>19,485</u>
Number of shares	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>221,298,004</u>	<u>221,298,004</u>

Diluted loss per share is calculated based on the weighted average number of ordinary shares outstanding during the quarter 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) and from secured convertible bonds (Note 27) would decrease the loss per share, they are not dilutive. Accordingly, diluted loss per share is the same as basic loss per share.

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 13. INTANGIBLE EXPLORATION ASSETS

	Total US\$000
<b>Cost:</b>	
At January 1, 2018	193,294
Additions	104
	<u>193,398</u>
Exploration asset written off At March 31, 2018	<u>(98,148)</u> <u>95,250</u>
<b>Impairment:</b>	
At January 1, 2018	87,621
Charged to profit or loss	11,902
	<u>99,523</u>
Exploration asset written off At March 31, 2018	<u>(98,148)</u> <u>1,375</u>
<b>Net book value:</b>	
At March 31, 2018	<u>93,875</u>
At December 31, 2017	<u>105,673</u>

For the purpose of statement of cash flows, intangible exploration assets of US\$267,433 remained unpaid as at March 31, 2018 (December 31, 2017: US\$452,182).

During the three months ended March 2018, the Company performed reviews of its exploration assets and as a result of the reviews, the Group has decided to relinquish Vietnam PSC MEVPK/127. Accordingly, the Group has fully impaired the Block, resulting in an impairment charge of US\$11.9 million (Note 9).

### 14. OIL AND GAS PROPERTIES

	Total US\$000
<b>Cost:</b>	
At January 1, 2018	75,863
Changes in asset restoration obligation (Note 22)	(1,844)
Reclassification to Property plant and equipment Addition	(1,003)
	<u>207</u>
At March 31, 2018	<u>73,223</u>
<b>Accumulated depletion and amortisation:</b>	
At January 1, 2018	(13,625)
Depletion and amortisation for the period	(2,701)
	<u>(16,326)</u>
At March 31, 2018	<u>(16,326)</u>
<b>Net book value:</b>	
At March 31, 2018	<u>56,897</u>
At December 31, 2017	<u>62,238</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 15. DEFERRED TAX ASSETS

	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>PRRT Tax:</b>		
Beginning balance	20,273	17,541
PRRT credit/(expense) (Note 11)	(272)	2,524
Foreign currency effect	-	208
	<u>20,001</u>	<u>20,273</u>
<b>Corporate Income Tax:</b>		
Beginning balance	3,548	-
Corporate income tax	188	3,548
	<u>3,736</u>	<u>3,548</u>
 Total deferred tax assets	 <u><u>23,737</u></u>	 <u><u>23,821</u></u>

### 16. PLANT AND EQUIPMENT

	Computer equipment US\$000	Fixtures and equipment US\$000	Motor vehicles US\$000	Total US\$000
<b>Cost:</b>				
At January 1, 2018	1,180	1,024	-	2,204
Reclassification from oil and gas properties	1003	-	-	1003
Additions/(disposal)	3	(1)	-	2
At March 31, 2018	<u>2,172</u>	<u>1,023</u>	<u>-</u>	<u>3,209</u>
<b>Accumulated depreciation:</b>				
At January 1, 2018	665	891	-	1,556
Charge for the period	86	13	-	99
At March 31, 2018	<u>751</u>	<u>904</u>	<u>-</u>	<u>1,655</u>
<b>Net book value:</b>				
At March 31, 2018	<u>1,421</u>	<u>119</u>	<u>-</u>	<u>1,554</u>
At December 31, 2017	<u>515</u>	<u>133</u>	<u>-</u>	<u>648</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 17. INVENTORIES

	March 31, 2018 US\$000	December 31, 2017 US\$000
Materials and spare parts: Stag	5,382	4,194
Crude oil on hand: Stag	5,947	5,416
	<u>11,329</u>	<u>9,610</u>

### 18. RECEIVABLES AND PREPAYMENTS

	March 31, 2018 US\$000	December 31, 2017 US\$000
Share of joint venture receivables (trade)	1,226	1,987
Other prepayments	1,009	1,271
Other receivables and deposits	215	285
GST/value added tax receivables	668	681
Prepaid facility expense	464	495
	<u>3,582</u>	<u>4,719</u>

### 19. CASH AND CASH EQUIVALENTS

	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>Current asset</b>		
Cash at bank	<u>9,662</u>	<u>10,450</u>
<b>Non-current asset</b>		
Restricted cash: Stag	10,000	10,000
Restricted cash: Ogan Komering	<u>729</u>	<u>729</u>
	<u>10,729</u>	<u>10,729</u>

Restricted cash at March 31, 2018 comprises Stag's cash deposit of US\$10.0 million placed by the Company in support of a bank guarantee to a key contractor with respect to the Company's obligations under a long term contract, and Ogan Komering PSC's asset and site restoration fund of US\$0.7 million.

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 for the three months ended March 31, 2018

### 20. SHARE CAPITAL

#### Authorised ordinary shares:

Unlimited number of common voting shares with no par value.

#### Allotted and outstanding:

	No. Shares	US\$000
At December 31, 2017	<u>221,298,004</u>	<u>364,466</u>
At March 31, 2018	<u>221,298,004</u>	<u>364,466</u>

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 payments recognized for the period ended March 31, 2018 was US\$145,871 (March 31, 2017: US\$62,287).

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 at 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 29, 2018	December 10, 2017	March 28, 2017	June 8, 2017
Risk-free interest rate	1.11% to 1.21%	1.11% to 1.21%	1.11% to 1.21%	0.70% to 0.83%
Expected life	5.5 to 6.5 years	5.5 to 6.5 years	5.5 to 6.5 years	5.5 to 6.5 years
Expected volatility	41.6% to 42.8%	41.6% to 42.8%	41.6% to 42.8%	42.1% to 42.7%
Share price	C\$0.51	C\$0.42	C\$0.45	C\$0.49
Exercise price	C\$0.50	C\$0.45	C\$0.47	C\$0.49
Expected dividends	Nil	Nil	Nil	Nil

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

The following table summarizes the share options outstanding and exercisable as at March 31, 2018:

	Number of options	Weighted average exercise price C\$	Share options Weighted average remaining contract life	Number of options exercisable
As at January 1, 2018	8,102,821	0.58	9.03	927,822
New share options issued	3,000,000	0.50	10.00	-
Cancelled during the quarter	(170,000)	1.03	-	-
As at March 31, 2018	<u>10,932,821</u>	<u>0.55</u>	<u>9.12</u>	<u>2,991,164</u>

### 22. PROVISION FOR ASSET RESTORATION OBLIGATIONS

	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>Non-Current:</b>		
Opening balance	84,728	77,186
Accretion expense (Note 10)	521	1,589
Changes in discount and forex rate assumptions (Note 14)	(1,844)	5,919
Others	-	34
	<u>83,405</u>	<u>84,728</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 costs. The present value of the ARO has been calculated based on the blended estimated Australian and United States risk free rate of 2.67% after allowing for an inflation rate of 2.27%, both as at 31 March, 2018 (blended risk free rate of 2.52% and inflation rate of 2.27% as at December 31, 2017). The adjustments to the present value of the ARO arising from changes in discount rate and other economic estimates and assumptions for the quarter are included in oil and gas properties (Note 14).

### 23. OTHER PAYABLES

Other payables comprise long-term liabilities associated with the Stag leased FSO vessel. The present value of the liabilities has been calculated based on the estimated Australian risk free rate of 2.60% as at March 31, 2018 (2.63% as at December 31, 2017). Adjustments to the present value of the FSO vessel payable arising from changes in the discount rate and other economic and assumptions for the quarter are included in accretion expenses for the quarter (Note 10).

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 24. BORROWINGS

	March 31, 2018 US\$000	December 31, 2017 US\$000
Insurance premium funding	<u>460</u>	<u>829</u>

The borrowing has an effective interest rate of 7.08% as at March 31, 2018 (7.08% as at December 31, 2017). No security or charges over property are in place for this arrangement.

### 25. TRADE & OTHER PAYABLES, ACCRUALS AND PROVISIONS

	March 31, 2018 US\$000	December 31, 2017 US\$000
Trade payables	441	1,098
Other payables	9,791	8,591
Provision for long service leave	663	668
Other provisions	<u>361</u>	<u>480</u>
	<u>11,256</u>	<u>10,837</u>

These amounts are non-interest bearing and repayable on demand. Payables are normally settled on 30 (December 31, 2017: 30) days terms.

### 26. OTHER FINANCIAL LIABILITIES

	March 31, 2018 US\$000	December 31, 2017 US\$000
Cash flow hedges	<u>1,842</u>	<u>-</u>

During the three-month period ended March 31, 2018, the Company entered into two commodity hedges to hedge 350,000 bbls of crude oil production over the period January 2, 2018 to June 30, 2018 at Brent ICE crude fixed at US\$64.60/bbl, and another 350,000 bbls over the period July 1, 2018 to December 31, 2018, at Brent ICE crude fixed at US\$65.00/bbl. These have been designated as cash flow hedges and hence the fair value movements are recognised in other comprehensive income while the ineffective portion and the amount related to sales for the quarter are immediately recognised in the income statement.

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### 27. SECURED CONVERTIBLE BONDS

Pursuant to the establishment of the convertible bond facility (the “Facility”) with Tyrus Capital Event S.à r.l. (“Tyrus”) on November 8, 2016, 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 March 31, 2018, the drawn down amount of the convertible bond was US\$15 million. The cost related to the convertible bonds is tabled below.

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Interest expense	277	-
Standby fee	32	69
Bond accretion	275	-
Fair value of associated financial derivative	311	-
Amortisation of prepaid structuring fee	32	-
	<u>927</u>	<u>69</u>

The fair value of the options as at March 31, 2018 amounting to US\$3,377,506 (December 31, 2017: US\$3,067,000), embedded in the bonds as a derivative financial instrument, is included in the consolidated financial statement as a liability.

	March 31, 2018 US\$000	December 31, 2017 US\$000
Nominal value of convertible bonds issued	15,000	15,000
Derivative financial instruments at date of issuance	2,390	2,390
Liability component at date of issuance	<u>12,610</u>	<u>12,610</u>
Less: Convertible bonds issuance cost	(378)	(378)
Liability recognized at inception, net of costs	<u>12,232</u>	<u>12,232</u>
Cumulative accretion expense	814	538
	<u>13,046</u>	<u>12,770</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows, as cash flows from financing activities.

The cash flows represent the drawdown from convertible bonds, drawdown on borrowings and repayment of borrowing in the statement of cash flows.

	Jan 1, 2018 US\$'000	Financing cash flows US\$'000	Other changes US\$'000	Mar 31, 2018 US\$'000
<b>Group:</b>				
Convertible bonds	12,770	-	276 <sup>(1)</sup>	13,046
Borrowings (Note 24)	829	(369)	-	460

<sup>(1)</sup> Other changes in convertible bonds comprise accretion expense for the quarter.

## 28. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGERMENTS

### Categories of financial instruments

	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>Financial assets</b>		
Receivables (including cash and cash equivalents)	<u>11,327</u>	<u>12,722</u>
<b>Financial liabilities</b>		
<i>At amortised cost:</i>		
Borrowings, provisions and payables	101,803	103,653
<i>At fair value:</i>		
Convertible bonds & derivative financial instruments	<u>16,424</u>	<u>15,837</u>
	<u>118,227</u>	<u>119,490</u>

### Financial instruments

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 March 31, 2018 and December 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\$15.0 million from the US\$28.0 million convertible bond facility in June and July 2017. As at March 31, 2018, the carrying value of the convertible bonds was US\$13.0 million and the carrying value of the derivative liability component amounted to US\$3.3 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 for the three months ended March 31, 2018

### Commodity price risk

The Group's earnings are affected by changes in oil and gas prices. The Group manages this risk by monitoring oil and gas prices and entering into commodity hedges against fluctuations in oil prices if considered appropriate. As at March 31, 2018, Jadestone had entered into two commodity hedges to hedge 350,000 bbls of crude oil production over the period January 2, 2018 to June 30, 2018 at Brent ICE crude fixed at US\$64.60/bbl, and another 350,000 bbls over the period July 1, 2018 to December 31, 2018, at Brent ICE crude fixed at US\$65.00/bbl.

During the three-months ended March 31, 2018, the loss on cash flow hedges recognised in the statement of other comprehensive income (OCI) amounted to US\$688,236 net of tax (March 31, 2017: nil), and the loss on cash flow hedges recognised in the income statement amounted to US\$601,606 net of tax (March 31, 2017: nil). As at March 31, 2018 the financial liability of the cash flow hedge amounted to US\$1,842,631 (Note 26) (March 31, 2017: nil).

### 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.

The table below summarises the impact on profit/(loss) before tax, and on equity, from changes in commodity prices on the fair value of derivative financial instruments. The analysis is based on the assumption that the crude oil price moves 10%, with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of recent historical prices and current economic forecasters' estimates.

	Effect on loss before tax for the quarter ended March 31, 2018 US\$000	Effect on other comprehensive income for the quarter ended March 31, 2018 US\$000	Effect on loss before tax for the quarter ended March 31, 2017 US\$000	Effect on other comprehensive income for the quarter ended March 31, 2017 US\$000
Gain/(loss)				
Increase by 10%	(393)	(3,109)	0	0
Decrease by 10%	866	2,635	0	0

### Foreign currency risk

Foreign

### 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

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

---

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 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 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 March 31, 2018 amounts to US\$460,345 (December 31, 2017: US\$828,621). The 7.5% coupon on the Company's US\$15.0 million convertible bond facility, drawn down as at March 31, 2018, is a fixed rate coupon (Note 27).

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 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. In the event of non-payment, Jadestone has recourse to increase its venture share under the operating agreements.

Revenue from 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**

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

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, 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 three-month period ended March 31, 2018 by US\$2.9 million compared to the three-months ended March 31, 2017. Net cash generated from operation for the three-month period ended March 31, 2018 was US\$0.1 million compared to net cash used of US\$6.5 million in the three-months ended March 31, 2017. The Group's net current assets, remains positive at US\$11.0 million (December, 2017: US\$13.1 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 overleaf 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 are equal to their carrying balances, as the impact of discounting is not significant. The maturity profile is:

	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>Less than 1 year</b>		
Trade & other payables, accruals and provisions (Note 25)	11,256	10,837
Other financial liabilities	1,842	-
Borrowings (Note 24)	460	829
	<u>13,558</u>	<u>11,666</u>
	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>Within 2 years</b>		
Secured Convertible Bond (Note 27)	13,046	12,770
	<u>13,046</u>	<u>12,770</u>

### 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 and the ongoing operations of its producing assets. 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 may spend excess cash generated from its ongoing operations and may spend its existing working capital, and will work to raise additional funds if 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



# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

Company's approach to capital management during the financial period ended March 31, 2018. The Company is not subject to externally imposed capital requirements.

### 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 measures its derivative financial instruments at fair value, and these have been classified as Level 3 in the hierarchy of fair value measurement. 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.

## 29. 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	
	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000	March 31, 2018 US\$000	December 31, 2017 US\$000
<b>Producing Assets</b>				
Australia	14,085	15,203	91,510	95,898
SEA - Indonesia	6,914	2,007	690	1,346
<b>Exploration and Evaluation Assets</b>				
SEA – Vietnam	-	-	43,407	55,258
SEA - Philippines	-	-	50,467	50,415
<b>Others</b>	-	-	166	192

# Jadestone Energy Inc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the three months ended March 31, 2018

---

<u>20,999</u>	<u>17,210</u>	<u>186,240</u>	<u>203,109</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the three months ended March 31, 2018

	----- Three months ended March 31, 2018 -----				----- Three months ended March 31, 2017 -----			
	Production Assets	Exploration Assets	Corporate	Total	Production Assets	Exploration Assets	Corporate	Total
Gross revenue	20,999	-	-	20,999	17,210	-	-	17,210
Effective portion of cash flow hedge	(235)	-	-	(235)	-	-	-	-
Royalties	(2,712)	-	-	(2,712)	(725)	-	-	(725)
Net revenue	18,052	-	-	18,052	16,485	-	-	16,485
Production cost	(12,809)	-	-	(12,809)	(18,011)	-	-	(18,011)
Depletion, depreciation and amortisation	(2,775)	(25)	-	(2,800)	(2,411)	-	(13)	(2,424)
Staff costs	(606)	(172)	(2,247)	(3,025)	(3,581)	192	416	(2,973)
Other expenses	(1,031)	(1,016)	(398)	(2,445)	(1,668)	179	(481)	(1,970)
Impairment of asset	-	(11,902)	-	(11,902)	-	(7,667)	-	(7,667)
Gain on disposal of assets	-	-	-	-	-	-	-	-
Exploration credit	-	-	-	-	-	118	-	118
Purchase discount	-	-	-	-	-	-	789	789
Other income	-	12	-	12	-	-	-	-
Finance costs	(72)	(12)	(896)	(980)	-	(12)	-	(12)
<b>LOSS BEFORE TAX</b>	<b>759</b>	<b>(13,115)</b>	<b>(3,541)</b>	<b>(15,897)</b>	<b>(9,361)</b>	<b>(2,561)</b>	<b>(3,743)</b>	<b>(15,665)</b>

<sup>(1)</sup> As at March 31, 2018, revenue from one (March 31, 2017: one) customer, domiciled in Singapore, contributed to 67% (March 31, 2017: 88%) of the Group's total revenue.

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the three months ended March 31, 2018

### 30. FINANCIAL COMMITMENTS

#### COMMITMENTS UNDER OPERATING LEASES AND EXPENSES FOR THE QUARTER

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

	As at March 31, 2018 US\$000	As at March 31, 2017 US\$000
<b>Operating lease rental:</b>		
- Land and buildings	181	308
- Other	21	20
	<u>202</u>	<u>328</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 quarter ended are as follows:

	As at March 31, 2018 US\$000	As at March 31, 2017 US\$000
<b>Amount to be paid:</b>		
Not later than one year	562	699
After one year but not more than five years	481	886
	<u>1,043</u>	<u>1,585</u>

#### SEA Portfolio PSC Operational Commitments

Certain PSC's 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 commitments:

	As at March 31, 2018 US\$000	As at March 31, 2017 US\$000
Not later than one year	<u>10,000</u>	<u>10,000</u>

The SEA portfolio PSC operational commitments as at March 31, 2018 amounting to US\$10,000,000 (December 31, 2017: US\$ 10,000,000), relates to the minimum work commitment outstanding in exploration phase two of the Block 46/07 PSC for the drilling of a further well.

The Group is seeking 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

for the three months ended March 31, 2018

### Stag Oilfield Operational Commitments

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

	As at March 31, US\$000	As at December 31, US\$000
Not later than one year	17,605	17,714
After one year but not more than five years	93,738	93,975
After five years	1,965	6,853

### 31. CONTINGENT LIABILITIES

#### Stag Oilfield Contingent Liabilities

The Group may be responsible for certain contingent payments after 2017 of up to US\$12 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 March 31, 2018, no provision has been recognised in these financial statements.

### 32. 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 year were as follows:

	Three months ended March 31, 2018 US\$000	Three months ended March 31, 2017 US\$000
Short-term benefits	905	1,083
Other benefits	483	574
Termination payments	-	125
Share-based payments	106	53
	<u>1,494</u>	<u>1,835</u>

# Jadestone Energy Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the three months ended March 31, 2018

---

### 33. EVENTS AFTER THE REPORTING PERIOD

#### **Ogan Komering**

A new gross split PSC for the Ogan Komering working area has been signed between PT Pertamina Hulu Energi Ogan Komering (“Pertamina”), Indonesia’s upstream regulator SKKMIGAS, and the Minister of Energy and Mineral Resources, effective May 20, 2018. Pursuant to Ministry of Energy and Mineral Resources decree 1793K/12/MEM/2018, a 100% participating interest is awarded to Pertamina. Jadestone, as the prior partner in the PSC with Pertamina, has been directed by SKKMIGAS to proceed with direct negotiations with Pertamina, for participation in the new PSC. Jadestone is progressing its discussions with Pertamina, for participation in the new gross split PSC, and expects to reach satisfactory binding terms by the end of July 2018, with participation to be back-dated to the commencement of the new PSC on May 20, 2018.