Jadestone Energy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended March 31, 2018

This management discussion and analysis ("MD&A") of the financial position and results of operations for Jadestone Energy Inc (the "Company", or "Jadestone") is prepared as at May 30, 2018, and should be read in conjunction with the Company's unaudited condensed interim financial statements (the "Financial Statements") as at, and for the three months ended March 31, 2018 and the Company's audited consolidated financial statements and related notes as at and for the nine months period ended December 31, 2017.

The Financial Statements for the three months ended March 31, 2018, 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$") and have not been reviewed by the auditor.

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 March 31, 2018 averaged 1,447 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, 2017: 1,413 boe/d). Jadestone will seek an independent reserves evaluation for the Ogan Komering PSC once the Company's participation is confirmed in the new PSC expected later this year.

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.

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 standard 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.

OPERATIONAL ACTIVITIES

<u>Producing Assets</u>

Australia

<u>Stag Oilfield (Carnarvon Basin)</u>

For the three months ended March 31, 2018, Stag production averaged 2,654 bbls/d, compared to 2,382 bbls/d for the three months ended March 31, 2017. This represents an increase of 11% in the previous year's same quarter and is the period during which potential cyclone disruption is at its highest.

During the previous three month period, ending December 31, 2017, production rates from the Stag Oilfield were adversely impacted by a series of marine breakaway coupling ("MBC") incidents. As reported in our December 2017 results, these MBC incidents caused production to fall below budget, in essence a deferral of production, by about 53,000 bbls in the December 2017 quarter. The last of these incidents also affected production volumes in the March 2018 quarter, resulting in production falling below budget/deferred by approximately 16,000 bbls for the March 2018 quarter.

In addition, the MBC incidents caused damage to several of the facility's electric submersible pumps ("ESP"), which required three well workovers during the March Quarter, to restore production rates.

The resultant ESP failures caused higher than expected well downtime, resulting in a further production deferment of approximately 51,000 barrels based on actual production versus budget. The combined production deferment in the March 2018 quarter of approximately 67,000 bbls resulted in production for the quarter being circa 745 bbls/d lower than budgeted.

The Company is in discussion with the operator of the vessel, in relation to the impact of the MBC events. Meanwhile a number of initiatives have been implemented to reduce the risk of future MBC failures and to improve operational performance. A new MBC has now been installed providing a more robust solution, following a series of stress tests and modifying the placement of the MBC to reduce future potential stress.

Jadestone also received notification, on April 30, 2018, regarding the renewal of the Stag production licence for a further 21 years. This provides the Company with the opportunity to further develop and invest in the field, in order to grow future oil production and deliver additional operational efficiency initiatives.

Indonesia

Ogan Komering PSC (South Sumatra Basin)

For the three months ended March 31, 2018, Ogan Komering PSC production averaged 1,447 boe/d compared to 1,474 bbls/d for the three months ended March 31, 2017. Ogan Komering PSC was acquired on March 9, 2017. Production has been consistent with the business plan and the Company remains focused on maintaining safe operations and sustaining production levels going forward.

Exploration, appraisal and pre-development assets

Vietnam

Blocks 51 and 46/07

Jadestone holds an operated 100% working interest in the Block 51 PSC and in the Block 46/07 PSC, both 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. The process for amending Block 51 and Block 46/07 for PVEP's withdrawal 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 ("ODP") for approval by PVN and Ministry of Industry and Trade ("MOIT"), proposing a standalone development of these fields. PVN and MOIT have given their verbal approval of the ODP's and written notification is expected by mid-June 2018. Jadestone is now fully organised to move forward with 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 with PVN and MOIT support, the Company is submitting an additional two-year extension, so as to align the drilling programme with Jadestone's 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 ODP, while the remainder of the block, including the Tho Chu field, will remain in SDA status until June 11, 2021.

Block 127

Jadestone operates Block 127 PSC with a 100% working interest. This predominantly deepwater block covers an area of 9,000 km2 and is located at the southern end of the Phu Khanh basin, off the east coast of Vietnam. During the three months ended March 2018, the Company performed a review of its asset base and as a result of that review, the Company decided to relinquish Block 127 at the end of the current exploration phase on May 24, 2018. 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. Accordingly, the Company has recorded an impairment charge of US$11.9 million during the quarter, thus reducing its book value to nil.

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 Teikoku, 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 optimise development schemes and minimise technical costs.

Indonesia

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

Bone PSC

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 recorded a full impairment of the Block value in the financial year ended March 31, 2017.

North Madura PSC, NE Natuna PSC & Titan PSC

The Company has relinquished its interests in the above three PSCs. The tax file in relation to the Titan PSC has been closed. The respective subsidiary companies holding the remaining two PSCs are currently in the process of closing down their files with the Indonesian tax authorities. Accordingly, the Company has written off the remaining exploration carrying value of these licenses.

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information of the Company, which was derived from, and should be read in conjunction with the unaudited Financial Statements for the three months ended March 31, 2018.

RESULTS OF OPERATIONS

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

Three-months ended March 31, 2018 versus three-months ended March 31, 2017

Gross revenue

Revenues for the three-months ended March 31, 2018 increased by US$3.8 million to US$20.9 million compared to the three-months ended March 31, 2017. The increase is mainly attributed to the benefit of three months of revenues from Ogan Komering in the three-months ended March 2018 compared to less than one month as the asset was acquired on March 9, 2017. The increase was partly offset by a lower crude oil lifting at Stag. See table below.

	Three-months ended March 31, 2018	Three-months ended March 31, 2017	Change	Change %
Stag				
Oil				
Revenue volume (bbls)	202,737	261,700	(58,963)	(22.5%)
Average realised price (US$/bbl)	69.47	58.27	11.2	19.2%
Revenue (US$ million)	14.1	15.2	(1.1)	(7.2%)
Ogan Komering				
Oil				
Revenue volume (bbls)	84,068	30,079	53,989	179.5%
Average realised price (US$/bbl)	61.30	47.07	14.23	30.2%
Revenue (US$ million)	5.1	1.4	3.7	264.3%
Gas				
Revenue volume (mmbtu)	277,120	93,782	183,338	195.5%
Average realised price (US$/mmbtu)	6.35	6.30	0.05	0.8%
Revenue (US$ million)	1.8	0.6	1.2	200.0%
Revenue total (US$ million)	**21.0**	**17.2**	**3.8**	**22.1%**

Royalties increased by US$2.0 million in the three-month period ended March 31, 2018, from three-months ended March 31, 2017 consistent with the revenue growth of Ogan Komering.

Production costs

Production costs reduced by US$5.2 million in the three-month period ended March 31, 2018, from the three-months ended March 31, 2017. This is mainly due to Stag's lower operating costs of US$4.5 million, lower FSO vessel expenses of US$3.1 million, partly off-set by higher air, marine and on-shore support of US$1.3 million and Ogan Komering additional production costs of US$1.1 million arising from three months' operation compared to less than a month in the prior period.

Depletion, depreciation and amortisation costs

Depletion, depreciation and amortisation costs have increased by US$0.4 million in the three-month period ended March 31, 2018, from the three-months ended March 31, 2017, due to the full three months ownership of Ogan Komering, versus less than a month in the prior period.

Staff costs

Staff costs for the three-month period to March 31, 2018 were similar to the three-months ended March 31, 2017.

Other expenses

Other expenses in the three-month period ended March 31, 2018 increased by US$0.6 million compared to the three-months ended March 31, 2017, arising from losses on cash flow hedges.

Impairment of assets
A provision for impairment of US$11.9 million was raised in the three-month period ended March 31, 2018, relating to Block 127 in Vietnam, whereas for the three-months ended March 31, 2017, a provision of US$5.9 million was raised relating to Bone PSC offshore Indonesia plus an impairment on inventory of drilling casings in Vietnam of US$1.7 million, the latter arising from an arrangement made with an external purchaser for the disposal of the inventories.

Finance costs
Finance costs for the three-month period ended March 31, 2018 increased by US$0.9 million compared to the three-months ended March 31, 2017. The increase is mainly related to the coupon on the convertible bond facility of US$0.8 million (undrawn in the three-months ended March 31, 2017), lower foreign exchange gain of US$0.3 million, off-set by lower accretion cost in related to Stag's asset restoration obligation of US$0.2 million.

Taxation
Taxation expense for the three-month period ended March 31, 2018 reduced by US$3.1 million compared to three-months ended March 31, 2017, mainly due to lower deferred PRRT tax expenses at Stag of US$2.8 million, deferred tax effect on loss of cash flow hedges of US$0.3 million and reversal of deferred tax liabilities of Ogan Komering PSC of US$0.2 million, off-set by higher corporate tax of US$0.2 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 unaudited Financial Statements for the three months ended March 31, 2018:

	As at March 31, 2018 US$000	**As at December 31, 2017 US$000**
Total assets	211,365	227,888
Non-current assets	186,792	203,109
Current assets	24,573	24,779
Non-current liabilities	106,744	108,024
Current liabilities	13,558	11,666
Shareholders' equity	91,063	108,198

Total assets at March 31, 2018 reduced by US$16.6 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 within one year from the date of the balance sheet. Non-current assets reduced by US$16.3 million compared to prior fiscal year, mainly due to a reduction in the intangible exploration assets of US$11.9 million resulting from the provision for impairment of Block 127 PSC, current quarter depletion, depreciation and amortisation of US$2.8 million, and reduction in oil and gas properties of US$1.8 million arising from changes in asset restoration obligation (ARO) estimates and a reduction of deferred tax assets of US$0.3 million. This was partially off-set by capital expenditure for the current quarter of US$0.5 million.

Current assets

Current assets as at March 31, 2018 decreased by US$0.2 million from the balance as at December 31, 2017 due to a decline in the receivables and cash partly off-set by an increase in inventory.

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 reduced by US$1.3 million compared to prior fiscal year, due to changes in the discount rate and foreign exchange rates of US$1.8 million, off-set by accretion expenses of US$0.5 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 reduced by US$0.3 million compared to prior year due to changes in discount rates.

Deferred tax liabilities
The deferred tax liability originated from the acquisition of the Ogan Komering PSC, and arose from timing differences in unrecovered depreciated costs. During the three-month period ended March 31, 2018, the balance of the deferred tax liability was reduced by US$0.2 million in conjunction with the expiry of the PSC license on February 28, 2018.

Secured convertible bonds and derivative financial instruments
The secured convertible bond increased by US$0.3 million compared to prior fiscal year, due to increase in accretion expenses and the associated derivative financial instrument arising from fair value accounting.

Current liabilities

Trade & other payables, accruals & provisions
Trade and other payables, accruals and provisions increased by US$0.4 million compared to the prior fiscal year, due to an increase in other payables of US$1.2 million off-set by a reduction in trade payables of US$0.7 million and provisions of US$0.1 million.

Borrowings
The borrowing arrangement has an effective interest rate of 7.08% (December 31, 2017: 7.08%). No security or charges over any assets of the Company are in place for this arrangement. Borrowing has reduced by US$0.4 million compared to prior fiscal year.

Other financial liabilities
The other financial liabilities comprise oil price hedging contracts entered during the three-month period ended March 31, 2018.

Shareholders' equity

This comprises the paid-up share capital, share-based payment reserve, cash flow hedge reserve and accumulated losses. The shareholders' equity reduced by US$17.1 million compared to prior fiscal year due to current three-month period loss of US$16.6 million, other comprehensive loss of US$0.6 million, offset by share-based payments of US$0.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash at Bank

At March 31, 2018 cash at bank was US$9.7 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 March 31, 2018 US$000	3-months ended March 31, 2017 US$000
Cash generated from/(used in) operating activities	77	(6,518)
Cash used in investing activities	(464)	(4,351)
Cash provided by financing activities	(401)	(339)
Increase/(decrease) in cash during the period	(788)	(11,765)
Effect of translation on foreign currency cash and cash equivalents	-	(557)
Cash at bank beginning of period	10,450	26,243
Cash at bank end of period	9,662	14,478

Cash generated from operating activities for the three-month period ended March 31, 2018 was US$0.1 million, a positive movement compared to cash used in operation for the three-months ended March 31, 2017 of US$6.5 million. This is mainly due to the increased cash contributions from Ogan Komering's full three months' operation and lower production costs at Stag, and at Ogan Komering on a per unit basis, compared to the three-months ended March 31, 2017.

Cash used in investing activities for the three-month period ended March 31, 2018 reduced by US$3.9 million compared to 3-months ended March 31, 2017, mainly due to lower capital expenditure of US$2.2 million and prior period acquisition of Ogan Komering for a consideration of US$1.6 million.

Cash provided by financing activities was similar to the three-months ended March 31, 2017.

Working capital components

Working capital is the amount by which current assets exceed current liabilities. At March 31, 2018 the Company's working capital reduced by US$2.1 million compared to the three-months ended December 31, 2017. A breakdown of the Company's working capital is as follows:

	As at March 31, 2018 US$000	As at December 31, 2017 US$000	Change US$000
Inventories	11,329	9,610	1,719
Receivables and prepayments	3,582	4,719	(1,137)
Cash and cash equivalents	9,662	10,450	(788)
Borrowings	(460)	(829)	369
Trade & other payables, accruals and provisions	(11,256)	(10,837)	(419)
Other financial liabilities	(1,842)	-	(1,842)
Net working capital	11,015	13,113	(2,098)

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$5.0 million, subject to Tyrus' approval, and any amounts drawn down will bear interest at the rate of 7.5% per annum payable quarterly along with a 3.0% issue discount. The Facility matures 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 remains at US$15.0 million (December 31, 2017: US$15.0 million).

Contractual obligations and commitments

As at March 31, 2018	Total US$000	Less than 1 year US$000	1-5 years US$000	After 5 years US$000
Lease operating commitments	1,043	562	481	-
Stag Oilfield operational commitments	113,308	17,605	93,738	1,965
SEA PSC operational commitments	10,000	10,000	-	-
Total contractual obligations	124,351	28,167	94,219	1,965

As at March 31, 2018, the Group has entered into commercial leases in respect of the rental of office premises and office equipment, 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 March 31, 2018 comprise 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. 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 March 31, 2018, the Company had 221,298,004 issued and outstanding common shares and 2,991,464 of exercisable stock options, with a weighted average exercise price of C$0.50, and a weighted average remaining contractual life of 9.1 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 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 million from the US$28 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$3.4 million.

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

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 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.

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 minimise 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 March 31, 2018 the Group entered into a commodity hedge 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 oil hedge, 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 net of tax of US$688,236 and the loss on cash flow hedges recognised in the income statement amounted to net of tax of US$601,606. As at March 31, 2018 the financial liability of the cash flow hedge amounted to US$1,842,631.

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 overleaf 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.

Gain/(loss)	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
Increase by 10%	(393)	(3,109)	0	0
Decrease by 10%	866	2,635	0	0

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 cash flow from its producing assets (with full legal ownership of Stag effective from July 10, 2017), on-going cost reduction initiatives, drawing down on the convertible bond facility to meet necessary capital expenditure needs, merger and acquisition strategies, and bank balance on hand.

The Group has reduced the loss for the three-month period ended March 31, 2108 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 is 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 remain 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 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:

	March 31, 2018 US$000	**December 31, 2017 US$000**
Less than 1 year		
Trade & other payables, accruals and provisions	11,256	10,837
Other financial liabilities	1,842	-
Borrowings	460	829
	13,558	11,666
Within 2 years		
Convertible Bond	13,046	-
	13,046	-

The Company's derivative financial instruments comprise the convertible bond amounting to US$3.4 million (December 31, 2017: US$3.1 million).

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 (refer overleaf):

Compensation of Directors and Key Management Personnel

The remuneration of directors and other members of key management during the period 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
	1,494	1,835

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.

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 performance, 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.